

**PRELIMINARY OFFICIAL STATEMENT**

**\$9,995,000\***

**MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)**

**Electric System Revenue Bonds, Series 2026**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, January 7, 2026 at 10:15 A.M. E.S.T. / 9:15 A.M. C.S.T.  
Through the Facilities of **PARITY®**



SINCE 1931

**CUMBERLAND SECURITIES**

INDEPENDENT FINANCIAL ADVISOR

December 17, 2025

\*Preliminary, subject to change.

This *Preliminary Official Statement* and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the *Official Statement* is delivered in final form. Under no circumstances shall this *Preliminary Official Statement* constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**NEW ISSUE**  
**Book-Entry-Only**

Ratings: S&amp;P: "AA" (AG)

Underlying: "BBB"

(See "MISCELLANEOUS – RATINGS" herein.)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Authority, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under existing law and subject to certain exceptions, the Bonds and the income therefrom will be exempt from state, county and municipal taxation in the State of Tennessee. See the section entitled "LEGAL MATTERS-Tax Matters" herein.*

**\$9,995,000\*****MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)****Electric System Revenue Bonds, Series 2026**

Dated: Date of Issuance (assume February 6, 2026).

Due: February 1 (as indicated below)

The \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the "Bonds") issued by the Milan Public Utilities Authority (Tennessee) (the "Authority") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on August 1, 2026 and thereafter on each February 1 and August 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

The Bonds are payable solely from and secured by a lien on the Net Revenues (as defined herein) to be derived from the operation of the Authority's electric power distribution system (the "System") and on parity with the Series 2025 Bonds, (as defined herein) and any bonds hereafter issued on parity therewith. The owner of these Bonds shall have no recourse to the taxing power of the Authority. See section entitled "SECURITIES OFFERED – Security".

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**



The Bonds maturing February 1, 2034 and thereafter are subject to optional redemption prior to maturity on or after February 1, 2033.

<u>Due</u> <u>(Feb. 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(Feb. 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2029	\$100,000				2044	\$335,000			
2030	170,000				2045	350,000			
2031	180,000				2046	370,000			
2032	185,000				2047	390,000			
2033	195,000				2048	410,000			
2034	205,000				2049	430,000			
2035	215,000				2050	450,000			
2036	225,000				2051	470,000			
2037	240,000				2052	495,000			
2038	250,000				2053	520,000			
2039	265,000				2054	545,000			
2040	275,000				2055	575,000			
2041	290,000				2056	600,000			
2042	305,000				2057	635,000			
2043	320,000								

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the Authority, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Michael Hill, Esq., counsel to the Authority. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about February \_\_, 2026.

**Cumberland Securities Company, Inc.***Municipal Advisor*

January \_\_, 2026

\*Preliminary, subject to change.

This *Preliminary Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Preliminary Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Preliminary Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Preliminary Official Statement*. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Preliminary Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Preliminary Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Authority. The information set forth herein has been obtained by the Authority from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this *Official Statement* or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading **"APPENDIX F – BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY"**.

**\*\*Copyright, American Bankers Association (the "ABA").** CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Authority makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

# MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)

## **BOARD OF DIRECTORS**

Richard Adkisson  
Thorne Barbour  
Dr. Michael McAdoo

John Ross  
Julia Allen Ward

## **AUTHORITY OFFICIALS**

Michael R. Hill  
Michael Longmire

*Attorney*  
*President & Chief Executive Officer*

## **CITY OF MILAN OFFICIALS**

B.W. Beasley  
Michael Hill  
Autumn Stewart

*Mayor*  
*Authority Attorney*  
*City Recorder*

## **REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

## **BOND COUNSEL**

Bass, Berry & Sims PLC  
Nashville, Tennessee

## **MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.



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## **APPENDIX F: BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Authority .....Milan Public Utilities Authority (Tennessee) (the “Authority” or “Issuer”). See APPENDIX B contained herein.

Securities Offered.....\$9,995,000\* Electric System Revenue Bonds, Series 2026, maturing February 1, 2029 through February 1, 2057, inclusive, (the “Bonds”) of the Authority. The Bonds will be dated the date of issuance (assume February 6, 2026). See the section entitled “SECURITIES OFFERED” for additional information.

Security.....The Bonds are payable solely from and secured by a lien on the revenues to be derived from the operation of the Authority's electric power distribution system (the "System"), and on parity with the Electric System Revenue Bonds, Series 2025, dated January 31, 2025 (the “Series 2025 Bonds”), and any bonds hereafter issued on parity therewith under the Resolution (as herein defined), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. **The Bonds shall be payable solely from and secured by the Net Revenues of the System, subject to the payment of certain costs. The Authority has no taxing authority.** For the definition of Net Revenues of the System, see APPENDIX C – “Summary of Certain Provisions of the Resolution”.

Purpose .....The Bonds are being issued for the purpose of providing funds to (i) to finance acquisitions, extensions, and improvements to the System, including without limitation the purchase and installation of fiber optic infrastructure for the System, (ii) the acquisition of all property real or personal appurtenant thereto, (iii) the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith and (iv) financing the costs of issuing the Bonds.

Optional Redemption .....The Bonds are subject to optional redemption prior to maturity on or after February 1, 2033, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.

Rates .....Rates and fees for electric service provided by the System are established by the Board of Directors of the Authority. Except as provided in Appendix B, the System is not otherwise subject to rate regulation, and the Board is not aware of any pending legislation which would make its rates and fees subject to regulation.

Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Authority, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. Under existing law and subject to certain exceptions, the Bonds and the income therefrom will be exempt from state, county and municipal taxation in the State of Tennessee. See the section entitled “LEGAL MATTERS-Tax Matters” herein.

Bank Qualification .....The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.

Rating.....S&P: AG Insurance “AA”, “BBB” Underlying. See the section entitled “MISCELLANEOUS - Rating” for more information.

Registration and Paying Agent .....Regions Bank, Nashville, Tennessee. (the "Registration Agent").

Bond Counsel .....Bass, Berry & Sims PLC, Nashville, Tennessee.

Municipal Advisor.....Cumberland Securities Company, Inc. See the section entitled “MISCELLANEOUS - Municipal Advisor; Related Parties; Others”, herein.

Underwriter.....\_\_\_\_\_.

Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book–Entry-Only System”.

General.....The Bonds are being issued in full compliance with applicable provisions of the Title 7, Chapter 36, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled “SECURITIES OFFERED – Authority and Purpose.” The Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, the Authority will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including audited financial statements, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the Authority or the *Preliminary Official Statement*, contact Michael Longmire, President & Chief Executive Officer, 1085 S. Second Street, Milan, Tennessee 38358, Telephone: (731) 686-1537 or the Authority's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850-7422.

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**ELECTRIC SYSTEM**  
**Summary of Changes In Net Positions**  
For the Fiscal Year Ended June 30

	<u><b>2021</b></u>	<u><b>2022</b></u>	<u><b>2023</b></u>	<u><b>2024</b></u>	<u><b>2025**</b></u>
Beginning Net Position	\$13,850,417	\$14,239,800	\$15,051,092	\$15,550,156	\$15,737,736
Revenues	19,131,532	20,356,380	22,770,418	22,053,949	24,040,627
Expenditures	18,112,663	19,226,650	21,980,566	21,489,540	22,552,010
Other Financing Sources:					
Interest Income	5,060	4,118	15,761	31,994	208,935
Tap Fees & Other	-	22	28	-	1,415
Gain/Loss Disposal of Assets	(344,779)	-	22,063	(69,555)	35,922
Interest Expense	(48,350)	(55,591)	(47,403)	(59,338)	(220,976)
Transfers Out – In Lieu of Tax Pymts	(241,417)	(266,987)	(281,237)	(279,930)	(279,930)
<b>Ending Net Position</b>	<b>\$14,239,800</b>	<b>\$15,051,092</b>	<b>\$15,550,156</b>	<b>\$15,737,736</b>	<b>\$16,971,719</b>

*Source:* Annual Comprehensive Financial Reports of the City of Milan, Tennessee.

\*\* 6 Months as Board of Public Utilities of Milan, Tennessee and 6 Months as Milan Public Utilities Authority

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## SUMMARY NOTICE OF SALE

**\$9,995,000\***

### **MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)**

#### **Electric System Revenue Bonds, Series 2026**

NOTICE IS HEREBY GIVEN that the President of the Milan Public Utilities Authority (Tennessee) (the “Authority” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. / 9:15 a.m. C.S.T. on Wednesday, January 7, 2026** for the purchase of all, but not less than all, of the Authority's \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the Authority’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the Authority reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 10:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume February 6, 2026 ). The Bonds will mature on February 1 in the years 2029 through 2057, inclusive, with term bonds optional, with interest payable on February 1 and August 1 of each year, commencing August 1, 2026, and will be subject to optional redemption prior to maturity on or after February 1, 2033. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the Authority by Bass, Berry & Sims PLC, Bond Counsel, Nashville, Tennessee. **No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the President of the Authority on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

**In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the Authority will require bidders to comply with the “hold-the-offering-price rule” for purposes of determining the issue price of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.**

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or from the Authority’s Municipal

Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

MILAN PUBLIC UTILITIES AUTHORITY  
(TENNESSEE)

By: Michael Longmire, President & CEO

## DETAILED NOTICE OF SALE

**\$9,995,000\***

### **MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)**

#### **Electric System Revenue Bonds, Series 2026**

NOTICE IS HEREBY GIVEN that the President of the Milan Public Utilities Authority (Tennessee) (the “Authority” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. / 9:15 a.m. C.S.T. on Wednesday, January 7, 2026** for the purchase of all, but not less than all, of the Authority's \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in this “Detailed Notice of Sale”. In case of written bids, bids will be received by the Authority’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the Authority reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in this Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

*Description of the Bonds.* The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2026. The Bonds will mature and be payable on February 1 of each year as follows:

<b>YEAR</b>		<b>YEAR</b>	
<b>(Feb. 1)</b>	<b>AMOUNT*</b>	<b>(Feb. 1)</b>	<b>AMOUNT*</b>
2029	\$100,000	2044	\$335,000
2030	170,000	2045	350,000
2031	180,000	2046	370,000
2032	185,000	2047	390,000
2033	195,000	2048	410,000
2034	205,000	2049	430,000
2035	215,000	2050	450,000
2036	225,000	2051	470,000
2037	240,000	2052	495,000
2038	250,000	2053	520,000
2039	265,000	2054	545,000
2040	275,000	2055	575,000
2041	290,000	2056	600,000
2042	305,000	2057	635,000
2043	320,000		

*Bank Qualification.* The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The Authority will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the Authority, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) and the Authority and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds are payable solely from and secured by a lien on the revenues to be derived from the operation of the Authority's electric power distribution system (the "System"), and on parity with the Electric System Revenue Bonds, Series 2025, dated January 31, 2025, and any bonds hereafter issued on parity therewith under the Resolution (as herein defined), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System as more fully described in the Resolution as the "Net Revenues". The Bonds shall be payable solely from and secured by the Net Revenues of the System, subject to the payment of certain costs. The Authority has no taxing authority. For the definition of Net Revenues of the System, see APPENDIX C – "Summary of Certain Provisions of the Resolution".

Purpose. The Bonds are being issued for the purpose of providing funds to (i) to finance acquisitions, extensions, and improvements to the System, including without limitation the purchase and installation of fiber optic infrastructure for the System, (ii) the acquisition of all property real or personal appurtenant thereto, (iii) the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith and (iv) financing the costs of issuing the Bonds.

Optional Redemption. The Bonds maturing on February 1, 2034 and thereafter are subject to optional redemption prior to maturity at the option of the Authority on or after February 1, 2033, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest

rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the Authority at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

**Bidding Instructions.** The Authority will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. **Bidders for the Bonds are required to bid as to each maturity of the Bonds an interest rate of not less than four percent (4.00%) or more than five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par. A single interest rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par in aggregate.**

Electronic bids must be submitted through **PARITY**<sup>®</sup> via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Authority will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**<sup>®</sup> shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the Authority. The Authority shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**<sup>®</sup>. The use of **PARITY**<sup>®</sup> facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**<sup>®</sup>, potential bidders may contact i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the Authority's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The Authority and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the Authority's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

The Authority reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the President to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such

year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the President shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the Authority reserves the right to adjust and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the Authority's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the President reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the President may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the Authority. Additionally, the President reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the Authority's Municipal Advisor (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the Authority's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the Authority as liquidated damages.

In the event of the failure of the Authority to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

#### Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the Authority in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the Authority within 24 hours after award, furnish the following information to the Authority to complete the *Official Statement* in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Authority that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.

- C. Any other material information that the Authority determines is necessary to complete the *Official Statement* in final form.

After the award of the Bonds, the Authority will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the Authority will not include in the final *Official Statement* a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the Authority in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

The Authority expects the successful bidder to deliver copies of such *Official Statement* in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that each has made delivery of the Final Official Statement to the MSRB, to acknowledge that the Authority expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Method for Establishment of Issue Price

- a. The successful bidder shall assist the Authority in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the Authority under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the Authority by the Municipal Advisor, and any notice or report to be provided to the Authority may be provided to the Municipal Advisor.
- b. The Authority intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
  1. the Authority shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
  2. all bidders shall have an equal opportunity to bid;
  3. the Authority expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
  4. the Authority anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale.

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the Authority shall so advise the successful bidder. In such event, the Authority intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Authority

promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the Authority determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5<sup>th</sup>) business day after the sale date; or
  2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the Authority promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
- (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5<sup>th</sup>) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
  - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
  - (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.
- (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language

obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5<sup>th</sup>) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The Authority acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
  - 1. “public” means any person other than an underwriter or a related party;
  - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);
  - 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the Authority to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the Authority, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the Authority. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the Authority will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Authority by not later than twelve months after each of the Authority's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the Authority is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the Authority either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder of such delivery. Delivery will be made in Book-Entry-Only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the Authority. The Authority will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The Authority has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The Authority will furnish the successful bidder at the expense of the Authority a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a contract between the Authority and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the Authority's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Michael Longmire, President & CEO



## EXHIBIT A

### MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE) [\$ \_\_\_\_\_ Electric System Revenue Bonds, Series 2026]

#### ISSUE PRICE CERTIFICATE (if Hold-The-Offering-Price Rule does not apply)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the Milan Public Utilities Authority (Tennessee) (the “Issuer”).

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 7, 2026.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract

directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT B

### MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE) [\$\_\_\_\_\_ Electric System Revenue Bonds, Series 2026]

#### ISSUE PRICE CERTIFICATE (if Hold-The-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Milan Public Utilities Authority (Tennessee) (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
  - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-The-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
  - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-The-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
  - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
  - (b) *Hold-The-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-The-Offering-Price Maturities.”
  - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-The-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-The-Offering-Price Maturity.

- (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 7, 2026.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: \_\_\_\_\_

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

# BID FORM

Michael Longmire, President & CEO  
1085 S. Second Street  
Milan, TN 38358

January 7, 2026

Dear President Longmire:

For your legally issued, properly executed \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the "Bonds") of the Milan Public Utilities Authority (Tennessee), in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume February 6, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on February 1 and bear interest at the following rates:

<b>Maturity (Feb. 1)</b>	<b>Amount*</b>	<b>Rate</b>	<b>Maturity (Feb. 1)</b>	<b>Amount*</b>	<b>Rate</b>
2029	\$100,000	—	2044	\$335,000	—
2030	170,000	—	2045	350,000	—
2031	180,000	—	2046	370,000	—
2032	185,000	—	2047	390,000	—
2033	195,000	—	2048	410,000	—
2034	205,000	—	2049	430,000	—
2035	215,000	—	2050	450,000	—
2036	225,000	—	2051	470,000	—
2037	240,000	—	2052	495,000	—
2038	250,000	—	2053	520,000	—
2039	265,000	—	2054	545,000	—
2040	275,000	—	2055	575,000	—
2041	290,000	—	2056	600,000	—
2042	305,000	—	2057	635,000	—
2043	320,000	—			

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1: Maturities from February 1, 20\_\_\_\_ through February 1, 20\_\_\_\_ @ \_\_\_\_%.

Term Bond 2: Maturities from February 1, 20\_\_\_\_ through February 1, 20\_\_\_\_ @ \_\_\_\_%.

Term Bond 3: Maturities from February 1, 20\_\_\_\_ through February 1, 20\_\_\_\_ @ \_\_\_\_%.

Term Bond 4: Maturities from February 1, 20\_\_\_\_ through February 1, 20\_\_\_\_ @ \_\_\_\_%.

Term Bond 5: Maturities from February 1, 20\_\_\_\_ through February 1, 20\_\_\_\_ @ \_\_\_\_%.

It is our understanding that the Bonds are offered for sale as "qualified tax-exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Nashville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the Authority without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the  
Milan Public Utilities Authority (Tennessee), this  
7<sup>th</sup> day of January, 2026.

Respectfully submitted,

\_\_\_\_\_  
Michael Longmire, President & CEO

Total interest cost from  
February 6, 2026 to final maturity \$ \_\_\_\_\_  
Less: Premium /plus discount, if any \$ \_\_\_\_\_  
Net Interest Cost \$ \_\_\_\_\_  
True Interest Rate..... %

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*



**\$9,995,000\***  
**MILAN PUBLIC UTILITIES AUTHORITY (TENNESSEE)**  
**Electric System Revenue Bonds, Series 2026**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement*, which includes the “Summary Statement” and appendices, is furnished in connection with the offering by the Milan Public Utilities Authority (Tennessee) (the “Authority” or “Issuer”) of its \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 34, *Tennessee Code Annotated*, as amended and other applicable provisions of law and pursuant to a bond resolution (the “Resolution”) duly adopted by the Board of the Authority on November 13, 2025.

The Bonds are being issued for the purpose of providing funds to (i) to finance acquisitions, extensions, and improvements to the System, including without limitation the purchase and installation of fiber optic infrastructure for the System, (ii) the acquisition of all property real or personal appurtenant thereto, (iii) the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith and (iv) financing the costs of issuing the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be initially dated and bear interest from the date of issuance (assume February 6, 2026). Interest on the Bonds will be payable semi-annually on February 1 and December 1, commencing August 1, 2026. The Bonds are issuable in registered form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the President and shall be attested by the Secretary. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of authentication noted thereon.

**SECURITY**

The Bonds are payable solely from and secured by a lien on the revenues to be derived from the operation of the Authority's electric power distribution system (the "System"), and on parity with the Electric System Revenue Bonds, Series 2025, dated January 31, 2025 (the “Series 2025 Bonds”), and any bonds hereafter issued on parity therewith under the Resolution (as herein defined), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, as described in more detail in the Resolution as the “Net Revenues”.

The Bonds shall be payable solely from and secured by the Net Revenues of the System, subject to the payment of certain costs. The Authority has no taxing authority. For the definition of Net Revenues of the System, see APPENDIX C – “Summary of Certain Provisions of the Resolution”.

\* Preliminary, subject to change.

## **FLOW OF FUNDS**

Pursuant to the Resolution, the Authority has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

- First, to pay operating expenses
- Next, to pay debt service on the Series 2025 Bonds, the Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Series 2025 Bonds, the Bonds and any Parity Bonds, if applicable (the Authority has not established a debt service reserve for the Bonds or the Series 2025 Bonds)
- Last, to pay debt service on Subordinate Lien Bonds and to pay any other legal purpose. See APPENDIX C for a more detailed description of the flow of funds.

## **RATE COVENANT**

“Rate Covenant Requirement” means an amount of Net Revenues which is equal to the sum of (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year on the Series 2025 Bonds, the Bonds and any Parity Bonds plus (b) 100% of (i) the amounts, if any, required by this resolution or any subsequent resolution to be deposited by the Authority into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the Authority or other governmental entities.

The meanings of the capitalized terms used in this paragraph and not otherwise defined are summarized in APPENDIX C – “Summary of Certain Provisions of the Resolution”.

## **BOND FUND AND DEBT SERVICE RESERVE FUND**

The Resolution establishes a Bond Fund for the Series 2025 Bonds, the Bonds and any Parity Bonds. The Resolution requires the Authority to make monthly deposits to the Bond Fund sufficient to accumulate funds necessary to pay scheduled debt service on the Series 2025 Bonds, the Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2025 Bonds, the Bonds and any Parity Bonds as the same become due.

The Resolution does not require that the Authority to fund a Reserve Fund for the Bonds.

## **PARITY OF PLEDGE AND ADDITIONAL BONDS**

The Authority may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2025 Bonds and the Bonds. The Authority may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2025 Bonds, the Bonds and Parity Bonds. For a description of the requirements for issuing bonds or other obligations on a parity of lien with the Bonds see APPENDIX C – “Summary of Certain Provisions of the Resolution”.

## **SUBORDINATE LIEN BONDS AND OTHER SYSTEM INDEBTEDNESS**

The Authority may, from time to time, issue Subordinate Lien Bonds under the terms of the Resolution. Subordinate Lien Bonds will either (i) have a lien on the Net Revenues of the System subordinate to the lien on the Net Revenues of the System securing the Bonds, or (ii) be payable from, but not have a lien on the Net Revenues of the System.

## **ADDITIONAL BORROWING PLANS**

The Board annually reviews and prepares a five-year capital improvement plan for the System. Over the next five years, the Board expects that most of the capital improvements to the System will be funded with operating earnings.

## **OPTIONAL REDEMPTION**

Bonds maturing February 1, 2034, and thereafter, shall be subject to optional redemption prior to maturity at the option of the Authority on February 1, 2033, and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of the Authority, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

## **MANDATORY REDEMPTION**

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the Authority shall redeem Bonds maturing February 1, 20\_\_, and February 1, 20\_\_ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the Authority may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Authority on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The Authority shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Authority not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Authority nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Authority pursuant to written instructions from an authorized representative of the Authority (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Authority to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

*(The remainder of this page left blank intentionally.)*

## **BASIC DOCUMENTATION**

### **REGISTRATION AGENT**

The Registration Agent (named herein) will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Authority in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Authority to the persons in whose names the Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Authority shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Authority shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Authority of such Special Record Date and, in the name and at the expense of the Authority, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Authority to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### **BOOK-ENTRY-ONLY SYSTEM**

The Registration Agent, its successor or the Authority will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular

Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Authority in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not

receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Authority or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE AUTHORITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Authority, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Authority determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Authority will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the Authority believes to be reliable, but the Authority, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the Authority, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

## **DISPOSITION OF BOND PROCEEDS**

*General.* The proceeds of the Bonds will be used to (i) finance capital improvements to the System, as more fully described below (the "Project"); and (ii) financing the costs of issuing the Bonds.

*The Project.* The Bonds will be used primarily to finance the purchase and installation of fiber optic infrastructure for the System (the "Fiber Infrastructure"). The Fiber Infrastructure will primarily benefit the System and will be recorded as an asset of the System. The Fiber Infrastructure will connect, directly and indirectly, to each electric meter of the System within the footprint of the Fiber Infrastructure, and will enhance the quality and efficiency of the System's electric service by, among other things, (i) allowing the System to read electric meters remotely, (ii) allowing the System to remotely connect and disconnect meters, (iii) providing real-time outage reports, thereby enabling the System to respond more quickly to power outages, (iv) providing real-time usage reports that will allow the System's customers to tailor their electric power needs more effectively; (v) allowing the System to

design and implement a grid modernization project, thus allowing automated procedures and equipment to reduce outage times and improve reliability and (vi) allowing the System to better manage its peak power load, thereby reducing the demand for additional electric generation facilities and reducing costs to the System's customers.

The Fiber Infrastructure is also expected to be used by the Authority's broadband division (the "Broadband Division"), which operates as a separate division of the Authority and is not part of the System. The Broadband Division will be permitted to use the Fiber Infrastructure only upon the payment by the Broadband Division to the Authority's electric division of a monthly use charge equal to no less than the portion of the cost of the Fiber Infrastructure allocable to the Broadband Division. This allocation is based upon the actual number of customers utilizing the services of the Broadband Division and will be periodically reallocated to assure proper division of costs.

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## LEGAL MATTERS

### LITIGATION

There are no claims against the Authority, including claims in litigation, which, in the opinion of the Authority, would have a material adverse effect on the Authority's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Authority to sell or issue the Bonds.

### TAX MATTERS

#### Federal

*General.* Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the Authority and assuming compliance by the Authority with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

The Code imposes requirements on the Bonds that the Authority must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Authority does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The Authority has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

*Bond Premium.* If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

*Original Issue Discount.* A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

*Qualified Tax-Exempt Obligations.* Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Authority as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

*Information Reporting and Backup Withholding.* Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld

pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

### **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the Authority will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the President acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the Authority since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature

pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the President acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the President and Authority's Secretary acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the Authority concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled "MISCELLANEOUS – "Competitive Public Sale", "Additional Information" and "Continuing Disclosure."

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## MISCELLANEOUS

### RATING

S&P Global Ratings (“S&P”) is expected to assign the Bonds the insured rating of “AA” (stable outlook) based on the issuance and delivery of the Municipal Bond Insurance Policy for the Bonds by Assured Guaranty Inc. (“AG”) concurrently with the issuance of the Bonds. Additionally, the Bonds have been assigned an underlying rating of “BBB” from S&P.

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of Outstanding Bonds obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The ratings reflect only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

### COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on January 7, 2026. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated December 17, 2025.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the “Underwriter”) who contracted with the Authority, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ \_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$ \_\_\_\_\_ and less an original issue discount of \$ \_\_\_\_\_) or \_\_\_\_\_% of par.

### MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

*Municipal Advisor.* Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the “Municipal Advisor”) to the Authority for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the Authority to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the Authority, including without limitation any of the Authority’s financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the Authority, any of its affiliated or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should

not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the Authority to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the Authority in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statements.* Certain information relative to the location, economy and finances of the Authority is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the Authority. The information set forth herein has been obtained by the Authority from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the Authority and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the Authority and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the Authority’s Dissemination Agent. If the Authority chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **DEBT RECORD**

There is no record of default on principal or interest payments of the Authority. Additionally, no agreements or legal proceedings of the Authority relating to securities have been declared invalid or unenforceable.

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## CONTINUING DISCLOSURE

The Authority will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Authority by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2026 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the Authority. The Authority will provide notice in a timely manner to the MSRB of a failure by the Authority to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the Authority with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year Filing History.* The Authority has complied in all material respects with its existing continuing disclosure agreement in accordance with Rule 15c2-12 for the past five years.

*Content of Annual Report.* The Authority's Annual Report shall contain or incorporate by reference the Audit Report of Authority for the fiscal year, prepared in accordance with generally accepted auditing standards, provided; however, if the Authority's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report shall also include in a similar format the information included in APPENDIX B entitled SUPPLEMENTAL INFORMATION STATEMENT.

1. Residential and General Power Rates;
2. Number of Meters in Service;
3. Power usage – MWH;
4. Purchased Power from TVA;
5. Historical Electric Department Use;
6. The Ten Largest Electric Customers;
7. Summary of Bonded Indebtedness – Electric System;
8. Bonded Debt Service Requirements – Electric System Debt;

9. Five Year Summary of Revenues, Expenditures and Changes in Net Position – Electric System; and
10. Historical Debt Service Coverage on Bonds in Electric System.

Any or all of the items listed above may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an *Official Statement*, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The Authority will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the Authority shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Authority shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities, if material;
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the Authority, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the Authority, any of which reflect financial difficulties.

*Termination of Reporting Obligation.* The Authority's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also,

if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the Authority to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Authority to comply with the Disclosure Certificate shall be an action to compel performance.

## **BONDHOLDER RISK**

*CLIMATE CHANGE.* Planning for climate change in the State and its impact on the Authority's operation is an unknown challenge. The State of Tennessee's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts of climate change include changes in the length, intensity, and frequency of droughts and floods. The financial impact of climate change is not yet known, and therefore, its future impact on the Authority cannot be quantified reliably at this time.

*CYBER-SECURITY.* Computer networks and data transmission and collection are vital to the efficient operations of the Authority and the Board. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the Authority and the Board, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the Authority's and the Board's operations, which could materially affect the Authority's and Board's operations. The Authority and the Board maintain insurance to mitigate any potential financial losses from cyber-security threats, but there is no assurance such insurance will be sufficient to cover the cost of a successful cyberattack.

## **FORWARD LOOKING STATEMENTS**

The statements contained in the *Preliminary Official Statement* and *Official Statement*, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in the *Preliminary Official Statement* and *Official Statement* are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers,

business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in the *Preliminary Official Statement* and *Official Statement* would prove to be accurate.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in the *Preliminary Official Statement* and *Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the *Preliminary Official Statement* and *Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the *Preliminary Official Statement* and *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the Authority and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or the *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

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## CERTIFICATION OF AUTHORITY

On behalf of the Authority and Board, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/  
President & Chief Executive Officer

ATTEST:

/s/  
Secretary



## **APPENDIX A**

### **LEGAL OPINION**



(Proposed Form of Opinion of Bond Counsel)

21 Platform Avenue South, Suite 3500  
Nashville, TN 37203  
(615) 742-6200

(Closing Date)

Board of Directors  
Milan Public Utilities Authority

[Underwriter]

**Re: Milan Public Utilities Authority, Electric System Revenue Bonds, Series 2026**

Ladies and Gentlemen:

We have acted as bond counsel to Milan Public Utilities Authority (the "Issuer") in connection with the issuance of \$\_\_\_\_\_ Electric System Revenue Bonds, Series 2026, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Directors of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer.

3. The principal of and interest on the Bonds are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the electrical power transmission and distribution system of the Issuer (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System and on a parity and equality of lien with the Issuer's outstanding Electric System Revenue Bonds, Series 2025, dated January 31, 2025. We express no opinion as to the sufficiency of any of such revenues for the payment of principal of, premium, if any, or interest on the Bonds.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause interest on the Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are “qualified tax-exempt” obligations within the meaning of Section 265 of the Code.

The rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equity principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds. Further, we express no opinion herein regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

## **APPENDIX B**

### **SUPPLEMENTAL INFORMATION STATEMENT MILAN ELECTRIC SYSTEM**



# THE MILAN ELECTRIC SYSTEM

## HISTORY AND ORGANIZATION

Milan Public Utilities Authority (the “MPUA”) is located in Milan, Tennessee, and was owned by the City of Milan until January 1, 2025. MPUA manages the Electric, Water/Wastewater, and Broadband Systems and operates under the authority of a Board of Directors. The Electric, Water/Wastewater, and Broadband Systems share top management, customer services, billing, meter reading and accounting. Each system pays its share of these expenses and has its own financial reports.

The Electric System purchases electricity on the basis of a wholesale contract from the Tennessee Valley Authority which offers some of the lowest electricity rates in the country. The Electric System has approximately 8,558 customers in addition to approximately 71 outdoor lighting customers and manages more than 571 miles of distribution line.

## UTILITY BOARD OF DIRECTORS

The Board members each serve a five-year term of office and meet monthly in formal board meetings. These citizen directors set policy and approve planning with input from the Board’s staff and ratepayers. Members of the Board as of July 1, 2025, are as follows:

<u>Member</u>	<u>Term Expires</u>	<u>Occupation</u>
Richard Adkisson	2029	Board of Alderman Rep
Thorne Barbour	2030	At Large - City Rep
Dr. Michael Macadoo	2027	At Large - City Rep
John Ross	2028	At Large - Outside City Rep
Julia Allen Ward	2026	At Large - City Rep

Michael R. Hill - Attorney

Michael Longmire – President and Chief Executive Officer

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# **THE ELECTRIC DISTRIBUTION SYSTEM**

## **SERVICE AREA**

The Electric System currently provides electric power to over 8,558 total customers in Milan and parts of Gibson, Carroll, and Madison County in West Tennessee with over 571 miles of distribution lines.

## **TRANSMISSION SYSTEM**

The Electric System is connected to the TVA transmission grid at 1 delivery points with a total infeed base capacity of 90 MVA. The current peak system demand is 50 MVA. During Fiscal Year 2024, the Electric System average load factor was 55%, and the Electric System losses were 5.65%. The Electric System operates 4 substations and over 12.06 miles of primary electric line throughout its service area.

