

**PRELIMINARY OFFICIAL STATEMENT**

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

**BOLIVAR ENERGY AUTHORITY (TENNESSEE)**

**Electric System Revenue Bonds, Series 2026**

OFFERED FOR SALE NOT SOONER THAN

Wednesday, June 3, 2026 at 10:15 A.M. E.D.T. / 9:15 A.M. C.D.T.  
Through the Facilities of *PARITY*®



SINCE 1931

**CUMBERLAND SECURITIES**

INDEPENDENT FINANCIAL ADVISOR

May 21, 2026

\*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.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2026

NEW ISSUE  
Book-Entry-Only

Ratings: S&P: "AA" Stable (BAM)  
Moody's: "A1" (Underlying)  
(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\***  
**BOLIVAR ENERGY AUTHORITY (TENNESSEE)**  
**Electric System Revenue Bonds, Series 2026**

Dated: Date of Issuance (assume June 26, 2026).

Due: May 1 (as indicated below)

The \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the "Bonds") issued by the Bolivar Energy 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 November 1, 2026 and thereafter on each May 1 and November 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 Outstanding Parity 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 a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Bonds maturing May 1, 2035 and thereafter are subject to optional redemption prior to maturity on or after May 1, 2034.

<u>Due</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2029	\$100,000				2044	\$340,000			
2030	180,000				2045	355,000			
2031	190,000				2046	370,000			
2032	200,000				2047	390,000			
2033	210,000				2048	405,000			
2034	220,000				2049	425,000			
2035	230,000				2050	440,000			
2036	240,000				2051	460,000			
2037	250,000				2052	485,000			
2038	260,000				2053	505,000			
2039	270,000				2054	525,000			
2040	285,000				2055	550,000			
2041	300,000				2056	575,000			
2042	310,000				2057	600,000			
2043	325,000								

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 Blake Sain, 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 June \_\_, 2026.

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

June \_\_, 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.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "**APPENDIX E – 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.

# **BOLIVAR ENERGY AUTHORITY (TENNESSEE)**

## **PRESIDENT AND CHIEF EXECUTIVE OFFICER**

James A. (Tony) Kirk

## **BOARD OF DIRECTORS**

Todd Lowe - Chairperson  
Ernest Jones – Vice Chairperson  
Elmer Cobb  
Le Ann Shelton  
Frank Wilhite

Hannah Swift - Recording Secretary

## **COUNSEL TO THE AUTHORITY**

Blake Sain, Esq.  
Jackson, Tennessee

## **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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## 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 ..... Bolivar Energy Authority (Tennessee) (the “Authority” or “Issuer”). See APPENDIX B contained herein.
- Securities Offered..... \$9,995,000\* Electric System Revenue Bonds, Series 2026, maturing May 1, 2029 through May 1, 2057, inclusive, (the “Bonds”) of the Authority. The Bonds will be dated the date of issuance (assume June 26, 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 Outstanding Parity Bonds, as defined herein, 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”.
- Municipal Bond Insurance ..... The scheduled payment of the principal of, and interest on, the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company. ("BAM"). See “APPENDIX E - BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”
- Purpose ..... The Bonds are being issued for the purpose of providing funds for the (i) acquisition, construction, reconstruction, improvement, betterment and/or extension of the Authority’s headquarters building and facilities and the System, including but not limited to, generation or production facilities, transmission facilities and distribution, (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 May 1, 2034, 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. For an explanation of certain tax consequences under federal law which may result

from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS-Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)

- Bank Qualification .....The Bonds will be treated as “qualified tax-ex \* Preliminary, subject to change. 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: “AA’ Stable BAM Insurance, Moody’s Underlying “A1”. 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 Parities; 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 Bolivar Energy Authority Act, Chapter 130 of the 2006 Private Acts of the State of Tennessee (the “Act”). See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered 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 Mr. James A. (Tony) Kirk, President and Chief Executive Officer, 815 Tennessee Street, Bolivar, Tennessee 38008, Telephone: 731-658-5257 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>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Beginning Net Assets	\$11,473,597	\$9,207,873	\$10,824,560	\$11,632,358	\$12,098,016
Revenues	26,340,754	28,410,631	30,819,878	31,239,088	33,117,956
Expenditures	28,431,944	26,574,562	29,561,323	29,697,817	31,173,388
Non-Operating Revenue (Expense)	(174,534)	(219,382)	(450,757)	(140,182)	(278,513)
Change in Net Assets	(2,265,724)	1,616,687	807,798	1,401,089	1,666,055
Prior Period Adjustments	-	-	-	(935,431)	-
<b>Ending Net Assets</b>	<b><u>\$9,207,873</u></b>	<b><u>\$10,824,560</u></b>	<b><u>\$11,632,358</u></b>	<b><u>\$12,098,016</u></b>	<b><u>\$13,764,071</u></b>

Source: Financial Statements with Report of Certified Public Accountants.

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## SUMMARY NOTICE OF SALE

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

### **BOLIVAR ENERGY AUTHORITY (TENNESSEE)**

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

NOTICE IS HEREBY GIVEN that the President of the Bolivar Energy Authority (Tennessee) (the “Authority” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on Wednesday, June 3, 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**<sup>®</sup> 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**<sup>®</sup> System not later than 10:45 a.m., Eastern Daylight 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**<sup>®</sup> System.

Electronic bids must be submitted through **PARITY**<sup>®</sup> 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**<sup>®</sup> shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> 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 June 26, 2026 ). The Bonds will mature on May 1 in the years 2029 through 2057, inclusive, with term bonds optional, with interest payable on May 1 and November 1 of each year, commencing November 1, 2026, and will be subject to optional redemption prior to maturity on or after May 1, 2034. 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.

BOLIVAR ENERGY AUTHORITY  
(TENNESSEE)  
By: James A. (Tony) Kirk, President & CEO

DETAILED NOTICE OF SALE

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

**BOLIVAR ENERGY AUTHORITY (TENNESSEE)**

**Electric System Revenue Bonds, Series 2026**

NOTICE IS HEREBY GIVEN that the President of the Bolivar Energy Authority (Tennessee) (the “Authority” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.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 Daylight 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 May 1 and November 1 of each year, commencing November 1, 2026. The Bonds will mature and be payable on May 1 of each year as follows:

<b>YEAR</b>		<b>YEAR</b>	
<b>(May 1)</b>	<b>AMOUNT*</b>	<b>(May 1)</b>	<b>AMOUNT*</b>
2029	\$100,000	2044	\$340,000
2030	180,000	2045	355,000
2031	190,000	2046	370,000
2032	200,000	2047	390,000
2033	210,000	2048	405,000
2034	220,000	2049	425,000
2035	230,000	2050	440,000
2036	240,000	2051	460,000
2037	250,000	2052	485,000
2038	260,000	2053	505,000
2039	270,000	2054	525,000
2040	285,000	2055	550,000
2041	300,000	2056	575,000
2042	310,000	2057	600,000
2043	325,000		

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

\* Preliminary, subject to change.

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 of 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 Outstanding Parity Bonds, as defined herein, 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 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 for the (i) acquisition, construction, reconstruction, improvement, betterment and/or extension of the Authority's headquarters building and facilities and the System, including but not limited to, generation or production facilities, transmission facilities and distribution, (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 May 1, 2035 and thereafter are subject to optional redemption prior to maturity at the option of the Authority on or after May 1, 2034, 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.

**Bidder Certification Regarding Non-Engagement in a Boycott of Israel.** By submitting a bid, each bidder shall be deemed to have certified to the Authority that, to the extent that the award of the Bonds would constitute a "contract with a company to acquire or dispose of service", as described by Tenn. Code Ann. Section 12-4-119, neither the bidder, nor any of its wholly owned subsidiaries, majority-owned subsidiaries, parent companies or affiliates, are currently engaged in nor will they engage in a boycott of Israel through the issue date of the Bonds, as described by Section 12-4-119. For purposes of Section 12-4-119, "boycott of Israel" shall mean engaging in refusals to deal, terminating business activities, or other commercial actions that are intended to limit commercial relations with Israel, or companies doing business in or with Israel or authorized

by, licensed by, or organized under the laws of the State of Israel to do business, or persons or entities doing business in Israel, when such actions are taken (i) in compliance with, or adherence to, calls for a boycott of Israel, or (ii) in a manner that discriminates on the basis of nationality, national origin, religion, or other unreasonable basis, and is not based on a valid business reason. The winning bidder shall be required to include a written certification to such effect as a condition to the issuance of the Bonds. The provisions of this paragraph shall not apply, and a bidder shall not be required to provide a written certification as provided above, if the bidder's compensation as a result of the purchase of a series of the Bonds is less than \$250,000.