## **DISTRIBUTION SYSTEM**

The Electric System's distribution system serves approximately 8,558 residential, commercial, and industrial customers located within its service area. The 13.2 kV distribution system consists of approximately 453.88 miles of primary overhead conductor and approximately 21.50 miles of underground primary conductor. Twelve distribution substations energize the distribution system through multiple circuits.

## **SOURCE OF ELECTRIC POWER**

The Electric System does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority ("TVA") pursuant to a power contract dated as of July 1, 1986, (the "Power Contract"). Under the Power Contract, the City agrees to purchase all of its electric power from TVA.

Milan Electric System has signed a long-term supply agreement with TVA. The initial term of this agreement is for 20 years with an annual evergreen provision. The benefit to the local power company is a 3.1% credit on the distributor's monthly power invoice. As of June 2024, approximately 147 of TVA's 153 municipal and cooperative customers, including four of their five largest customers, signed a similar long-term contract with TVA.

The cost and availability of power to the Electric System may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as future legislation regulating the mining of coal, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers, including the City. The power sold to the City is supplied from the entire TVA system and not one specific generating facility.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the

output thereof so as to be in a position to supply additional power when and to the extent needed by the City. Neither TVA nor the City is liable for breach of contract if the availability or use of power is interrupted or curtailed or if either party is prevented from performing under the Power Contract by circumstances beyond its control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA's generating and transmission facilities.

The Power Contract specifies the wholesale purchase rates and monthly resale rates to be adhered to by the City, which may be revised periodically by TVA, through the publication of an Adjustment Addendum, to cover increased costs to TVA. See "Electric Rates".

## **THE TENNESSEE VALLEY AUTHORITY**

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933, as amended. The Acts' objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region. TVA made some major changes in managing its governing structure and workforce. The Board changed from a three-member, full-time board to a full-time CEO who reports to a part-time board as of May 2005.

TVA raised rates and fuel cost adjustments by twenty percent to account for the increased oil prices of 2008. This increase was the highest rate increase in three decades. As of early 2009, power rates were decreased by six percent in response to the lower price of fuel. In April of 2011, TVA implemented a wholesale Almost Flat Demand and Energy Rate and a wholesale Time of Use Rate. Power Distributors were able to select one of these two options based on which rate would best accommodate their need. The Electric System chose the wholesale Time of Use Rate based on extensive analysis by management and an outside rate consultant.

## **ELECTRIC RATES**

Pursuant to the Power Contract, the Electric System has agreed to adhere to the resale rates set forth in certain schedules established by the TVA. The schedules include the provision that customer billings will be adjusted in accordance with the Adjustment Agenda published by the TVA. The Electric System is not otherwise subject to rate regulation under existing law, and the Municipality is not aware of any pending legislation to make its electric rates subject to regulation. The Power Contract provides further that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of the Department on a self-supporting, financially sound basis, including debt service, the Municipality and TVA shall agree to changes in rates to provide increased revenues. In like manner, if the rates and changes produce excess revenues, the parties shall agree to rate reductions. Since the date of the Power Contract the wholesale and resale rates have been adjusted from time to time through TVA's publication of Adjustment Addenda.

The following schedule outlines the electric rates charged by the Department as of June 30, 2025:

***Residential Rate Schedule***

Customer Charge – per deliver point per month.....	\$27.55
Energy Charge – cents per kWh	
First 800 kWh per month .....	0.09114
Additional kWh.....	0.07998

***General Power Schedule***

**GSA 1 (Under 50 kW demand & less than 15,000 kWh)**

Customer Charge – per deliver point per month.....	\$31.13
Energy Charge – cents per kWh	
First 900 kWh per month .....	0.10388
Additional kWh.....	0.09172

**GSA 2 (51-1000 kW demand or more than 15,000 kWh)**

Customer Charge – per deliver point per month.....	\$87.17
Demand Charges – per kW per month	
First 50 kW .....	No Charge
Excess Over 50 kW .....	\$16.53
Energy Charge – cents per kWh	
First 15,000 kWh per month .....	0.09909
Additional kWh per month .....	0.05512

**GSA 3 (1000 - 5000 kW demand)**

Customer Charge – per deliver point per month.....	\$310.91
Demand Charges – per kW per month	
First 1000 kW .....	\$17.59
Excess Over 1000 kW not to exceed 5000 .....	\$13.18
Energy Charge – cents per kWh .....	0.05788

***Outdoor Lighting***

Customer Charge – per deliver point per month.....	\$3.23
All kW – per kWh per month .....	0.05857

**SUBSTATION, TRANSMISSION & DISTRIBUTION SYSTEMS**

The Milan Public Utilities Authority Electric System is connected to the TVA transmission grid through one (1) 161kV delivery points and four (4) 69 kV delivery points. MPUA has a total of 3 distribution substations to convert from either 161 kV or 69 kV down to 13 kV for distribution. The MPUA Electric System includes approximately 571 miles of distribution lines. The peak demand for the MPUA Electric System was 50 MW which occurred in January 2024.

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## BROADBAND RATES

The following schedule outlines the broadband rates charged by the Department as of June 30, 2025:

### ***Residential Internet***

Residential Silver .....	\$54.95
Residential Gold.....	99.95

### ***Small Business Internet***

Small Business Bronze .....	\$59.95
Small Business Silver .....	99.95
Small Business Gold .....	199.95
E-Rate Small Business Gold.....	40.00

### ***Enterprise Business Internet***

Enterprise Bronze.....	\$199.95
Enterprise Silver.....	499.95
Enterprise Gold .....	995.95

### ***Prioritized IP Data Circuits .....***

	\$17.50
--	---------

### ***Other Services / Monthly Charges***

Static IP Address.....	\$10.00
Block IP Address - 5 .....	25.00
Block IP Address - 13 .....	50.00
E-Rate Block IP Address - 5 .....	5.00
Additional Email Address (each).....	3.00
Managed Wireless Access Point.....	10.00

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## OPERATING AND FINANCIAL HISTORY

### OPERATING HISTORY

The following tables present information relating to the number of meters in service, operating revenues of the Electric System, and data on the largest industrial customers. Unless otherwise stated, such information is presented for the fiscal years ended June 30 in the years shown.

#### NUMBERS OF CUSTOMERS IN SERVICE

<b><u>Fiscal Year</u></b>	<b><u>Residential</u></b>	<b><u>Small Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Street, Athletic, Outdoor Lighting</u></b>	<b><u>Total</u></b>
2020	6,762	1,299	98	73	8,232
2021	6,829	1,337	100	74	8,340
2022	6,822	1,369	105	85	8,381
2023	6,828	1,382	117	71	8,398
2024	6,859	1,399	120	74	8,452
2025	6,910	1,453	124	71	8,558

Source: Milan Electric System.

#### POWER USAGE – MWH

##### **For the Fiscal Year Ended June 30**

	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Residential	102,551,672	102,237,816	99,593,314	99,061,586	101,419,615
Commercial & Industrial (sm)	17,668,834	17,981,445	17,950,420	18,514,747	18,364,426
Commercial & Industrial (lg)	54,571,897	55,253,367	58,159,061	58,030,226	57,866,629
Street, Athletic & Outdoor Lighting	<u>3,182,044</u>	<u>2,975,903</u>	<u>2,781,763</u>	<u>2,662,683</u>	<u>2,549,684</u>
<b>Total</b>	<b><u>177,974,447</u></b>	<b><u>178,448,531</u></b>	<b><u>178,484,558</u></b>	<b><u>178,269,242</u></b>	<b><u>180,200,354</u></b>

Source: Milan Electric System.

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## HISTORICAL ELECTRIC SYSTEM USE

The following table shows historical figures for the population of Gibson County, the Electric System's average number of customers, electric load and electric sales.

<u>Year</u>	<u>City of Milan Population</u>	<u>Gibson County Population</u>	<u>Number of Customers</u>	<u>Peak Demand (KW)</u>	<u>Sales</u>
2020	8,171	50,429	8,232	42,421	\$18,068,769
2021	8,170	50,541	8,340	47,204	\$18,325,663
2022	8,260	50,837	8,381	45,017	\$19,372,474
2023	8,292	51,045	8,398	50,937	\$21,547,076
2024	8,330	51,264	8,452	50,102	\$18,216,287
2025	8,330	51,264	8,558	45,584	\$23,714,210

Source: Milan Electric System

## TEN LARGEST ELECTRIC CUSTOMERS IN 2025

The ten largest customers in the Electric System in order of total kWh sales generated are listed below. These ten top electric customers represent 13.69% of the total electric sales dollars.

<u>Name</u>	<u>Annual (kWh) Usage</u>	<u>Annual Sales (Dollars)</u>
CECO	14,266,163	\$1,366,272
Wal-Mart	4,706,880	451,124
American Ordinance	2,043,573	301,268
Milan General Hospital	2,542,200	258,385
Love's	1,645,900	226,205
Delta Faucet Co	1,480,800	166,374
NHC Healthcare	1,348,000	160,811
Allied Memory Foam	1,137,600	141,575
Milan Wastewater Plant	1,087,920	113,090
Lowes Home Center	<u>860,453</u>	<u>106,637</u>
<b>TOTALS</b>	<b><u>31,119,489</u></b>	<b><u>\$3,291,741</u></b>

Source: Milan Electric System

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**Milan Public Utilities Authority - Electric System**  
**SUMMARY OF BONDED INDEBTEDNESS**

<b>PURPOSE - Electric System</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>As of June 30, 2025 (1) OUTSTANDING</b>
\$9,750,000 Electric System Revenue Bonds, Series 2025	June 2054	Fixed	\$ 9,650,000
<b>TOTAL BONDED DEBT</b>			\$ 9,650,000
<b>NEW ISSUANCE</b>			
\$9,995,000 Electric System Revenue Bonds, Series 2026	February 2057	Fixed	\$ 9,995,000
<b>NET BONDED DEBT AFTER ISSUANCE</b>			\$ 19,645,000

**NOTES:**

(1) The above figures do not include any short-term debt, if any. For more information, see the notes to the Financial Statements.

**Milan Public Utilities Authority - Electric System**  
**BONDED DEBT SERVICE REQUIREMENTS - Electric System**

F. Y. Ended	Outstanding Electric System Debt - As of 6-30-2025				Electric System Revenue Bonds, Series 2026				Percent 2026 Bonds Principal Repaid	Total Bonded Debt Service Requirements (1)				Percent Total Principal Repaid
	Principal	Interest	TOTAL		Principal	Interest (2)	TOTAL			Principal	Interest	TOTAL		
2026	\$ 100,000	\$ 430,788	\$ 530,788	\$	-	\$ -	\$ -	494,197	0.00%	\$ 100,000	\$ 430,788	\$ 530,788	\$ 0.51%	
2027	100,000	425,788	525,788		-	494,197	494,197			100,000	919,985	1,019,985		
2028	255,000	420,788	675,788		-	499,750	499,750			255,000	920,538	1,175,538		
2029	260,000	408,038	668,038		100,000	499,750	599,750			360,000	907,788	1,267,788		
2030	270,000	395,038	665,038		170,000	494,750	664,750			440,000	889,788	1,329,788		
2031	285,000	381,538	666,538		180,000	486,250	666,250		4.50%	465,000	867,788	1,332,788	8.76%	
2032	290,000	367,288	657,288		185,000	477,250	662,250			475,000	844,538	1,319,538		
2033	305,000	352,788	657,788		195,000	468,000	663,000			500,000	820,788	1,320,788		
2034	315,000	337,538	652,538		205,000	458,250	663,250			520,000	795,788	1,315,788		
2035	330,000	321,788	651,788		215,000	448,000	663,000			545,000	769,788	1,314,788		
2036	345,000	305,288	650,288		225,000	437,250	662,250		14.76%	570,000	742,538	1,312,538	22.04%	
2037	360,000	288,038	648,038		240,000	426,000	666,000			600,000	714,038	1,314,038		
2038	370,000	273,638	643,638		250,000	414,000	664,000			620,000	687,638	1,307,638		
2039	380,000	258,838	638,838		265,000	401,500	666,500			645,000	660,338	1,305,338		
2040	390,000	243,638	633,638		275,000	388,250	663,250			665,000	631,888	1,296,888		
2041	285,000	228,038	513,038		290,000	374,500	664,500		27.96%	575,000	602,538	1,177,538	37.85%	
2042	300,000	216,638	516,638		305,000	360,000	665,000			605,000	576,638	1,181,638		
2043	310,000	204,638	514,638		320,000	344,750	664,750			630,000	549,388	1,179,388		
2044	320,000	192,238	512,238		335,000	328,750	663,750			655,000	520,988	1,175,988		
2045	335,000	179,038	514,038		350,000	312,000	662,000			685,000	491,038	1,176,038		
2046	350,000	164,800	514,800		370,000	294,500	664,500		44.77%	720,000	459,300	1,179,300	54.62%	
2047	365,000	149,925	514,925		390,000	276,000	666,000			755,000	425,925	1,180,925		
2048	380,000	134,413	514,413		410,000	256,500	666,500			790,000	390,913	1,180,913		
2049	395,000	118,263	513,263		430,000	236,000	666,000			825,000	354,263	1,179,263		
2050	415,000	101,475	516,475		450,000	214,500	664,500			865,000	315,975	1,180,975	75.67%	
2051	430,000	82,800	512,800		470,000	192,000	662,000		66.28%	900,000	274,800	1,174,800		
2052	450,000	63,450	513,450		495,000	168,500	663,500			945,000	231,950	1,176,950		
2053	470,000	43,200	513,200		520,000	143,750	663,750			990,000	186,950	1,176,950		
2054	490,000	22,050	512,050		545,000	117,750	662,750			1,035,000	139,800	1,174,800		
2055	-	-	-		575,000	90,500	665,500			575,000	90,500	665,500		
2056	-	-	-		600,000	61,750	661,750		93.65%	600,000	61,750	661,750	96.77%	
2057	-	-	-		635,000	31,750	666,750		100.00%	635,000	31,750	666,750	100.00%	
	\$ 9,650,000	\$ 7,111,775	\$ 16,761,775		\$ 9,995,000	\$ 10,196,697	\$ 20,191,697			\$ 19,645,000	\$ 17,308,472	\$ 36,953,472		

**NOTES:**

(1) The above figures do not include any short-term debt, if any. For more information, see the notes to the Financial Statements.

(2) Estimated Interest Rates. Estimated Average Coupon of 5.00%.

**Milan Public Utilities Authority - Electric System**  
Five Year Summary of Revenues, Expenditures and  
Changes In Net Position  
For the Fiscal Year Ended June 30

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025**</u>
<b>Revenues:</b>					
Charges for Sales and Service					
Residential	\$ 10,666,683	\$ 11,266,843	\$ 12,241,535	\$ 11,633,991	\$ 12,877,012
General Power - 50 kw and under	2,082,985	2,242,350	2,477,328	2,440,114	2,636,409
General Power - over 50 kw	5,104,965	5,372,569	6,313,271	5,989,684	6,579,365
Street, Athletic, and Outdoor Lighting	471,030	490,712	514,942	495,356	507,292
Other Revenue	805,869	983,906	1,223,342	1,494,804	1,440,549
<b>Total Operating Revenues</b>	<u>\$ 19,131,532</u>	<u>\$ 20,356,380</u>	<u>\$ 22,770,418</u>	<u>\$ 22,053,949</u>	<u>\$ 24,040,627</u>
<b>Operating Expenses:</b>					
Cost of Sales and Services	\$ 13,848,456	\$ 14,889,382	\$ 16,826,641	\$ 15,802,629	\$ 16,999,210
Operating Expenses	1,848,534	1,844,643	2,498,370	2,634,635	2,106,310
Maintenance Expense	1,324,439	1,203,824	1,131,160	1,506,502	1,853,944
Depreciation	754,343	942,277	1,184,538	1,231,208	1,253,715
Taxes / Tax Equivalents	336,891	346,524	339,857	314,566	338,831
<b>Total Operating Expenses</b>	<u>\$ 18,112,663</u>	<u>\$ 19,226,650</u>	<u>\$ 21,980,566</u>	<u>\$ 21,489,540</u>	<u>\$ 22,552,010</u>
Operating Earnings	\$ 1,018,869	\$ 1,129,730	\$ 789,852	\$ 564,409	\$ 1,488,617
<b>Other Income (Expenses):</b>					
Interest Income	\$ 5,060	\$ 4,118	\$ 15,761	\$ 31,994	\$ 208,935
Tap Fees & Other Nonoperating Revenues	-	22	28	-	1,415
Gain (Loss) on Disposal of Assets	(344,779)	-	22,063	(69,555)	35,922
Interest Expense	(48,350)	(55,591)	(47,403)	(59,338)	(220,976)
<b>Total Other Income (Expenses)</b>	<u>\$ (388,069)</u>	<u>\$ (51,451)</u>	<u>\$ (9,551)</u>	<u>\$ (96,899)</u>	<u>\$ 25,296</u>
Income (Loss) Before Transfers	\$ 630,800	\$ 1,078,279	\$ 780,301	\$ 467,510	\$ 1,513,913
Transfers Out - In Lieu of Taxes	(241,417)	(266,987)	(281,237)	(279,930)	(279,930)
Change in Net Position	\$ 389,383	\$ 811,292	\$ 499,064	\$ 187,580	\$ 1,233,983
<b>Total Net Position - Beginning</b>	13,850,417	14,239,800	15,051,092	15,550,156	15,737,736
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Net Position - Ending</b>	<u><b>\$ 14,239,800</b></u>	<u><b>\$ 15,051,092</b></u>	<u><b>\$ 15,550,156</b></u>	<u><b>\$ 15,737,736</b></u>	<u><b>\$ 16,971,719</b></u>

Source: Financial Statements for Milan Public Utilities, Milan, Tennessee.

\*\* 6 Months as Board of Public Utilities of Milan, Tennessee and 6 Months as Milan Public Utilities Authority

**Milan Public Utilities Authority - Electric System**  
**HISTORICAL DEBT SERVICE COVERAGE ON BONDS**

	For the Fiscal Year Ended June 30,				
	2021	2022	2023	2024	2025 **
Operating Revenue	\$ 19,131,532	\$ 20,356,380	\$ 22,770,418	\$ 22,053,949	\$ 24,040,627
Operating Expenses Before Depreciation	17,358,320	18,284,373	20,796,028	20,258,332	21,298,295
Less: In Lieu of Taxes	241,417	266,987	281,237	279,930	279,930
Net Income Before Depreciation And Amortization	1,531,795	1,805,020	1,693,153	1,515,687	2,462,402
Other Income Before Interest Expense	5,060	4,140	15,789	31,994	210,350
Income Available For Debt Service	\$ 1,536,855	\$ 1,809,160	\$ 1,708,942	\$ 1,547,681	\$ 2,672,752
Actual Debt Service Requirements	\$ 226,795	\$ 213,946	\$ 196,451	\$ 243,827	\$ 437,576
Bond Coverage	6.78 X	8.46 X	8.70 X	6.35 X	6.11 X
Maximum Estimated Debt Service Requirements on the 2025 Bonds and the 2026 Bonds (FY 2031)	\$ 1,332,788	\$ 1,332,788	\$ 1,332,788	\$ 1,332,788	\$ 1,332,788
Bond Coverage	1.15 X	1.36 X	1.28 X	1.16 X	2.01 X

Source: Annual Financial Reports for the System

\*\* 6 Months as Board of Public Utilities of Milan, Tennessee and 6 Months as Milan Public Utilities Authority

## MILAN - GENERAL INFORMATION

### LOCATION

The City of Milan (the “City”) is located in Gibson County (the “County”) in the northwest portion of the State of Tennessee surrounded by Obion and Weakley Counties to the north, Carroll County to the east, Crockett and Madison Counties to the south, and Dyer County to the west. The City of Trenton, the county seat of Gibson County is approximately 95 miles northeast of Memphis, Tennessee. The City of Humboldt is also in the County. According to the 2020 Census, the population of Gibson County is 50,429. The County has 603 square miles. It is one of the leading agricultural counties of the state and in the nation.

### TRANSPORTATION

The County is only 27 miles to Interstate 40 in Jackson, with US Highways 45, 70 and 79 and State Highways 54, 77, 104, 105 and 152 within the County lines. The County is serviced by CSX Transportation and the West Tennessee Railroad. The nearest port is in Hickman, KY on the Mississippi River over 45 miles away. Gibson County Airport has a runway that is 4,800 feet in length. The nearest commercial airport is the McKellar-Sipes Regional Airport, over 20 miles away at Jackson, Tennessee.

### EDUCATION

Gibson County has a unique system of education within the State of Tennessee. While most counties within the State of Tennessee incorporate a county-wide school system, Gibson County is divided into five school districts. Each district consists of one or more towns and the surrounding geographical area. The schools are well equipped, and they rank high in the Tennessee system, as well as in the Southern Association of Secondary Schools and Colleges. Adult classes are offered in the public school system at Trenton.

*Bradford Special School District* is the smallest of the Districts. It has only two schools in the Town of Bradford with a fall 2023 enrollment of about 597 students. *Gibson County Special School District* is the largest District with nine schools. This District had a fall 2023 enrollment of 3,785 students. It serves the cities of Dyer, Gibson, Kenton, Medina, Rutherford, Yorkville and the unincorporated areas around the County. *Humboldt City School System* has three schools in the City with a fall 2023 enrollment of 798 students. *Milan Special School District* has three schools in the City with a fall 2023 enrollment of 1,894 students. *Trenton Special School District* has three schools in the City with a fall 2023 enrollment of 1,267 students.

*Source:* Gibson County Chamber of Commerce and Tennessee Department of Education.

*Dyersburg State Community College Trenton Campus.* Dyersburg State Community College is an accredited public comprehensive community college that operates within the governance of the Tennessee Board of Regents. Founded in 1967, Dyersburg State is located on a 100-acre campus in Dyer County, Tennessee and serves the educational needs of a seven-county area of Northwest Tennessee: Lake, Obion, Dyer, Gibson, Lauderdale, Crockett and Tipton Counties. The fall of 2022 semester had an enrollment of 2,743 students. Dyersburg

State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

*Source:* Dyersburg State Community College and Tennessee Higher Education Commission.

*Jackson State Community College* is located in Madison County and was founded in 1967. Jackson State offers associate degrees, certificates, and enrichment courses as preparation for further higher education and for career entry or advancement. The fall 2022 enrollment was 3,504 students. There are also three satellite campuses: Savannah (Hardin County), Lexington (Henderson County) and Humboldt (Gibson County).

*Source:* Jackson State Community College and Tennessee Higher Education Commission.

*The Tennessee College of Applied Technology at Jackson.* The Tennessee College of Applied Technology at Jackson (the “TCAT-J”) is part of a statewide system of 26 vocational-technical schools. The TCAT-J meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-J serves the southwest region of the state including Chester, Crocket, Fayette, Gibson, Hardeman, Haywood, Henderson, and Madison Counties. The TCAT-J began operations in 1963, and the main campus is located in Madison County. In 2021, TCAT-J merged with the Tennessee College of Applied Technology at Whiteville. Fall 2021 enrollment was 2,307 students. There are four satellite centers: the McWherter Instructional Service Center in Jackson, the Lexington Extension Campus, Humboldt High School and the Humboldt Instructional Service Center.

*Source:* Tennessee College of Applied Technology at Jackson and Tennessee Higher Education Commission.

## **HEALTHCARE**

Gibson County has one hospital and two outpatient clinics owned by West Tennessee Healthcare (the “WTH”). Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

*Milan General Hospital* has been operating a 73-bed acute care facility since 1941 when the hospital became a wholly-owned affiliate of WTH in 1998. *Humboldt Medical Center* (formerly Humboldt General Hospital) and *Trenton Medical Center* (formerly Gibson General Hospital), located in Humboldt and Trenton, respectively, closed their inpatient facilities and remain open as outpatient clinics only.

*Jackson-Madison County General Hospital*, located about 27 miles away to the south, is the flagship of West Tennessee Healthcare. The facility is a 642-bed tertiary care center that is the only tertiary care hospital between Memphis and Nashville. The hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. General Hospital offers the West Tennessee Heart and Vascular Center, Kirkland Cancer Center, West Tennessee Women's Center, West Tennessee Rehabilitation Center, West

Tennessee Neuroscience and Spine Center, and Emergency Services. General Hospital offers the only open-heart surgery program in rural West Tennessee. Jackson-Madison County General Hospital is fully accredited by The Joint Commission.

*Source:* West Tennessee Healthcare.

## MANUFACTURING AND COMMERCE

*Bradford Industrial Parks.* Bradford has two industrial sites. Bradford Industrial Park has 78 acres sitting on TN 54 and US 45-E with water, sewage, electricity and gas on site. The second site is Wingo Property with 30 acres in town near Business 45-E. Rail service is on site.

*Graball Site.* The Graball Site, owned by the U.S. Army, is available for long-term lease and is “inside the fence” of the Milan Industrial Complex. Over 100 acres in size, this Certified Site offers a buildable site of approximately 60 acres just a few hundred feet inside the facility’s Graball Gate, which has direct access to U.S. Highway 45, a direct, four-lane divided truck route, accessible to Interstate 40.

*Milan Army Ammunition Plant or the Milan Arsenal.* Milan Army Ammunition Plant (MLAAP) was established in 1941 and was formally deactivated on April 10, 2025, after 84 years of service, ending its role in military ammunition production. While its production has moved, the site remains active for storing munitions and supporting military training. The Arsenal is located on over 22,350 acres with 1,460 building and 873 igloos and a storage capacity of 2.4 million square feet, 216 miles of roads and 87 miles of railroad were on the plant site.

*Milan Industrial Park.* The largest industrial site in the area within the Milan Army Ammunition Plant (the “MLAAP”). It is located in Milan, Tennessee. MLAAP mission was to load, assemble, pack, store, and ship/receive containerized conventional ammunition.

*Select Tennessee Certified Industrial Sites.* The following are certified as a select Tennessee Certified Industrial Site: Gibson County Industrial Park, North Site (285 acres) in Humboldt; Gibson County Industrial Park, South Site (161 acres) in Humboldt; City of Milan Industrial Park Site (43 acres); Dyer Industrial Park (33 acres); and Milan Commercial Complex, Graball Site (107 acres).

*Trenton Industrial Parks.* There are two major industrial parks in Trenton; the largest being Industrial Park Drive, containing 115 acres and Manufacturer's Row, containing 15 acres. These two sites feature rail line support and ready access (.5 miles) to the local divided state highway (45) which joins the interstate highway system in Jackson 27 miles from the industrial parks. The city has a large industrial park that is home to Trenton's largest industries. The park features the still-available 63,000 square foot Trenton Spec Building. The building site features electricity, gas, water and sewage.

*Tyson Foods, Inc.* Tyson Foods, one of the world’s largest food companies, operates facilities in Goodlettsville, Newbern, Shelbyville, Humboldt and Union City in Tennessee. The company employs more than 5,500 in the state.

*Source:* Gibson County Chamber of Commerce.

### *Downtown Programs*

*Select Tennessee Certified Sites Program (the “STCSP”).* The Gibson County Industrial Park, North Site (285 acres), the Gibson County Industrial Park, South Site (161 acres), the City of Milan Industrial Park Site (43 acres), the Dyer Industrial Park (33 acres), and the Milan Commercial Complex, Graball Site (107 acres) have all been certified with the STCSP. The STCSP has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program’s goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee’s key industry clusters. As of 2024, seventy-three sites in Tennessee have been certified and 23 companies have invested over \$2.01 billion in capital investment to construct facilities on certified sites, accounting for more than 7,494 new job commitments.

*Source:* Tennessee Department of Economic and Community Development.

*Tennessee Downtowns.* The Cities of Humboldt, Milan and Trenton have historically significant downtowns that have been improved through the Tennessee Downtowns program. Tennessee Downtowns is an affiliated program of Tennessee Main Street designed to help rural communities to revitalize their downtown areas. The Tennessee Downtowns program helps local communities revitalize traditional commercial districts, enhance community livability, spur job creation and maintain the historic character of downtown districts. The two-year program coaches selected communities and their steering committees through the steps of launching effective renewal efforts. Tennessee Downtowns includes community training in the Main Street America program and a grant for a downtown improvement project. As of April 2024, Tennessee Department of Economic and Community Development (the “TNECD”) provides the Tennessee Downtowns program to 90 communities that want to pursue the Main Street America approach to downtown revitalization.

The selected communities all have downtown commercial districts established at least 50 years ago and have demonstrated their readiness to organize efforts for downtown revitalization according to Main Street America principles. The highly competitive selection process was based on historic commercial resources, economic and physical need, demonstrated local effort, overall presentation and probability of success. Grants are awarded to organizations that illustrated the need for improvements and the ability to execute an effective design plan for building facades, wayfinding signage, gateways and streetscapes. As part of the program, each new grant recipient will be required to match 25-percent of the funding received.

Tennessee Downtown communities that complete the program are eligible for additional Downtown Improvement Grants as well as Main Street designation. There are currently 46 nationally accredited Main Street communities in Tennessee, 20 of which successfully completed the Tennessee Downtowns program prior to their national accreditation.

*Source:* Tennessee Department of Economic and Community Development.

*Tennessee Main Street Program.* The City of Humboldt also has a historically significant downtown that it has improved through accreditation with the Tennessee Main Street Program. As of May 2024, there are almost 50 communities that are accredited through the state program

Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2020, accredited Tennessee Main Street communities generated \$79 million of public and private investment and nearly 158 new businesses. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

*Source:* Tennessee Department of Economic and Community Development.

### Major Employers in Gibson County, Tennessee

<u>Company</u>	<u>Product</u>	<u>Location</u>	<u>Employees</u>
Tyson	Manufacturing	Humboldt	1,556
Gibson Co. Special School District	Education	Dyer	550
Ceco Door Products	Metal Doors	Milan	514
Milan Express Supply Chain	Manufacturing	Milan	500
Wal-Mart	Retail	Humboldt & Milan	500
AADG, Inc.	Doors and Frames	Milan	490
MacLean Power Systems	Products for Utilities	Trenton	388
Milan Special School District	Education	Milan	300
Gibson County	Government	Trenton	292
Winfrey Center	Disabled Persons Assistive Services	Trenton	250
Dana Corporation	Automotive Parts	Humboldt	234
Sav-A-Lot	Grocery Distribution	Humboldt	212
Kongsberg Automotive	Automotive Parts	Milan	194
Humboldt Special School District	Education	Humboldt	189
Bongard South, LLC		Humboldt	167
Schwarz Supply Source	Distribution	Milan	160
Reinhausen Manufacturing, Inc.	Load Tap Changer	Humboldt	135
Delta Contracting	Road Construction	Humboldt	125
Pratt Industries	Corrugated Containers	Humboldt	120
Westrock Co. (Rock Tenn)	Corrugated Containers	Humboldt	110
Trenton Special School District	Education	Trenton	108

*Source:* TN Department of Economic and Community Development (2023) and the Annual Comprehensive Financial Report of the City of Humboldt (2022).

## ECONOMIC DATA

### Per Capita Personal Income

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
National	\$53,309	\$55,547	\$59,153	\$64,430	\$65,470
Tennessee	\$46,452	\$48,889	\$51,928	\$56,970	\$58,292
<b>Gibson County</b>	<b>\$36,598</b>	<b>\$39,513</b>	<b>\$42,564</b>	<b>\$46,593</b>	<b>\$46,051</b>
Index vs. National	69	71	72	72	70
Index vs. State	79	81	82	82	79

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Gibson County</u>	<u>Humboldt</u>	<u>Milan</u>
Median Value Owner Occupied Housing	\$281,900	\$232,100	\$130,900	\$89,100	\$123,100
% High School Graduates or Higher					
Persons 25 Years Old and Older	89.10%	89.30%	87.6%	83.0%	85.4%
% Persons with Income Below Poverty Level	11.50%	13.30%	14.9%	17.6%	19.4%
Median Household Income	\$75,149	\$64,035	\$55,455	\$40,299	\$42,909

Source: U.S. Census Bureau State & County QuickFacts - 2022.

## TOURISM

*Trenton Historic District.* The town itself was placed on the National Register of Historic Places in 1982 as the Trenton Historic District with 96 buildings and 520 acres - this collection of homes includes antebellum mansions, quaint cottages, and three tree lined streets. The three red and blond brick court house built in 1899 features a clock tower and a hanging bell. Most of the homes are privately owned, but the restored Freed House is owned and operated by the city. It is open for tours and special events.

*West Tennessee Strawberry Festival.* Humboldt is the home of the West Tennessee Strawberry Festival, held the first full week in May. The Festival was established in 1934 and attracts over 100,000 people every year. It is a nationally recognized event and has led to the establishment of the Strawberry Festival Historical Museum.

Source: Humboldt Chamber of Commerce.

## RECENT DEVELOPMENTS

*Global Track Manufacturing.* Construction was completed in 2020 on a production facility in Milan for Global Track Manufacturing USA, Inc. This Milan plant is Global Track's second facility and will create approximately 250 jobs. Global Track manufactures rubber tracks and undercarriage for industrial and agricultural equipment.

*Hargett Materials, Inc.* The construction materials manufacturing company, Hargett Materials, Inc. (the "HMI"), began construction on a new facility to expand its Milan operations. HMI invested \$2.2 million and will add approximately 50 jobs over the next five years. HMI will expand its operations by constructing a new 100,000-square-foot production facility and rail spur to serve the Milan facility with raw materials and help export finished products nationwide.

*Love's Travel Stops.* Love's Travel Stops built a new \$8.8 million tire retread and distribution facility in 2019 in Milan. The 200,000-square-foot Milan facility is largest of its kind for Love's and created approximately 80 jobs. Love's operates more than 490 locations and 330 Love's Truck Tire Care centers and Speedco locations across the U.S. Love's Travel Stops is a national travel stop network with more than 490 locations in 41 states and offers heavy-duty tire care, light mechanical services, commercial truck oil changes and roadside assistance for professional drivers.

*Tyson Food, Inc.* Tyson Food finished construction on a new facility in Gibson County Industrial Park North site in Humboldt. The facility operates as a tray pack facility, which includes a hatchery, processing facility and feed mill. The facility was operational in 2019. Leading food processor, Tyson Foods, created more than 1,500 jobs and invested over \$300 million in Humboldt, which represents Tyson's biggest investment in Tennessee and the single largest investment in Gibson County's history.

Tyson Foods is one of the world's largest food processing companies. The company produces chicken, beef and pork, as well as prepared foods. The company offers food products under *Tyson, Jimmy Dean, Hillshire Farm, Sara Lee, Ball Park, Wright, Aidells and State Fair* brands. Tyson currently has four facilities in Tennessee and employs approximately 5,000 Tennesseans.

*ZLINE Kitchen and Bath.* Four years after establishing its distribution headquarters in Carroll County, ZLINE will expand as the company acquires the former Dura Automotive Systems building. As a result of the project, ZLINE will create approximately 50 jobs in Gibson County. ZLINE will employ more than 100 people in Northwest Tennessee through the expansion.

*Source:* The Jackson Sun and Tennessee Department of Economic & Community Development.

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## **APPENDIX C**

### **SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC RESOLUTION**



## SUMMARY OF RESOLUTION

The following information is a brief summary of certain provisions of the Resolution, as defined in the Official Statement, a copy of which is available at the office of the Authority. This summary is not to be considered a complete statement of the Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

### Definitions of Certain Terms

The following are definitions of certain terms used in the Resolution and in this Official Statement.

"Acquired System" shall mean any electrical power generation, transmission and/or distribution system acquired by the Authority and/or any such facilities hereafter constructed or otherwise established by the Authority pursuant to the Act.

"Act" shall mean Sections 7-36-101 *et seq.*, Tennessee Code Annotated, as amended.

"Authority" means the Milan Public Utilities Authority.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period.

"Board" means the Board of Public Utilities of the City of Milan, a board of public utilities of the City.

"Board of Directors" means the Board of Directors of the Authority.

"Bonds" means the Series 2025 Bonds, the Series 2026 Bonds and any Parity Bonds.

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by the Authority with substantial experience in advising municipal electric power systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems or (ii) an engineer or engineers who are employees of the Authority whose reports or projections are certified by a Financial Adviser.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Authority provides additional

security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Authority or any paying agent for the Bonds or other obligations of the Authority payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the Authority, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the Authority, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Authority could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Debt Service Requirement for purposes of the Resolution unless the Authority has expressly resolved prior to the commencement of the relevant Fiscal Year to refinance, or retire from available System funds, such Balloon Indebtedness or Short-Term Indebtedness coming due in such Fiscal Year.

"Debt Service Sinking Fund" shall mean the Debt Service Sinking Fund established pursuant to the Resolution.

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

"Federal Tax Compliance Certificate and Agreement" means a certificate and agreement of the Authority to establish and preserve the tax-exempt status of the Series 2026 Bonds under Sections 103 and Sections 141-150 of the Code.

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the Authority for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of

the System and is actively engaged in and, in the good faith opinion of the Authority, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means each fiscal year of the Authority, which initially is the twelve-month period commencing July 1<sup>st</sup> of each year and ending June 30<sup>th</sup> of the following year.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Board of Directors, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Loan Agreement" shall mean any agreement or contract entered into by the Authority whereby a third party agrees to advance funds to the Authority and the Authority agrees to repay those funds with interest from all or a portion of Gross Earnings.

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year.

"Net Revenues" shall mean (i) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to, contributions in aid of construction, less (ii) Operating Expenses.

"Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes, payments in-lieu-of-taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board of Directors, any payments made by the Authority during any Fiscal Year to purchase electrical power for distribution and sale during or after the end of that Fiscal Year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by the Authority during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose

of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the Authority or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board of Directors.

"Parity Bonds" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Authority on a parity with the Series 2026 Bonds herein authorized in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

"President" means the duly appointed President of the Authority or such person as may be lawfully acting in his or her place.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings, or any successors thereto and any other nationally recognized credit rating agency.

"Registration Agent" means Regions Bank, Nashville, Tennessee, or any successor designated by the Board of Directors.

"Reserve Fund" shall mean the Debt Service Reserve Fund established pursuant to the Resolution.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Debt Service Sinking Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means, at the time at which such Reserve Fund Credit Facility is purchased, an issuer of a Reserve Fund Credit Facility that has a credit rating not lower than the rating on any Bonds to be secured thereby from each Rating Agency that rates both such issuer and such Bonds.

"Reserve Fund Requirement" means an amount determined from time to time by the Authority as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to

the resolution authorizing such Bonds. With respect to the Series 2026 Bonds Reserve Fund Requirement, shall be \$0.

"Revenue Fund" shall have the meaning ascribed in the Resolution.

"Series 2025 Bonds" means the Authority's Electric System Revenue Bonds, Series 2025, dated January 31, 2025.

"Series 2026 Bonds" means the electric system revenue bonds authorized to be issued by the Resolution.

"Short-Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Authority as Parity Bonds in accordance with the restrictive provisions of the Resolution.

"State" means the State of Tennessee.

"System" means the electrical power distribution system of the Authority, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by the Authority while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Board of Directors, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Board of Directors, not become a part of the System but be operated as a separate and independent system by the Authority with the continuing right, upon the election of the Board of Directors, to incorporate such separately Acquired System within the System.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

### **Source of Payment and Security**

The Bonds shall be payable solely from and secured solely by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

### **Application of Revenues**

Application of Revenues. From and after the delivery of any of the Series 2026 Bonds, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the Authority to the Revenue Fund (the "Revenue Fund"), administered and controlled by the Board of Directors. The funds so deposited in the Revenue Fund created under the Series 2026 Resolution shall be used only as follows:

(a) Operating Expenses. The money in the Revenue Fund shall be used first from month to month for the payment of Operating Expenses.

(b) Debt Service Sinking Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Debt Service Sinking Fund" (the "Debt Service Sinking Fund") to be kept separate and apart from all other funds of the Authority and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the Resolution, beginning in the month next following delivery of the Series 2026 Bonds.

For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth ( $1/6^{\text{th}}$ ) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts.

For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Debt Service Sinking Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth ( $1/12^{\text{th}}$ ) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts.

No further deposit shall be required as to any Bonds when the Debt Service Sinking Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Authority as provided in the resolution authorizing the issuance of such Bonds. Money in the Debt Service Sinking Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

(c) Repayment of Reserve Fund Credit Facility Issuers. The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(d) Reserve Fund. To the extent the Reserve Fund Requirement for the Bonds, if any, is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Authority, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of the Authority. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement, if any.

In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments.

Any deposits required to be made shall be made monthly at the same time as deposits are made to the Debt Service Sinking Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Operating Expenses, be transferred into the Debt Service Sinking Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Debt Service Sinking Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Authority for legally permissible purposes.

At the option of the Authority, it may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Bonds and release an equal amount of funds on deposit in the Reserve Fund to be used by the Authority for legally permissible purposes. At any time during the term hereof, the Authority shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor.

In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of the Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Authority shall satisfy the Reserve Fund Requirement, if any, by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Authority, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Authority, from Revenues after payment of Operating Expenses and satisfaction of the required deposits to the Debt Service Sinking Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts

advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Authority (as applicable) shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

(e) Surplus Funds. The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the Authority for any legally permissible purpose, as the Board of Directors shall determine.

Investments and Maintenance of Funds. Money on deposit in the Funds may be invested by the Authority in such investments as shall be permitted by applicable law, as determined by an authorized representative of the Authority, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. The Authority is authorized to enter into contracts with third parties for the investment of funds in any of the Funds.

The Revenue Fund, the Debt Service Sinking Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the Authority and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

The proceeds of the investments shall be administered in manner consistent with the Federal Tax Compliance Certificate and Agreement.

### **Covenants Regarding the Operation of System**

Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, the Authority covenants and agrees that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

Insurance. The Authority shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business; provided, the Authority shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

Books and Accounts; Audits. The Authority will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants, which such audit shall be prepared in accordance with generally accepted accounting practices.

Rate Covenant. The Authority shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times, such that Net Revenues in each Fiscal Year:

(a) will equal at least 120% of the Debt Service Requirement on all Bonds, and 100% of the Debt Service Requirement on all other subordinate lien or unsecured bonds or other obligations then outstanding for such Fiscal Year;

(b) will enable the Authority to make all required payments, if any, into the Reserve Fund and on any Credit Facility;

(c) will enable the Authority to accumulate an amount, which, in the judgment of the Board of Directors, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

(d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years.

Sale or Disposal of System. The Authority will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Authority is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of

the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(b) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(c) (i) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Authority shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Authority is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Budgets. Prior to the beginning of each Fiscal Year, the Board of Directors shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in the Resolution, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request.

Franchises. The Authority will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Authority by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Authority is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

### **Remedies of Bond Owners**

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Authority by the provisions of this resolution, including the making and collecting of

sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Authority or the Authority with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

### **Prohibition of Prior Lien; Parity Bonds**

Prohibition of Prior Liens. The Authority will not issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

Parity Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) the Authority shall have obtained a report from a Financial Adviser or the Chief Financial Officer of the Authority demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with Series 2026 Bonds, and the Parity Bonds so issued shall be secured on a parity with such Series 2026 Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with the Authority a report by a Financial Adviser or a certificate by the Chief Financial Officer of the Authority, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed

prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Authority has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the Authority has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) the Authority shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the Chief Financial Officer of the Authority, or his designee, to the effect that (x) the payments required to be made into the Debt Service Sinking Fund have been made and the balance in the Debt Service Sinking Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement, if any, and will be funded to the Reserve Fund Requirement, if any, immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to pre-purchase supplies of electrical power, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The President shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the Authority is in compliance with all requirements of the Resolution.

(c) Upon the determination of the Authority to combine an Acquired System into the System, any bonds, notes and other obligations of the Acquired System outstanding upon such combination may, at the election of the Authority, be payable from Net Revenues of the combined System on a parity and equality of lien with each other, provided that there shall be filed with the Authority:

(i) a report by a Financial Adviser or a certificate by the Chief Financial Officer of the Authority, or his designee the Net Revenues of such combined System for a period of 12 consecutive months of the most recent 18 consecutive months prior to such combination were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds and any bonds, notes and other obligations of the Acquired System which will be outstanding immediately after the combination, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the combination and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of the combination and not fully reflected in the historical related Net Revenues actually received during such historical period used; and (y) if the Authority has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) A certificate of the President, as of the date of the combination, that the Authority is in compliance with all requirements of the Resolution.

Applicability of Resolution to Parity Bonds. All the provisions and covenants of this resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued or assumed in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

### **Discharge and Satisfaction of Bonds**

If the Authority shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority with respect to such Bonds, or make adequate provision therefor, and by resolution of the Board of Directors instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Authority and the Authority to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Authority shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A)

to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Registration Agent.

### **Modification of Resolution**

Amendment Without Bondholder Consent. The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

Other Amendments. In addition to the amendments to the Resolution without the consent of registered owners as referred to above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Authority but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Authority) shall have the right from time to time to consent to and approve the adoption by the Board of Directors of a resolution or resolutions modifying any of the terms or provisions contained in this resolution; provided, however, that this resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

- (d) Make any change in the maturities or redemption dates of the Bonds;
- (e) Make any change in the rates of interest borne by the Bonds;
- (f) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- (g) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- (h) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
- (i) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Procedure for Modification. Whenever the Authority shall propose to amend or modify this resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Authority for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary of the Board of Directors an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice

and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Authority may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Authority from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Authority office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

If any Bonds are insured by a bond insurance policy, the bond insurer issuing such bond insurance policy shall be entitled to consent to any modifications to the Resolution on behalf of the owners of the Bonds insured by such bond insurer, provided that no bond insurer shall be entitled to consent to any modifications to the Resolution that require the unanimous consent of the owners of the Bonds.

**APPENDIX D**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
OF  
MILAN BOARD OF PUBLIC UTILITIES  
FOR THE SIX MONTHS ENDED  
DECEMBER 31, 2024**



**BOARD OF PUBLIC UTILITIES**

**MILAN, TENNESSEE**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2024**

# MILAN BOARD OF PUBLIC UTILITIES

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## **INTRODUCTORY SECTION**

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
DIRECTORY**  
December 31, 2024

**GOVERNING BOARD**

BW Beasley, Mayor  
James Fountain, Vice Mayor  
Richard Adkisson, Treasurer  
Lee Alexander  
Clay McCoy  
Dr. Mickey McAdoo  
Richard Rushing  
Jeff Lifsey  
Tammy Wade

**MANAGEMENT TEAM**

Micheal Longmire, Superintendent  
Will Bell, Office Manager

**COUNSEL**

Michael Carter, Attorney at Law  
Milan, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

ATA, PC  
Jackson, Tennessee

## **FINANCIAL SECTION**



## Independent Auditor's Report

Board of Public Utilities  
Milan, Tennessee

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Milan Board of Public Utilities (the Utility) (enterprise funds of the City of Milan, Tennessee) as of and for the six months ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Milan Board of Public Utilities, Tennessee, as of December 31, 2024, and the respective changes in financial position and, cash flows thereof for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Reporting Entity***

As discussed in Note 1, the financial statements present only the Milan Board of Public Utilities enterprise funds and do not purport to, and do not, present fairly the financial position of the City of Milan, Tennessee, as of December 31, 2024, the changes in its financial position or, where applicable, its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***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.

## **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 GAAS 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 GAAS 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 Utility'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.

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 and pension and other post-employment benefits schedules and notes as listed in the table of contents 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 opinions on the financial statements that collectively comprise the Utility's basic financial statements. The supplementary and other information section, except that marked unaudited, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, except that marked unaudited, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and supplemental information, marked unaudited, as listed in the table of contents, 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 April 22, 2025 on our consideration of the Utility'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 the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

*ATA, PC*

Jackson, Tennessee  
April 22, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Milan Board of Public Utilities, we offer readers of the Utility's financial statements this narrative overview and analysis of the financial activities of the Utility for the six months ended December 31, 2024. All amounts, unless otherwise indicated, are expressed in actual dollars.

### **FINANCIAL HIGHLIGHTS**

Management believes the Utility's financial condition is strong. The Utility is well within the stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at December 31, 2024 were \$47,336,523 and exceeded liabilities and deferred inflows of resources in the amount of \$35,994,644 (i.e. net position). Total assets and deferred outflows decreased by \$1,287,818.
- Net Position increased \$1,296,778 during the current six month period. Unrestricted net position increased by \$811,046 due primarily to increased rates.
- During the six months ended December 31, 2024, the Utility delivered 92,745,363 kWh and 129,520,200 gallons of water compared to 178,272,242 kWh and 248,543,400 gallons of water during the fiscal year ended June 30, 2024.
- Operating revenues for the six months were \$13,900,163, a decrease from fiscal year ended June 30, 2024 in the amount of \$11,281,282 or 44.80%.
- Operating expenses for the six months were \$12,741,152 a decrease over fiscal year ended June 30, 2024 in the amount of \$12,312,976 or 49.15%.
- The operating profit for the six months was \$1,159,011 as compared to a \$127,317 profit during the fiscal year ended June 30, 2024.
- Ratios of operating income to total operating revenue were 8.34% and 0.51% for the six months ended December 31, 2024 and the year ended June 30, 2024, respectively.

### **OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utility's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other information section, and 4) the internal control and compliance section. The introductory section includes the Utility's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The supplementary and other information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

## REQUIRED FINANCIAL STATEMENTS

Enterprise Funds are used to account for the operations of the Utility, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the Utility, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* presents the financial position of the Utility on a full accrual historical cost basis. The statement includes all of the Utility's assets, liabilities, and deferred outflows and inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Utility's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Utility, and assessing the liquidity and financial flexibility of the Utility.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net positions changed during the year. All changes in net positions 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 Utility's operations and can be used to determine whether the Utility has successfully recovered all of its costs. This statement also measures the Utility's 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 cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## FINANCIAL ANALYSIS

One of the most important questions asked about the Utility's finances is "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Positions and the Statement of Revenues, Expenses, and Changes in Net Positions report information about the Utility's activities in a way that will help answer this question. These two statements report the net positions of the Utility and the changes in the net positions. A net position is one way to measure the financial health or financial position of the Utility. Over time, increases or decreases in the Utility's net positions are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Utility's total net position increased by \$1,296,778 for the six months ended December, 2024. The analysis below focuses on the Utility's net position (Table 1) and changes in net position (Table 2) during the year.

The increase in capital assets were due mainly to an increase in ongoing projects in both departments. The changes in deferred inflows/outflows of resources are primarily due to transactions related to the Utility's pension plan and OPEB plan. The decrease in long-term liabilities was caused mainly by a

decrease in net pension liability, caused by a number of factors such as decreased numbers of participants and differences between expected and actual earnings on pension investments. The other liabilities remain comparable with prior year.

Table 1  
**CONDENSED STATEMENT OF NET POSITION**

	December 31, 2024	June 30, 2024	Increase (Decrease)	
			\$	%
Current and other assets	\$ 10,562,157	\$ 10,169,991	\$ 392,166	3.86%
Capital assets	35,833,612	35,464,480	369,132	1.04%
Total assets	46,395,769	45,634,471	761,298	1.67%
Deferred outflows of resources	940,754	2,989,870	(2,049,116)	-68.54%
Long-term liabilities	5,888,670	8,547,140	(2,658,470)	-31.10%
Other liabilities	4,750,553	5,203,520	(452,967)	-8.71%
Total liabilities	10,639,223	13,750,660	(3,111,437)	-22.63%
Deferred inflows of resources	702,656	175,815	526,841	299.66%
Net investment in capital assets	34,156,773	33,671,041	485,732	1.44%
Unrestricted	1,837,871	1,026,825	811,046	78.99%
Total net position	\$ 35,994,644	\$ 34,697,866	\$ 1,296,778	3.74%

The Electric funds total net position increased by \$842,072 mainly due to increased rates for the six months ended December 31, 2024. The Water funds total net position increased by \$454,706 which was due to a combination of increased rates and ongoing ARP grant project during the six months.

Changes in the Utility's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the year.

Table 2

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	December 31, 2024	June 30, 2024	Increase (Decrease)	
			\$	%
Operating revenues	\$ 13,900,163	\$ 25,181,445	\$ (11,281,282)	-44.80%
Non-operating revenues	108,207	166,518	(58,311)	-35.02%
Total revenues	14,008,370	25,347,963	(11,339,593)	-44.74%
Cost of sales and service	8,310,456	15,802,629	(7,492,173)	-47.41%
Operations expense	2,197,445	4,766,820	(2,569,375)	-53.90%
Maintenance expense	1,071,440	1,968,732	(897,292)	-45.58%
Depreciation expense	1,104,509	2,201,381	(1,096,872)	-49.83%
Taxes and tax equivalents	57,302	314,566	(257,264)	-81.78%
Transfers out - in lieu of taxes	279,930	279,930	-	0.00%
Interest and other expense	36,865	114,081	(77,216)	-67.69%
Total expenses	13,057,947	25,448,139	(12,390,192)	-48.69%
Capital contributions	346,355	133,858	212,497	158.75%
Change in net position	1,296,778	33,682	1,263,096	3750.06%
Beginning net position	34,697,866	34,664,184	33,682	0.10%
Ending net position	\$ 35,994,644	\$ 34,697,866	\$ 1,296,778	3.74%

Operating revenues showed a 44.80% decrease and cost of sales and service a decrease of 47.41% for the six months ended December 31, 2024 compared to the year ended June 30, 2024 due primarily to decreases in usage caused by the shorter time period. Ending net positions showed an increase of 3.74% over the period due a profit in the current year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

At the end of the six months, the Utility had \$35,833,612 (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, land rights, distribution, transmission, and treatment systems and their related equipment, and various types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as general plant, treatment plant, transmission plant, distribution plant, plant held for future use, service station, and construction in progress. This investment represents an overall increase of \$369,132 or 1.04% over the six months.

The following tables summarize the Utility's capital assets, net of accumulated depreciation, and changes therein, for the six months ended December 31, 2024. These changes are presented in detail in Note 3D to the financial statements.

Table 3  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	December 31, 2024	June 30, 2024	Increase (Decrease)	
			\$	%
General plant	\$ 4,228,678	\$ 4,254,698	\$ (26,020)	-0.61%
Treatment plant	5,225,564	5,398,381	(172,817)	-3.20%
Transmission plant	449,436	476,962	(27,526)	-5.77%
Distribution plant	24,043,822	23,990,483	53,339	0.22%
Service Station	42,343	42,343	-	0.00%
Plant held for future use	472	571	(99)	-17.34%
Construction in progress	1,843,297	1,301,042	542,255	41.68%
Total capital assets	<u>\$ 35,833,612</u>	<u>\$ 35,464,480</u>	<u>\$ 369,132</u>	1.04%

The increase during the six months was due to the ongoing ARP project.

The Utility plans on using existing financial resources to keep upgrading existing systems and adding new systems.

#### **Debt Administration**

The Utility has outstanding notes and bonds payable in the amount of \$1,676,839 as of December 31, 2024. Details relating to debt can be found in Note 3E.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The fiscal year 2025 budget was approved at the June 2024 Board meeting. The City is actively recruiting new industries to the area to make up for past plant closures. Any new industry that comes to the area will increase the Utility's power sales and should help the overall financial condition of the Utility.

#### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Utility's finances for all those with an interest in the Utility's finances and to demonstrate the Utility's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Office Manager of the Board of Public Utilities, P.O. Box 109, Milan, TN 38358.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
STATEMENT OF NET POSITION  
December 31, 2024**

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand	\$ 1,930	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	1,686,961	629,826	2,316,787
Investments	1,036,781	3,261,071	4,297,852
Accounts receivable (net of allowance for uncollectibles)	2,281,710	(834)	2,280,876
Grants receivable	-	399,986	399,986
Due from other funds	-	309,258	309,258
Inventories	638,758	92,967	731,725
Prepayments and other current assets	113,413	81,481	194,894
Total current assets	<u>5,759,553</u>	<u>4,773,755</u>	<u>10,533,308</u>
<b>Noncurrent assets</b>			
Other assets:			
Advances to customers - home insulation	28,849	-	28,849
Capital assets:			
General plant	6,036,806	1,873,175	7,909,981
Treatment plant	-	12,931,808	12,931,808
Transmission plant	4,043,892	-	4,043,892
Distribution plant	23,598,415	18,926,717	42,525,132
Plant held for future use	9,900	-	9,900
Service station	-	75,505	75,505
Construction in progress	726,515	1,116,782	1,843,297
Less: Accumulated depreciation	<u>(14,785,440)</u>	<u>(18,720,463)</u>	<u>(33,505,903)</u>
Total capital assets (net of accumulated depreciation)	<u>19,630,088</u>	<u>16,203,524</u>	<u>35,833,612</u>
Total noncurrent assets	<u>19,658,937</u>	<u>16,203,524</u>	<u>35,862,461</u>
Total assets	<u>25,418,490</u>	<u>20,977,279</u>	<u>46,395,769</u>
<b>Deferred outflows of resources</b>			
Deferred outflows - pension	484,890	278,129	763,019
Deferred outflows - OPEB	120,860	56,875	177,735
Total deferred outflows of resources	<u>\$ 605,750</u>	<u>\$ 335,004</u>	<u>\$ 940,754</u>

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

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
STATEMENT OF NET POSITION  
December 31, 2024**

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 2,886,934	\$ 37,680	\$ 2,924,614
Customer deposits	1,186,448	1,470	1,187,918
Due to other funds	309,258	-	309,258
Due to the City	121,000	-	121,000
Accrued expenses (including compensating absences)	48,683	18,652	67,335
Current maturities of long-term debt	<u>140,428</u>	<u>-</u>	<u>140,428</u>
Total current liabilities	<u>4,692,751</u>	<u>57,802</u>	<u>4,750,553</u>
<b>Noncurrent liabilities</b>			
Advances - home insulation program	28,849	-	28,849
Compensated absences	77,689	64,507	142,196
Notes payable	447,411	-	447,411
Bonds payable	1,089,000	-	1,089,000
Net pension liability	2,343,064	1,376,085	3,719,149
Net OPEB liability	<u>314,204</u>	<u>147,861</u>	<u>462,065</u>
Total noncurrent liabilities	<u>4,300,217</u>	<u>1,588,453</u>	<u>5,888,670</u>
Total liabilities	<u>8,992,968</u>	<u>1,646,255</u>	<u>10,639,223</u>
<b>Deferred inflows of resources</b>			
Deferred inflows - pension	331,909	194,931	526,840
Deferred inflows - OPEB	<u>119,555</u>	<u>56,261</u>	<u>175,816</u>
Total deferred inflows of resources	<u>451,464</u>	<u>251,192</u>	<u>702,656</u>
<b>Net Position</b>			
Net investment in capital assets	17,953,249	16,203,524	34,156,773
Unrestricted	<u>(1,373,441)</u>	<u>3,211,312</u>	<u>1,837,871</u>
Total net position	<u>\$ 16,579,808</u>	<u>\$ 19,414,836</u>	<u>\$ 35,994,644</u>

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

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Six Month's Ended December 31, 2024

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Operating revenues</b>			
Charges for sales and services (net of uncollectable accounts of \$39,159)	\$ 11,481,068	\$ 1,919,009	\$ 13,400,077
Other revenues	<u>396,689</u>	<u>103,397</u>	<u>500,086</u>
Total operating revenues	<u>11,877,757</u>	<u>2,022,406</u>	<u>13,900,163</u>
<b>Operating expenses</b>			
Cost of sales and services	8,310,456	-	8,310,456
Operations expense	939,582	1,257,863	2,197,445
Maintenance expense	813,132	258,308	1,071,440
Depreciation	623,635	480,874	1,104,509
Taxes and tax equivalents	<u>57,302</u>	<u>-</u>	<u>57,302</u>
Total operating expenses	<u>10,744,107</u>	<u>1,997,045</u>	<u>12,741,152</u>
<b>Operating income (loss)</b>	<u><b>1,133,650</b></u>	<u><b>25,361</b></u>	<u><b>1,159,011</b></u>
<b>Nonoperating revenues (expenses)</b>			
Interest and other revenues	22,657	65,954	88,611
Tap fees and other nonoperating revenues	815	18,781	19,596
Gain (loss) on disposal of assets	(6,128)	(1,745)	(7,873)
Interest and other expenses	<u>(28,992)</u>	<u>-</u>	<u>(28,992)</u>
Total nonoperating revenues (expenses)	<u>(11,648)</u>	<u>82,990</u>	<u>71,342</u>
Change in net position before transfers and capital contributions	<u>1,122,002</u>	<u>108,351</u>	<u>1,230,353</u>
<b>Transfers and Capital Contributions</b>			
Transfers out - in lieu of taxes	(279,930)	-	(279,930)
Capital contributions - grant	<u>-</u>	<u>346,355</u>	<u>346,355</u>
Total transfers and capital contributions	<u>(279,930)</u>	<u>346,355</u>	<u>66,425</u>
<b>Change in net position</b>	<u><b>842,072</b></u>	<u><b>454,706</b></u>	<u><b>1,296,778</b></u>
Total net position - beginning	<u>15,737,736</u>	<u>18,960,130</u>	<u>34,697,866</u>
Total net position - ending	<u><b>\$ 16,579,808</b></u>	<u><b>\$ 19,414,836</b></u>	<u><b>\$ 35,994,644</b></u>

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

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
STATEMENT OF CASH FLOWS**  
For the Six Month's Ended December 31, 2024

	<b>Electric Department</b>	<b>Water and Sewer Department</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from consumers	\$ 11,879,633	\$ 2,030,105	\$ 13,909,738
Cash paid to suppliers of goods and services	(9,547,178)	(581,410)	(10,128,588)
Cash paid to employees for services	(1,088,968)	(530,258)	(1,619,226)
Taxes paid (including tax equivalents)	(57,302)	-	(57,302)
Customer deposits received	168,725	-	168,725
Customer deposits refunded	(105,398)	-	(105,398)
Net cash provided (used) by operating activities	<u>1,249,512</u>	<u>918,437</u>	<u>2,167,949</u>
<b>Cash Flows from Non-capital and Related Financing Activities:</b>			
Advances (repayments) from Regions	<u>6,627</u>	<u>-</u>	<u>6,627</u>
Net cash provided (used) by non-capital and related financing activities	<u>6,627</u>	<u>-</u>	<u>6,627</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal paid on debt	(116,600)	-	(116,600)
Interest paid on bonds, notes, and leases	(28,992)	-	(28,992)
Construction and acquisition of plant	(643,264)	(842,615)	(1,485,879)
Materials salvaged from retirements	4,365	-	4,365
Transfers to the City - payment in lieu of taxes	<u>(279,930)</u>	<u>-</u>	<u>(279,930)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,063,606)</u>	<u>(762,388)</u>	<u>(1,825,994)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investment	(1,219,945)	(3,290,568)	(4,510,513)
Proceeds from sale and maturities of investments	1,375,858	3,234,891	4,610,749
Change in investments	(753,513)	(2,056,931)	(2,810,444)
Other non-operating income	-	84,735	84,735
Conservation loans (made) collected	<u>(6,627)</u>	<u>-</u>	<u>(6,627)</u>
Net cash provided (used) by investing activities	<u>(604,227)</u>	<u>(2,027,873)</u>	<u>(2,632,100)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(411,694)</b>	<b>(1,871,824)</b>	<b>(2,283,518)</b>
Cash and cash equivalents - beginning of year	<u>2,100,585</u>	<u>2,501,650</u>	<u>4,602,235</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 1,688,891</u></b>	<b><u>\$ 629,826</u></b>	<b><u>\$ 2,318,717</u></b>

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

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
STATEMENT OF CASH FLOWS**  
For the Six Month's Ended December 31, 2024

	<b>Electric Department</b>	<b>Water and Sewer Department</b>	<b>Totals</b>
Cash and Cash Equivalents			
Unrestricted cash on hand	\$ 1,930	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	<u>1,686,961</u>	<u>629,826</u>	<u>2,316,787</u>
Total cash and cash equivalents	<u><b>\$ 1,688,891</b></u>	<u><b>\$ 629,826</b></u>	<u><b>\$ 2,318,717</b></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,133,650	\$ 25,361	\$ 1,159,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	623,635	480,874	1,104,509
Change in pension and OPEB related deferred outflows and inflows of resources	1,759,273	816,685	2,575,958
Changes in assets and liabilities:			
Accounts receivable	(116,308)	7,699	(108,609)
Materials and supplies	31,907	13,880	45,787
Prepayments and other current assets	78,595	79,402	157,997
Due/to from other funds	(361,505)	221,507	(139,998)
Accounts payable and accrued expenses	15,726	(69,245)	(53,519)
Customer deposits	63,327	-	63,327
Net pension liability	(1,983,634)	(660,007)	(2,643,641)
Net OPEB liability	<u>4,846</u>	<u>2,281</u>	<u>7,127</u>
<b>Net cash provided (used) by operating activities</b>	<u><b>\$ 1,249,512</b></u>	<u><b>\$ 918,437</b></u>	<u><b>\$ 2,167,949</b></u>

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

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

These are enterprise fund financial statements and include only the financial activities of the Departments of the Board of Public Utilities, Milan, Tennessee (the Utility). The oversight unit consists of the funds maintained by the Office of the City Recorder of the City of Milan, Tennessee (the City).