Bidder Certification Regarding Compliance with Iran Divestment Act. Pursuant to Tennessee Code Annotated Section 12-12-111 and to the extent applicable to the activities contemplated herein, by submission of a bid for the Bonds, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each bidder is not on the list created pursuant to Tennessee Code Annotated Section 12-12-106 (the "Iran Divestment Act List"). Such Iran Divestment Act List (i) provides a listing of persons determined to be engaging in investment activities in Iran, as described in Tennessee Code Section 12-12-105, and (ii) can be found online on the State's website: [https://www.tn.gov/content/dam/tn/generalservices/documents/cpo/library/2026/List\\_of\\_persons\\_pursuant\\_to\\_Tenn\\_Code\\_Ann\\_12-12-106\\_Iran\\_Divestment\\_Act\\_02-20-2026.pdf](https://www.tn.gov/content/dam/tn/generalservices/documents/cpo/library/2026/List_of_persons_pursuant_to_Tenn_Code_Ann_12-12-106_Iran_Divestment_Act_02-20-2026.pdf).

Tennessee Code Annotated Section 12-12-105 provides that "a person engages in investment activities in Iran if: (1) [t]he person provides goods or services of twenty million dollars (\$20,000,000) or more in the energy sector of Iran, including a person that provides oil or liquefied natural gas tankers, or products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or (2) [t]he person is a financial institution that extends twenty million dollars (\$20,000,000) or more in credit to another person, for forty-five (45) days or more, if that person will use the credit to provide goods or services in the energy sector in Iran and is identified on a list, created pursuant to Tennessee Code Annotated Section 12-12-106, as a person engaging in investment activities in Iran as described in this section."

If in any case the bidder cannot make the foregoing certification, in accordance with Tennessee Code Annotated Section 12-12-111 and to the extent applicable to the activities herein, the bidder shall so state and shall furnish with the bid a signed statement which sets forth in detail the reasons therefor. The Authority may award the bid to a bidder who cannot make the certification above, on a case-by-case basis, if: (1) the investment activities in Iran were made before July 1, 2016, the investment activities in Iran have not been expanded or renewed on or after July 1, 2016, and the person has adopted, publicized, and is implementing a formal plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran; or (2) the Authority makes a determination that the goods or services are necessary for the Authority to perform its functions and that, absent such an exemption, the Authority would be unable to obtain the goods or services for which the contract is offered. Such determination shall be made in writing and shall be a public document.

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 (5th) 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 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. 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. 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. 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/ James A. (Tony) Kirk, President &  
CEO

## EXHIBIT A

### BOLIVAR ENERGY 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 Bolivar Energy 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 June 3, 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

### BOLIVAR ENERGY 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 Bolivar Energy 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 June 3, 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**

James A. (Tony) Kirk, President & CEO  
 1085 S. Second Street  
 Milan, TN 38358

June 3, 2026

Dear President Kirk:

For your legally issued, properly executed \$9,995,000\* Electric System Revenue Bonds, Series 2026 (the “Bonds”) of the Bolivar Energy 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 June 26, 2026) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on May 1 and bear interest at the following rates:

<u>Maturity</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(May 1)</u>	<u>Amount*</u>	<u>Rate</u>
2029	\$100,000	—	2044	\$340,000	—
2030	180,000	—	2045	355,000	—
2031	190,000	—	2046	370,000	—
2032	200,000	—	2047	390,000	—
2033	210,000	—	2048	405,000	—
2034	220,000	—	2049	425,000	—
2035	230,000	—	2050	440,000	—
2036	240,000	—	2051	460,000	—
2037	250,000	—	2052	485,000	—
2038	260,000	—	2053	505,000	—
2039	270,000	—	2054	525,000	—
2040	285,000	—	2055	550,000	—
2041	300,000	—	2056	575,000	—
2042	310,000	—	2057	600,000	—
2043	325,000	—			

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

- Term Bond 1: Maturities from May 1, 20\_\_\_\_\_ through May 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 2: Maturities from May 1, 20\_\_\_\_\_ through May 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 3: Maturities from May 1, 20\_\_\_\_\_ through May 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 4: Maturities from May 1, 20\_\_\_\_\_ through May 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 5: Maturities from May 1, 20\_\_\_\_\_ through May 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  
 Bolivar Energy Authority (Tennessee), this  
 3<sup>rd</sup> day of June, 2026.

Respectfully submitted,

\_\_\_\_\_

\_\_\_\_\_  
 James A. (Tony) Kirk, President & CEO

Total interest cost from  
 June 26, 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\***  
**BOLIVAR ENERGY 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 Bolivar Energy 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 the Bolivar Energy Authority Act, Chapter 130 of the 2006 Private Acts of the State of Tennessee (the “Act”), and other applicable provisions of law and pursuant to resolutions duly adopted by the Board of Directors (the “Governing Body”) of the Authority on February 22, 2021 (the “Master Resolution”) and on March 30, 2026 (the “Series 2026 Bond Resolution”) (together, the “Resolution”).

The Bonds are being issued for the purpose of providing funds for the (i) acquisition, construction, reconstruction, improvement, betterment and/or extension of the Authority’s headquarters building and facilities and the System, including but not limited to, generation or production facilities, transmission facilities and distribution, (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 June 26, 2026). Interest on the Bonds will be payable semi-annually on May 1 and November 1, commencing November 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 Outstanding Parity Bonds, as defined herein, 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”.

\* Preliminary, subject to change.

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”.

Outstanding Parity Bonds is defined as the Electric System Revenue Bonds, Series 2021, dated April 30, 2021, the Electric System Revenue Bonds, Series 2022, dated April 22, 2022, and the Electric System Revenue Bonds, Series 2023, dated December 1, 2023.

## **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 Outstanding Parity Bonds, the Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Outstanding Parity Bonds, the Bonds and any Parity Bonds, if applicable (the Authority has not established a debt service reserve for the Bonds or the Outstanding Parity 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 Outstanding Parity 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 Outstanding Parity 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 Outstanding Parity 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 Outstanding Parity 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 Outstanding Parity 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 Outstanding Parity 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 May 1, 2035, and thereafter, shall be subject to optional redemption prior to maturity at the option of the Authority on May 1, 2034, 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 May 1, 20\_\_, and May 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.

## **DEPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be applied by the Authority as follows:

1. accrued interest, if any, shall be deposited into the Bond Fund of the Authority and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
2. next to pay the costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Registration Agent fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds;
3. next, if required, an amount equal to the Reserve Fund Requirement relating to the Bonds shall be deposited in the Debt Service Reserve Fund except to the extent a Reserve Fund Credit Facility has been deposited with the Registration Agent in which case the fees for such Reserve Fund Credit Facility may then be paid, the Bonds will not have a Bond Reserve Requirement; and
4. the remainder of the proceeds of the sale of the Bonds shall be deposited with a bank or trust company regulated by the Federal Deposit Insurance Corporation in a special fund known and designated as the “Electric System 2026 Project Fund” (the “2026 Project Fund”), to be kept separate and apart from all other funds of the Authority. The funds in the 2026 Project Fund shall be disbursed solely to pay the costs of the Project. Monies in the 2026 Project Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said 2026 Project Fund. Monies in the 2026 Project Fund shall be expended only for the purposes authorized by this Resolution. Any funds remaining in the 2026 Project Fund after completion of the Project authorized and payment of authorized expenses shall be deposited to the Revenue Fund. Monies in the 2026 Project Fund may be invested as directed by the Chief Executive Officer in any investment authorized for municipal funds under the applicable laws of the State of Tennessee, and approved by the issuer of the Credit Facility, if any. All income derived from such investment shall be retained in the 2026 Project Fund.

*The Project.* The Bonds will be used primarily to finance the construction of a new headquarters building and facilities.

## 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."

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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 excludable from a 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 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.

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

### RATINGS

S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “AA” (Stable Outlook) to the Bonds with the understanding that upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Additionally, the Bonds have been assigned an underlying rating of “A1” from Moody’s Investor Service (“Moody’s”).