During fiscal year 2019, Milan Board of Public Utilities established a Broadband division known as MPU Connect pursuant to section 7-52-601, Tennessee Code Annotated. In accordance with T.C.A. 7-52-601 et seq, the Broadband division is operated as a separate division of the Electric department and the revenues of the Electric department do not subsidize the operations of the Broadband.

**B. Measurement Focus, Basis of Accounting, and Financial Statement 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 Utility's financial statements 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 Utility conform to applicable accounting principles generally accepted in the United States of America as defined by the *Governmental Accounting Standards Board* (GASB).

Business-type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the business-type fund's principal ongoing operations. The principal operating revenues of the Utility are charges for sales to customers for sales and service. Operating expenses for the business-type funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Assets, Liabilities, Deferred Outflow/Inflows, and Net Positions**

**Deposits and investments**

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

State statutes authorize the Utility to invest in certificates of deposit, obligations of the U. S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, and the Tennessee local government investment pool. Investments are stated at fair value.

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**Receivables and payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position.

Trade receivables result from unpaid billings for service 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 Utility is based on past history of uncollectible accounts and management's analysis of current accounts.

**Inventories and prepaid items**

All inventories are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Capital assets**

Capital assets, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined by the Utility as assets with an estimated useful life of at least 5 years and a cost of more than \$0. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Utility are depreciated using the straight-line method over the following useful lives:

General plant	5 - 50 years
Treatment plant	12.5 - 50 years
Transmission plant	10 - 50 years
Distribution plant	16.66 - 50 years

**Compensated absences**

It is the Utility's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay has been accrued, and the estimated current portion is reflected as a current liability and the estimated long-term portion is reflected as a long-term liability on the financial statements.

**Long-term obligations**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The Utility continues to report bond issuance costs as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*. This regulatory option as part of GASB Statement No. 65 is available due to the above-mentioned cost being used for rate setting by the Utility.

**BOARD OF PUBLIC UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2024**

**Pensions and OPEB**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Utility's participation in their multiple employer defined benefit pension plan and single employer OPEB plan, and additions to/deductions from the Utility's fiduciary net position have been determined on the same basis as they are reported by the retirement and OPEB plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility has pension and OPEB related deferred outflows that qualify for reporting in this category.

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 acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has pension and OPEB related deferred inflows that qualify for reporting in this category.

**Net Position Flow Assumption**

Sometimes the Utility 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 Utility policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Net Positions**

Equity is classified as net positions and displayed in the following three components:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for Debt Service - Consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- Unrestricted - All other net positions that do not meet the description of the above categories.

**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 the reported amounts of assets, deferred inflows/outflows of resources, and liabilities, the

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disclosure of contingent amounts and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The Utility adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Utility's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse. Management submits a proposed budget to the Utility's Board. A budget is then adopted for the next fiscal year. During the year, management is authorized to transfer budgeted amounts between line items.

**NOTE 3 - DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

**Custodial credit risk**

The Utility's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, by collateral held by the Utility's agent in the Utility's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Utility to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2024, all bank deposits were fully collateralized or insured.

**B. Receivables**

Receivables as of the fiscal year end were made up of the following:

	<u>December 31, 2024</u>
Billed services for utility customers	1,914,729
Other receivables for utility services	391,810
Allowance for doubtful accounts	(25,663)
Grants receivable	399,986
Total	<u>\$ 2,680,862</u>

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**C. Interfund Receivables and Payables and Transfers**

The interfund balances presented in the statement of net positions represent the amount of these interfund balances as shown below. The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The interfund balances as of December 31, 2024 are as follows:

December 31, 2024	<u>Due from Electric</u>
Due to Water	<u>\$ 309,258</u>

The Electric Fund owes the Water Fund \$309,258 for the six months ended December 31, 2024. The \$309,258 consists of \$651,578 in revenue billed or collections for write-offs less \$277,769 in payroll and benefits, and \$64,551 in office, building, and transportation expenses paid by the electric department.

There is a due to the City of Milan in the amount of \$121,000 for the six months ended December 31, 2024. The due to the City results from the December Sanitation revenues that were billed by the Utility but were not remitted until after December 31.

The only transfer between funds is between the Electric Fund and the City for payments in lieu of taxes which amounted to \$279,930 for the six months ended December 31, 2024.

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**D. Capital Assets**

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2024	Additions	Disposals	Reclass	Balance at December 31, 2024
Capital assets, not being depreciated					
General plant	\$ 40,126	\$ -	\$ -	\$ -	\$ 40,126
Treatment plant	149,270	-	-	-	149,270
Transmission plant	145,847	-	-	-	145,847
Distribution plant	48,517	-	-	-	48,517
Construction in progress	1,301,042	2,744,590	2,202,335	-	1,843,297
Total capital assets not being depreciated	<u>1,684,802</u>	<u>2,744,590</u>	<u>2,202,335</u>	<u>-</u>	<u>2,227,057</u>
Capital assets, being depreciated					
General plant	7,698,703	212,391	41,239	-	7,869,855
Treatment plant	12,762,197	20,341	-	-	12,782,538
Transmission plant	3,877,311	-	-	20,734	3,898,045
Distribution plant	42,118,896	1,119,686	761,967	-	42,476,615
Plant held for future use	9,900	-	-	-	9,900
Service station	75,505	-	-	-	75,505
Total capital assets being depreciated	<u>66,542,512</u>	<u>1,352,418</u>	<u>803,206</u>	<u>20,734</u>	<u>67,112,458</u>
Less accumulated depreciation for:					
General plant	3,484,131	214,447	17,275	-	3,681,303
Treatment plant	7,513,086	193,158	-	-	7,706,244
Transmission plant	3,546,196	48,260	-	-	3,594,456
Distribution plant	18,176,930	753,166	448,786	-	18,481,310
Plant held for future use	9,329	99	-	-	9,428
Service station	33,162	-	-	-	33,162
Total accumulated depreciation	<u>32,762,834</u>	<u>1,209,130</u>	<u>466,061</u>	<u>-</u>	<u>33,505,903</u>
Total capital assets, being depreciated, net	<u>33,779,678</u>	<u>143,288</u>	<u>337,145</u>	<u>20,734</u>	<u>33,606,555</u>
Total capital assets, net	<u>\$ 35,464,480</u>	<u>\$ 2,887,878</u>	<u>\$ 2,539,480</u>	<u>\$ 20,734</u>	<u>\$ 35,833,612</u>

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Depreciation expense was charged to departments as follows:

	<u>December 31, 2024</u>
Electric	\$ 623,635
Water and Sewer	480,874
Total charged to operations	1,104,509
Charged to transportation - electric	76,036
Charged to transportation - water & sewer	28,585
Total depreciation	<u>\$ 1,209,130</u>

**E. Long-term Debt**

**Electric department**

On July 17, 2020, the System issued \$1,518,054 in Electric System Loan Program Bonds, Series 2020 with interest of 3.15% to provide funds to finance the new AMI meter system. The bonds are to be backed by the full faith and credit of the City of Milan. It is the intention that the Bond shall be additionally payable from, but not secured by, the revenues to be derived from the operation of the electric system.

During the year ended June 30, 2024, the Utility borrowed \$194,940 from Security Bank and Trust for the purpose of purchasing a 2023 Bucket Truck. The note is to be repaid in monthly payments of \$3,724 for 60 months and bears interest at 5.50%. The note is secured by the vehicle as collateral.

During the year ended June 30, 2024, the Utility borrowed \$252,000 from Security Bank and Trust for the purpose of purchasing a 2023 Bucket Truck. The note is to be repaid in monthly payments of \$4,814 for 60 months and bears interest at 5.50%. The note is secured by the vehicle as collateral.

During the year ended June 30, 2024, the Utility borrowed \$174,994 from Security Bank and Trust for the purpose of purchasing a 2024 Digger Truck. The note is to be repaid in monthly payments of \$3,351 for 60 months and bears interest at 5.60%. The note is secured by the vehicle as collateral.

The above notes payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Gain access to other assets of the Utility to protect the lender's interest, and (3) Use any remedy allowed by state or federal law. The notes payable also contain a subjective clause that causes the Utility to be in default if an event occurs that causes the lender to reasonably believe that the lender will have difficulty in collecting the notes payable or significantly impairs the value of the collateralized properties.

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The following is a summary of long-term debt transactions for the six months ended December 31, 2024:

	Balance at June 30, 2024	Additions	Retirements	Balance at December 31, 2024	Due in one year
Long-term debt from direct borrowings:					
Notes Payable	\$ 613,439	\$ -	\$ 116,600	\$ 496,839	\$ 49,428
Bonds Payable	1,180,000	-	-	1,180,000	91,000
Total long-term debt	1,793,439	-	116,600	1,676,839	140,428
Compensated absences	186,398	-	1,760	184,638	42,442
	<u>\$ 1,979,837</u>	<u>\$ -</u>	<u>\$ 118,360</u>	<u>\$ 1,861,477</u>	<u>\$ 182,870</u>

A summary of future debt service amounts are as follows:

Year ending June 30,	Principal	Interest	Total
2025	\$ 140,428	\$ 36,819	\$ 177,247
2026	214,956	56,002	270,958
2027	224,807	46,191	270,998
2028	235,060	35,881	270,941
2029	167,588	26,494	194,082
2030-2034	569,000	74,562	643,562
2035	125,000	3,938	128,938
	<u>\$ 1,676,839</u>	<u>\$ 279,887</u>	<u>\$ 1,956,726</u>

## F. Net Position

Net Position represents the difference between assets and liabilities. The net position was as follows:

	December 31, 2024
Investment in capital assets	
Net property, plant, and equipment in service	\$ 35,833,612
Less: Debt as disclosed in Note 3E	(1,676,839)
	34,156,773
Unrestricted	1,837,871
Total net position	<u>\$ 35,994,644</u>

## NOTE 4 - OTHER INFORMATION

### A. Pension Plan

#### **CSA Plan**

*Plan Description:* The employees of the Utility are provided an agent multi-employer defined benefit plan through the Governmental Plan of Central Services Association (CSA). The employees are eligible to participate on the date of employment. The employers contribute amounts sufficient to

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meet the actuarially determined funding requirements of the Plan in order to provide for anticipated benefits. The Plan is administered by CSA. The Board of Directors of CSA appoints an Insurance and Retirement Committee which oversees the Plan and makes recommendations for changes to the Plan.

CSA issues a publicly available report that can be obtained by contacting Central Services Association, P.O. Box 3480, Tupelo, Mississippi 38803-3480.

**Benefits Provided:** The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Each employee is eligible to participate in the Plan, and employees are fully vested in the Plan after five years of service.

Employees Covered by Benefit Terms:

At October 1, 2024, the following employees were covered by the Plan:

Active employees	34
Inactive not receiving benefits	24
Inactive receiving benefits	36
Total employees covered by the Plan	<u>94</u>

**Contributions:** Required contributions are determined by MassMutual Financial Group based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Each Participant participating in the Plan shall contribute to the Plan 1.5 percent of his Earnings. Payment of such contributions shall be by regular payroll deduction, and shall begin as of the first day of the month the Participant enters the Plan. Except as otherwise provided by the Plan, payment of such contributions shall cease upon the Participant's retirement or other termination of employment.

***Net Pension Liability:***

The Utility's net pension liability was measured as of October 1, 2024, 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 October 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Summary of Principal Actuarial Assumptions

Discount rate	7.00%
Funding method	Entry Age Normal
Mortality	Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries.
Incidence of disability	1985 CIDA Table - Class 2.
Turnover	For all employees: Sarason T-3 Table
Salary scale	3.50% per year
Overtime	It is assumed that overtime will continue to be earned at 100% of the level of the most recent 3-year average.
Assumed retirement age	Earlier of age 62 with 15 years, or age 65 with 5 years of service
Marriage	It is assumed that 50% of participants are married and that 1 male is 3 years older than his female spouse.
Cost of living adjustment	N/A
Asset valuation	Market value
Funding Value	Actuarial Value (5-year smoothing)

The actuarial assumptions used in the October 1, 2024 valuation were based on employee census data for the period October 1, 2023 to October 1, 2024. In addition, mortality rates were based on the Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	October 1, 2024	Long-Term
	Target Allocation	Expected Real Rate of Return
Fixed Income	50.00%	4.50% - 5.50%
Large Cap	20.00%	9.00% - 11.00%
Mid Cap	10.00%	8.50% - 10.50%
Small Cap	8.00%	8.00% - 10.00%
Real Estate	2.00%	3.50% - 5.50%
International Equity	10.00%	3.50% - 5.50%
	100.00%	

The contributions to this plan for the six months ended December 31, 2024, by the employer were \$514,107. The Utility's payroll for employees covered by the Plan was \$1,619,226.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employees contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected

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to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Utility's Net Pension Liability***

Changes in the Utility's net pension liability for the year ended October 1, 2024 were as follows:

	Increase (Decrease) Total pension liability (TPL) (a)	Plan fiduciary net position (b)	Net pension liability (NPL) (a)-(b)
Balances as 10/1/2023	18,626,728	12,263,939	6,362,789
Changes for the year:			
Service cost	180,349	-	180,349
Interest	1,274,616	-	1,274,616
Difference between actual and expected	(544,536)	-	(544,536)
Assumption changes	-	-	-
Contributions - employer	-	1,009,744	(1,009,744)
Contributions - employee	-	36,408	(36,408)
Net investment income	-	2,109,061	(2,109,061)
Benefit payments	(1,196,565)	(1,196,565)	-
Administrative expenses	-	(28,924)	28,924
Changes in benefit terms	(427,780)	-	(427,780)
Net changes	(713,916)	1,929,724	(2,643,640)
Balances as 10/1/2024	\$ 17,912,812	\$ 14,193,663	\$ 3,719,149

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate:*** The following presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Net pension liability	5,763,152	3,719,149	2,002,274

***Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources***

Due to the implementation of GASB Statement No. 68, net pension liability is required to be recognized on the Utility's financial statements. Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions result from changes in the components of the net pension liability. Most changes in the net pension liability are required to be included in pension expense in the period of the change. However, changes not recognized as pension expense are recognized as deferred inflows/outflows. The deferred inflows/outflows will be recognized as pension expense in future years. Changes in the total pension liability due to changes of economic and demographic assumptions or other inputs and differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan, beginning with the current period.

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Changes in the total pension liability due to differences between the projected earnings and the actual experience with regard to those earnings are required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period.

For the Plan year ended October 1, 2024, the Utility recognized pension expense of \$0 determined as follows:

Annual Pension Expenses:	
Service cost	180,349
Interest cost	1,274,616
Recognized liability (gains)/losses	215,394
Change of assumptions	83,533
Employee contributions	(36,408)
Expected return on pension investments	(852,199)
Recognized asset (gains)/losses	63,597
Administrative expense	28,924
Changes in benefit terms	(427,780)
Total pension expense	<u>530,026</u>

At December 31, 2024, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	417,575	435,629
Change of assumptions	4,812	-
Net difference between projected and actual earnings on Plan investments	-	91,211
Contributions subsequent to the measurement date of October 1, 2024	257,028	-
Total	<u>\$ 679,415</u>	<u>\$ 526,840</u>

*The amounts shown above for "Contributions subsequent to the measurement date of October 1, 2024" will be recognized as a reduction to net pension liability in the following measurement period.*

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	Amortized
2025	243,245
2026	337,312
2027	(324,728)
2028	(360,282)
2029	-
Thereafter	-

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

**TCRS Plan**

**Plan description.**

Employees of the Utility are provided a defined benefit pension hybrid 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, 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the TCRS Hybrid Retirement Plan are eligible to retire 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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. 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 3 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. Under the TCRS Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions.** Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 0 percent of salary. The Local Government Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the six months ended December 31, 2024 to the TCRS Retirement Plan were \$83,604, which is 8.89 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned

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by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities.* Since the measurement date is June 30, 2024, which is prior to the July 1, 2024 inception of the TCRS Retirement Plan, there is not a net pension liability to report at December 31, 2024.

*Pension Expense.* Since the measurement date is June 30, 2024, the Utility did not recognize a pension expense at December 31, 2024.

*Deferred outflows of resources and deferred inflows of resources.* For the six months ended December 31, 2024, the Utility reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2024	83,604	-
Total	<u>\$ 83,604</u>	<u>\$ -</u>

The Utility's employer contributions of \$83,604 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2024.

**B. Other Post-Employment Benefits (OPEB)**

**Plan description**

Board of Public Utilities' post-retirement medical plan is a single-employer defined benefit post-retirement medical plan known as the Milan Board of Public Utilities Post-Employment Benefits Plan that is administered by Benefits Administration. The Utility currently does not have a trust for the plan. The plan provides medical and prescription benefits to eligible retirees and their spouses. Any employee retiring after age 55 with at least 15 years of service with Milan Public Utilities currently has the option to maintain health insurance after retirement (including subsidized beneficial coverage), until age 65. For anyone retiring at age 62, Board pays 70% of individual coverage and 70% of dependent coverage before age 65. Retirees who retire prior to age 62 must pay 100% of the premiums for themselves and their beneficiaries. Also, the plan provides \$10,000 in post-retirement death benefits to retirees, which is administered by Gilsbar, Inc.

**Funding policy**

The Utility currently contributes to the plan as benefits are paid. There is no pre-funding of future obligations.

**Annual OPEB Cost and Net OPEB Obligation**

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*Changes in Utility's Net OPEB Liability.* Changes in the Utility's net OPEB liability measured at June 30, 2024 is detailed in the following table. The table below shows the net OPEB liability as of December 31, 2024, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

Changes in Net OPEB Liability	Total OPEB Liability	Increase/(Decrease) Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2024	454,938	-	454,938
Charges for the year			
Service Cost	7,519	-	7,519
Interest	8,834	-	8,834
Difference between expected & actual experience	-	-	-
Assumption changes	3,801	-	3,801
Contribution - employer	-	-	-
Contribution - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(13,027)	-	(13,027)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	7,127	-	7,127
Balance at December 31, 2024	\$ 462,065	\$ -	\$ 462,065

**Actuarial Methods and Assumptions**

The valuation was based on information provided by the Utility as of June 30, 2024.

**Plan Membership**

Active	29
Retired members - receiving medical	2
Retired members - receiving life	13
Total	44

**Benefits Provided**

Eligibility is attained at age 55 with 15 years of service. The Utility pays 75% of the individual and dependent coverage for anyone retiring at age 62 until Medicare eligible. Retirees under 62 must pay 100% of premiums for themselves and their beneficiaries. The Utility also provides \$10,000 in post-retirement death benefits to retirees.

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Actuarial Assumptions

Actuarial cost method	Entry Age Normal								
Mortality	Pub 2010-General Employee Headcount-weighted with fully generational scale MP-2021. This table represents the most recent mortality table developed specifically for governmental employees by the Society of Actuaries.								
Turnover	Sarson T-3 table, based on results of 2020 experience study								
Salary scale	3.00%								
Core inflation assumption	2.00%								
Retirement age	As specified in the following table								
	<table> <tr> <th></th><th><u>Probability of retirement</u></th></tr> <tr> <td>Age 60 &amp; 20 years of service</td><td>50%</td></tr> <tr> <td>Age 61-64 &amp; 20 years of service</td><td>20%</td></tr> <tr> <td>Age 65+</td><td>100%</td></tr> </table>		<u>Probability of retirement</u>	Age 60 & 20 years of service	50%	Age 61-64 & 20 years of service	20%	Age 65+	100%
	<u>Probability of retirement</u>								
Age 60 & 20 years of service	50%								
Age 61-64 & 20 years of service	20%								
Age 65+	100%								
Utilization	75.00%								
Discount rate	The discount rate used to measure the total OPEB liability was 4.11 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024.								
Valuation of asset	N/A								
Per capital claims	Claims were developed by adjusting the underlying medical and vision premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The active medical premium for 2021 was \$590.33 per month.								
Trend	Per-capita claims costs are projected to increase at an initial rate of 7.5% with annual declines of 0.50% until an ultimate rate of 4.5% is achieved. The rates were taken from analysis of historical trends of various medical plans and a composite of the expected future increases reported in a number of national trend surveys.								
Marriage	For current active employees it was assumed that 80% would be married with husbands being 3 years older than wives. For current retirees, actual information was used.								

***Discount rate***

The discount rate used to measure the total OPEB liability was 4.11 percent. The projection of cash flows used to determine the discount rate assumed that the Utility contributions will be made at rates equal to the actuarially determined contribution rates.

***Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost

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trend rate that is 1 percentage-point lower or 1-percentage point higher than the assumed trend rate:

A. Net OPEB liability at current trend rate (7.5% to 4.5%)	\$462,065
B. Net OPEB liability with 1% decrease (6.5% to 3.5%)	\$422,093
C. Net OPEB liability with 1% increase (8.5% to 5.5%)	\$493,689

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

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB 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:

A. Net OPEB liability at current discount rate (4.11%)	\$462,065
B. Net OPEB liability at with 1% decrease (3.11%)	\$489,947
C. Net OPEB liability at with 1% increase (5.11%)	\$423,469

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources***

For the six months ended December 31, 2024, the Utility recognized OPEB expense of \$13,292. At December 31, 2024, the Utility reported the following deferred outflows and inflows of resources related to OPEB liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	57,771	(140,210)
Change of assumptions	119,964	(35,606)
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 177,735</u>	<u>\$ (175,816)</u>

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

Year ending June 30,	Amortized
2025	(6,122)
2026	(6,122)
2027	(3,786)
2028	7,361
2029	7,313
Thereafter	3,276

*In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.*

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations

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and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

*Payment of Benefits.* Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At December 31, 2024 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended December 31, 2024 administrative expenses paid were \$0.

**C. Power Contract**

The Utility has a power contract with the Tennessee Valley Authority (TVA) whereby the Utility purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging or otherwise diverting Utility funds, revenues or property to other operations of the municipality and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

**D. Risk Management**

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2024, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in the amount of coverage.

**E. Subsequent Events**

On June 17, 2024, the City Council of the City of Milan, Tennessee authorized the formation of the Milan Public Utilities Authority pursuant to the provisions of the Tennessee Municipal Energy Authority Act, Tennessee Code Annotated Section 7-36-101. On January 1, 2025, Milan Public Utilities Authority assumed the entirety of Milan Board of Public Utilities assets, liabilities, and equity position, thus resolving the business of Milan Board of Public Utilities. Also on January 1, 2025, Milan Public Utilities Authority began operation per the approved initial resolution passed by the Milan Board of Public Utilities on June 17, 2024.

The Utility also approved a \$16,843,932 broadband buildout and a bond for \$9,750,000 after year end.

The Utility was also awarded a \$1,729,734 grant through the American Rescue Plan. The grant will be 90% cost share. The System will be responsible for \$172,974 in the upcoming years. Management has evaluated subsequent events through April 22, 2025, the date through which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE**  
**SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON  
PARTICIPATION IN THE MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN - CSA**  
For the Year Ended September 30,

Measurement period ended October 1,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 180,349	\$ 179,752	\$ 165,220	\$ 176,329	\$ 139,165	\$ 130,893	\$ 130,132	\$ 118,583	\$ 115,652	\$ 117,152
Interest	1,274,616	1,236,525	1,200,660	1,126,757	1,069,759	1,009,933	996,512	959,434	947,124	920,244
Changes in benefit terms	(427,780)	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	(544,536)	241,496	193,868	841,658	144,374	434,517	(221,401)	170,371	(166,248)	81,502
Change of assumptions	-	-	-	24,052	393,607	112,827	93,261	43,285	-	-
Benefit payments, including refunds of employee contributions	(1,196,565)	(1,031,874)	(1,091,963)	(1,111,905)	(827,707)	(855,860)	(759,238)	(787,817)	(735,826)	(730,954)
Other charges	-	-	-	-	-	-	-	-	38,212	-
Net change in total pension liability	(713,916)	625,899	467,785	1,056,891	919,198	832,310	239,266	503,856	198,914	387,944
Total pension liability - beginning	18,626,728	18,000,829	17,533,044	16,476,153	15,556,955	14,724,645	14,485,379	13,981,523	13,782,609	13,394,665
Total pension liability - ending (a)	17,912,812	18,626,728	18,000,829	17,533,044	16,476,153	15,556,955	14,724,645	14,485,379	13,981,523	13,782,609
Plan fiduciary net position										
Contributions - employer	1,009,744	867,952	750,137	649,271	561,623	536,569	562,520	575,496	568,432	551,652
Contributions - employee	36,408	33,192	34,808	35,731	35,095	32,340	30,184	30,589	29,792	29,398
Net investment income	2,109,061	1,018,146	(2,337,096)	2,217,099	938,423	458,958	700,805	1,018,484	786,749	79,238
Benefit payments, including refunds of employee contributions	(1,196,565)	(1,031,874)	(1,091,963)	(1,111,905)	(827,707)	(855,860)	(759,238)	(787,817)	(735,826)	(730,954)
Administrative expense	(28,924)	(30,037)	(9,335)	(1,127)	(2,983)	-	-	-	-	(41)
Net change in plan fiduciary net position	1,929,724	857,379	(2,653,449)	1,789,069	704,451	172,007	534,271	836,752	649,147	(70,707)
Plan fiduciary net position - beginning	12,263,939	11,406,560	14,060,009	12,270,940	11,566,489	11,394,482	10,860,211	10,023,459	9,374,312	9,445,019
Plan fiduciary net position - ending (b)	14,193,663	12,263,939	11,406,560	14,060,009	12,270,940	11,566,489	11,394,482	10,860,211	10,023,459	9,374,312
Net Pension Liability (Asset) - ending (a) - (b)	3,719,149	6,362,789	6,594,269	3,473,035	4,205,213	3,990,466	3,330,163	3,625,168	3,958,064	4,408,297
Plan fiduciary net position as a percentage of total pension liability	79.24%	65.84%	63.37%	80.19%	74.48%	74.35%	77.38%	74.97%	71.69%	68.02%
Covered-employee payroll	\$ 2,871,108	\$ 2,952,380	\$ 2,521,499	\$ 2,238,943	\$ 2,524,271	\$ 2,276,955	\$ 2,082,368	\$ 2,083,715	\$ 2,061,894	\$ 1,970,574
Net pension liability (asset) as a percentage of covered-employee payroll	129.54%	215.51%	261.52%	155.12%	166.59%	175.25%	159.92%	173.98%	191.96%	223.71%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Note to schedule: In 2017, amounts reported as changes of assumptions resulted from a change in the assumption of overtime that will continue to be earned from 40% to 60%. In 2018, this assumption increased from 60% to 80%. In 2019, this assumption increased from 80% to 100%.

See independent auditor's report.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION  
IN THE MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN - CSA  
Last Fiscal Year Ending June 30**

	For the six month's ended December 31, <b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 514,107	\$ 1,002,781	\$ 818,262	\$ 730,753	\$ 621,114	\$ 542,834	\$ 536,568	\$ 572,299	\$ 575,496	\$ 575,496
Contributions in relation to the actuarially determined contribution	<u>514,107</u>	<u>1,002,781</u>	<u>818,262</u>	<u>730,753</u>	<u>621,114</u>	<u>542,834</u>	<u>536,568</u>	<u>572,299</u>	<u>575,496</u>	<u>565,834</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,662</u>
<b>Covered-employee payroll</b>	\$ 1,619,226	\$ 3,117,630	\$ 2,707,103	\$ 2,524,391	\$ 2,552,011	\$ 2,532,715	\$ 2,278,893	\$ 2,127,063	\$ 2,130,933	\$ 1,980,042
<b>Contributions as a percentage of covered-employee payroll</b>	31.75%	32.16%	30.23%	28.95%	24.34%	21.43%	23.55%	26.91%	27.01%	28.58%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF NOTES TO PENSION REQUIRED SUPPLEMENTARY  
INFORMATION**

For the Six Month's Ended December 31, 2024

**Notes to Pension Required Supplementary Information**

*Valuation Date:* Actuarially determined contribution rates for 2024 were calculated based on the October 1, 2023 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method:	Entry-Age Normal
Discount rate:	7.00%. The interest rate for funding equals the long-term rate of return on investments. For GASB determinations, because current assets and policy contributions are projected to be sufficient to pay all projected benefits, the discount rate is the long-term rate of return.
Mortality:	Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries. Beneficiaries are valued using the Pub-2010 amount-weighted contingent survivor fully-generational with projection scale M 2021.
Incidence of disability:	1985 CIDA Table - Class 2.
Turnover:	For all employees: Sarason T-3 Table
Salary Scale:	3.50% per year.
Inflation:	2.00% inflation; 2.50% wage growth
Overtime:	It is assumed that overtime will continue to be earned at 100% of the level of the most recent 3-year average.
Assumed age at retirement:	Earlier of age 62 with 15 years, or age 65 with 5 years service
Marriage:	It is assumed that 50% of participants are married and that a male is 3 years older than his female spouse.
Cost of living adjustment:	N/A
Date of participation freeze:	N/A
Asset valuation	Market value
Funding:	Actuarial Value (5 year smoothing)

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
For the Years Ended June 30,

	For the six month's ended December 31,							
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB Liability								
Service cost	\$ 7,519	\$ 15,038	\$ 28,831	\$ 36,191	\$ 29,810	\$ 24,869	\$ 18,585	\$ 17,703
Interest	8,834	17,668	15,847	10,468	8,636	12,450	15,157	13,987
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(195,311)	-	94,335	-	(67,721)	-
Changes of assumptions	3,801	7,601	153,984	(50,198)	2,402	28,011	10,063	-
Contribution - employer	-	-	-	-	-	-	-	(2,923)
Benefits Payments and Refunds	(13,027)	(26,054)	(20,463)	(46,321)	(36,352)	(24,234)	-	-
Net Change in Total OPEB Liability	7,127	14,253	(17,112)	(49,860)	98,831	41,096	(23,916)	28,768
Total OPEB Liability - beginning	<b>454,938</b>	<b>440,685</b>	<b>457,797</b>	<b>507,657</b>	<b>408,826</b>	<b>367,730</b>	<b>391,646</b>	<b>362,878</b>
Total OPEB Liability - ending	<b>\$ 462,065</b>	<b>\$ 454,938</b>	<b>\$ 440,685</b>	<b>\$ 457,797</b>	<b>\$ 507,657</b>	<b>\$ 408,826</b>	<b>\$ 367,730</b>	<b>\$ 391,646</b>
Covered Employee Payroll	\$ 3,117,630	\$ 3,117,630	\$ 2,707,103	\$ 2,524,391	\$ 2,552,011	\$ 2,532,715	\$ 2,278,893	\$ 2,127,063
Net OPEB Liability as a % of covered-employee payroll	14.82%	14.59%	16.28%	18.13%	19.89%	16.14%	16.14%	18.41%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Note to schedule: In 2023, the discount rate was changed from 4.13% to 4.11%.

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION  
For the Six Month's Ended December 31, 2024**

**Notes to OPEB Required Supplementary Information**

*Valuation Date*: Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2024 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Costs.
Discount Rate	4.11%
Salary Increase	3.0% per year
Trend	Per-capita claims costs are projected to increase at 7.5% in 2023 with annual declines of 0.50% until an ultimate rate of 4.5% is achieved.
Utilization	75.00%
Mortality	Pub-2010 General Employee Headcount-weighted with fully generational scale MP-2021
Inflation	2.0% per year

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING STATEMENT OF NET POSITION - ELECTRIC DEPARTMENT  
December 31, 2024**

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash on hand	\$ 1,930	\$ -	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	1,248,913	438,048	-	1,686,961
Investments	1,036,781	-	-	1,036,781
Accounts receivable (net of allowance for uncollectibles)	2,284,023	(2,313)	-	2,281,710
Due from other funds	-	120,968	(120,968)	-
Inventories	595,733	43,025	-	638,758
Prepayments and other current assets	103,982	9,431	-	113,413
Total current assets	<u>5,271,362</u>	<u>609,159</u>	<u>(120,968)</u>	<u>5,759,553</u>
<b>Noncurrent assets</b>				
Other assets:				
Advances to customers - home insulation	28,849	-	-	28,849
Capital assets:				
General plant	5,524,395	512,411	-	6,036,806
Transmission plant	4,043,892	-	-	4,043,892
Distribution plant	23,384,567	213,848	-	23,598,415
Plant held for future use	9,900	-	-	9,900
Construction in progress	722,081	4,434	-	726,515
Less: Accumulated depreciation	<u>(14,571,416)</u>	<u>(214,024)</u>	<u>-</u>	<u>(14,785,440)</u>
Total capital assets (net of accumulated depreciation)	<u>19,113,419</u>	<u>516,669</u>	<u>-</u>	<u>19,630,088</u>
Total noncurrent assets	<u>19,142,268</u>	<u>516,669</u>	<u>-</u>	<u>19,658,937</u>
Total assets	<u>24,413,630</u>	<u>1,125,828</u>	<u>(120,968)</u>	<u>25,418,490</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pension	459,466	25,424	-	484,890
Deferred outflows related to OPEB	113,751	7,109	-	120,860
Total deferred outflows of resources	<u>\$ 573,217</u>	<u>\$ 32,533</u>	<u>\$ -</u>	<u>\$ 605,750</u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING STATEMENT OF NET POSITION - ELECTRIC DEPARTMENT  
December 31, 2024**

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 2,880,262	\$ 6,672	\$ -	\$ 2,886,934
Customer deposits	1,186,448	-	-	1,186,448
Due to other funds	430,226	-	(120,968)	309,258
Due to the City	121,000	-	-	121,000
Accrued expenses (including compensating absences)	43,795	4,888	-	48,683
Current maturities of long-term debt	132,750	7,678	-	140,428
Total current liabilities	<u>4,794,481</u>	<u>19,238</u>	<u>(120,968)</u>	<u>4,692,751</u>
<b>Noncurrent liabilities</b>				
Advances - home insulation program	28,849	-	-	28,849
Compensated absences	77,689	-	-	77,689
Notes payable	306,265	141,146	-	447,411
Bonds payable	1,089,000	-	-	1,089,000
Net pension liability	2,231,490	111,574	-	2,343,064
Net OPEB liability	295,721	18,483	-	314,204
Total noncurrent liabilities	<u>4,029,014</u>	<u>271,203</u>	<u>-</u>	<u>4,300,217</u>
Total liabilities	<u>8,823,495</u>	<u>290,441</u>	<u>(120,968)</u>	<u>8,992,968</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to OPEB	112,522	7,033	-	119,555
Total deferred inflows of resources	<u>428,626</u>	<u>22,838</u>	<u>-</u>	<u>451,464</u>
<b>Net Position</b>				
Net investment in capital assets	17,585,404	367,845	-	17,953,249
Unrestricted	(1,850,678)	477,237	-	(1,373,441)
Total net position	<u>\$ 15,734,726</u>	<u>\$ 845,082</u>	<u>\$ -</u>	<u>\$ 16,579,808</u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended December 31, 2024

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Operating Revenues</b>				
Charges for sales and services:				
Electric sales (net of uncollectable accounts of \$37,084)	\$ 11,172,901	\$ -	\$ -	\$ 11,172,901
Broadband sales (net of uncollectable accounts of \$2,075)	-	308,167	-	308,167
Forfeited discounts	67,928	2,495	-	70,423
Rent from electric property	182,814	-	-	182,814
Other operating revenues	168,494	72,142	(97,184)	143,452
<b>Total operating revenues</b>	<b>\$ 11,592,137</b>	<b>\$ 382,804</b>	<b>\$ (97,184)</b>	<b>\$ 11,877,757</b>
<b>Operating Expenses</b>				
Cost of sales and services:				
Purchased power	8,286,456	-	-	8,286,456
Purchased internet	-	24,000	-	24,000
Rent to Electric	-	97,184	(97,184)	-
Total cost of sales and services	8,286,456	121,184	(97,184)	8,310,456
Operations expenses:				
Transmission expenses:				
Station expense	3,800	-	-	3,800
Overhead line expense	-	-	-	-
Total transmission expenses	3,800	-	-	3,800
Distribution expenses:				
Supervision and engineering	29,653	(1,503)	-	28,150
Overhead line expense	(2,357)	-	-	(2,357)
Meter expense	26,771	-	-	26,771
Customer installation expense	195	9,493	-	9,688
Miscellaneous	82,994	8,482	-	91,476
Fiberoptics expense	58,347	390	-	58,737
Rents	35,406	8,746	(21,000)	23,152
Total distribution expenses	230,750	25,608	(21,000)	235,358
Customer accounts expenses:				
Meter reading expense	23,861	-	-	23,861
Customer records and collection	102,011	16,293	-	118,304
Total customer accounts expenses	125,872	16,293	-	142,165
Customer service and information expenses:				
Supervision	1,581	36	-	1,617
Customer assistance expense	24,942	11,474	-	36,416
Total customer service and information expenses	26,523	11,510	-	38,033

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended December 31, 2024

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Administrative expenses				
Salaries	152,469	16,331	-	168,800
Office supplies and expenses	63,767	4,413	-	68,180
Administrative expenses transferred	(5,261)	-	-	(5,261)
Outside services employed	27,000	12,465	-	39,465
Insurance	59,340	5,582	-	64,922
Employee pension and benefits	143,426	19,339	-	162,765
Advertising	3,115	325	-	3,440
Miscellaneous	13,948	3,839	-	17,787
Total administrative expenses	<u>457,804</u>	<u>62,294</u>	<u>-</u>	<u>520,098</u>
Total operations expenses	<u>844,877</u>	<u>115,705</u>	<u>(21,000)</u>	<u>939,582</u>
Maintenance expenses:				
Transmission expenses:				
Substation expense	6,666	-	-	6,666
Services expense	-	78,734	-	78,734
Total transmission expenses	<u>6,666</u>	<u>78,734</u>	<u>-</u>	<u>85,400</u>
Distribution expenses:				
Supervision and engineering	23,036	-	-	23,036
Overhead lines	605,991	-	-	605,991
Underground lines	21,488	364	-	21,852
Line transformers	21,952	-	-	21,952
Street lights and signal system	8,311	-	-	8,311
Meters	24,786	-	-	24,786
Fiber optics	18,360	-	-	18,360
Outdoor lighting	(5,709)	-	-	(5,709)
Total distribution expenses	<u>718,215</u>	<u>364</u>	<u>-</u>	<u>718,579</u>
Administrative expenses:				
General plant and equipment	<u>9,153</u>	<u>-</u>	<u>-</u>	<u>9,153</u>
Total maintenance expenses	<u>734,034</u>	<u>79,098</u>	<u>-</u>	<u>813,132</u>
Depreciation	<u>591,450</u>	<u>32,185</u>	<u>-</u>	<u>623,635</u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended December 31, 2024

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Taxes and tax equivalents	<u>48,949</u>	<u>8,353</u>	<u>-</u>	<u>57,302</u>
<b>Total operating expenses</b>	<b><u>\$ 10,505,766</u></b>	<b><u>\$ 356,525</u></b>	<b><u>\$ (118,184)</u></b>	<b><u>\$ 10,744,107</u></b>
<b>Operating income (loss)</b>	<b><u>1,086,371</u></b>	<b><u>26,279</u></b>	<b><u>21,000</u></b>	<b><u>1,133,650</u></b>
<b>Nonoperating revenues (expenses)</b>				
Interest and other revenues	21,724	21,933	(21,000)	22,657
Gain (loss) on disposal of assets	(5,731)	(397)	-	(6,128)
Interest and other expenses	<u>(24,512)</u>	<u>(4,480)</u>	<u>-</u>	<u>(28,992)</u>
Total nonoperating revenues (expenses)	<u>(7,704)</u>	<u>17,056</u>	<u>(21,000)</u>	<u>(11,648)</u>
Change in net position before transfers and capital contributions	<u>1,078,667</u>	<u>43,335</u>	<u>-</u>	<u>1,122,002</u>
<b>Transfers</b>				
Transfers out - in lieu of taxes	<u>(279,930)</u>	<u>-</u>	<u>-</u>	<u>(279,930)</u>
Total transfers	<u>(279,930)</u>	<u>-</u>	<u>-</u>	<u>(279,930)</u>
<b>Change in net position</b>	<b><u>798,737</u></b>	<b><u>43,335</u></b>	<b><u>-</u></b>	<b><u>842,072</u></b>
Total net position - beginning	<u>14,935,989</u>	<u>801,747</u>	<u>-</u>	<u>15,737,736</u>
Total net position - ending	<b><u>\$ 15,734,726</u></b>	<b><u>\$ 845,082</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,579,808</u></b>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES**  
**MILAN, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS - ELECTRIC DEPARTMENT**  
For the Six Month's Ended December 31, 2024

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from consumers	\$ 11,475,299	\$ 383,334	\$ 21,000	\$ 11,879,633
Cash paid to suppliers of goods and services	(9,417,495)	(129,683)	-	(9,547,178)
Cash paid to employees for services	(1,037,256)	(51,712)	-	(1,088,968)
Taxes paid (including tax equivalents)	(48,949)	(8,353)	-	(57,302)
Customer deposits received	168,725	-	-	168,725
Customer deposits refunded	(105,398)	-	-	(105,398)
Net cash provided (used) by operating activities	<u>1,034,926</u>	<u>193,586</u>	<u>21,000</u>	<u>1,249,512</u>
<b>Cash Flows from Non-capital and Related Financing Activities:</b>				
Advances (repayments) to Regions	<u>6,627</u>	<u>-</u>	<u>-</u>	<u>6,627</u>
Net cash provided (used) by non-capital and related financing activities	<u>6,627</u>	<u>-</u>	<u>-</u>	<u>6,627</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal paid on debt	(92,931)	(23,669)	-	(116,600)
Interest paid on bonds, notes, and leases	(24,512)	(4,480)	-	(28,992)
Construction and acquisition of plant	(596,221)	(47,043)	-	(643,264)
Materials salvaged from retirements	-	4,365	-	4,365
Amounts paid to city - payment in lieu of taxes	<u>(279,930)</u>	<u>-</u>	<u>-</u>	<u>(279,930)</u>
Net cash provided (used) by capital and related financing activities	<u>(992,779)</u>	<u>(70,827)</u>	<u>-</u>	<u>(1,063,606)</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of investment	(1,219,945)	-	-	(1,219,945)
Proceeds from sale and maturities of investments	1,375,858	-	-	1,375,858
Change in investments	(754,446)	21,933	(21,000)	(753,513)
Conservation loans (made) collected	<u>(6,627)</u>	<u>-</u>	<u>-</u>	<u>(6,627)</u>
Net cash provided (used) by investing activities	<u>(605,160)</u>	<u>21,933</u>	<u>(21,000)</u>	<u>(604,227)</u>
Net increase (decrease) in cash and cash equivalents	(556,386)	144,692	-	(411,694)
Cash and cash equivalents - beginning of year	<u>1,807,229</u>	<u>293,356</u>	<u>-</u>	<u>2,100,585</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 1,250,843</u></b>	<b><u>\$ 438,048</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,688,891</u></b>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS - ELECTRIC DEPARTMENT**  
For the Six Month's Ended December 31, 2024

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Cash and Cash Equivalents				
Unrestricted cash on hand	1,930	-	-	1,930
Unrestricted cash and cash equivalents	<u>1,248,913</u>	<u>438,048</u>	<u>-</u>	<u>1,686,961</u>
 Total cash and cash equivalents	 <u><b>\$ 1,250,843</b></u>	 <u><b>\$ 438,048</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 1,688,891</b></u>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,086,371	\$ 26,279	\$ 21,000	\$ 1,133,650
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	591,450	32,185	-	623,635
Change in pension related and OPEB deferred outflows and inflows of resources	1,684,546	74,727	-	1,759,273
Changes in assets and liabilities:				
Accounts receivable	(116,838)	530	-	(116,308)
Materials and supplies	33,503	(1,596)	-	31,907
Prepayments and other current assets	71,819	6,776	-	78,595
Due to/from other funds (including the city)	(548,873)	187,368	-	(361,505)
Accounts payable and accrued expenses	73,934	(58,208)	-	15,726
Net pension liability	(1,904,324)	(79,310)	-	(1,983,634)
Customer deposits	63,327	-	-	63,327
Net OPEB liability	<u>11</u>	<u>4,835</u>	<u>-</u>	<u>4,846</u>
<b>Net cash provided (used) by operating activities</b>	<u><b>\$ 1,034,926</b></u>	<u><b>\$ 193,586</b></u>	<u><b>\$ 21,000</b></u>	<u><b>\$ 1,249,512</b></u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF OPERATING REVENUES AND EXPENSES -  
WATER AND SEWER DEPARTMENT**

For the Six Month's Ended December 31, 2024

	<u>Actual</u>	<u>Percent</u>
<b>Operating Revenues</b>		
Charges for sales and services:		
Water Department:		
Metered sales	\$ 1,005,421	49.72
Uncollectible accounts	(1,250)	(0.06)
Sewer Department:		
Metered sales	901,144	44.56
Unmetered sales	14,944	0.74
Uncollectible accounts	(1,250)	(0.06)
Total charges for sales and services	<u>1,919,009</u>	<u>94.90</u>
Other revenues		
Water Department:		
Forfeited discounts	8,761	0.43
Miscellaneous water revenue	56,230	2.78
Sewer Department:		
Forfeited discounts	8,215	0.41
Miscellaneous sewer revenue	-	-
Sale of gasoline	<u>30,191</u>	<u>1.48</u>
Total other revenue	<u>103,397</u>	<u>5.10</u>
<b>Total operating revenues</b>	<b><u>\$ 2,022,406</u></b>	<b><u>100.00</u></b>
<b>Operating Expenses</b>		
Operations expenses:		
System operations:		
Water department:		
Power for pumping	\$ 96,021	4.75
Purification supplies	7,585	0.38
Operation and maintenance of wells and reservoirs	35,010	1.73
Mapping and engineering charges	6,182	0.31
Operating supplies and expenses	6,821	0.34
Pumping - supervision and labor	55,021	2.72
Cross connections inspection	2,521	0.12
Distribution systems operation	449	0.02
Operation of meters	37,996	1.88

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF OPERATING REVENUES AND EXPENSES -  
WATER AND SEWER DEPARTMENT**

For the Six Month's Ended December 31, 2024

	Actual	Percent
Sewer department:		
Operation labor	49,114	2.43
Mapping and engineering charges	2,429	0.12
Operating supplies	31,316	1.55
Distribution systems operation	100	-
Purification supplies	23,952	1.18
Total system operations	<u>354,517</u>	<u>17.53</u>
Consumers' accounting and collecting:		
Water Department:		
Meter reading, resetting and collecting	67,232	3.32
Sewer Department:		
Meter reading, resetting and collecting	<u>15,956</u>	<u>0.79</u>
Total consumers' accounting and collecting	<u>83,188</u>	<u>4.11</u>
Administrative expense:		
Water Department:		
Salaries	49,291	2.44
Office supplies and expense	39,112	1.93
Professional fees	9,150	0.45
Insurance	24,275	1.20
Employee benefits	290,426	14.36
Building expense	5,909	0.29
Other general expense	44,708	2.21
Sewer Department:		
Salaries	43,574	2.15
Office supplies and expense	38,460	1.90
Professional fees	15,399	0.76
Insurance	31,857	1.58
Employee benefits	200,043	9.89
Building expense	4,444	0.22
Other general expense	<u>6,350</u>	<u>0.31</u>
Total administrative expense	<u>802,998</u>	<u>39.69</u>
Service Station	<u>17,160</u>	<u>0.85</u>
Total operations expenses	<u>1,257,863</u>	<u>62.18</u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF OPERATING REVENUES AND EXPENSES -  
WATER AND SEWER DEPARTMENT**

For the Six Month's Ended December 31, 2024

	<u>Actual</u>	<u>Percent</u>
Maintenance Expenses		
Operations expenses:		
Water department:		
Maintenance of structures and improvements	11,843	0.59
Maintenance of power and pumping equipment	5,989	0.30
Maintenance of meters	974	0.05
Maintenance of distribution plant	83,385	4.12
Sewer department:		
Maintenance of structures and improvements	14,819	0.73
Maintenance of power pumping equipment	42,736	2.11
Maintenance of mains	76,633	3.79
Total operations expenses	<u>236,379</u>	<u>11.69</u>
Administrative expense:		
Water department:		
Maintenance of communication and miscellaneous property	17,444	0.86
Sewer department:		
Maintenance of communication and miscellaneous property	<u>4,485</u>	<u>0.22</u>
Total administrative expense	<u>21,929</u>	<u>1.08</u>
Total maintenance expenses	<u>258,308</u>	<u>12.77</u>
Depreciation		
Water department	255,558	12.64
Sewer department	<u>225,316</u>	<u>11.14</u>
Total depreciation and amortization	<u>480,874</u>	<u>23.78</u>
<b>Total operating expenses</b>	<b><u>\$ 1,997,045</u></b>	<b><u>98.73</u></b>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
ELECTRIC RATES IN FORCE**  
For the Six Month's Ended December 31, 2024

<b>Number of customers</b>		8,534
<b>Residential rate schedule</b>		
Customer charge - per delivery point per month	\$	25.55
Energy charge - cents per kWh		
First 800 kWh per month		0.08648
Additional kWh		0.07532
<b>General power schedule</b>		
GSA1 (Under 50 kW demand & less than 15,000 kWh)		
Customer charge - per delivery point per month	\$	29.13
Energy charge - cents per kWh		
First 900 kWh per month		0.09918
Additional kWh		0.08702
GSA2 (51-1000 kW demand or more than 15,000 kWh)		
Customer charge - per delivery point per month		87.17
Demand charges - per kW per month		
First 50 Kw		No Charge
Excess over 50 kW		15.43
Energy charge - cents per kWh		
First 15,000 kWh per month		0.09309
Additional kWh per month		0.04891
GSA3 (1,000 - 5,000 kW demand)		
Customer charge - per delivery point per month		310.91
Demand charges - per kW per month		
First 1,000 kW		16.49
Excess over 1,000 kW not to exceed 5,000		12.08
Energy charge - cents per kWh		0.05222
<b>Outdoor Lighting</b>		
Customer charge - per delivery point per month		3.23
All kW - per kW per month		0.05326

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
BROADBAND RATES IN FORCE**  
For the Six Month's Ended December 31, 2024

<b>Number of customers</b>		1,309
<b>Residential Internet</b>	Charge per month	
Residential Silver	\$	54.95
Residential Gold		99.95
<b>Small Business Internet</b>		
Small Business Bronze	\$	59.95
Small Business Silver		99.95
Small Business Gold		199.95
E-Rate Small Business Gold		40.00
<b>Enterprise Business Internet</b>		
Enterprise Bronze	\$	199.95
Enterprise Silver		499.95
Enterprise Gold		995.95
<b>Prioritized IP Data Circuits</b>	\$	17.50
<b>Other Services / Monthly Charges</b>		
Static IP Address	\$	10.00
Block IP Address - 5		25.00
Block IP Address - 13		50.00
E-Rate Block IP Address - 5		5.00
Additional Email Address (each)		3.00
Managed Wireless Access Point		10.00

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
WATER AND SEWER RATES IN FORCE**  
For the Six Month's Ended December 31, 2024

	<u>Water</u>	<u>Sewer</u>
<b>Number of customers</b>	4,460	4,017

(Based on monthly consumption)

<u>Quantity</u>	<u>Water</u>	<u>Sewer</u>
First 2,000 gallons	Based on meter size	Based on meter size
Next 3,000 gallons	5.18 per 1,000 gallons	5.18 per 1,000 gallons
Next 5,000 gallons	4.76 per 1,000 gallons	5.03 per 1,000 gallons
Over 10,000 gallons	4.62 per 1,000 gallons	4.82 per 1,000 gallons

The minimum monthly bills shall be determined by the size of the meter in service as follows:

	<u>Water</u>	<u>Sewer</u>
5/8" - 3/4" Meter	\$ 21.90	\$ 21.90
1" Meter	21.90	21.90
1 1/4" - 1 1/2" Meter	32.51	32.51
2" Meter	36.03	36.03
3" Meter	42.40	42.40
4" Meter	45.21	45.21
6" Meter	65.00	65.00

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES**  
**MILAN, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT**  
For the Six Month's Ended December 31, 2024

	2024 Notes Payable - Electric		2024 Notes Payable - Electric		2020 Bonds Payable - Electric		2024 Notes Payable - Broadband		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 18,400	\$ 3,942	\$ 23,350	\$ 5,531	\$ 91,000	\$ 22,964	\$ 7,678	\$ 4,382	\$ 140,428	\$ 36,819
2026	38,694	5,989	49,113	8,649	94,000	34,304	33,149	7,060	214,956	56,002
2027	40,876	3,807	51,883	5,879	97,000	31,343	35,048	5,162	224,807	46,191
2028	43,182	1,501	54,810	2,952	100,000	28,287	37,068	3,141	235,060	35,881
2029	3,563	17	24,144	328	104,000	25,137	35,881	1,012	167,588	26,494
2030	-	-	-	-	107,000	21,861	-	-	107,000	21,861
2031	-	-	-	-	110,000	18,491	-	-	110,000	18,491
2032	-	-	-	-	114,000	15,026	-	-	114,000	15,026
2033	-	-	-	-	117,000	11,435	-	-	117,000	11,435
2034	-	-	-	-	121,000	7,749	-	-	121,000	7,749
2035	-	-	-	-	125,000	3,938	-	-	125,000	3,938
	<u>\$ 144,715</u>	<u>\$ 15,256</u>	<u>\$ 203,300</u>	<u>\$ 23,339</u>	<u>\$ 1,180,000</u>	<u>\$ 220,535</u>	<u>\$ 148,824</u>	<u>\$ 20,757</u>	<u>\$ 1,676,839</u>	<u>\$ 279,887</u>

See independent auditor's report.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
For the Six Month's Ended December 31, 2024

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/23	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2024
<b>Notes Payable</b>									
2020 Notes Payable - Electric	\$ 175,000	2.19%	November 2, 2020	November 2, 2025	\$ 51,563	\$ -	\$ 51,563	\$ -	\$ -
2024 Notes Payable - Electric	194,940	5.50%	July 25, 2023	July 25, 2028	162,942	-	18,227	-	144,715
2024 Notes Payable - Electric	252,000	5.50%	December 25, 2023	November 25, 2028	226,441	-	23,141	-	203,300
2024 Notes Payable - Broadband	<u>174,994</u>	5.60%	May 17, 2024	May 20, 2029	<u>172,493</u>	-	<u>23,669</u>	-	<u>148,824</u>
Total Notes Payable	<u>\$ 796,934</u>				<u>\$ 613,439</u>	<u>\$ -</u>	<u>\$ 116,600</u>	<u>\$ -</u>	<u>\$ 496,839</u>
<b>Bonds</b>									
Series 2020 Bond - Electric	<u>1,518,054</u>	3.15%	July 17, 2020	June 1, 2035	<u>1,180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,180,000</u>
Total Bonds Payable	<u>\$ 1,518,054</u>				<u>\$ 1,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,000</u>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF TRANSFERS**  
For the Six Month's Ended December 31, 2024

From Fund	To Fund	Purpose	Amount
Electric	City of Milan	Tax Equivalent	\$ 279,930

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SUPPLEMENTAL INFORMATION - ELECTRIC DEPARTMENT - UNAUDITED**

	For the 6 month's ended December 31, 2024	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Revenue</b>										
Residential	\$ 6,310,388	\$ 11,633,991	\$ 12,241,535	\$ 11,266,843	\$ 10,666,683	\$ 10,544,740	\$ 10,813,548	\$ 11,037,758	\$ 10,513,902	\$ 10,046,942
Small lighting	1,316,077	2,440,114	2,477,328	2,242,350	2,082,985	2,054,605	1,916,374	1,905,575	1,923,502	1,796,042
Large lighting	3,296,485	5,989,684	6,313,271	5,372,569	5,104,965	4,998,777	5,434,434	5,987,430	6,192,125	5,967,141
Street/athletic lighting	40,782	81,978	91,493	83,492	79,263	78,387	83,338	88,433	91,500	83,791
Outdoor lighting	209,169	413,378	423,449	407,220	391,767	392,260	372,924	353,689	358,534	349,101
Other operating	419,236	979,181	793,944	564,380	548,684	499,683	537,026	454,233	410,093	369,654
Interest and other revenue	21,724	29,964	14,653	3,933	7,680	8,720	33,359	6,452	15,546	2,771
	<u>11,613,861</u>	<u>21,568,290</u>	<u>22,355,673</u>	<u>19,940,787</u>	<u>18,882,027</u>	<u>18,577,172</u>	<u>19,191,003</u>	<u>19,833,570</u>	<u>19,505,202</u>	<u>18,615,442</u>
<b>Expense</b>										
Electric power costs	8,286,456	15,755,629	16,790,641	14,853,382	13,812,456	14,264,809	15,385,961	15,758,054	15,576,957	14,937,460
Other operating expenses	1,578,911	3,903,271	3,410,599	2,913,505	3,151,806	2,755,544	2,585,118	2,497,380	2,393,097	2,447,451
Depreciation	591,450	1,174,033	1,134,849	916,572	741,441	679,587	744,036	635,702	634,612	655,788
Taxes/tax equivalents	48,949	306,603	336,298	344,687	336,891	321,813	282,737	280,668	277,191	266,109
Transfers out - in lieu of taxes	279,930	279,930	280,835	266,730	241,417	230,775	230,541	220,018	219,589	217,801
Interest and other expense	29,428	128,049	25,312	54,038	393,129	6,413	8,555	5,654	3,848	(3,000)
	<u>10,815,124</u>	<u>21,547,515</u>	<u>21,978,534</u>	<u>19,348,914</u>	<u>18,677,140</u>	<u>18,258,941</u>	<u>19,236,948</u>	<u>19,397,476</u>	<u>19,105,294</u>	<u>18,521,609</u>
<b>Net income (loss)</b>	<b>\$ 798,737</b>	<b>\$ 20,775</b>	<b>\$ 377,139</b>	<b>\$ 591,873</b>	<b>\$ 204,887</b>	<b>\$ 318,231</b>	<b>\$ (45,945)</b>	<b>\$ 436,094</b>	<b>\$ 399,908</b>	<b>\$ 93,833</b>
Financial										
Plant in service (at original cost)	<u>\$ 33,684,835</u>	<u>\$ 33,437,081</u>	<u>\$ 32,158,913</u>	<u>\$ 31,172,470</u>	<u>\$ 29,707,333</u>	<u>\$ 27,909,176</u>	<u>\$ 27,223,903</u>	<u>\$ 26,727,184</u>	<u>\$ 25,708,287</u>	<u>\$ 23,884,248</u>
Bonds and notes outstanding	<u>\$ 1,676,839</u>	<u>\$ 1,793,439</u>	<u>\$ 1,355,994</u>	<u>\$ 1,505,042</u>	<u>\$ 1,663,397</u>	<u>\$ 148,788</u>	<u>\$ 225,485</u>	<u>\$ 299,975</u>	<u>\$ 151,011</u>	<u>\$ 186,824</u>
Power in use - KWH										
Residential	51,457,882	99,061,586	99,593,314	102,237,816	102,551,672	101,692,685	105,224,793	106,117,996	101,036,776	99,933,252
Small commercial	9,539,287	18,514,747	17,950,420	17,981,445	17,668,834	17,430,641	16,372,088	16,054,929	16,478,668	15,794,186
Large commercial	30,466,442	58,030,226	58,159,061	55,253,367	54,571,897	53,832,277	59,081,681	65,339,060	67,831,499	67,607,480
Street/athletic lighting	532,441	1,114,251	1,143,006	1,203,869	1,262,798	1,232,304	1,320,345	1,366,616	1,400,512	1,341,075
Outdoor lighting	749,311	1,551,432	1,638,757	1,772,034	1,919,246	2,114,891	2,276,483	2,324,394	2,349,280	2,328,829
<b>Total</b>	<b>92,745,363</b>	<b>178,272,242</b>	<b>178,484,558</b>	<b>178,448,531</b>	<b>177,974,447</b>	<b>176,302,798</b>	<b>184,275,390</b>	<b>191,202,995</b>	<b>189,096,735</b>	<b>187,004,822</b>
<b>Peak KW demand</b>	<b>45,219</b>	<b>50,937</b>	<b>45,017</b>	<b>47,204</b>	<b>42,421</b>	<b>42,068</b>	<b>47,280</b>	<b>44,840</b>	<b>46,528</b>	<b>47,277</b>

See independent auditor's report.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SUPPLEMENTAL INFORMATION - ELECTRIC DEPARTMENT - UNAUDITED**

For the 6  
month's ended  
December 31,

	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Number of customers										
Residential	6,902	6,859	6,828	6,822	6,829	6,762	6,727	6,767	6,752	6,769
Small commercial	1,434	1,399	1,382	1,369	1,337	1,299	1,279	1,207	1,237	1,223
Large commercial	125	120	117	105	100	98	100	101	101	103
Street/athletic lighting	28	28	28	30	29	29	28	28	28	28
Outdoor lighting	<u>45</u>	<u>46</u>	<u>43</u>	<u>55</u>	<u>45</u>	<u>44</u>	<u>45</u>	<u>44</u>	<u>45</u>	<u>36</u>
	<b><u>8,534</u></b>	<b><u>8,452</u></b>	<b><u>8,398</u></b>	<b><u>8,381</u></b>	<b><u>8,340</u></b>	<b><u>8,232</u></b>	<b><u>8,179</u></b>	<b><u>8,147</u></b>	<b><u>8,163</u></b>	<b><u>8,159</u></b>
<b>Line Loss</b>	<b><u>3.94%</u></b>	<b><u>5.71%</u></b>	<b><u>5.06%</u></b>	<b><u>5.33%</u></b>	<b><u>5.40%</u></b>	<b><u>5.74%</u></b>	<b><u>5.12%</u></b>	<b><u>5.76%</u></b>	<b><u>4.82%</u></b>	<b><u>5.70%</u></b>