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 Moody’s or 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 bond 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 Moody’s and S&P and any explanation of the significance of such rating should be obtained from Moody’s and S&P.

### COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on June 3, 2026. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 21, 2026.

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, plus original issue premium of \$ \_\_\_\_\_, less an underwriter’s 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. Energy Authority Operating Statistics;
2. Top Ten Electric Customers;
3. Residential and General Power Resale Rates of the Authority;
4. Summary of Bonded Indebtedness;
5. Bonded Debt Service Requirements – Electric System;
6. Five Year Summary of Revenues, Expenses and Changes in Net Assets – Electric Fund
7. Historical Debt Service Coverages Including the Bonds.

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 Authority 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 Authority 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**

*GENERAL.* The purchase of the Bonds is subject to a number of investment considerations. The following is a discussion of certain investment considerations, which, among others, could affect the ability of the Authority to pay the principal of and interest and premium, if any, on the Bonds and which could also affect the marketability of, or the market price for, the Bonds. Such discussion is not, and is not intended to be, a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement, including the Appendices attached hereto. Each prospective purchaser of any Bond should read this Official Statement, including the Appendices attached hereto, in its entirety and consult such prospective purchaser's own investment or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Bonds.

*CLIMATE CHANGE AND ADVERSE WEATHER EVENTS.* Planning for climate change in the State and its impact on the Authority's operations is an unknown challenge. The State's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State 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. Additionally, severe weather and natural disasters, generally, including tornadoes and other storm events, can affect the Authority and its customers in a number of ways, including by damaging Authority property, causing the temporary or permanent displacement of Authority customers and interrupting Authority services. The Authority cannot predict the impact of climate change or the timing, extent or severity of any adverse weather event or natural disaster and any potential effect on the Authority's operations or finances.

*CYBER-SECURITY.* Computer networks and data transmission and collection are vital to the efficient operations of the Authority. 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, 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 operations, which could materially affect the Authority and its operations. Attempted cyber security attacks against organizations or entities similar to the Authority are increasingly common. In January 2024, the Federal Bureau of Investigation issued a specific warning that international hackers are working to attack governmental infrastructure in the United States. To mitigate against such risks, the Authority has instituted various policies and procedures to protect its network infrastructure. The Authority maintains insurance to mitigate any potential financial losses from cyber-security threats, though such insurance may not be sufficient to cover all losses incurred by the Authority as a result of any cyberattack or breach.

*FUTURE LEGISLATION.* From time to time, the Tennessee General Assembly considers bills that could impact the Authority and its customers. Such laws could impact the Authority's ability to raise revenue for operating and capital requirements. See also "LEGAL MATTERS – Tax Matters – Changes in Federal and State Tax Law" for the potential impact of changes in tax law on the Bonds.

*ENFORCEABILITY OF REMEDIES.* The remedies available to the holders or beneficial owners of the Bonds upon any event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Under existing law, the Authority must obtain the consent of state governments in order to avail themselves of federal bankruptcy protection under Title 11 of the United States Code. There is currently no law in the State granting such consent. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the rights of creditors generally or as to the availability of any particular remedy.

*SECONDARY MARKET PRICES.* No assurance can be given that a secondary market for any of the Bonds will be available and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a holder or beneficial owner thereof determines to solicit purchasers of the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current holder or beneficial owner of the Bonds, depending on existing market conditions and other factors.

## **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**



June \_\_, 2026

Bolivar Energy Authority  
Bolivar, Tennessee

Re: \$9,995,000\* Bolivar Energy Authority Electric System Revenue Bonds, Series 2026

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Bolivar Energy Authority (the "Authority") of its \$9,995,000\* Bolivar Energy Authority 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 Authority.

2. The resolution of the Board of Directors of the Authority authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Authority enforceable in accordance with its terms.

3. The principal of, premium, if any, and interest on the Bonds are payable solely from, and secured solely by, a pledge of the revenues of the Authority's electric transmission and distribution system (the "System"), subject to the costs of operating the System, on a parity and equality of lien with the Authority's Electric System Revenue Bonds, Series 2021, Electric System Revenue Bonds, Series 2022, and Electric System Revenue Bond, Series 2023. 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 Authority 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 Authority 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  
BOLIVAR ENERGY AUTHORITY**



# BOLIVAR ENERGY AUTHORITY

## HISTORY AND ORGANIZATION

The Bolivar Energy Authority (the "Authority") was formed pursuant to Chapter 130 of the 2006 Private Acts of the State of Tennessee (the "Act"), as ratified by the City of Bolivar on November 14, 2006. The Act provides that upon ratification of the Act by the City, all right, title and interest in, and all assets owned and operated for the City by the Bolivar Electric Utility Board, would be transferred to the Authority. Pursuant to the provisions of the Act, the Authority is created and constituted as a governmental authority that is a political subdivision of the State of Tennessee and a public corporation. The Act provides that the Authority is "created for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric utility and telecommunications systems within or outside the corporate limits of the city of Bolivar and within or outside the state."

The electric distribution system acquired by the Authority from the City was formed in 1936 and provided electric services to the residents of the City, Hardeman County and surrounding counties in Tennessee and Mississippi - a service area which encompasses ten incorporated towns. Through its acquisition of the assets and liabilities of the System, the Authority will now provide this service through the System to this service area.

The Authority is governed by a Board of Directors consisting of five directors who are appointed by the Board of Directors, subject to approval by the City Council of the City. The initial Board of Directors was composed of the members of the former Board of Utility Commissioners of the Bolivar Electric Utility Board of the City who served as directors for the Authority for the unexpired terms of their appointment to the Bolivar Electric Utility Board. The Tennessee Valley Authority ("TVA") acts as regulatory agency pursuant to the terms of the Power Purchase Contract described below. Presently, the Authority does not provide telecommunications services within its service area.

The present members of the Board, their terms of office, and their occupations are as follows:

<u>Members</u>	<u>Term Expiration</u>	<u>Occupation</u>
Todd Lowe - Chairperson	2026	Teacher
Ernest Jones – Vice Chairperson	2030	Retired
Elmer Cobb	2029	Accountant
Le Ann Shelton	2027	Teacher
Frank Wilhite	2028	Veterinarian

Hannah Swift serves as Recording Secretary to the Board.

*[balance of page left blank]*

The Authority provides electric service to approximately 11,400 consumers located in Hardeman County, a portion of Fayette and Chester Counties, and a portion of Benton County in Mississippi.

## MANAGEMENT

Mr. James A. (Tony) Kirk is the President and Chief Executive Officer. Mr. Kirk has been President/CEO since January 2020. He is responsible for the management of the Authority's System. Prior to his current position, Mr. Kirk Served as VP/CFO from 2015 to 2020, Office Manager from 2005 to 2015, Human Resource Manager from 1996 to 2005, Assistant Office Manager from 1986 to 1996, Customer Service Manager from 1984 to 1986 and Apprentice Lineman in 1984. He is graduate of Jackson State Community College (A.S. in Business Administration) and Union University (B.S. in Economics and Finance with minor in Accounting). He holds Certified Power Executive and Safety Coordinator from the Tennessee Valley Public Power authority. Mr. Kirk has been employed with Bolivar Energy since July 1984.

The Authority employs 43 full-time employees.