*See independent auditor's report.*

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SUPPLEMENTAL INFORMATION -  
BROADBAND DIVISION - UNAUDITED**

For the 6  
month's ended  
December 31,

	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue							
Residential	\$ 210,170	\$ 369,174	\$ 306,881	\$ 162,222	\$ 47,662	\$ 13,371	\$ 1,015
Small business	91,900	179,650	165,900	144,013	124,083	88,857	18,875
Other services	6,097	13,709	10,848	9,888	9,092	12,007	1,619
Other operating	74,637	138,883	127,737	103,403	76,348	45,478	8,109
Interest and other revenue	<u>21,536</u>	<u>12,530</u>	<u>1,108</u>	<u>185</u>	<u>99</u>	<u>42</u>	<u>20</u>
	<u>404,340</u>	<u>713,946</u>	<u>612,474</u>	<u>419,711</u>	<u>257,284</u>	<u>159,755</u>	<u>29,638</u>
Expense							
Purchased internet	24,000	47,000	36,000	36,000	36,000	27,908	6,788
Other operating expenses	194,803	248,366	218,931	134,962	21,167	21,768	12,949
Rent to Electric	97,184	185,793	181,968	-	-	-	-
Depreciation	32,185	57,175	49,689	25,705	12,902	4,067	1,867
Taxes/tax equivalents	8,353	7,963	3,559	1,837	-	-	-
Transfers out - in lieu of taxes	-	-	402	257	-	-	-
Interest and other expense	<u>4,480</u>	<u>844</u>	<u>-</u>	<u>1,531</u>	<u>2,719</u>	<u>3,194</u>	<u>1,750</u>
	<u>361,005</u>	<u>547,141</u>	<u>490,549</u>	<u>200,292</u>	<u>72,788</u>	<u>56,937</u>	<u>23,354</u>
Net income (loss)	<u>\$ 43,335</u>	<u>\$ 166,805</u>	<u>\$ 121,925</u>	<u>\$ 219,419</u>	<u>\$ 184,496</u>	<u>\$ 102,818</u>	<u>\$ 6,284</u>
Financial							
Plant in service (at original cost)	<u>\$ 730,693</u>	<u>\$ 668,679</u>	<u>\$ 201,926</u>	<u>\$ 155,902</u>	<u>\$ 168,223</u>	<u>\$ 35,179</u>	<u>\$ 38,736</u>
Number of customers							
Residential	627	561	486	360	134	28	11
Small business	183	177	172	154	139	110	53
Other services	<u>499</u>	<u>477</u>	<u>58</u>	<u>60</u>	<u>188</u>	<u>111</u>	<u>24</u>
	<u>1,309</u>	<u>1,215</u>	<u>716</u>	<u>574</u>	<u>461</u>	<u>249</u>	<u>88</u>

This is a 10-year schedule; however, fiscal year 2019 is the first year that the Broadband division is in operation. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SUPPLEMENTAL INFORMATION - WATER AND SEWER DEPARTMENT - UNAUDITED**

For the 6 month's  
ended December  
31,  
**2024**

	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>										
Metered sales	\$ 1,904,065	\$ 2,946,546	\$ 2,972,998	\$ 2,692,315	\$ 2,675,944	\$ 2,502,409	\$ 2,519,041	\$ 2,533,367	\$ 2,251,633	\$ 2,240,780
Unmetered sales	14,944	32,537	27,028	18,123	3,886	8,162	10,852	9,506	8,975	12,129
Other operating	103,397	148,413	140,934	105,429	88,501	81,018	105,284	101,773	89,964	92,726
Interest and other revenue	<u>429,345</u>	<u>283,194</u>	<u>110,035</u>	<u>74,389</u>	<u>517,869</u>	<u>88,024</u>	<u>516,394</u>	<u>86,143</u>	<u>467,495</u>	<u>97,435</u>
	<u>2,451,751</u>	<u>3,410,690</u>	<u>3,250,995</u>	<u>2,890,256</u>	<u>3,286,200</u>	<u>2,679,613</u>	<u>3,151,571</u>	<u>2,730,789</u>	<u>2,818,067</u>	<u>2,443,070</u>
<b>Expense</b>										
Operating expenses	1,516,171	2,594,415	2,314,949	1,891,064	1,966,789	1,868,241	1,875,467	1,876,146	1,604,676	1,637,774
Depreciation	<u>480,874</u>	<u>970,173</u>	<u>908,822</u>	<u>867,446</u>	<u>801,387</u>	<u>771,992</u>	<u>742,722</u>	<u>755,146</u>	<u>717,075</u>	<u>696,996</u>
	<u>1,997,045</u>	<u>3,564,588</u>	<u>3,223,771</u>	<u>2,758,510</u>	<u>2,768,176</u>	<u>2,640,233</u>	<u>2,618,189</u>	<u>2,631,292</u>	<u>2,321,751</u>	<u>2,334,770</u>
<b>Net income (loss)</b>	<b>\$ 454,706</b>	<b>\$ (153,898)</b>	<b>\$ 27,224</b>	<b>\$ 131,746</b>	<b>\$ 518,024</b>	<b>\$ 39,380</b>	<b>\$ 533,382</b>	<b>\$ 99,497</b>	<b>\$ 496,316</b>	<b>\$ 108,300</b>
<b>Financial</b>										
Plant in service (at original cost)	\$ 34,923,987	\$ 34,121,554	\$ 33,573,693	\$ 33,332,267	\$ 32,443,973	\$ 30,418,703	\$ 30,169,029	\$ 29,508,775	\$ 29,368,238	\$ 28,955,583
Usage - Gallons										
Water	<u>129,520,200</u>	<u>248,543,400</u>	<u>250,051,100</u>	<u>233,269,100</u>	<u>251,056,800</u>	<u>242,584,300</u>	<u>248,224,400</u>	<u>247,675,200</u>	<u>246,046,600</u>	<u>246,476,700</u>
Sewer	<u>110,551,000</u>	<u>211,291,700</u>	<u>211,763,900</u>	<u>201,948,700</u>	<u>215,432,000</u>	<u>211,457,600</u>	<u>215,564,500</u>	<u>217,116,600</u>	<u>216,703,900</u>	<u>217,903,000</u>
Number of customers										
Water	<u>4,460</u>	<u>4,017</u>	<u>4,320</u>	<u>4,295</u>	<u>4,273</u>	<u>4,207</u>	<u>4,171</u>	<u>4,177</u>	<u>4,177</u>	<u>4,196</u>
Sewer	<u>4,017</u>	<u>3,997</u>	<u>3,873</u>	<u>3,851</u>	<u>3,835</u>	<u>3,789</u>	<u>3,740</u>	<u>3,736</u>	<u>3,736</u>	<u>3,754</u>
<b>Line loss - Water</b>	<b>14.85%</b>	<b>20.65%</b>	<b>19.56%</b>	<b>25.37%</b>	<b>24.84%</b>	<b>11.89%</b>	<b>16.16%</b>	<b>21.90%</b>	<b>24.99%</b>	<b>36.84%</b>

See independent auditor's report.

**BOARD OF PUBLIC UTILITIES  
MILAN TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Six Month's Ended December 31, 2024**

	<u>ALN Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>
<b>FEDERAL AWARDS</b>			
United States Department of Treasury			
Passed through the State of Tennessee			
Department of Human Services			
Coronavirus State and Local Fiscal Recovery Funds	21.027	75541	\$ <u>346,355</u>
 Total Federal Awards			 \$ <u><u>346,355</u></u>

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Utility under programs of the federal government for the six months ended December 31, 2024. Because the Schedule presents only a selected portion of the operations of the Utility, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Utility.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting whereby expenditures are recorded when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Utility has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



**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**

Board of Public Utilities  
Milan, Tennessee

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 Milan Board of Public Utilities (the Utility), enterprise funds of the City of Milan, Tennessee, as of and for the six months ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated April 22, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Utility'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 the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*ATA, PC*

Jackson, Tennessee  
April 22, 2025

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF FINDINGS**  
For the Six Months Ended December 31, 2024

**Financial Statement Findings**

There were no current year findings reported.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS**  
For the Six Months Ended December 31, 2024

**Financial Statement Findings**

There were no prior year findings reported.

**APPENDIX E**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
OF  
MILAN PUBLIC UTILITIES AUTHORITY  
FOR THE SIX MONTHS ENDED  
JUNE 30, 2025**



**MILAN PUBLIC UTILITIES AUTHORITY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2025**

# MILAN BOARD OF PUBLIC UTILITIES

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## **INTRODUCTORY SECTION**

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
DIRECTORY  
June 30, 2025**

**GOVERNING BOARD**

Dr. Mickey McAdoo, Chairman  
John Ross, Vice-Chairman  
Thorne Barbour  
Julie Ward  
Richard Adkisson

**MANAGEMENT TEAM**

Micheal Longmire, CEO  
Will Bell, CFO

**COUNSEL**

Michael Hill, Attorney at Law  
Milan, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

ATA, PC  
Jackson, Tennessee

## **FINANCIAL SECTION**



## **Independent Auditor's Report**

Board of Directors  
Milan Public Utilities Authority  
Milan, Tennessee

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Milan Public Utilities Authority (the Utility) as of and for the six months ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Milan Public Utilities Authority, Tennessee, as of June 30, 2025, and the respective changes in financial position and, cash flows thereof for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Utility, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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.

## **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 GAAS 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 GAAS 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 Utility'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 Utility'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 and pension and other post-employment benefits schedules and notes as listed in the table of contents 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 opinions on the financial statements that collectively comprise the Utility's basic financial statements. The supplementary and other information

section, except that marked unaudited, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, except that marked unaudited, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and supplemental information, marked unaudited, as listed in the table of contents, 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 September 24, 2025 on our consideration of the Utility'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 the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

*ATA, PC*

Jackson, Tennessee  
September 24, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Milan Public Utilities Authority, we offer readers of the Utility's financial statements this narrative overview and analysis of the financial activities of the Utility for the six months ended June 30, 2025. All amounts, unless otherwise indicated, are expressed in actual dollars.

### **FINANCIAL HIGHLIGHTS**

Management believes the Utility's financial condition is strong. The Utility is well within the stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets and deferred outflows of resources at June 30, 2025 were \$57,318,875 and exceeded liabilities and deferred inflows of resources in the amount of \$36,539,949 (i.e. net position). Total assets and deferred outflows increased by \$9,982,352.
- Net Position increased \$545,305 during the current six month period. Unrestricted net position decreased by \$119,531 due primarily to purchases of capital assets in the six months.
- During the six months ended June 30, 2025, the Utility delivered 87,454,991 kWh and 121,354,800 gallons of water compared to 92,745,363 kWh and 129,520,200 gallons of water during the six months ended December 31, 2024.
- Operating revenues for the six months were \$14,051,699, an increase from six months ended December 31, 2024 in the amount of \$151,536 or 1.09%.
- Operating expenses for the six months were \$13,723,164 an increase over six months ended December 31, 2024 in the amount of \$982,012 or 7.71%.
- The operating income for the six months was \$328,535 as compared to a \$1,159,011 profit during the six months ended December 31, 2024.
- Ratios of operating income to total operating revenue were 2.34% and 8.34% for the six months ended June 30, 2025 and the six months ended December 31, 2024, respectively.

### **OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Utility's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Utility's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other information section, and 4) the internal control and compliance section. The introductory section includes the Utility's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The supplementary and other information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

## REQUIRED FINANCIAL STATEMENTS

Enterprise Funds are used to account for the operations of the Utility, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the Utility, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* presents the financial position of the Utility on a full accrual historical cost basis. The statement includes all of the Utility's assets, liabilities, and deferred outflows and inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Utility's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Utility, and assessing the liquidity and financial flexibility of the Utility.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net positions changed during the year. All changes in net positions 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 Utility's operations and can be used to determine whether the Utility has successfully recovered all of its costs. This statement also measures the Utility's 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 cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Utility's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## FINANCIAL ANALYSIS

One of the most important questions asked about the Utility's finances is "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Positions and the Statement of Revenues, Expenses, and Changes in Net Positions report information about the Utility's activities in a way that will help answer this question. These two statements report the net positions of the Utility and the changes in the net positions. A net position is one way to measure the financial health or financial position of the Utility. Over time, increases or decreases in the Utility's net positions are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The Utility's total net position increased by \$545,305 for the six months ended June 30, 2025. The analysis below focuses on the Utility's net position (Table 1) and changes in net position (Table 2) during the year.

The increase in capital assets was due mainly to an increase in ongoing projects in both departments. The changes in deferred inflows/outflows of resources are primarily due to transactions related to the

Utility's pension plan and OPEB plan. The increase in long-term liabilities and current and other assets were caused mainly by the long-term bonds issued in the current period that are not spent.

Table 1  
**CONDENSED STATEMENT OF NET POSITION**

	June 30, 2025	December 31, 2024	Increase (Decrease)	
			\$	%
Current and other assets	\$ 19,179,102	\$ 10,562,157	\$ 8,616,945	81.58%
Capital assets	36,650,353	35,833,612	816,741	2.28%
Total assets	55,829,455	46,395,769	9,433,686	20.33%
Deferred outflows of resources	1,489,420	940,754	548,666	58.32%
Long-term liabilities	13,975,377	5,888,670	8,086,707	137.33%
Other liabilities	6,132,071	4,750,553	1,381,518	29.08%
Total liabilities	20,107,448	10,639,223	9,468,225	88.99%
Deferred inflows of resources	671,478	702,656	(31,178)	-4.44%
Net investment in capital assets	34,723,047	34,156,773	566,274	1.66%
Restricted for debt service	98,562	-	98,562	100.00%
Unrestricted	1,718,340	1,837,871	(119,531)	-6.50%
Total net position	\$ 36,539,949	\$ 35,994,644	\$ 545,305	1.51%

The Electric funds total net position increased by \$391,911 mainly due to increased rates for the six months ended June 30, 2025. The Water funds total net position increased by \$153,394 which was due to a increased rates.

Changes in the Utility's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the year.

Table 2  
**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	June 30, 2025	December 31, 2024	Increase (Decrease)	
			\$	%
Operating revenues	\$ 14,051,699	\$ 13,900,163	\$ 151,536	1.09%
Non-operating revenues	408,754	108,207	300,547	277.75%
Total revenues	14,460,453	14,008,370	452,083	3.23%
Cost of sales and service	8,688,754	8,310,456	378,298	4.55%
Operations expense	2,057,392	2,197,445	(140,053)	-6.37%
Maintenance expense	1,574,355	1,071,440	502,915	46.94%
Depreciation expense	1,121,134	1,104,509	16,625	1.51%
Taxes and tax equivalents	281,529	57,302	224,227	391.31%
Transfers out - in lieu of taxes	-	279,930	(279,930)	-100.00%
Interest and other expense	191,984	36,865	155,119	420.78%
Total expenses	13,915,148	13,057,947	857,201	6.56%
Capital contributions	-	346,355	(346,355)	-100.00%
Change in net position	545,305	1,296,778	(751,473)	-57.95%
Beginning net position	35,994,644	34,697,866	1,296,778	3.74%
Ending net position	\$ 36,539,949	\$ 35,994,644	\$ 545,305	1.51%

Operating revenues showed a 1.09% increase and cost of sales and service a increased of 4.55% for the six months ended June 30, 2025 compared to the six months ended December 31, 2024 due primarily to decreases in usage caused by the timing and weather and an increase in TVA rates. Ending net positions showed an increase of 1.51% over the period due a profit in the current year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of the six months, the Utility had \$36,650,353 (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, land rights, distribution, transmission, and treatment systems and their related equipment, and various types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as general plant, treatment plant, transmission plant, distribution plant, plant held for future use, service station, and construction in progress. This investment represents an overall increase of \$816,741 or 2.28% over the six months.

The following tables summarize the Utility's capital assets, net of accumulated depreciation, and changes therein, for the six months ended June 30, 2025. These changes are presented in detail in Note 3D to the financial statements.

Table 3  
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2025	December 31, 2024	Increase (Decrease)	
			\$	%
General plant	\$ 4,213,393	\$ 4,228,678	\$ (15,285)	-0.36%
Treatment plant	5,058,436	5,225,564	(167,128)	-3.20%
Transmission plant	427,131	449,436	(22,305)	-4.96%
Distribution plant	24,076,595	24,043,822	32,773	0.14%
Service Station	42,343	42,343	-	0.00%
Plant held for future use	472	472	-	0.00%
Construction in progress	2,831,983	1,843,297	988,686	53.64%
Total capital assets	<u>\$ 36,650,353</u>	<u>\$ 35,833,612</u>	<u>\$ 816,741</u>	2.28%

The increase during the six months was due to the ongoing fiber buildout.

The Utility plans on using existing financial resources to keep upgrading existing systems and adding new systems.

### Debt Administration

The Utility has outstanding bonds payable in the amount of \$9,650,000 as of June 30, 2025. Details relating to debt can be found in Note 3E.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fiscal year 2026 budget was approved at the June 2025 Board meeting. The City is actively recruiting new industries to the area to make up for past plant closures. Any new industry that comes to the area will increase the Utility's power sales and should help the overall financial condition of the Utility.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Utility's finances for all those with an interest in the Utility's finances and to demonstrate the Utility's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Chief Financial Officer of the Milan Public Utilities Authority, P.O. Box 109, Milan, TN 38358.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**STATEMENT OF NET POSITION**  
June 30, 2025

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand	\$ 1,930	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	1,982,838	318,569	2,301,407
Investments	1,078,254	3,996,124	5,074,378
Accounts receivable (net of allowance for uncollectibles)	2,308,199	6,510	2,314,709
Grants receivable	-	272,121	272,121
Due from other funds	-	323,855	323,855
Inventories	698,571	79,714	778,285
Prepayments and other current assets	90,757	177,364	268,121
Total current assets	<u>6,160,549</u>	<u>5,174,257</u>	<u>11,334,806</u>
<b>Noncurrent assets</b>			
Restricted cash, cash equivalents, and investments			
Cash and cash equivalents	7,821,256	-	7,821,256
Other assets:			
Advances to customers - Heat pump loans	23,040	-	23,040
Capital assets:			
General plant	6,002,269	1,898,963	7,901,232
Treatment plant	-	12,957,976	12,957,976
Transmission plant	4,068,467	-	4,068,467
Distribution plant	23,804,313	19,396,477	43,200,790
Plant held for future use	9,900	-	9,900
Service station	-	75,505	75,505
Construction in progress	2,189,739	642,244	2,831,983
Less: Accumulated depreciation	<u>(15,186,412)</u>	<u>(19,209,088)</u>	<u>(34,395,500)</u>
Total capital assets (net of accumulated depreciation)	<u>20,888,276</u>	<u>15,762,077</u>	<u>36,650,353</u>
Total noncurrent assets	<u>28,732,572</u>	<u>15,762,077</u>	<u>44,494,649</u>
Total assets	<u>34,893,121</u>	<u>20,936,334</u>	<u>55,829,455</u>
<b>Deferred outflows of resources</b>			
Deferred outflows - pension	923,598	432,951	1,356,549
Deferred outflows - OPEB	91,985	40,886	132,871
Total deferred outflows of resources	<u>\$ 1,015,583</u>	<u>\$ 473,837</u>	<u>\$ 1,489,420</u>

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

**MILAN PUBLIC UTILITIES AUTHORITY**  
**STATEMENT OF NET POSITION**

June 30, 2025

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 3,957,088	\$ 65,165	\$ 4,022,253
Customer deposits	1,198,123	7,070	1,205,193
Due to other funds	323,855	-	323,855
Due to the City	122,321	-	122,321
Accrued expenses (including compensating absences)	265,292	93,157	358,449
Current maturities of long-term debt	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	<u>5,966,679</u>	<u>165,392</u>	<u>6,132,071</u>
<b>Noncurrent liabilities</b>			
Advances - heat pump loans	23,040	-	23,040
Compensated absences	109,969	140,029	249,998
Bonds payable	9,550,000	-	9,550,000
Net pension liability	2,529,021	1,190,127	3,719,148
Net OPEB liability	<u>299,894</u>	<u>133,297</u>	<u>433,191</u>
Total noncurrent liabilities	<u>12,511,924</u>	<u>1,463,453</u>	<u>13,975,377</u>
 Total liabilities	 <u>18,478,603</u>	 <u>1,628,845</u>	 <u>20,107,448</u>
<b>Deferred inflows of resources</b>			
Deferred inflows - pension	358,251	168,589	526,840
Deferred inflows - OPEB	<u>100,131</u>	<u>44,507</u>	<u>144,638</u>
Total deferred inflows of resources	<u>458,382</u>	<u>213,096</u>	<u>671,478</u>
<b>Net Position</b>			
Net investment in capital assets	18,960,970	15,762,077	34,723,047
Restricted for debt service	98,562	-	98,562
Unrestricted	<u>(2,087,813)</u>	<u>3,806,153</u>	<u>1,718,340</u>
 Total net position	 <u>\$ 16,971,719</u>	 <u>\$ 19,568,230</u>	 <u>\$ 36,539,949</u>

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

**MILAN PUBLIC UTILITIES AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Six Month's Ended June 30, 2025

	<u>Electric Department</u>	<u>Water and Sewer Department</u>	<u>Totals</u>
<b>Operating revenues</b>			
Charges for sales and services (net of uncollectible accounts of \$868)	\$ 11,747,133	\$ 1,804,759	\$ 13,551,892
Other revenues	<u>415,737</u>	<u>84,070</u>	<u>499,807</u>
Total operating revenues	<u>12,162,870</u>	<u>1,888,829</u>	<u>14,051,699</u>
<b>Operating expenses</b>			
Cost of sales and services	8,688,754	-	8,688,754
Operations expense	1,166,728	890,664	2,057,392
Maintenance expense	1,040,812	533,543	1,574,355
Depreciation	630,080	491,054	1,121,134
Taxes and tax equivalents	<u>281,529</u>	<u>-</u>	<u>281,529</u>
Total operating expenses	<u>11,807,903</u>	<u>1,915,261</u>	<u>13,723,164</u>
<b>Operating income (loss)</b>	<u><b>354,967</b></u>	<u><b>(26,432)</b></u>	<u><b>328,535</b></u>
<b>Nonoperating revenues (expenses)</b>			
Interest and other revenues	186,278	88,884	275,162
Tap fees and other nonoperating revenues	600	78,542	79,142
Gain (loss) on disposal of assets	42,050	12,400	54,450
Interest and other expenses	<u>(191,984)</u>	<u>-</u>	<u>(191,984)</u>
Total nonoperating revenues (expenses)	<u>36,944</u>	<u>179,826</u>	<u>216,770</u>
<b>Change in net position</b>	<u><b>391,911</b></u>	<u><b>153,394</b></u>	<u><b>545,305</b></u>
Total net position - beginning	<u>16,579,808</u>	<u>19,414,836</u>	<u>35,994,644</u>
Total net position - ending	<u><b>\$ 16,971,719</b></u>	<u><b>\$ 19,568,230</b></u>	<u><b>\$ 36,539,949</b></u>

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

**MILAN PUBLIC UTILITIES AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the Six Month's Ended June 30, 2025

	<b>Electric Department</b>	<b>Water and Sewer Department</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from consumers	\$ 12,306,975	\$ 1,881,485	\$ 14,188,460
Cash paid to suppliers of goods and services	(8,911,384)	(1,191,115)	(10,102,499)
Cash paid to employees for services	(1,088,968)	(530,258)	(1,619,226)
Taxes paid (including tax equivalents)	(281,529)	-	(281,529)
Customer deposits received	151,943	5,600	157,543
Customer deposits refunded	(140,268)	-	(140,268)
Net cash provided (used) by operating activities	<u>2,036,769</u>	<u>165,712</u>	<u>2,202,481</u>
<b>Cash Flows from Non-capital and Related Financing Activities:</b>			
Advances (repayments) from Regions	<u>5,809</u>	<u>-</u>	<u>5,809</u>
Net cash provided (used) by non-capital and related financing activities	<u>5,809</u>	<u>-</u>	<u>5,809</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributed by customers and grants	600	127,865	128,465
Proceeds from notes and bonds payable issuance	9,750,000	-	9,750,000
Principal paid on debt	(1,776,839)	-	(1,776,839)
Interest paid on bonds, notes, and leases	(191,984)	-	(191,984)
Construction and acquisition of plant	(1,846,218)	(37,207)	(1,883,425)
Net cash provided (used) by capital and related financing activities	<u>5,935,559</u>	<u>90,658</u>	<u>6,026,217</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investment	(41,473)	(735,053)	(776,526)
Maturity of investments	186,278	-	186,278
Other non-operating income	-	167,426	167,426
Conservation loans (made) collected	(5,809)	-	(5,809)
Net cash provided (used) by investing activities	<u>138,996</u>	<u>(567,627)</u>	<u>(428,631)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,117,133</b>	<b>(311,257)</b>	<b>7,805,876</b>
Cash and cash equivalents - beginning of year	<u>1,688,891</u>	<u>629,826</u>	<u>2,318,717</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 9,806,024</u></b>	<b><u>\$ 318,569</u></b>	<b><u>\$ 10,124,593</u></b>

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

**MILAN PUBLIC UTILITIES AUTHORITY**  
**MILAN, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
For the Six Month's Ended June 30, 2025

	<b>Electric Department</b>	<b>Water and Sewer Department</b>	<b>Totals</b>
Cash and Cash Equivalents			
Unrestricted cash on hand	\$ 1,930	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	1,982,838	318,569	2,301,407
Restricted cash and cash equivalents	<u>7,821,256</u>	<u>-</u>	<u>7,821,256</u>
 Total cash and cash equivalents	 <b><u>\$ 9,806,024</u></b>	 <b><u>\$ 318,569</u></b>	 <b><u>\$ 10,124,593</u></b>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 354,967	\$ (26,432)	\$ 328,535
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	630,080	491,054	1,121,134
Change in pension and OPEB related deferred outflows and inflows of resources	(402,915)	(176,929)	(579,844)
Changes in assets and liabilities:			
Accounts receivable	(26,489)	(7,344)	(33,833)
Materials and supplies	(59,813)	13,253	(46,560)
Prepayments and other current assets	22,656	(95,883)	(73,227)
Due/to from other funds	15,918	(14,597)	1,321
Accounts payable and accrued expenses	1,319,043	177,512	1,496,555
Customer deposits	11,675	5,600	17,275
Net pension liability	185,957	(185,958)	(1)
Net OPEB liability	<u>(14,310)</u>	<u>(14,564)</u>	<u>(28,874)</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 2,036,769</u></b>	<b><u>\$ 165,712</u></b>	<b><u>\$ 2,202,481</u></b>

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

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Milan Public Utilities Authority (the Utility) was formed to own and operate an electric, broadband, water, and wastewater utility within or outside the corporate limits of the City of Milan and to exercise all powers granted to energy authorities by the Municipal Energy Authority Act enacted by Public Chapter No. 995 of the 2016 Public Acts of the State of Tennessee, as amended, with respect to electric, water, and wastewater services. This act authorizes the authority, effective immediately upon the effective date of its formation, and upon proper action by the associated municipality, to commence operating the systems and to exercise exclusive control and direction of the systems and to accept title to the assets and assume the liabilities of the systems, and upon such action to hold all the rights as existed with the municipal utility system without diminution.

As a public utility, Milan Public Utilities Authority is under the regulatory authority of the Tennessee Valley Authority (TVA). TVA requires that a six-month financial report be issued that includes the operations of Milan Public Utilities Authority from January 1, 2025, through June 30, 2025 due to the TVA annual reports being due for year ending June 30, 2025.

**B. Measurement Focus, Basis of Accounting, and Financial Statement 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 Utility's financial statements 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 Utility conform to applicable accounting principles generally accepted in the United States of America as defined by the *Governmental Accounting Standards Board* (GASB).

Business-type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the business-type fund's principal ongoing operations. The principal operating revenues of the Utility are charges for sales to customers for sales and service. Operating expenses for the business-type funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Assets, Liabilities, Deferred Outflow/Inflows, and Net Positions**

**Deposits and investments**

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

State statutes authorize the Utility to invest in certificates of deposit, obligations of the U. S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

United States or any of its agencies, repurchase agreements, and the Tennessee local government investment pool. Investments are stated at fair value.

**Receivables and payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position.

Trade receivables result from unpaid billings for service 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 Utility is based on past history of uncollectible accounts and management's analysis of current accounts.

**Inventories and prepaid items**

All inventories are valued at the lower of average cost or market, using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Capital assets**

Capital assets, which include property, plant, equipment, and construction in progress, are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined by the Utility as assets with an estimated useful life of at least 5 years and a cost of more than \$5,000. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Utility are depreciated using the straight-line method over the following useful lives:

General plant	5 - 50 years
Treatment plant	12.5 - 50 years
Transmission plant	10 - 50 years
Distribution plant	16.66 - 50 years

**Compensated absences**

It is the Utility's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay has been accrued, and the estimated current portion is reflected as a current liability and the estimated long-term portion is reflected as a long-term liability on the financial statements.

**Long-term obligations**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The Utility continues to report bond issuance costs as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 – *Codification of Accounting*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

*and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements.* This regulatory option as part of GASB Statement No. 65 is available due to the above-mentioned cost being used for rate setting by the Utility.

**Pensions and OPEB**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Utility's participation in their multiple employer defined benefit pension plan and single employer OPEB plan, and additions to/deductions from the Utility's fiduciary net position have been determined on the same basis as they are reported by the retirement and OPEB plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility has pension and OPEB related deferred outflows that qualify for reporting in this category.

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 acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has pension and OPEB related deferred inflows that qualify for reporting in this category.

**Impact of Recently Issued Accounting Pronouncements**

In June of 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101 related to Compensated Absences. This Statement improves accounting and financial reporting by state and local governments for Compensated Absences and is effective for fiscal years beginning after December 15, 2023. This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. This implementation resulted no material adjustments in the current year.

**Net Position Flow Assumption**

Sometimes the Utility 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 Utility policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Net Positions**

Equity is classified as net positions and displayed in the following three components:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

- to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for Debt Service - Consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.
  - Unrestricted - All other net positions that do not meet the description of the above categories.

**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 the reported amounts of assets, deferred inflows/outflows of resources, and liabilities, the disclosure of contingent amounts and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The Utility adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Utility's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse. Management submits a proposed budget to the Utility's Board. A budget is then adopted for the next fiscal year. During the year, management is authorized to transfer budgeted amounts between line items.

**NOTE 3 - DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

**Custodial credit risk**

The Utility's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, by collateral held by the Utility's agent in the Utility's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Utility to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

equal to the amount of funds invested in the repurchase transaction. As of June 30, 2025, all bank deposits were fully collateralized or insured.

**B. Receivables**

Receivables as of the fiscal year end were made up of the following:

	<u>June 30, 2025</u>
Billed services for utility customers	2,118,163
Other receivables for utility services	222,219
Allowance for doubtful accounts	(25,673)
Grants receivable	<u>272,121</u>
Total	<u>\$ 2,586,830</u>

**C. Interfund Receivables and Payables and Transfers**

The interfund balances presented in the statement of net positions represent the amount of these interfund balances as shown below. The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The interfund balances as of June 30, 2025 are as follows:

June 30, 2025	<u>Due from Electric</u>
Due to Water	<u>\$ 323,855</u>

The Electric Fund owes the Water Fund \$323,855 for the six months ended June 30, 2025. The \$323,855 consists of \$343,823 in revenue billed or collections for write-offs plus \$7,451 in payroll and benefits less \$27,419 in office, building, and transportation expenses paid by the electric department.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

**D. Capital Assets**

Capital asset activity during the year was as follows:

Description	Balance at December 31, 2024	Additions	Disposals	Balance at June 30, 2025
Capital assets, not being depreciated				
General plant	\$ 40,126	\$ -	\$ -	\$ 40,126
Treatment plant	149,270	3,101	-	152,371
Transmission plant	145,847	24,575	-	170,422
Distribution plant	48,517	-	-	48,517
Construction in progress	1,843,297	1,717,482	728,796	2,831,983
Total capital assets not being depreciated	<u>2,227,057</u>	<u>1,745,158</u>	<u>728,796</u>	<u>3,243,419</u>
Capital assets, being depreciated				
General plant	7,869,855	209,826	218,575	7,861,106
Treatment plant	12,782,538	23,067	-	12,805,605
Transmission plant	3,898,045	-	-	3,898,045
Distribution plant	42,476,615	736,494	60,836	43,152,273
Plant held for future use	9,900	-	-	9,900
Service station	75,505	-	-	75,505
Total capital assets being depreciated	<u>67,112,458</u>	<u>969,387</u>	<u>279,411</u>	<u>67,802,434</u>
Less accumulated depreciation for:				
General plant	3,681,303	226,870	220,334	3,687,839
Treatment plant	7,706,244	193,296	-	7,899,540
Transmission plant	3,594,456	46,880	-	3,641,336
Distribution plant	18,481,310	732,652	89,767	19,124,195
Plant held for future use	9,428	-	-	9,428
Service station	33,162	-	-	33,162
Total accumulated depreciation	<u>33,505,903</u>	<u>1,199,698</u>	<u>310,101</u>	<u>34,395,500</u>
Total capital assets, being depreciated, net	<u>33,606,555</u>	<u>(230,311)</u>	<u>(30,690)</u>	<u>33,406,934</u>
Total capital assets, net	<u>\$ 35,833,612</u>	<u>\$ 1,514,847</u>	<u>\$ 698,106</u>	<u>\$ 36,650,353</u>

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

Depreciation expense was charged to departments as follows:

	<u>June 30, 2025</u>
Electric	\$ 630,080
Water and Sewer	491,054
Total charged to operations	<u>1,121,134</u>
Charged to transportation - electric	49,764
Charged to transportation - water & sewer	28,800
Total depreciation	<u><u>\$ 1,199,698</u></u>

**E. Long-term Debt**

**Electric department**

On January 31, 2025, the System issued \$9,750,000 in Electric System Loan Program Bonds, Series 2025 with interest of 5.00% to provide funds to finance the fiber buildout. The bonds are to be backed by the full faith and credit of the Utility. It is the intention that the Bond shall be additionally payable from, but not secured by, the revenues to be derived from the operation of the electric system.

During the year ended June 30, 2024, the Utility borrowed \$194,940 from Security Bank and Trust for the purpose of purchasing a 2023 Bucket Truck. The note is to be repaid in monthly payments of \$3,724 for 60 months and bears interest at 5.50%. The note is secured by the vehicle as collateral.

During the year ended June 30, 2024, the Utility borrowed \$252,000 from Security Bank and Trust for the purpose of purchasing a 2023 Bucket Truck. The note is to be repaid in monthly payments of \$4,814 for 60 months and bears interest at 5.50%. The note is secured by the vehicle as collateral.

During the year ended June 30, 2024, the Utility borrowed \$174,994 from Security Bank and Trust for the purpose of purchasing a 2024 Digger Truck. The note is to be repaid in monthly payments of \$3,351 for 60 months and bears interest at 5.60%. The note is secured by the vehicle as collateral.

The above notes payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Gain access to other assets of the Utility to protect the lender's interest, and (3) Use any remedy allowed by state or federal law. The notes payable also contain a subjective clause that causes the Utility to be in default if an event occurs that causes the lender to reasonably believe that the lender will have difficulty in collecting the notes payable or significantly impairs the value of the collateralized properties.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025

The following is a summary of long-term debt transactions for the six months ended June 30, 2025:

	Balance at December 31, 2024	Additions	Retirements	Balance at June 30, 2025	Due in one year
Long-term debt from direct borrowings:					
Notes Payable	\$ 496,839	\$ -	\$ 496,839	\$ -	\$ -
Bonds Payable	1,180,000	9,750,000	1,280,000	9,650,000	100,000
Total long-term debt	<u>1,676,839</u>	<u>9,750,000</u>	<u>1,776,839</u>	<u>9,650,000</u>	<u>100,000</u>
Compensated absences	184,638	375,890	-	560,528	310,530
	<u>\$ 1,861,477</u>	<u>\$ 10,125,890</u>	<u>\$ 1,776,839</u>	<u>\$ 10,210,528</u>	<u>\$ 410,530</u>

A summary of future debt service amounts are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 100,000	\$ 430,788	\$ 530,788
2027	100,000	425,787	525,787
2028	255,000	420,788	675,788
2029	260,000	408,037	668,037
2030	270,000	395,038	665,038
2031-2035	1,525,000	1,760,937	3,285,937
2036-2040	2,130,000	1,597,475	3,727,475
2041-2045	1,980,000	1,107,275	3,087,275
2046-2050	2,070,000	500,400	2,570,400
2050-2054	960,000	65,250	1,025,250
	<u>\$ 9,650,000</u>	<u>\$ 7,111,775</u>	<u>\$16,761,775</u>

**F. Net Position**

Net Position represents the difference between assets and liabilities. The net position was as follows:

	June 30, 2025
Investment in capital assets	
Net property, plant, and equipment in service	\$ 36,650,353
Less: Debt as disclosed in Note 3E	(9,650,000)
Plus unspent bond funds	<u>7,722,694</u>
	34,723,047
Restricted for debt service	98,562
Unrestricted	<u>1,718,340</u>
Total net position	<u>\$ 36,539,949</u>

**NOTE 4 - OTHER INFORMATION**

**A. Pension Plan**

**CSA Plan**

*Plan Description:* The employees of the Utility hired prior to June 30, 2024 are provided an agent multi-employer defined benefit plan through the Governmental Plan of Central Services Association

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(CSA). The employees are eligible to participate on the October 1<sup>st</sup> and April 1<sup>st</sup> of each fiscal year. The employers contribute amounts sufficient to meet the actuarially determined funding requirements of the Plan in order to provide for anticipated benefits. The Plan is administered by CSA. The Board of Directors of CSA appoints an Insurance and Retirement Committee which oversees the Plan and makes recommendations for changes to the Plan.

CSA issues a publicly available report that can be obtained by contacting Central Services Association, P.O. Box 3480, Tupelo, Mississippi 38803-3480.

**Benefits Provided:** The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Each employee is eligible to participate in the Plan, and employees are fully vested in the Plan after five years of service.

Employees Covered by Benefit Terms:

At October 1, 2024, the following employees were covered by the Plan:

Active employees	34
Inactive not receiving benefits	24
Inactive receiving benefits	36
Total employees covered by the Plan	<u>94</u>

**Contributions:** Required contributions are determined by MassMutual Financial Group based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Each participant participating in the Plan shall contribute to the Plan 1.5 percent of his earnings. Payment of such contributions shall be by regular payroll deduction, and shall begin as of the first day of the month the participant enters the Plan. Except as otherwise provided by the Plan, payment of such contributions shall cease upon the Participant's retirement or other termination of employment.

***Net Pension Liability:***

The Utility's net pension liability was measured as of October 1, 2024, 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 October 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Summary of Principal Actuarial Assumptions

Discount rate	7.00%
Funding method	Entry Age Normal
Mortality	Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries.
Incidence of disability	1985 CIDA Table - Class 2.
Turnover	For all employees: Sarason T-3 Table
Salary scale	3.50% per year
Overtime	It is assumed that overtime will continue to be earned at 100% of the level of the most recent 3-year average.
Assumed retirement age	Earlier of age 62 with 15 years, or age 65 with 5 years of service
Marriage	It is assumed that 50% of participants are married and that 1 male is 3 years older than his female spouse.
Cost of living adjustment	N/A
Asset valuation	Market value
Funding Value	Actuarial Value (5-year smoothing)

The actuarial assumptions used in the October 1, 2024 valuation were based on employee census data for the period October 1, 2023 to October 1, 2024. In addition, mortality rates were based on the Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	October 1, 2024	Long-Term
	Target Allocation	Expected Real Rate of Return
Fixed Income	50.00%	4.50% - 5.50%
Large Cap	20.00%	9.00% - 11.00%
Mid Cap	10.00%	8.50% - 10.50%
Small Cap	8.00%	8.00% - 10.00%
Real Estate	2.00%	3.50% - 5.50%
International Equity	10.00%	3.50% - 5.50%
	100.00%	

The contributions to this plan for the six months ended June 30, 2025, by the employer were \$514,157. The Utility's payroll for employees covered by the Plan was \$1,196,980.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employees contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive

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employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in Utility's Net Pension Liability***

Changes in the Utility's net pension liability for the year ended October 1, 2024 were as follows:

	Increase (Decrease)		
	Total pension liability (TPL)	Plan fiduciary net position	Net pension liability (NPL)
	(a)	(b)	(a)-(b)
Balances as 10/1/2023	18,626,728	12,263,939	6,362,789
Changes for the year:			
Service cost	180,349	-	180,349
Interest	1,274,616	-	1,274,616
Difference between actual and expected	(544,536)	-	(544,536)
Assumption changes	-	-	-
Contributions - employer	-	1,009,744	(1,009,744)
Contributions - employee	-	36,408	(36,408)
Net investment income	-	2,109,061	(2,109,061)
Benefit payments	(1,196,565)	(1,196,565)	-
Administrative expenses	-	(28,924)	28,924
Changes in benefit terms	(427,780)	-	(427,780)
Net changes	(713,916)	1,929,724	(2,643,640)
Balances as 10/1/2024	\$ 17,912,812	\$ 14,193,663	\$ 3,719,149

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate:*** The following presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Net pension liability	5,763,152	3,719,149	2,002,274

***Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources***

Due to the implementation of GASB Statement No. 68, net pension liability is required to be recognized on the Utility's financial statements. Pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions result from changes in the components of the net pension liability. Most changes in the net pension liability are required to be included in pension expense in the period of the change. However, changes not recognized as pension expense are recognized as deferred inflows/outflows. The deferred inflows/outflows will be recognized as pension expense in future years. Changes in the total pension liability due to changes of economic and demographic assumptions or other inputs and differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan, beginning with the current period. Changes in the total pension liability due to differences between the projected earnings and the actual experience with regard to those earnings are required to be included in pension expense in a

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systematic and rational manner over a closed period of five years, beginning with the current period.

For the Plan year ended October 1, 2024, the Utility recognized pension expense of \$0 determined as follows:

Annual Pension Expenses:	
Service cost	180,349
Interest cost	1,274,616
Recognized liability (gains)/losses	215,394
Change of assumptions	83,533
Employee contributions	(36,408)
Expected return on pension investments	(852,199)
Recognized asset (gains)/losses	63,597
Administrative expense	28,924
Changes in benefit terms	(427,780)
Total pension expense	<u>530,026</u>

At June 30, 2025, the Utility 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>
Differences between expected and actual experience	417,575	435,629
Change of assumptions	4,812	-
Net difference between projected and actual earnings on Plan investments	-	91,211
Contributions subsequent to the measurement date of October 1, 2024	771,235	-
Total	<u>\$ 1,193,622</u>	<u>\$ 526,840</u>

*The amounts shown above for "Contributions subsequent to the measurement date of October 1, 2024" will be recognized as a reduction to net pension liability in the following measurement period.*

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amortized</u>
2025	243,245
2026	337,312
2027	(324,728)
2028	(360,282)
2029	-
Thereafter	-

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

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***TCRS Plan***

***Plan description.***

Employees of the Utility are provided a defined benefit pension legacy 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, 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the TCRS Legacy Retirement Plan are eligible to retire 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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. 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 3 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. Under the TCRS Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

***Contributions.*** Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 0 percent of salary. The Local Government Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the six months ended June 30, 2025 to the TCRS Retirement Plan were \$79,113, which is 8.89 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities.* Since the measurement date is June 30, 2024, which is prior to the July 1, 2024 inception of the TCRS Retirement Plan, there is not a net pension liability to report at June 30, 2025.

*Pension Expense.* Since the measurement date is June 30, 2024, the Utility did not recognize a pension expense at June 30, 2024.

*Deferred outflows of resources and deferred inflows of resources.* For the six months ended June 30, 2025, the Utility reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2024	162,927	-
Total	<u>\$ 162,927</u>	<u>\$ -</u>

The Utility's employer contributions of \$162,927 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2026.

**B. Other Post-Employment Benefits (OPEB)**

**Plan description**

Milan Public Utilities Authority post-retirement medical plan is a single-employer defined benefit post-retirement medical plan known as the Milan Board of Public Utilities Post-Employment Benefits Plan that is administered by Benefits Administration. The Utility currently does not have a trust for the plan. The plan provides medical and prescription benefits to eligible retirees and their spouses. Any employee retiring after age 55 with at least 15 years of service with Milan Public Utilities Authority currently has the option to maintain health insurance after retirement (including subsidized beneficial coverage), until age 65. For anyone retiring at age 62, the Authority pays 70% of individual coverage and 70% of dependent coverage before age 65. Retirees who retire prior to age 62 must pay 100% of the premiums for themselves and their beneficiaries. Also, the plan provides \$10,000 in post-retirement death benefits to retirees, which is administered by Gilsbar, Inc.

**Funding policy**

The Utility currently contributes to the plan as benefits are paid. There is no pre-funding of future obligations.

**Annual OPEB Cost and Net OPEB Obligation**

*Changes in Utility's Net OPEB Liability.* Changes in the Utility's net OPEB liability measured at June 30, 2025 is detailed in the following table. The table below shows the net OPEB liability as of June 30, 2025, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

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<b>Changes in Net OPEB Liability</b>	Increase/(Decrease)		
	Total OPEB	Plan Fiduciary	Net OPEB
	Liability	Net Position	Liability
Balance at December 31, 2024	462,065	-	462,065
Charges for the year			
Service Cost	8,377	-	8,377
Interest	18,055	-	18,055
Difference between expected & actual experience	(2,976)	-	(2,976)
Assumption changes	(20,734)	-	(20,734)
Contribution - employer	-	-	-
Contribution - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(31,596)	-	(31,596)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(28,874)	-	(28,874)
Balance at June 30, 2025	\$ 433,191	\$ -	\$ 433,191

**Actuarial Methods and Assumptions**

The valuation was based on information provided by the Utility as of June 30, 2025.

**Plan Membership**

Active	32
Retired members - receiving medical	2
Retired members - receiving life	18
Total	52

**Benefits Provided**

Eligibility is attained at age 55 with 15 years of service. The Utility pays 75% of the individual and dependent coverage for anyone retiring at age 62 until Medicare eligible. Retirees under 62 must pay 100% of premiums for themselves and their beneficiaries. The Utility also provides \$10,000 in post-retirement death benefits to retirees.

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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Actuarial Assumptions

Actuarial cost method	Entry Age Normal
Mortality	Pub 2010-General Employee Headcount-weighted with fully generational scale MP-2021. This table represents the most recent mortality table developed specifically for governmental employees by the Society of Actuaries.
Turnover	Sarason T-3 table, based on results of 2020 experience study
Salary scale	3.00%
Core inflation assumption	2.00%
Retirement age	As specified in the following table
	<u>Probability of retirement</u>
	Age 60 & 20 years of service 50%
	Age 61-64 & 20 years of service 20%
	Age 65+ 100%
Utilization	75.00%
Discount rate	The discount rate used to measure the total OPEB liability was 4.11 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The S&P Municipal Bond 20 Year Rate Index was used to approximate those yields as of June 30, 2024.
Valuation of asset	N/A
Per capital claims	Claims were developed by adjusting the underlying medical and vision premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The active medical premium for 2021 was \$590.33 per month.
Trend	Per-capita claims costs are projected to increase at an initial rate of 7.5% with annual declines of 0.50% until an ultimate rate of 4.5% is achieved. The rates were taken from analysis of historical trends of various medical plans and a composite of the expected future increases reported in a number of national trend surveys.
Marriage	For current active employees it was assumed that 80% would be married with husbands being 3 years older than wives. For current retirees, actual information was used.

***Discount rate***

The discount rate used to measure the total OPEB liability was 4.81 percent. The projection of cash flows used to determine the discount rate assumed that the Utility contributions will be made at rates equal to the actuarially determined contribution rates.

***Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1-percentage point higher than the assumed trend rate:

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A. Net OPEB liability at current trend rate (7.5% to 4.5%)	\$433,191
B. Net OPEB liability with 1% decrease (6.5% to 3.5%)	\$399,064
C. Net OPEB liability with 1% increase (8.5% to 5.5%)	\$473,672

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

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB 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:

A. Net OPEB liability at current discount rate (4.81%)	\$433,191
B. Net OPEB liability at with 1% decrease (3.81%)	\$475,307
C. Net OPEB liability at with 1% increase (5.81%)	\$395,790

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources***

For the six months ended June 30, 2025, the Utility recognized OPEB expense of \$9,873. At June 30, 2025, the Utility reported the following deferred outflows and inflows of resources related to OPEB liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	48,630	(96,897)
Change of assumptions	84,241	(47,741)
Net difference between projected and actual earnings on OPEB plan investments	-	-
Total	<u>\$ 132,871</u>	<u>\$ (144,638)</u>

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

Year ending June 30,	Amortized
2026	(10,394)
2027	(8,058)
2028	3,089
2029	3,041
2030	4,351
Thereafter	(3,796)

*In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.*

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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*Payment of Benefits.* Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2025 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2025 administrative expenses paid were \$0.

**C. Power Contract**

The Utility has a power contract with the Tennessee Valley Authority (TVA) whereby the Utility purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging or otherwise diverting Utility funds, revenues or property to other operations of the municipality and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

**D. Risk Management**

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the six months ended June 30, 2025, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in the amount of coverage.

**E. Subsequent Events**

The Utility also approved a \$16,843,932 broadband buildout and a bond for \$9,750,000 after year end.

The Utility was also awarded a \$1,729,734 grant through the American Rescue Plan. The grant will be 90% cost share. The System will be responsible for \$172,974 in the upcoming years. Management has evaluated subsequent events through September 24, 2025, the date through which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON**  
**PARTICIPATION IN THE MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN - CSA**  
For the Year Ended September 30,

Measurement period ended October 1,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 180,349	\$ 179,752	\$ 165,220	\$ 176,329	\$ 139,165	\$ 130,893	\$ 130,132	\$ 118,583	\$ 115,652	\$ 117,152
Interest	1,274,616	1,236,525	1,200,660	1,126,757	1,069,759	1,009,933	996,512	959,434	947,124	920,244
Changes in benefit terms	(427,780)	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	(544,536)	241,496	193,868	841,658	144,374	434,517	(221,401)	170,371	(166,248)	81,502
Change of assumptions	-	-	-	24,052	393,607	112,827	93,261	43,285	-	-
Benefit payments, including refunds of employee contributions	(1,196,565)	(1,031,874)	(1,091,963)	(1,111,905)	(827,707)	(855,860)	(759,238)	(787,817)	(735,826)	(730,954)
Other charges	-	-	-	-	-	-	-	-	38,212	-
Net change in total pension liability	(713,916)	625,899	467,785	1,056,891	919,198	832,310	239,266	503,856	198,914	387,944
Total pension liability - beginning	18,626,728	18,000,829	17,533,044	16,476,153	15,556,955	14,724,645	14,485,379	13,981,523	13,782,609	13,394,665
Total pension liability - ending (a)	17,912,812	18,626,728	18,000,829	17,533,044	16,476,153	15,556,955	14,724,645	14,485,379	13,981,523	13,782,609
Plan fiduciary net position										
Contributions - employer	1,009,744	867,952	750,137	649,271	561,623	536,569	562,520	575,496	568,432	551,652
Contributions - employee	36,408	33,192	34,808	35,731	35,095	32,340	30,184	30,589	29,792	29,398
Net investment income	2,109,061	1,018,146	(2,337,096)	2,217,099	938,423	458,958	700,805	1,018,484	786,749	79,238
Benefit payments, including refunds of employee contributions	(1,196,565)	(1,031,874)	(1,091,963)	(1,111,905)	(827,707)	(855,860)	(759,238)	(787,817)	(735,826)	(730,954)
Administrative expense	(28,924)	(30,037)	(9,335)	(1,127)	(2,983)	-	-	-	-	(41)
Net change in plan fiduciary net position	1,929,724	857,379	(2,653,449)	1,789,069	704,451	172,007	534,271	836,752	649,147	(70,707)
Plan fiduciary net position - beginning	12,263,939	11,406,560	14,060,009	12,270,940	11,566,489	11,394,482	10,860,211	10,023,459	9,374,312	9,445,019
Plan fiduciary net position - ending (b)	14,193,663	12,263,939	11,406,560	14,060,009	12,270,940	11,566,489	11,394,482	10,860,211	10,023,459	9,374,312
Net Pension Liability (Asset) - ending (a) - (b)	3,719,149	6,362,789	6,594,269	3,473,035	4,205,213	3,990,466	3,330,163	3,625,168	3,958,064	4,408,297
Plan fiduciary net position as a percentage of total pension liability	79.24%	65.84%	63.37%	80.19%	74.48%	74.35%	77.38%	74.97%	71.69%	68.02%
Covered-employee payroll	\$ 2,871,108	\$ 2,952,380	\$ 2,521,499	\$ 2,238,943	\$ 2,524,271	\$ 2,276,955	\$ 2,082,368	\$ 2,083,715	\$ 2,061,894	\$ 1,970,574
Net pension liability (asset) as a percentage of covered-employee payroll	129.54%	215.51%	261.52%	155.12%	166.59%	175.25%	159.92%	173.98%	191.96%	223.71%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Note to schedule: In 2017, amounts reported as changes of assumptions resulted from a change in the assumption of overtime that will continue to be earned from 40% to 60%. In 2018, this assumption increased from 60% to 80%. In 2019, this assumption increased from 80% to 100%.

See independent auditor's report.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN - CSA**  
Last Fiscal Year Ending June 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,028,313	\$ 1,002,781	\$ 818,262	\$ 730,753	\$ 621,114	\$ 542,834	\$ 536,568	\$ 572,299	\$ 575,496	\$ 575,496
Contributions in relation to the actuarially determined contribution	<u>1,028,313</u>	<u>1,002,781</u>	<u>818,262</u>	<u>730,753</u>	<u>621,114</u>	<u>542,834</u>	<u>536,568</u>	<u>572,299</u>	<u>575,496</u>	<u>565,834</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,662</u>
<b>Covered-employee payroll</b>	<b>\$ 2,484,972</b>	<b>\$ 3,117,630</b>	<b>\$ 2,707,103</b>	<b>\$ 2,524,391</b>	<b>\$ 2,552,011</b>	<b>\$ 2,532,715</b>	<b>\$ 2,278,893</b>	<b>\$ 2,127,063</b>	<b>\$ 2,130,933</b>	<b>\$ 1,980,042</b>
<b>Contributions as a percentage of covered-employee payroll</b>	<b>41.38%</b>	<b>32.16%</b>	<b>30.23%</b>	<b>28.95%</b>	<b>24.34%</b>	<b>21.43%</b>	<b>23.55%</b>	<b>26.91%</b>	<b>27.01%</b>	<b>28.58%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF NOTES TO PENSION REQUIRED SUPPLEMENTARY**  
**INFORMATION**

For the Six Month's Ended June 30, 2025

**Notes to Pension Required Supplementary Information**

*Valuation Date:* Actuarially determined contribution rates for 2025 were calculated based on the October 1, 2024 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method:	Entry-Age Normal
Discount rate:	7.00%. The interest rate for funding equals the long-term rate of return on investments. For GASB determinations, because current assets and policy contributions are projected to be sufficient to pay all projected benefits, the discount rate is the long-term rate of return.
Mortality:	Pub-2010 general amount-weighted table fully generational with projection scale MP-2021 for all participants except beneficiaries. Beneficiaries are valued using the Pub-2010 amount-weighted contingent survivor fully-generational with projection scale M 2021.
Incidence of disability:	1985 CIDA Table - Class 2.
Turnover:	For all employees: Sarason T-3 Table
Salary Scale:	3.50% per year.
Inflation:	2.00% inflation; 2.50% wage growth
Overtime:	It is assumed that overtime will continue to be earned at 100% of the level of the most recent 3-year average.
Assumed age at retirement:	Earlier of age 62 with 15 years, or age 65 with 5 years service
Marriage:	It is assumed that 50% of participants are married and that a male is 3 years older than his female spouse.
Cost of living adjustment:	N/A
Date of participation freeze:	N/A
Asset valuation	Market value
Funding:	Actuarial Value (5 year smoothing)

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYER DEFINED BENEFIT PENSION PLAN - TCRS**  
Last Fiscal Year Ending June 30

	<u><b>2025</b></u>
Actuarially determined contribution	\$ 162,927
Contributions in relation to the actuarially determined contribution	<u>162,927</u>
Contribution deficiency (excess)	<u>\$ -</u>
<b>Covered-employee payroll</b>	<b>\$ 1,832,700</b>
<b>Contributions as a percentage of covered-employee payroll</b>	<b>8.89%</b>

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
For the Years Ended June 30,

	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB Liability								
Service cost	\$ 15,504	\$ 15,038	\$ 28,831	\$ 36,191	\$ 29,810	\$ 24,869	\$ 18,585	\$ 17,703
Interest	18,055	17,668	15,847	10,468	8,636	12,450	15,157	13,987
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(2,976)	-	(195,311)	-	94,335	-	(67,721)	-
Changes of assumptions	(20,734)	7,601	153,984	(50,198)	2,402	28,011	10,063	-
Contribution - employer	-	-	-	-	-	-	-	(2,923)
Benefits Payments and Refunds	(31,596)	(26,054)	(20,463)	(46,321)	(36,352)	(24,234)	-	-
Net Change in Total OPEB Liability	(21,747)	14,253	(17,112)	(49,860)	98,831	41,096	(23,916)	28,768
Total OPEB Liability - beginning	<b>454,938</b>	<b>440,685</b>	<b>457,797</b>	<b>507,657</b>	<b>408,826</b>	<b>367,730</b>	<b>391,646</b>	<b>362,878</b>
Total OPEB Liability - ending	<b>\$ 433,191</b>	<b>\$ 454,938</b>	<b>\$ 440,685</b>	<b>\$ 457,797</b>	<b>\$ 507,657</b>	<b>\$ 408,826</b>	<b>\$ 367,730</b>	<b>\$ 391,646</b>
Covered Employee Payroll	\$ 3,160,530	\$ 3,117,630	\$ 2,707,103	\$ 2,524,391	\$ 2,552,011	\$ 2,532,715	\$ 2,278,893	\$ 2,127,063
Net OPEB Liability as a % of covered-employee payroll	13.71%	14.59%	16.28%	18.13%	19.89%	16.14%	16.14%	18.41%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

Note to schedule: In 2025, the discount rate was changed from 4.11% to 4.81%.

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION**  
For the Six Month's Ended June 30, 2025

**Notes to OPEB Required Supplementary Information**

*Valuation Date*: Actuarially determined contribution rates for 2025 were calculated based on the June 30, 2025 actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Costs.
Discount Rate	4.81%
Salary Increase	3.0% per year
Trend	Per-capita claims costs are projected to increase at 7.5% in 2025 with annual declines of 0.50% until an ultimate rate of 4.5% is achieved.
Utilization	75.00%
Mortality	Pub-2010 General Employee Headcount-weighted with fully generational scale MP-2021
Inflation	2.0% per year

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION - ELECTRIC DEPARTMENT**  
June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>				
<b>Current assets</b>				
Cash on hand	\$ 1,930	\$ -	\$ -	\$ 1,930
Unrestricted cash and cash equivalents	1,603,996	378,842	-	1,982,838
Investments	1,078,254	-	-	1,078,254
Accounts receivable (net of allowance for uncollectibles)	2,292,790	15,409	-	2,308,199
Due from other funds	-	(38,999)	38,999	-
Inventories	631,838	66,733	-	698,571
Prepayments and other current assets	72,859	17,898	-	90,757
Total current assets	<u>5,681,667</u>	<u>439,883</u>	<u>38,999</u>	<u>6,160,549</u>
<b>Noncurrent assets</b>				
Restricted cash, cash equivalents, and investments				
Cash and cash equivalents	7,821,256	-	-	7,821,256
Other assets:				
Advances to customers - home insulation	23,040	-	-	23,040
Capital assets:				
General plant	5,486,441	515,828	-	6,002,269
Transmission plant	4,068,467	-	-	4,068,467
Distribution plant	23,584,096	220,217	-	23,804,313
Plant held for future use	9,900	-	-	9,900
Construction in progress	2,095,134	94,605	-	2,189,739
Less: Accumulated depreciation	<u>(14,912,459)</u>	<u>(273,953)</u>	<u>-</u>	<u>(15,186,412)</u>
Total capital assets (net of accumulated depreciation)	<u>20,331,579</u>	<u>556,697</u>	<u>-</u>	<u>20,888,276</u>
Total noncurrent assets	<u>28,175,875</u>	<u>556,697</u>	<u>-</u>	<u>28,732,572</u>
Total assets	<u>33,857,542</u>	<u>996,580</u>	<u>38,999</u>	<u>34,893,121</u>
<b>Deferred outflows of resources</b>				
Deferred outflows related to pension	880,351	43,247	-	923,598
Deferred outflows related to OPEB	85,975	6,010	-	91,985
Total deferred outflows of resources	<u>\$ 966,326</u>	<u>\$ 49,257</u>	<u>\$ -</u>	<u>\$ 1,015,583</u>

See independent auditor's report.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF NET POSITION - ELECTRIC DEPARTMENT**  
June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 3,947,849	\$ 9,239	\$ -	\$ 3,957,088
Customer deposits	1,198,123	-	-	1,198,123
Due to other funds	284,856	-	38,999	323,855
Due to the City	122,321	-	-	122,321
Accrued expenses (including compensating absences)	257,443	7,849	-	265,292
Current maturities of long-term debt	100,000	-	-	100,000
Total current liabilities	<u>5,910,592</u>	<u>17,088</u>	<u>38,999</u>	<u>5,966,679</u>
<b>Noncurrent liabilities</b>				
Advances - home insulation program	23,040	-	-	23,040
Compensated absences	102,587	7,382	-	109,969
Bonds payable	9,550,000			9,550,000
Net pension liability	2,417,447	111,574	-	2,529,021
Net OPEB liability	280,299	19,595	-	299,894
Total noncurrent liabilities	<u>12,373,373</u>	<u>138,551</u>	<u>-</u>	<u>12,511,924</u>
Total liabilities	<u>18,283,965</u>	<u>155,639</u>	<u>38,999</u>	<u>18,478,603</u>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pension	342,446	15,805	-	358,251
Deferred inflows related to OPEB	93,588	6,543	-	100,131
Total deferred inflows of resources	<u>436,034</u>	<u>22,348</u>	<u>-</u>	<u>458,382</u>
<b>Net Position</b>				
Net investment in capital assets	18,404,273	556,697	-	18,960,970
Restricted for debt service	98,562	-	-	98,562
Unrestricted	<u>(2,398,966)</u>	<u>311,153</u>	<u>-</u>	<u>(2,087,813)</u>
Total net position	<u>\$ 16,103,869</u>	<u>\$ 867,850</u>	<u>\$ -</u>	<u>\$ 16,971,719</u>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Operating Revenues</b>				
Charges for sales and services:				
Electric sales (net of uncollectible accounts of \$0)	\$ 11,427,177	\$ -	\$ -	\$ 11,427,177
Broadband sales (net of uncollectible accounts of \$868)	-	319,956	-	319,956
Forfeited discounts	69,202	-	-	69,202
Rent from electric property	196,999	-	-	196,999
Other operating revenues	227,672	71,458	(149,594)	149,536
<b>Total operating revenues</b>	<b>\$ 11,921,050</b>	<b>\$ 391,414</b>	<b>\$ (149,594)</b>	<b>\$ 12,162,870</b>
<b>Operating Expenses</b>				
Cost of sales and services:				
Purchased power	8,664,754	-	-	8,664,754
Purchased internet	-	24,000	-	24,000
Rent to Electric	-	149,594	(149,594)	-
Total cost of sales and services	8,664,754	173,594	(149,594)	8,688,754
Operations expenses:				
Transmission expenses:				
Station expense	14,331	-	-	14,331
Overhead line expense	125	-	-	125
Total transmission expenses	14,456	-	-	14,456
Distribution expenses:				
Supervision and engineering	49,205	1,808	-	51,013
Overhead line expense	36,182	-	-	36,182
Meter expense	22,418	-	-	22,418
Customer installation expense	-	2,113	-	2,113
Miscellaneous	94,559	18,211	-	112,770
Fiberoptics expense	34,531	717	-	35,248
Rents	36,524	8,841	(21,000)	24,365
Total distribution expenses	273,419	31,690	(21,000)	284,109
Customer accounts expenses:				
Meter reading expense	52,959	-	-	52,959
Customer records and collection	123,342	19,358	-	142,700
Total customer accounts expenses	176,301	19,358	-	195,659
Customer service and information expenses:				
Supervision	1,979	5	-	1,984
Customer assistance expense	30,866	9,956	-	40,822
Total customer service and information expenses	32,845	9,961	-	42,806