## SUBSTATIONS AND TRANSMISSION SYSTEM

The Authority currently has seven (7) substations connected to the TVA system at six (6) delivery points as follows: (i) 161 kV point for the West Bolivar 161:13 kV Substation; (ii) 161 kV point for the Hebron 161:13 kV Substation; (iii) 161 kV point at the TVA Hickory Valley 161 :46 kV Primary Substation; (iv) 46 kV point for the Powell Chapel 46: 13 kV Substation; (v) 161 kV point for the Toone 161:13 kV Substation; and, (vi) 46 kV point for the Union Springs 46:13 kV Substation. The 161 kV point at the TVA Hickory Valley 161:46 kV Substation serves the Grand Junction and Saulsbury 46:13 kV Substations. Nameplate ratings for the seven (7) Authority Substations are noted below:

Hebron 161:13 kV Substation 12/16/20 MVA  
Toone 161:13 kV Substation (2) 15/20/25 MVA  
West Bolivar 161: 13 kV Substation (2) 18/24/30 MV A  
Union Springs 46:13 kV Substation (2) 15/20/25 MVA  
Powell Chapel 46:13 kV Substation 15/20/25 MVA  
Grand Junction 46: 13 kV Substation 12/16/20 MV A  
Saulsbury 46:13 kV Substation 10/13.3/16.7 MVA

## DISTRIBUTION SYSTEM

All power is distributed by twenty-two (22) distribution feeders exiting the seven (7) substations at a nominal voltage of 12.5/7.2 kV over approximately 1,300 miles of distribution lines. The Authority experienced a peak demand of 54,357 kW in July 2022 and the historical maximum demand of 63,732 kW occurred in August 2007. *[balance of page left blank]*

## **SOURCE OF ELECTRIC POWER**

The Authority does not generate any electric power but purchases its entire supply from the TVA pursuant to a power contract dated as of April 1, 1988 (the "Power Contract") assigned by the City to the Authority. Under the Power Contract, the Authority agreed to purchase all of its electric power from TVA. The Power Contract is a rolling 5-year contract, but is subject to earlier termination by either party pursuant to an amendment ratified and effective as of October 1, 2005. The Power Contract has not been terminated by either party. Under the terms of the contract, the Authority has the right to terminate the Power Contract on five years' notice.

The Power Contract provides that TVA shall make every reasonable effort to increase its generating capacity and to provide 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. Neither TVA nor the Authority are 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 reasonably beyond their 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 and the customary purchases from other companies on the power grid.

The Power Contract provides that the Authority may sell power to all customers in its service area, except certain federal installations and large customers which TVA may serve directly. At the present time, TVA does not directly serve any customers located within the Authority's electric service territory.

The cost and availability of power for the Authority 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 and burning of coal), the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to fulfill the power demands of its customers, including the Authority. The power sold to the Authority is supplied from the entire TVA Department and not one specific generating facility. TVA is the largest public electric power Department in the United States. The TVA Department supplies power to parts of a seven state southern region, encompassing over 80,000 square miles and more than seven million residents.

To date, the deregulation of the electric industry has not directly impacted the Tennessee Valley region. In April 1996 the Federal Energy Regulatory Commission (FERC) issued Order 888 which effectively ordered public interstate transmission companies to provide open access to their transmission Departments. TVA, which is not presently subject to FERC jurisdiction, cannot be ordered by FERC to transmit (wheel) power on behalf of others for use inside its legislatively defined service territory. Consequently, this provision of current federal law combined with the Authority's long-term power contract with TVA precludes the Authority from purchasing power from alternative sources at this time.

In light of recent federal legislative initiatives regarding electric industry restructuring however, TVA and the valley's power distributors have been working together to define a new contractual relationship. Such discussions have centered on partial requirements (distributors

purchasing a portion of their power requirements from alternative suppliers), stranded cost recovery, term and structure of the power contract, pricing, the degree of regulatory oversight provided by TVA and a means for resolving disputes with TVA. In 2003, this effort resulted in an agreement to reform the TVA-distributor relationship. The initiative became known as the TVA Consensus. The TVA Consensus would allow distributors more freedom in their contracts with TVA, including the ability to acquire some of their power requirements from suppliers other than TVA. The proposed language of the TVA Consensus would amend the TVA Act, but such an amendment has not moved forward in Congress but remains the leading model for TVA reform among Valley stakeholders.

## **THE TENNESSEE VALLEY AUTHORITY**

### *Tennessee Valley Authority (the “TVA”)*

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 (the “TVA Act”), as amended. TVA Act’s 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 in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region.

TVA is primarily a wholesaler of power. TVA manages 16,400 miles of transmission line to deliver 99.999% reliability that connects supplies power to 153 local power providers. power companies that supply electricity to approximately 10 million people across seven Southeastern states with 61 directly served customers, including 54 industrial customers and 7 military and federal installations. These include coal, gas, nuclear, and hydroelectric plants as well as renewable resources.

About 80 percent of the nation paid more for energy than customers served by TVA. TVA’s industrial rates are lower than more than 95 percent of the nation. As of 2024, TVA has ranked the top utility for economic development for 19 consecutive years.

TVA’s generation and purchase power portfolio is 33% nuclear, 19% coal, 34% natural gas, 10% hydro, and 4% wind and solar with a total capacity of over 32,000 megawatts as of 2025.

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**TVA'S GENERATING ASSETS**  
(as of 2025)

**Located Over Seven States**

3 Nuclear Sites  
4 Coal-Fired Sites  
29 Hydroelectric Sites  
1 Pumped-Storage Site  
9 Combustion Turbine Gas Site  
8 Combined Cycle Gas Sites  
9 Solar Energy Sites  
1 Diesel Generation Site

**Located in Tennessee**

2 Nuclear Sites  
3 Coal-Fired Plants  
19 Hydroelectric Dams  
1 Pumped-Storage Hydroelectric Plant  
8 Natural Gas-Fueled Facilities  
13 Non-Power Dams  
9,455 Miles of Transmission Line  
298 Substations & Switchyards

*Tennessee*

TVA supplies energy for over 7 million people through 82 local power companies and for 26 large, direct-served customers in Tennessee. TVA also manages 33 reservoirs, 179,510 acres of public land, and 7,700 miles of shoreline within the state.

*Rates*

The power contracts between TVA and the distributor customers such as the System provide for purchase of power by the distributor customers at the wholesale rates established by the TVA Board. Under section 10 of the TVA Act, the TVA Board is authorized to regulate the municipal and cooperative distributors of TVA power to carry out the purposes of the TVA Act through contract terms and conditions as well as through rules and regulations. TVA regulates distributor customers primarily through the provisions of TVA's wholesale power contracts. All power contracts between TVA and the distributor customers require that power purchased from TVA be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and prohibit direct or indirect discriminatory rates, rebates, or other special concessions. In addition, there are a number of wholesale power contract provisions through which TVA seeks to ensure that the electric system revenues of the distributor customers are used only for electric system purposes. Furthermore, almost all these contracts specify the specific resale rates and charges at which the distributor customers must resell TVA power to their customers. These rates are revised from time-to-time, subject to TVA approval, to reflect changes in costs, including changes in the wholesale cost of power. The regulatory provisions in TVA's wholesale power contracts are designed to carry out the objectives of the TVA Act, including the objective of providing for an adequate supply of power at the lowest feasible rates.

The TVA Act gives the TVA Board sole responsibility for establishing the rates TVA charges for power. These rates are not subject to judicial review or to review or approval by any state or federal regulatory body. In setting TVA's rates, the TVA Board is charged by the TVA Act to have due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as are feasible.

*Source:* The Tennessee Valley Authority.

## ENERGY AUTHORITY OPERATING STATISTICS

*Number of Customers.* The table on the following page shows the by type, the number of customers for the most recent five (5) fiscal periods as reported to TVA.

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Residential	8,906	8,940	8,948	8,968	8,902
General Power – 50 kW & Under	2,236	2,249	2,313	2,330	2,370
General Power – Over 50 kW	100	97	102	105	107
Street & Outdoor Lighting <sup>(1)</sup>	<u>23</u>	<u>25</u>	<u>25</u>	<u>20</u>	<u>21</u>
<b>Total Meters</b>	<b><u>11,265</u></b>	<b><u>11,311</u></b>	<b><u>11,388</u></b>	<b><u>11,423</u></b>	<b><u>11,400</u></b>

Source: Bolivar Energy Authority.

*Kilowatt Hours of Energy Power Purchase and Sold.* The following table depicts Kilowatt Hours of Energy Power Purchased and Sold for the most recent five (5) fiscal years as reported to TVA.

<u>Fiscal Year</u>	<u>Power Purchased (kWh)</u>	<u>Cost</u>	<u>Power Used/ Sold (kWh)</u>	<u>Percentage Line Power Lost</u>	<u>Sales</u>	<u>Wholesale Cost Percentage of Sales</u>
2021	233,235,026	\$16,943,850	218,440,755	6.34%	\$25,867,659	65.50%
2022	238,705,409	\$18,380,401	223,357,127	6.43%	\$27,838,412	66.03%
2023	229,518,569	\$20,307,882	219,464,095	4.38%	\$29,912,827	67.89%
2024	227,197,076	\$19,018,654	219,492,390	3.39%	\$28,990,405	65.60%
2025	224,396,469	\$20,117,511	217,467,343	3.09%	\$30,189,600	66.63%

Source: Bolivar Energy Authority.