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Administrative expenses				
Salaries	177,232	17,537	-	194,769
Office supplies and expenses	62,130	6,897	-	69,027
Administrative expenses transferred	(5,261)	-	-	(5,261)
Outside services employed	40,150	13,402	-	53,552
Insurance	63,738	5,573	-	69,311
Employee pension and benefits	202,583	5,750	-	208,333
Advertising	2,670	1,108	-	3,778
Miscellaneous	32,818	3,371	-	36,189
Total administrative expenses	<u>576,060</u>	<u>53,638</u>	<u>-</u>	<u>629,698</u>
Total operations expenses	<u>1,073,081</u>	<u>114,647</u>	<u>(21,000)</u>	<u>1,166,728</u>
Maintenance expenses:				
Transmission expenses:				
Substation expense	173,779	-	-	173,779
Services expense	<u>-</u>	<u>69,668</u>	<u>-</u>	<u>69,668</u>
Total transmission expenses	<u>173,779</u>	<u>69,668</u>	<u>-</u>	<u>243,447</u>
Distribution expenses:				
Supervision and engineering	35,291	-	-	35,291
Overhead lines	675,983	-	-	675,983
Underground lines	26,486	65	-	26,551
Line transformers	7,346	-	-	7,346
Street lights and signal system	(5,068)	-	-	(5,068)
Meters	32,498	-	-	32,498
Fiber optics	1,875	-	-	1,875
Outdoor lighting	<u>(4,376)</u>	<u>-</u>	<u>-</u>	<u>(4,376)</u>
Total distribution expenses	<u>770,035</u>	<u>65</u>	<u>-</u>	<u>770,100</u>
Administrative expenses:				
General plant and equipment	<u>27,265</u>	<u>-</u>	<u>-</u>	<u>27,265</u>
Total maintenance expenses	<u>971,079</u>	<u>69,733</u>	<u>-</u>	<u>1,040,812</u>
Depreciation & Amortization	<u>595,691</u>	<u>34,389</u>	<u>-</u>	<u>630,080</u>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION - ELECTRIC DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Taxes and tax equivalents	<u>278,378</u>	<u>3,151</u>	<u>-</u>	<u>281,529</u>
<b>Total operating expenses</b>	<b><u>\$ 11,582,983</u></b>	<b><u>\$ 395,514</u></b>	<b><u>\$ (170,594)</u></b>	<b><u>\$ 11,807,903</u></b>
<b>Operating income (loss)</b>	<b><u>338,067</u></b>	<b><u>(4,100)</u></b>	<b><u>21,000</u></b>	<b><u>354,967</u></b>
<b>Nonoperating revenues (expenses)</b>				
Interest and other revenues	179,299	27,979	(21,000)	186,278
Tap fees and other nonoperating revenues	600	-	-	600
Gain (loss) on disposal of assets	42,050	-	-	42,050
Interest and other expenses	<u>(190,873)</u>	<u>(1,111)</u>	<u>-</u>	<u>(191,984)</u>
Total nonoperating revenues (expenses)	<u>31,076</u>	<u>26,868</u>	<u>(21,000)</u>	<u>36,944</u>
Change in net position before transfers and capital contributions	<u>369,143</u>	<u>22,768</u>	<u>-</u>	<u>391,911</u>
<b>Change in net position</b>	<b><u>369,143</u></b>	<b><u>22,768</u></b>	<b><u>-</u></b>	<b><u>391,911</u></b>
Total net position - beginning	<u>15,734,726</u>	<u>845,082</u>	<u>-</u>	<u>16,579,808</u>
Total net position - ending	<b><u>\$ 16,103,869</u></b>	<b><u>\$ 867,850</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,971,719</u></b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS - ELECTRIC DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from consumers	\$ 11,912,283	\$ 373,692	\$ 21,000	\$ 12,306,975
Cash paid to suppliers of goods and services	(8,729,722)	(181,662)	-	(8,911,384)
Cash paid to employees for services	(1,037,256)	(51,712)	-	(1,088,968)
Taxes paid (including tax equivalents)	(278,378)	(3,151)	-	(281,529)
Customer deposits received	151,943	-	-	151,943
Customer deposits refunded	(140,268)	-	-	(140,268)
Net cash provided (used) by operating activities	<u>1,878,602</u>	<u>137,167</u>	<u>21,000</u>	<u>2,036,769</u>
<b>Cash Flows from Non-capital and Related Financing Activities:</b>				
Advances (repayments) to Regions	<u>5,809</u>	<u>-</u>	<u>-</u>	<u>5,809</u>
Net cash provided (used) by non-capital and related financing activities	<u>5,809</u>	<u>-</u>	<u>-</u>	<u>5,809</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Capital contributed by customers and grants	600	-	-	600
Proceeds from notes payable	9,750,000	-	-	9,750,000
Principal paid on debt	(1,628,015)	(148,824)	-	(1,776,839)
Interest paid on bonds, notes, and leases	(190,873)	(1,111)	-	(191,984)
Construction and acquisition of plant	<u>(1,771,801)</u>	<u>(74,417)</u>	<u>-</u>	<u>(1,846,218)</u>
Net cash provided (used) by capital and related financing activities	<u>6,159,911</u>	<u>(224,352)</u>	<u>-</u>	<u>5,935,559</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of investment	(41,473)	-	-	(41,473)
Change in investments	179,299	27,979	(21,000)	186,278
Conservation loans (made) collected	<u>(5,809)</u>	<u>-</u>	<u>-</u>	<u>(5,809)</u>
Net cash provided (used) by investing activities	<u>132,017</u>	<u>27,979</u>	<u>(21,000)</u>	<u>138,996</u>
Net increase (decrease) in cash and cash equivalents	8,176,339	(59,206)	-	8,117,133
Cash and cash equivalents - beginning of year	<u>1,250,843</u>	<u>438,048</u>	<u>-</u>	<u>1,688,891</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 9,427,182</u></b>	<b><u>\$ 378,842</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,806,024</u></b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**COMBINING STATEMENT OF CASH FLOWS - ELECTRIC DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Electric</u>	<u>Broadband</u>	<u>Eliminations</u>	<u>Combined</u>
Cash and Cash Equivalents				
Unrestricted cash on hand	1,930	-	-	1,930
Unrestricted cash and cash equivalents	<u>1,603,996</u>	<u>378,842</u>	<u>-</u>	<u>1,982,838</u>
Restricted cash and cash equivalents	<u>7,821,256</u>	<u>-</u>	<u>-</u>	<u>7,821,256</u>
 Total cash and cash equivalents	 <b><u>\$ 9,427,182</u></b>	 <b><u>\$ 378,842</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 9,806,024</u></b>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 338,067	\$ (4,100)	\$ 21,000	\$ 354,967
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	595,691	34,389	-	630,080
Change in pension related and OPEB deferred outflows and inflows of resources	(385,701)	(17,214)	-	(402,915)
Changes in assets and liabilities:				
Accounts receivable	(8,767)	(17,722)	-	(26,489)
Materials and supplies	(36,105)	(23,708)	-	(59,813)
Prepayments and other current assets	31,123	(8,467)	-	22,656
Due to/from other funds (including the city)	(144,049)	159,967	-	15,918
Accounts payable and accrued expenses	1,306,133	12,910	-	1,319,043
Net pension liability	185,957	-	-	185,957
Customer deposits	11,675	-	-	11,675
Net OPEB liability	<u>(15,422)</u>	<u>1,112</u>	<u>-</u>	<u>(14,310)</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 1,878,602</u></b>	<b><u>\$ 137,167</u></b>	<b><u>\$ 21,000</u></b>	<b><u>\$ 2,036,769</u></b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUES AND EXPENSES -**  
**WATER AND SEWER DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Actual</u>	<u>Percent</u>
<b>Operating Revenues</b>		
Charges for sales and services:		
Water Department:		
Metered sales	\$ 967,777	51.25
Uncollectible accounts	(30,475)	(1.61)
Sewer Department:		
Metered sales	876,623	46.41
Unmetered sales	21,309	1.13
Uncollectible accounts	(30,475)	(1.61)
Total charges for sales and services	<u>1,804,759</u>	<u>95.57</u>
Other revenues		
Water Department:		
Forfeited discounts	7,913	0.42
Miscellaneous water revenue	36,058	1.91
Sewer Department:		
Forfeited discounts	7,446	0.39
Miscellaneous sewer revenue	860	0.05
Sale of gasoline	<u>31,793</u>	<u>1.66</u>
Total other revenue	<u>84,070</u>	<u>4.43</u>
<b>Total operating revenues</b>	<b><u>\$ 1,888,829</u></b>	<b><u>100.00</u></b>
<b>Operating Expenses</b>		
Operations expenses:		
System operations:		
Water department:		
Power for pumping	\$ 117,605	6.23
Purification supplies	19,906	1.05
Operation and maintenance of wells and reservoirs	12,810	0.68
Mapping and engineering charges	9,202	0.49
Operating supplies and expenses	1,788	0.09
Pumping - supervision and labor	69,948	3.70
Cross connections inspection	1,267	0.07
Distribution systems operation	346	0.02
Operation of meters	41,988	2.22

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUES AND EXPENSES -**  
**WATER AND SEWER DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	Actual	Percent
Sewer department:		
Operation labor	64,874	3.43
Mapping and engineering charges	4,877	0.26
Operating supplies	45,721	2.42
Distribution systems operation	108	0.01
Purification supplies	23,493	1.24
Total system operations	<u>414,613</u>	<u>21.95</u>
Consumers' accounting and collecting:		
Water Department:		
Meter reading, resetting and collecting	76,949	4.07
Sewer Department:		
Meter reading, resetting and collecting	<u>17,819</u>	<u>0.94</u>
Total consumers' accounting and collecting	<u>94,768</u>	<u>5.01</u>
Administrative expense:		
Water Department:		
Salaries	63,056	3.34
Office supplies and expense	47,264	2.50
Professional fees	8,212	0.43
Insurance	24,422	1.29
Employee benefits	(17,672)	(0.94)
Building expense	5,222	0.28
Other general expense	47,648	2.52
Sewer Department:		
Salaries	42,875	2.27
Office supplies and expense	46,846	2.48
Professional fees	7,445	0.39
Insurance	48,211	2.55
Employee benefits	(12,600)	(0.67)
Building expense	4,224	0.22
Other general expense	10,576	0.56
Total administrative expense	<u>325,729</u>	<u>17.22</u>
Service Station	<u>55,554</u>	<u>2.94</u>
Total operations expenses	<u>890,664</u>	<u>47.12</u>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF OPERATING REVENUES AND EXPENSES -**  
**WATER AND SEWER DEPARTMENT**  
For the Six Month's Ended June 30, 2025

	<u>Actual</u>	<u>Percent</u>
Maintenance Expenses		
Operations expenses:		
Water department:		
Maintenance of structures and improvements	7,135	0.38
Maintenance of power and pumping equipment	6,500	0.34
Maintenance of meters	1,579	0.08
Maintenance of distribution plant	136,222	7.21
Maintenance of yard and grounds	9,837	0.52
Sewer department:		
Maintenance of structures and improvements	25,331	1.34
Maintenance of power pumping equipment	60,753	3.22
Maintenance of mains	244,469	12.94
Maintenance of yard and grounds	4,602	0.24
Total operations expenses	<u>496,428</u>	<u>26.27</u>
Administrative expense:		
Water department:		
Maintenance of communication and		
miscellaneous property	16,379	0.87
Sewer department:		
Maintenance of communication and		
miscellaneous property	20,736	1.10
Total administrative expense	<u>37,115</u>	<u>1.97</u>
Total maintenance expenses	<u>533,543</u>	<u>28.24</u>
Depreciation		
Water department	261,030	13.82
Sewer department	230,024	12.18
Total depreciation and amortization	<u>491,054</u>	<u>26.00</u>
<b>Total operating expenses</b>	<b><u>\$ 1,915,261</u></b>	<b><u>101.36</u></b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**ELECTRIC RATES IN FORCE**  
For the Six Month's Ended June 30, 2025

<b>Number of customers</b>		8,558
<b>Residential rate schedule</b>		
Customer charge - per delivery point per month	\$	27.55
Energy charge - cents per kWh		
First 800 kWh per month		0.09114
Additional kWh		0.07998
<b>General power schedule</b>		
GSA1 (Under 50 kW demand & less than 15,000 kWh)		
Customer charge - per delivery point per month	\$	31.13
Energy charge - cents per kWh		
First 900 kWh per month		0.10388
Additional kWh		0.09172
GSA2 (51-1000 kW demand or more than 15,000 kWh)		
Customer charge - per delivery point per month		87.17
Demand charges - per kW per month		
First 50 Kw		No Charge
Excess over 50 kW		16.53
Energy charge - cents per kWh		
First 15,000 kWh per month		0.09909
Additional kWh per month		0.05512
GSA3 (1,000 - 5,000 kW demand)		
Customer charge - per delivery point per month		310.91
Demand charges - per kW per month		
First 1,000 kW		17.59
Excess over 1,000 kW not to exceed 5,000		13.18
Energy charge - cents per kWh		0.05788
<b>Outdoor Lighting</b>		
Customer charge - per delivery point per month		3.23
All kW - per kW per month		0.05857

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**BROADBAND RATES IN FORCE**  
For the Six Month's Ended June 30, 2025

<b>Number of customers</b>		1,310
<b>Residential Internet</b>	Charge per month	
Residential Silver	\$	54.95
Residential Gold		99.95
<b>Small Business Internet</b>		
Small Business Bronze	\$	59.95
Small Business Silver		99.95
Small Business Gold		199.95
E-Rate Small Business Gold		40.00
<b>Enterprise Business Internet</b>		
Enterprise Bronze	\$	199.95
Enterprise Silver		499.95
Enterprise Gold		995.95
<b>Prioritized IP Data Circuits</b>	\$	17.50
<b>Other Services / Monthly Charges</b>		
Static IP Address	\$	10.00
Block IP Address - 5		25.00
Block IP Address - 13		50.00
E-Rate Block IP Address - 5		5.00
Additional Email Address (each)		3.00
Managed Wireless Access Point		10.00

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**WATER AND SEWER RATES IN FORCE**  
For the Six Month's Ended June 30, 2025

	<u>Water</u>	<u>Sewer</u>
<b>Number of customers</b>	4,463	4,023

(Based on monthly consumption)

<u>Quantity</u>	<u>Water</u>	<u>Sewer</u>
First 2,000 gallons	Based on meter size	Based on meter size
Next 3,000 gallons	5.18 per 1,000 gallons	5.18 per 1,000 gallons
Next 5,000 gallons	4.76 per 1,000 gallons	5.03 per 1,000 gallons
Over 10,000 gallons	4.62 per 1,000 gallons	4.82 per 1,000 gallons

The minimum monthly bills shall be determined by the size of the meter in service as follows:

	<u>Water</u>	<u>Sewer</u>
5/8" - 3/4" Meter	\$ 21.90	\$ 21.90
1" Meter	21.90	21.90
1 1/4" - 1 1/2" Meter	32.51	32.51
2" Meter	36.03	36.03
3" Meter	42.40	42.40
4" Meter	45.21	45.21
6" Meter	65.00	65.00

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF LONG-TERM DEBT**  
For the Six Month's Ended June 30, 2025

2025 Bonds Payable - Electric			
	Principal		Interest
2026	\$ 100,000	\$	430,788
2027	100,000		425,787
2028	255,000		420,788
2029	260,000		408,037
2030	270,000		395,038
2031	285,000		381,537
2032	290,000		367,288
2033	305,000		352,787
2034	315,000		337,538
2035	330,000		321,787
2036	345,000		305,288
2037	360,000		288,037
2038	370,000		273,638
2039	380,000		258,837
2040	390,000		243,638
2041	285,000		228,037
2042	300,000		216,638
2043	310,000		204,637
2044	320,000		192,238
2045	335,000		179,037
2046	350,000		164,800
2047	365,000		149,925
2048	380,000		134,413
2049	395,000		118,262
2050	415,000		101,475
2051	430,000		82,800
2052	450,000		63,450
2053	470,000		43,200
2054	490,000		22,050
	<b>\$ 9,650,000</b>	<b>\$</b>	<b>7,111,775</b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
For the Six Month's Ended June 30, 2025

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 1/1/2025	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2025
<b>Notes Payable</b>									
2024 Notes Payable - Electric	194,940	5.50%	July 25, 2023	July 25, 2028	144,715	-	144,715	-	-
2024 Notes Payable - Electric	252,000	5.50%	December 25, 2023	November 25, 2028	203,300	-	203,300	-	-
2024 Notes Payable - Broadband	174,994	5.60%	May 17, 2024	May 20, 2029	148,824	-	148,824	-	-
Total Notes Payable	<u>\$ 621,934</u>				<u>\$ 496,839</u>	<u>\$ -</u>	<u>\$ 496,839</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Bonds</b>									
Series 2020 Bond - Electric	1,518,054	3.15%	July 17, 2020	June 1, 2035	1,180,000	-	1,180,000	-	-
Series 2025 Bond - Electric	9,750,000	5.00%	January 31, 2025	June 30, 2054	-	9,750,000	100,000	-	9,650,000
Total Bonds Payable	<u>\$ 11,268,054</u>				<u>\$ 1,180,000</u>	<u>\$ 9,750,000</u>	<u>\$ 1,280,000</u>	<u>\$ -</u>	<u>\$ 9,650,000</u>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SUPPLEMENTAL INFORMATION - ELECTRIC DEPARTMENT - UNAUDITED**

	For the 6 month's ended June 30, 2025	For the 6 month's ended December 31, 2024	2024	2023	2022	2021	2020	2019	2018	2017
<b>Revenue</b>										
Residential	\$ 6,566,624	\$ 6,310,388	\$ 11,633,991	\$ 12,241,535	\$ 11,266,843	\$ 10,666,683	\$ 10,544,740	\$ 10,813,548	\$ 11,037,758	\$ 10,513,902
Small lighting	1,320,332	1,316,077	2,440,114	2,477,328	2,242,350	2,082,985	2,054,605	1,916,374	1,905,575	1,923,502
Large lighting	3,282,880	3,296,485	5,989,684	6,313,271	5,372,569	5,104,965	4,998,777	5,434,434	5,987,430	6,192,125
Street/athletic lighting	45,896	40,782	81,978	91,493	83,492	79,263	78,387	83,338	88,433	91,500
Outdoor lighting	211,445	209,169	413,378	423,449	407,220	391,767	392,260	372,924	353,689	358,534
Other operating	493,873	419,236	979,181	793,944	564,380	548,684	499,683	537,026	454,233	410,093
Interest and other revenue	179,299	21,724	29,964	14,653	3,933	7,680	8,720	33,359	6,452	15,546
	<u>12,100,349</u>	<u>11,613,861</u>	<u>21,568,290</u>	<u>22,355,673</u>	<u>19,940,787</u>	<u>18,882,027</u>	<u>18,577,172</u>	<u>19,191,003</u>	<u>19,833,570</u>	<u>19,505,202</u>
<b>Expense</b>										
Electric power costs	8,664,754	8,286,456	15,755,629	16,790,641	14,853,382	13,812,456	14,264,809	15,385,961	15,758,054	15,576,957
Other operating expenses	2,044,160	1,578,911	3,903,271	3,410,599	2,913,505	3,151,806	2,755,544	2,585,118	2,497,380	2,393,097
Depreciation	595,691	591,450	1,174,033	1,134,849	916,572	741,441	679,587	744,036	635,702	634,612
Taxes/tax equivalents	278,378	48,949	306,603	336,298	344,687	336,891	321,813	282,737	280,668	277,191
Transfers out - in lieu of taxes	-	279,930	279,930	280,835	266,730	241,417	230,775	230,541	220,018	219,589
Interest and other expense	148,223	29,428	128,049	25,312	54,038	393,129	6,413	8,555	5,654	3,848
	<u>11,731,206</u>	<u>10,815,124</u>	<u>21,547,515</u>	<u>21,978,534</u>	<u>19,348,914</u>	<u>18,677,140</u>	<u>18,258,941</u>	<u>19,236,948</u>	<u>19,397,476</u>	<u>19,105,294</u>
<b>Net income (loss)</b>	<b>\$ 369,143</b>	<b>\$ 798,737</b>	<b>\$ 20,775</b>	<b>\$ 377,139</b>	<b>\$ 591,873</b>	<b>\$ 204,887</b>	<b>\$ 318,231</b>	<b>\$ (45,945)</b>	<b>\$ 436,094</b>	<b>\$ 399,908</b>
Financial										
Plant in service (at original cost)	\$ 35,244,038	\$ 33,684,835	\$ 33,437,081	\$ 32,158,913	\$ 31,172,470	\$ 29,707,333	\$ 27,909,176	\$ 27,223,903	\$ 26,727,184	\$ 25,708,287
Bonds and notes outstanding	\$ 9,650,000	\$ 1,676,839	\$ 1,793,439	\$ 1,355,994	\$ 1,505,042	\$ 1,663,397	\$ 148,788	\$ 225,485	\$ 299,975	\$ 151,011
Power in use - KWH										
Residential	49,961,733	51,457,882	99,061,586	99,593,314	102,237,816	102,551,672	101,692,685	105,224,793	106,117,996	101,036,776
Small commercial	8,825,139	9,539,287	18,514,747	17,950,420	17,981,445	17,668,834	17,430,641	16,372,088	16,054,929	16,478,668
Large commercial	27,400,187	30,466,442	58,030,226	58,159,061	55,253,367	54,571,897	53,832,277	59,081,681	65,339,060	67,831,499
Street/athletic lighting	552,635	532,441	1,114,251	1,143,006	1,203,869	1,262,798	1,232,304	1,320,345	1,366,616	1,400,512
Outdoor lighting	715,297	749,311	1,551,432	1,638,757	1,772,034	1,919,246	2,114,891	2,276,483	2,324,394	2,349,280
<b>Total</b>	<b>87,454,991</b>	<b>92,745,363</b>	<b>178,272,242</b>	<b>178,484,558</b>	<b>178,448,531</b>	<b>177,974,447</b>	<b>176,302,798</b>	<b>184,275,390</b>	<b>191,202,995</b>	<b>189,096,735</b>
<b>Peak KW demand</b>	<b>45,584</b>	<b>45,219</b>	<b>50,937</b>	<b>45,017</b>	<b>47,204</b>	<b>42,421</b>	<b>42,068</b>	<b>47,280</b>	<b>44,840</b>	<b>46,528</b>

See independent auditor's report.

**MILAN PUBLIC UTILITIES AUTHORITY**  
**SUPPLEMENTAL INFORMATION - ELECTRIC DEPARTMENT - UNAUDITED**

	For the 6 month's ended June 30, <b>2025</b>	For the 6 month's ended December 31, <b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Number of customers										
Residential	6,910	6,902	6,859	6,828	6,822	6,829	6,762	6,727	6,767	6,752
Small commercial	1,453	1,434	1,399	1,382	1,369	1,337	1,299	1,279	1,207	1,237
Large commercial	124	125	120	117	105	100	98	100	101	101
Street/athletic lighting	28	28	28	28	30	29	29	28	28	28
Outdoor lighting	43	45	46	43	55	45	44	45	44	45
	<b>8,558</b>	<b>8,534</b>	<b>8,452</b>	<b>8,398</b>	<b>8,381</b>	<b>8,340</b>	<b>8,232</b>	<b>8,179</b>	<b>8,147</b>	<b>8,163</b>
<b>Line Loss</b>	<b>5.43%</b>	<b>3.94%</b>	<b>5.71%</b>	<b>5.06%</b>	<b>5.33%</b>	<b>5.40%</b>	<b>5.74%</b>	<b>5.12%</b>	<b>5.76%</b>	<b>4.82%</b>

*See independent auditor's report.*

**MILAN PUBLIC UTILITIES AUTHORITY  
SUPPLEMENTAL INFORMATION -  
BROADBAND DIVISION - UNAUDITED**

	For the 6 month's ended June 30, <b>2025</b>	For the 6 month's ended December 31, <b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenue								
Residential	\$ 226,530	\$ 210,170	\$ 369,174	\$ 306,881	\$ 162,222	\$ 47,662	\$ 13,371	\$ 1,015
Small business	88,575	91,900	179,650	165,900	144,013	124,083	88,857	18,875
Other services	4,851	6,097	13,709	10,848	9,888	9,092	12,007	1,619
Other operating	71,458	74,637	138,883	127,737	103,403	76,348	45,478	8,109
Interest and other revenue	<u>27,979</u>	<u>21,536</u>	<u>12,530</u>	<u>1,108</u>	<u>185</u>	<u>99</u>	<u>42</u>	<u>20</u>
	<u>419,393</u>	<u>404,340</u>	<u>713,946</u>	<u>612,474</u>	<u>419,711</u>	<u>257,284</u>	<u>159,755</u>	<u>29,638</u>
Expense								
Purchased internet	24,000	24,000	47,000	36,000	36,000	36,000	27,908	6,788
Other operating expenses	184,380	194,803	248,366	218,931	134,962	21,167	21,768	12,949
Rent to Electric	149,594	97,184	185,793	181,968	-	-	-	-
Depreciation	34,389	32,185	57,175	49,689	25,705	12,902	4,067	1,867
Taxes/tax equivalents	3,151	8,353	7,963	3,559	1,837	-	-	-
Transfers out - in lieu of taxes	-	-	-	402	257	-	-	-
Interest and other expense	<u>1,111</u>	<u>4,480</u>	<u>844</u>	<u>-</u>	<u>1,531</u>	<u>2,719</u>	<u>3,194</u>	<u>1,750</u>
	<u>396,625</u>	<u>361,005</u>	<u>547,141</u>	<u>490,549</u>	<u>200,292</u>	<u>72,788</u>	<u>56,937</u>	<u>23,354</u>
Net income (loss)	<b>\$ 22,768</b>	<b>\$ 43,335</b>	<b>\$ 166,805</b>	<b>\$ 121,925</b>	<b>\$ 219,419</b>	<b>\$ 184,496</b>	<b>\$ 102,818</b>	<b>\$ 6,284</b>
Financial								
Plant in service (at original cost)	<b>\$ 830,650</b>	<b>\$ 730,693</b>	<b>\$ 668,679</b>	<b>\$ 201,926</b>	<b>\$ 155,902</b>	<b>\$ 168,223</b>	<b>\$ 35,179</b>	<b>\$ 38,736</b>
Number of customers								
Residential	621	627	561	486	360	134	28	11
Small business	169	183	177	172	154	139	110	53
Other services	<u>493</u>	<u>499</u>	<u>477</u>	<u>58</u>	<u>60</u>	<u>188</u>	<u>111</u>	<u>24</u>
	<u>1,283</u>	<u>1,309</u>	<u>1,215</u>	<u>716</u>	<u>574</u>	<u>461</u>	<u>249</u>	<u>88</u>

This is a 10-year schedule; however, fiscal year 2019 is the first year that the Broadband division is in operation. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**MILAN PUBLIC UTILITIES AUTHORITY  
SUPPLEMENTAL INFORMATION - WATER AND SEWER DEPARTMENT - UNAUDITED**

	For the 6 month's ended June 30,	For the 6 month's ended December 31,								
	<u>2025</u>	<u>2024</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Revenue</b>										
Metered sales	\$ 1,783,450	\$ 1,904,065	\$ 2,946,546	\$ 2,972,998	\$ 2,692,315	\$ 2,675,944	\$ 2,502,409	\$ 2,519,041	\$ 2,533,367	\$ 2,251,633
Unmetered sales	21,309	14,944	32,537	27,028	18,123	3,886	8,162	10,852	9,506	8,975
Other operating	84,070	103,397	148,413	140,934	105,429	88,501	81,018	105,284	101,773	89,964
Interest and other revenue	<u>179,826</u>	<u>429,345</u>	<u>283,194</u>	<u>110,035</u>	<u>74,389</u>	<u>517,869</u>	<u>88,024</u>	<u>516,394</u>	<u>86,143</u>	<u>467,495</u>
	<u>2,068,655</u>	<u>2,451,751</u>	<u>3,410,690</u>	<u>3,250,995</u>	<u>2,890,256</u>	<u>3,286,200</u>	<u>2,679,613</u>	<u>3,151,571</u>	<u>2,730,789</u>	<u>2,818,067</u>
<b>Expense</b>										
Operating expenses	1,424,207	1,516,171	2,594,415	2,314,949	1,891,064	1,966,789	1,868,241	1,875,467	1,876,146	1,604,676
Depreciation	<u>491,054</u>	<u>480,874</u>	<u>970,173</u>	<u>908,822</u>	<u>867,446</u>	<u>801,387</u>	<u>771,992</u>	<u>742,722</u>	<u>755,146</u>	<u>717,075</u>
	<u>1,915,261</u>	<u>1,997,045</u>	<u>3,564,588</u>	<u>3,223,771</u>	<u>2,758,510</u>	<u>2,768,176</u>	<u>2,640,233</u>	<u>2,618,189</u>	<u>2,631,292</u>	<u>2,321,751</u>
<b>Net income (loss)</b>	<b>\$ 153,394</b>	<b>\$ 454,706</b>	<b>\$ (153,898)</b>	<b>\$ 27,224</b>	<b>\$ 131,746</b>	<b>\$ 518,024</b>	<b>\$ 39,380</b>	<b>\$ 533,382</b>	<b>\$ 99,497</b>	<b>\$ 496,316</b>
<b>Financial</b>										
Plant in service (at original cost)	\$ 34,971,165	\$ 34,923,987	\$ 34,121,554	\$ 33,573,693	\$ 33,332,267	\$ 32,443,973	\$ 30,418,703	\$ 30,169,029	\$ 29,508,775	\$ 29,368,238
Usage - Gallons										
Water	<u>121,354,800</u>	<u>129,520,200</u>	<u>248,543,400</u>	<u>250,051,100</u>	<u>233,269,100</u>	<u>251,056,800</u>	<u>242,584,300</u>	<u>248,224,400</u>	<u>247,675,200</u>	<u>246,046,600</u>
Sewer	<u>105,301,500</u>	<u>110,551,000</u>	<u>211,291,700</u>	<u>211,763,900</u>	<u>201,948,700</u>	<u>215,432,000</u>	<u>211,457,600</u>	<u>215,564,500</u>	<u>217,116,600</u>	<u>216,703,900</u>
Number of customers										
Water	<u>4,463</u>	<u>4,460</u>	<u>4,017</u>	<u>4,320</u>	<u>4,295</u>	<u>4,273</u>	<u>4,207</u>	<u>4,171</u>	<u>4,177</u>	<u>4,177</u>
Sewer	<u>4,023</u>	<u>4,017</u>	<u>3,997</u>	<u>3,873</u>	<u>3,851</u>	<u>3,835</u>	<u>3,789</u>	<u>3,740</u>	<u>3,736</u>	<u>3,736</u>
<b>Line loss - Water</b>	<b><u>18.39%</u></b>	<b><u>14.85%</u></b>	<b><u>20.65%</u></b>	<b><u>19.56%</u></b>	<b><u>25.37%</u></b>	<b><u>24.84%</u></b>	<b><u>11.89%</u></b>	<b><u>16.16%</u></b>	<b><u>21.90%</u></b>	<b><u>24.99%</u></b>

See independent auditor's report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



**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**

Board of Directors  
Milan Public Utilities Authority  
Milan, Tennessee

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 Milan Public Utility Authority (the Utility) of and for the six months ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated September 24, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Utility'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 the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*ATA, PC*

Jackson, Tennessee  
September 24, 2025

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF FINDINGS**  
For the Six Months Ended June 30, 2025

**Financial Statement Findings**

There were no current year findings reported.

**BOARD OF PUBLIC UTILITIES  
MILAN, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS  
For the Six Months Ended June 30, 2025**

**Financial Statement Findings**

There were no prior year findings reported.

**APPENDIX F**

**BOND INSURANCE  
AND  
SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included herein this appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

## *Capitalization of AG*

At September 30, 2025:

- The policyholders' surplus of AG was approximately \$3,268 million.
- The contingency reserve of AG was approximately \$1,481 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,431 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

## *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "APPENDIX F - BOND INSURANCE – AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY - Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### *Miscellaneous Matters*

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented in this APPENDIX F.



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$        in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)