*Kilowatt Hours of Electric Power Sold.* The following table depicts Kilowatt Hours of Electric Power Sold for the most recent five (5) fiscal years as reported to TVA.

<u>Fiscal Year</u>	<u>Residential</u>	<u>General Power – 50 kW &amp; Under</u>	<u>General Power – Over 50 kW</u>	<u>Other Customers</u>	<u>Total</u>
2021	127,061,305	24,053,595	62,899,457	4,426,398	218,440,755
2022	127,011,933	24,898,470	67,102,609	4,344,115	223,357,127
2023	124,123,001	24,666,768	66,402,032	4,272,294	219,464,095
2024	124,103,203	25,248,426	65,948,614	4,192,147	219,492,390
2025	124,215,952	24,852,447	64,330,416	4,068,528	217,467,343

Source: Bolivar Energy Authority.

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## TOP TEN ELECTRIC CUSTOMERS

For the twelve months ended June 30, 2025, the largest customers of the Energy Authority in order of total kWh sales are listed below. Also depicted on the following chart are the percentages of total Energy Authority kWh sales and estimated percentage of total Energy Authority revenues for the most recent fiscal year represented by each customer:

	<u>Customer</u>	<u>Activity</u>	<u>kWH Usage</u>	<u>Percent Total kWh Usage</u>	<u>Revenues</u>	<u>Est. Percent Total Revenue</u>
		Flare				
1.	Kilgore	Manufacturing	18,268,800	42.99%	\$1,421,551	31.20%
2.	CCA	Prison	6,463,872	15.21%	\$800,559	17.54%
3.	CCA	Prison	5,371,752	12.64%	\$777,203	17.02%
4.	Western State Mental	Health Care	3,972,096	9.35%	\$465,260	10.19%
5.	Wal-Mart	Retail	2,572,800	6.05%	\$292,735	6.41%
6.	City Of Bolivar	Government	1,571,654	3.70%	\$205,470	4.50%
7.	LyondellBasell Hardeman Cty	Manufacturing	1,185,684	2.79%	\$215,220	4.71%
8.	Criminal	Justice Center	1,137,408	2.68%	\$137,557	3.01%
9.	Bolivar Operators	Health Care	1,097,510	2.58%	\$145,790	3.20%
10.	Food Giant	Supermarket	858,080	2.02%	\$103,528	2.27%
	<b>TOTAL</b>		<u>42,499,656</u>	<u>100.00%</u>	<u>\$4,564,873</u>	<u>100.00%</u>

Source: Bolivar Energy Authority.

## ELECTRIC RATES

Pursuant to the Power Contract, the Energy Authority 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 Addenda published by the TVA. The Energy Authority is not otherwise subject to rate regulation under existing law and there is no known legislation pending 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 Energy Authority on a self-supporting, financially sound basis, including debt service, the Energy Authority 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. Accordingly, the Energy Authority has modified its rates to customers to pass the recent TVA increases on to its customers effective on October 1, 2005. Additionally, the Energy Authority has increased rates to its customers that are projected to generate approximately \$500,000 per year in additional revenue. See the sections entitled "Source of

Power" and "Residential and General Power Resale Rates of the Authority" for additional information.

**RESIDENTIAL AND GENERAL POWER RESALE RATES OF THE AUTHORITY**

The resale electric rates that the Energy Authority charges to commercial, industrial, governmental and general residential power customers are determined in accordance with the provisions of the TVA Power Contract. All rates are subject to change. TVA revised the power rates and charges through an amendment to the TVA Power Contract which was effective on October 1, 2005.

After adoption of the Power Contract amendment adjusting rates in October 2005, the Energy Authority will still offer one of the lowest costs of electric power in the TVA distribution Authority. See the sections entitled "Source of Power" and "Residential and General Power Resale Rates of the Authority" for additional information.

The following table outlines the Energy Authority's current rate schedule, which was effective on June 30, 2025. The Board has not acted on the rate schedule imposed on them by TVA, but they are expected to do so in the near future.

Residential Rate - RS

Customer Charge:	\$26.43 per delivery point per month
Energy Charge:	
First 800 kWh per month	0.13821 cents per kWh
Additional kWh	0.10421 cents per kWh

General Power Rate - GSA 1 (Demand 0-50 Kw)

Customer Charge:	\$28.87 per delivery point per month
Energy Charge:	
First 1,500 kWh per month	0.14847 cents per kWh
Additional kWh	0.11255 cents per kWh

General Power Rate - GSA 2 (Demand 51-1,000 Kw)

Customer Charge:	\$268.54 per delivery point per month
Demand Charge:	
First 50 kW -	\$11.86 per kW
Over 50 kW -	\$22.93 per kW
Energy Charge:	
First 15,000 kWh per month	0.08002 cents per kWh
Additional kWh	0.07867 cents per kWh

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General Power Rate - GSA 3 (Demand 1,000-5,000 Kw)

Customer Charge:	\$1,267.03 delivery point per month
Demand Charge:	\$26.16 per kW first 1000
Energy Charge:	\$10.83 over 1000
All kWh	0.07848 cents per kWh

Outdoor Lighting Power Rate

Yard lights:	
100 watt HPS	\$8.55 per kWh
250 watt HPS	\$16.22 per kWh
400 watt MH	\$23.62 per kWh
60 watt LED	\$6.58 per kWh

Source: Bolivar Energy Authority.

**PENSION PLANS**

For additional information of the funding status, trend information and actuarial status of the Authority's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the Authority located herein.

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**BOLIVAR ENERGY AUTHORITY**  
SUMMARY OF BONDED INDEBTEDNESS

Amount Issued - (1)	Purpose	Due Date	Interest Rates	Debt Outstanding
\$ 7,360,000	Electric System Revenue Bonds, Series 2021	May 1, 2045	Fixed	\$ 7,360,000
9,775,000	Electric System Revenue Bonds, Series 2022	May 1, 2052	Fixed	9,675,000
2,000,000	Electric System Revenue Bond, Series 2023	May 1, 2034	Fixed	2,000,000
<u>\$ 19,135,000</u>	<b>Total Existing Debt of the Authority as of June 30, 2025</b>			
<u>\$ 9,995,000</u>	Electric System Revenue Bond, Series 2026	May 1, 2057	Fixed	\$ 9,995,000
<u>\$ 29,130,000</u>	<b>Total Proposed Debt of the Authority</b>			

**NOTES:**

(1) The above figures do not include capitalized leases or compensated absences or short-term notes outstanding, if any. For more information, see the Notes to the Financial Statements in the ACFR.

**BOLIVAR ENERGY AUTHORITY**  
**BONDED DEBT SERVICE REQUIREMENTS - Electric System**

F. Y. Ended 6/30	Outstanding Electric System Revenue Bonds			Electric System Revenue Bond, Series 2026			Total Bonded Debt Service Requirements - Post Issuance			% All Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	
2026	\$ 885,000	\$ 583,181	\$ 1,468,181	\$ -	\$ -	\$ -	\$ 885,000	\$ 583,181	\$ 1,468,181	3.05%
2027	915,000	551,894	1,466,894	-	441,029	441,029	915,000	992,923	1,907,923	
2028	920,000	519,369	1,439,369	-	449,775	449,775	920,000	969,144	1,889,144	
2029	940,000	485,919	1,425,919	100,000	449,775	549,775	1,040,000	935,694	1,975,694	
2030	965,000	451,594	1,416,594	180,000	445,275	625,275	1,145,000	896,869	2,041,869	
2031	875,000	423,469	1,298,469	190,000	437,175	627,175	1,065,000	860,644	1,925,644	20.56%
2032	900,000	396,119	1,296,119	200,000	428,625	628,625	1,100,000	824,744	1,924,744	
2033	920,000	368,219	1,288,219	210,000	419,625	629,625	1,130,000	787,844	1,917,844	
2034	940,000	339,256	1,279,256	220,000	410,175	630,175	1,160,000	749,431	1,909,431	
2035	685,000	307,069	992,069	230,000	400,275	630,275	915,000	707,344	1,622,344	
2036	695,000	290,219	985,219	240,000	389,925	629,925	935,000	680,144	1,615,144	38.62%
2037	705,000	273,069	978,069	250,000	379,125	629,125	955,000	652,194	1,607,194	
2038	620,000	255,619	875,619	260,000	367,875	627,875	880,000	623,494	1,503,494	
2039	630,000	239,769	869,769	270,000	356,175	626,175	900,000	595,944	1,495,944	
2040	640,000	223,619	863,619	285,000	344,025	629,025	925,000	567,644	1,492,644	
2041	650,000	207,169	857,169	300,000	331,200	631,200	950,000	538,369	1,488,369	
2042	665,000	190,419	855,419	310,000	317,700	627,700	975,000	508,119	1,483,119	
2043	675,000	173,219	848,219	325,000	303,750	628,750	1,000,000	476,969	1,476,969	
2044	690,000	155,219	845,219	340,000	289,125	629,125	1,030,000	444,344	1,474,344	
2045	700,000	136,750	836,750	355,000	273,825	628,825	1,055,000	410,575	1,465,575	
2046	445,000	117,438	562,438	370,000	257,850	627,850	815,000	375,288	1,190,288	71.29%
2047	460,000	102,975	562,975	390,000	241,200	631,200	850,000	344,175	1,194,175	
2048	475,000	88,025	563,025	405,000	223,650	628,650	880,000	311,675	1,191,675	
2049	485,000	71,400	556,400	425,000	205,425	630,425	910,000	276,825	1,186,825	
2050	500,000	54,425	554,425	440,000	186,300	626,300	940,000	240,725	1,180,725	
2051	520,000	36,925	556,925	460,000	166,500	626,500	980,000	203,425	1,183,425	
2052	535,000	18,725	553,725	485,000	145,800	630,800	1,020,000	164,525	1,184,525	
2053	-	-	-	505,000	123,975	628,975	505,000	123,975	628,975	
2054	-	-	-	525,000	101,250	626,250	525,000	101,250	626,250	
2055	-	-	-	550,000	77,625	627,625	550,000	77,625	627,625	
2056	-	-	-	575,000	52,875	627,875	575,000	52,875	627,875	97.93%
2057	-	-	-	600,000	27,000	627,000	600,000	27,000	627,000	100.00%
	<b>\$ 19,035,000</b>	<b>\$ 7,061,069</b>	<b>\$ 26,096,069</b>	<b>\$ 9,995,000</b>	<b>\$ 9,043,904</b>	<b>\$ 19,038,904</b>	<b>\$ 29,030,000</b>	<b>\$ 16,104,973</b>	<b>\$ 45,134,973</b>	

**NOTES:**

- (1) The above figures do not include capitalized leases or compensated absences or short-term notes outstanding, if any. For more information, see the Notes to the Financial Statements in the ACFR.
- (2) Estimated Interest Rates. Estimated Average Coupon 4.50%.

**BOLIVAR ENERGY AUTHORITY**  
Five Year Summary of Revenues, Expenses and  
Changes in Net Assets - Electric Fund

	<b>For the Fiscal Year Ended June 30</b>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>Operating Revenues:</b>					
Electric Sales	\$ 25,867,659	\$ 27,831,559	\$ 29,912,827	\$ 28,900,405	\$ 30,189,600
Revenue from Late Payments	131,401	138,299	151,087	146,056	151,727
Rent from Electric Property	209,325	247,251	280,020	365,668	266,161
Other Revenue	132,369	193,522	475,944	1,826,959	2,510,468
<b>Total Operating Revenues</b>	<b>\$ 26,340,754</b>	<b>\$ 28,410,631</b>	<b>\$ 30,819,878</b>	<b>\$ 31,239,088</b>	<b>\$ 33,117,956</b>
Purchases of Power	\$ 16,943,850	\$ 18,380,401	\$ 20,307,882	\$ 19,018,654	\$ 20,117,511
<b>Operating Expenses:</b>					
Distribution Expense	\$ 1,326,633	\$ 1,187,641	\$ 1,319,192	\$ 1,346,800	\$ 1,329,241
Customer Accounts Expense	1,100,412	1,102,575	1,015,232	1,010,049	970,144
Sales Expense	93,779	105,317	117,898	102,004	103,987
Administrative & General Expense	4,415,510 *	1,488,148 **	2,290,452	2,733,321	2,595,134
<b>Total Operating Expenses</b>	<b>\$ 6,936,334</b>	<b>\$ 3,883,681</b>	<b>\$ 4,742,774</b>	<b>\$ 5,192,174</b>	<b>\$ 4,998,506</b>
<b>Maintenance Expense:</b>					
Distribution Expense	\$ 2,178,988	\$ 1,956,738	\$ 1,951,778	\$ 2,830,796	\$ 2,898,042
General Plant and Equipment	-	-	27,756	28,759	13,688
<b>Total Maintenance Expense</b>	<b>\$ 2,178,988</b>	<b>\$ 1,956,738</b>	<b>\$ 1,979,534</b>	<b>\$ 2,859,555</b>	<b>\$ 2,911,730</b>
<b>Other Operating Expense:</b>					
Depreciation Expense	\$ 1,654,829	\$ 1,679,841	\$ 1,849,180	\$ 1,869,635	\$ 2,322,211
Tax & Tax Equivalents	717,943	673,901	681,953	757,799	823,430
<b>Total Other Operating Expense</b>	<b>\$ 2,372,772</b>	<b>\$ 2,353,742</b>	<b>\$ 2,531,133</b>	<b>\$ 2,627,434</b>	<b>\$ 3,145,641</b>
Total Purchased Power & Operating Expense	\$ 28,431,944	\$ 26,574,562	\$ 29,561,323	\$ 29,697,817	\$ 31,173,388
Operating Income	\$ (2,091,190)	\$ 1,836,069	\$ 1,258,555	\$ 1,541,271	\$ 1,944,568
<b>Other Income (Expense):</b>					
Interest	\$ 32,923	\$ 63,340	\$ 155,722	\$ 438,890	\$ 355,457
Net Increase/Decrease in the Fair Value of Investments	-	-	-	-	-
Nonoperating Rental Income-Net Expense	-	-	-	-	-
Miscellaneous Expenses	(2,500)	-	(69,216)	-	-
Interest Expense	(351,385)	(630,314)	(532,879)	(606,404)	(627,899)
Miscellaneous Revenues	-	-	14,876	13,635	16,689
Amortization of Debt Expense	146,428	347,592	(19,260)	13,697	(22,760)
Gain on Sale of Asset	-	-	-	-	-
<b>Total Other Income</b>	<b>\$ (174,534)</b>	<b>\$ (219,382)</b>	<b>\$ (450,757)</b>	<b>\$ (140,182)</b>	<b>\$ (278,513)</b>
<b>Net Income</b>	<b>\$ (2,265,724)</b>	<b>\$ 1,616,687</b>	<b>\$ 807,798</b>	<b>\$ 1,401,089</b>	<b>\$ 1,666,055</b>
Net Position - Beginning	\$ 11,473,597	\$ 9,207,873	\$ 10,824,560	\$ 11,632,358	\$ 12,098,016
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ (935,431)	\$ -
<b>Net Position - Ending</b>	<b>\$ 9,207,873</b>	<b>\$ 10,824,560</b>	<b>\$ 11,632,358</b>	<b>\$ 12,098,016</b>	<b>\$ 13,764,071</b>

Source: Annual Comprehensive Financial Reports of the Bolivar Energy Authority

\* - The Administrative & General Expenses contain a net non-cash charge of \$2,379,536 in 2021 for GASB 68 and GASB 75.

\*\* - The Administrative & General Expenses contain a net non-cash revenue of \$630,071 in 2022 for GASB 68 and GASB 75.

**BOLIVAR ENERGY AUTHORITY**  
**HISTORICAL DEBT SERVICE COVERAGES INCLUDING THE BONDS**

	Fiscal Year Ending June 30,				
	2021	2022	2023	2024	2025
Operating Revenues	\$ 26,340,754	\$ 28,410,631	\$ 30,819,878	\$ 31,239,088	\$ 33,117,956
Operating Expenses	28,606,478	26,793,944	30,012,080	29,837,999	31,451,901
Net Income After Depreciation	\$ (2,265,724)	\$ 1,616,687	\$ 807,798	\$ 1,401,089	\$ 1,666,055
Plus: Depreciation	1,654,829	1,679,841	1,849,180	1,869,635	2,322,211
Plus: Interest Expense	351,385	630,314	532,879	606,404	627,899
Plus: Tax Equivalent Payment	717,943	673,901	681,953	757,799	823,430
Plus: GASB 68 and GASB 75 non-cash charges	2,379,536	(630,071)	-	-	-
Income Available for Debt Service - Includes	<u>\$ 2,837,969</u>	<u>\$ 3,970,672</u>	<u>\$ 3,871,810</u>	<u>\$ 4,634,927</u>	<u>\$ 5,439,595</u>
Tax Equivalent Payment					
Annual Actual Debt Service	\$ 712,039	\$ 1,124,951	\$ 1,088,406	\$ 1,142,529	\$ 1,382,708
Historical Coverage Ratio	3.99 x	3.53 x	3.56 x	4.06	3.93 x
Maximum Debt Service (2026) - Series 2021 Bonds and Series 2022 Bonds and Series 2023 Bond and Proposed Series 2026 Bonds - (1)	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869
Historical Coverage Ratio	1.39 x	1.94 x	1.90 x	2.27	2.66 x
Income Available for Debt Service - Excludes					
Tax Equivalent Payment	<u>\$ 2,120,026</u>	<u>\$ 3,296,771</u>	<u>\$ 3,189,857</u>	<u>\$ 3,877,128</u>	<u>\$ 4,616,165</u>
Annual Actual Debt Service	\$ 712,039	\$ 1,124,951	\$ 1,088,406	\$ 1,142,529	\$ 1,382,708
Historical Coverage Ratio	2.98 x	2.93 x	2.93 x	3.39	3.34 x
Maximum Debt Service (2026) - Series 2021 Bonds and Series 2022 Bonds and Series 2023 Bond - (1)	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869	\$ 2,041,869
Historical Coverage Ratio	1.04 x	1.61 x	1.56 x	1.90	2.26 x

Source: Audited Financial Statements.

(1) Maximum debt service requirement occurs in fiscal year 2030 for the bonded debt.

# THE CITY OF BOLIVAR AND HARDEMAN COUNTY

## LOCATION

Hardeman County (the “County”) is located in the southwestern area of the State of Tennessee. The County is bounded by Fayette County to the west, Haywood and Madison Counties to the north, Chester and McNairy Counties to the east and the Mississippi state line to the south. The City of Bolivar (the “City”), the county seat, is approximately 73 miles east of Memphis and 28 miles southeast of Jackson, Tennessee. There are nine other incorporated cities or towns within the County, including Whiteville and Middleton. The population of the County according to the 2020 census is 25,462 and for the City it is 5,205.

## GENERAL

The County encompasses approximately 419,000 acres. Over 75% of the land is designated farm land.

The County is governed by a sixteen-member County Legislative Body elected by direct vote of district residents and a popularly elected County Mayor who serves as the ceremonial head and chief executive and fiscal officer of the County.

## TRANSPORTATION

The Norfolk Southern Railroad serves the County and runs through the southern border of Middleton. U.S. Highway 64 and State routes 18 and 125 also serve the City and County. Interstate 40 is approximately 28 miles north of the County line in Jackson, Tennessee. McKellar-Sipes Regional Airport, located approximately 22 miles north of the County line also in Jackson, Tennessee, provides commercial, general aviation and air cargo services to the City and County.

Additionally, general aviation service is available through facilities located at the Bolivar/Hardeman County Airport. This airport has a 5,000-foot asphalt runway with \$3.5 million worth of improvements to the Airport completed in 2008.

*Source:* The Jackson Sun.

## EDUCATION

*Hardeman County School System* is composed of nine schools: six elementary schools, one middle school, and two high schools. Enrollment is approximately 3,000 students.

*Source:* Tennessee Department of Education.

*The Tennessee Technology Center at Jackson.* The Tennessee Technology Center at Jackson is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center 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 Technology Center at Jackson serves the southwest region of the state including Chester, Crocket, Fayette, Gibson, Hardeman, Haywood, Henderson, and Madison Counties. The Technology Center at Jackson began operations in 1963, and the main campus is located in Madison County. Fall 2023 enrollment was 3,687 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. Whiteville merged with Jackson in 2021.

*Source:* Tennessee Technology Center at Jackson.

## **MEDICAL**

*Bolivar General Hospital*, a 45-bed facility, is an affiliate of West Tennessee Healthcare (the “WTH”) located in Bolivar. The Hospital is governed by a separate advisory board composed of citizens from Bolivar and Hardeman County. The Hospital provides local primary care in conjunction with the resources available at Jackson-Madison County General Hospital, about 28 miles away from the County.

*Jackson-Madison County General Hospital*, located about 28 miles away to the north of the County, 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.

West Tennessee Healthcare is a not-for-profit organization. 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.

*Source:* West Tennessee Healthcare.

*Quinco Community Mental Health Center*. Quinco Community Mental Health Centers provides mental health counseling services in the Bolivar, TN area. Some of the services offered at Quinco Mental Health include: a 24-hour crisis hotline, crisis counseling, case management, psychiatric evaluations, psychiatric medication, psychological rehabilitation, supported living centers, child therapy, and suicide counseling. There are six other Quinco Community Mental Health Centers locations in Tennessee: Henderson (Chester County), Decaturville (Decatur County), Lexington (Henderson County), Jackson (Madison County), Selmer (McNairy County) and Savannah (Hardin County).

*Source:* Quinco Mental Health Center.

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## MANUFACTURING AND COMMERCE

*Bolivar Industrial Park (33 acres)* has been certified as a Select Tennessee Certified Sites Program. The Select Tennessee Certified Sites Program 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 January 2021, sixty-five sites in Tennessee have been certified and 23 companies have invested over \$1.8 billion in capital investment to construct facilities on certified sites, accounting for more than 7,200 new job commitments.

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

*Chemring Countermeasures USA and Kilgore Flares Company.* Formerly Alloy Surface, Chemring Countermeasures USA and Kilgore Flares Company are producers of defense countermeasures for the U.S. military. Chemring Countermeasures USA manufactures infrared (IR) air countermeasures and is the only manufacturer of Special Material (SM) decoys. Located in Hardeman County, the foremost supplier of airborne expendable IR decoy flares serves as the sole-source IR decoy flare supplier for some of the world's most sophisticated and advanced airborne platforms. Chemring manufactures pyrotechnic flares for Air Force, Navy and Army fixed-wing attack planes and transport planes, as well as flares for rotary-winged helicopters used in attack missions and troop transport. Please see "RECENT DEVELOPMENTS" for more information about a \$40 million expansion.

Kilgore relocated to Toone in 1960 from Ohio, where they became a key Department of Defense Ordinance Manufacturer during World War II. The company currently occupies a 264-acre factory site in Toone, plus another 242-acre testing site on the outskirts of town. The company was purchased in 2001 by the Chemring Group, PLC.

*Select Tennessee Certified Sites Program (the "STCSP").* The Bolivar Industrial Park (33 acres) have both 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 City of Whiteville has a historically significant downtown that it has 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 Bolivar 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.

*ThyssenKrupp Elevator Americas.* ThyssenKrupp Elevator Americas is the largest producer of elevators in the Americas. The company moved to Middleton in 1969, and the facility is just under 700,000 square-feet. In 2009 a \$30 million expansion to increase productivity was finished. ThyssenKrupp Elevator Americas globally has more than 13,500

employees, more than 200 branch and service locations, and sales of more than \$2.7 billion. ThyssenKrupp Elevator Americas oversees all business for operations in the United States, Canada and Central and South America. It is a subsidiary of ThyssenKrupp Elevator AG. ThyssenKrupp companies in North America offer a range of products and services, including premium carbon steel; high-performance alloys; automotive components and systems; elevators, escalators, moving walks and passenger boarding bridges; and material trading, logistical and industrial services.

The following is a list of the major employers located in the County:

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Thyssen-Krupp	Elevators	1,073
Hardeman County Schools	Education	531
Western Mental Health Institute	Hospital	500
Kilgore Corp. (Chemring)	Military Flares	348
MHDS, INC.		270
Hardeman Co. Correctional Facility	Correctional Facility	243
Hardeman County Government	Government	176
Quinco Community Mental Health	Healthcare	141
Bolivar General Hospital	Hospital	125
WalMart Stores	Retail	122

Source: Tennessee Department of Economic and Community Development – 2024.

## ECONOMIC DATA

### Per Capita Personal Income

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
National	\$59,151	\$64,692	\$66,298	\$70,002	\$73,204
Tennessee	\$51,977	\$57,715	\$59,107	\$63,479	\$66,504
<b>Hardeman County</b>	<b>\$32,684</b>	<b>\$36,311</b>	<b>\$35,007</b>	<b>\$37,255</b>	<b>\$38,952</b>
Index vs. National	55	56	53	53	53
Index vs. State	63	63	59	59	59

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

## Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Hardeman County</u>	<u>Bolivar</u>
Median Value Owner Occupied Housing	\$332,700	\$286,700	\$121,700	\$150,200
% High School Graduates or Higher Persons 25 Years Old and Older	89.6%	90.0%	82.9%	84.2%
% Persons with Income Below Poverty Level	10.6%	13.5%	21.5%	21.7%
Median Household Income	\$80,734	\$69,595	\$46,069	\$39,028

*Source:* U.S. Census Bureau State & County QuickFacts - 2025.

### RECREATION AND TOURISM

*Chickasaw State Rustic Park.* Chickasaw State Rustic Park is situated on some of the highest terrain in west Tennessee on Lake Placid. The park is located in Chester and Hardeman Counties, 18 miles south of Jackson, Tennessee on State Hwy. 100. Of the area's 14,384 acres of timberland, 1,280 acres are used for recreation. There are hiking, biking and horse riding trails along with cabins for rent. The remainder is state forest managed jointly by the State Forestry Division and the Tennessee Wildlife Resources Agency.

*Source:* Tennessee State Parks.

*Hatchie River.* The Hatchie River is located near Bolivar and is the longest unchannelized tributary of the Mississippi River. It provides a wide variety of wetlands, wildlife, and boating opportunities.

*Source:* City of Bolivar.

*Lone Oaks Farm.* Lone Oaks Farm is owned by the University of Tennessee Institute of Agriculture and administered by UT Extension. Located near Middleton, TN, the 1,200-acre facility has thirteen residences and many other buildings and event spaces. The venue is for youth and adult education, business retreats, special events, and family travel. It is also a working farm, producing hay, livestock, and fruit and vegetable crops, to promote an appreciation for the land, conservation and agriculture.

*Source:* Lone Oaks Farm.

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**APPENDIX C**

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



## SUMMARY OF MASTER RESOLUTION AND SERIES 2026 BOND RESOLUTION

The Authority adopted a new master resolution on February 22, 2021 (the “Master Resolution”), authorizing the Authority’s Electric System Revenue Bonds, Series 2021 Bonds (the “Series 2021 Bonds”). On February 28, 2022, the Authority adopted the Series 2022 Bond Resolution (the “Series 2022 Bond Resolution”) authorizing the Authority’s Electric System Revenue Bonds, Series 2022 (the “Series 2022 Bonds”). On October 20, 2023, the Authority adopted the Series 2023 Bond Resolution (the “Series 2023 Bond Resolution”) authorizing the Authority’s Electric System Revenue Bond, Series 2023 (the “Series 2023 Bond”). On March 30, 2026, the Authority adopted the Series 2026 Bond Resolution (the “Series 2026 Bond Resolution”) authorizing the Authority’s Electric System Revenue Bonds, Series 2026 (the “Series 2026 Bonds”). The Master Resolution governs bondholder rights with respect to the Series 2021 Bonds, Series 2022 Bonds, Series 2023 Bond, Series 2026 Bonds and any Parity Bonds hereafter issued. The following is a summary of the relevant provisions of the Master Resolution and Series 2026 Bond Resolution as they pertain to the Series 2026 Bonds:

Authorization of Series 2026 Bonds. For the purpose of (i) funding the Project, (ii) making contributions to the debt service reserve fund and/or debt service reserve fund surety for the Series 2026 Bonds, if required, and (iii) paying costs of issuance and related expenditures, the Authority authorizes the issuance of not-to-exceed \$10,000,000 Electric System Revenue Bonds, Series 2026, pursuant to the Act and other applicable provisions of law.

Definitions. The following terms shall have the following meanings in the Resolution unless the text expressly or by necessary implication requires otherwise:

(a) “Acquired System” shall mean any separate electrical power generation, transmission or distribution system or any combination thereof acquired by the Authority or any other system facilities or equipment which the Authority is authorized to own, operate or finance and acquired by the Authority pursuant to State law.

(b) “Act” means the Bolivar Energy Authority Act, Chapter 130 of the 2006 Private Acts of the State of Tennessee, as amended from time to time.

(c) “Authority” means the Bolivar Energy Authority, created and established pursuant to the Act to own and operate the System.

(d) “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.

(e) “Bonds” shall mean the Series 2021 Bonds, the Series 2022 Bonds, the Series 2023 Bond, the Series 2026 Bonds and any other Parity Bonds issued pursuant to the Master Resolution.

(f) “Bond Fund” shall mean the “Electric System Bond and Interest Fund” established pursuant to the Master Resolution.

(g) “Bond Registrar” shall mean Regions Bank, as the registration and paying agent for the Bonds, or any successor as from time to time designated by the Governing Body. The Bond Registrar may also be referred to as the Registration Agent.

(h) “Book-Entry Form” or “Book-Entry System” means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as Registered Owner, with the certificate of bonds being held by and “immobilized” in the custody of such Depository, and under which records maintained by persons, other than the Bond Registrar, constitute the written record that identifies, and records the transfer of, the beneficial “book-entry” interests in those bonds.

(i) “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.

(j) “Chief Executive Officer” shall mean the President and Chief Executive Officer of the Authority.

(k) “City” shall mean the City of Bolivar, Tennessee.

(l) “Code” shall mean the Internal Revenue Code of 1986, as amended.

(m) “Compound Accreted Value” shall mean the value at any applicable date of any Capital Appreciation Bond, 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 semi-annually on such dates as shall be established by the resolution authorizing the 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.

(n) “Consulting Engineer” shall mean (i) an engineering firm or individual engineer employed by the Authority with substantial experience in advising utilities similar to the System operated by the Authority as to the construction and maintenance of the System and in the projection of relative costs of expansion in the System or (ii) an engineer or engineers who are employees of the Authority whose reports or projections are reviewed and approved by a Municipal Advisor with substantial experience in advising utilities similar to the System.

(o) “Continuing Disclosure Agreement” shall mean the Continuing Disclosure Certificate to be executed into by the Authority at the time of the issuance of the Bonds.

(p) “Credit Facility” shall mean 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 the Bonds or any Parity Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of the Bonds or Parity Bonds and shall include any Reserve Fund Credit Facility.

(q) “Current 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 that impact cash flow for the fiscal year, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and Municipal 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 and other governmental charges, the imposition or amount of which is not subject to control of the Authority, 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. Current 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 Available Revenues of the System, costs or charges made therefor, payments in lieu of annual taxes which would have been levied against the properties of the System at prevailing property tax rates if the System were privately owned, 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 noncash charges for retirement or pension plans, 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 Revenues at the election of the Authority.

(r) “Debt Management Policy” means the Debt Management Policy adopted by the Board of Directors of the Authority on December 28, 2011.

(s) “Debt Service Requirement” means the total principal, 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 Revenues), for any period of 12 consecutive calendar months for which such a determination is made, provided:

- (i) 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 and tax status and having a similar maturity date, as certified by a Municipal Advisor.
- (ii) The Debt Service Requirement with respect to any Hedged Obligations for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Authority on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Authority under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Authority on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed (i) by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable 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 (ii) by using the same assumptions with respect to the Hedged Obligations as may be used for determining the assumed interest rate for Variable Rate Indebtedness.
- (iii) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the Authority,

(x) 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 (y) 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 Municipal Advisor 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 Authority's Debt Service Requirement for purposes of Section 10(d) of the Master Resolution unless the Authority has a written commitment from a bank, underwriting firm or other financial institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

(t) "Defeasance Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States government and which are permitted investments under Tennessee law for the purposes for which they are to be purchased and/or held, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

(u) "Depository" shall mean any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC.

(v) "DTC" means the Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

(w) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC System.

(x) “Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

(y) “Fiscal Year” shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year.

(z) “Governing Body” shall mean the Board of Directors of the Authority.

(aa) “Hedge Agreement” means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Authority determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

(bb) “Hedge Payments” means amounts payable by the Authority pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

(cc) “Hedge Period” means the period during which a Hedge Agreement is in effect.

(dd) “Hedge Receipts” means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

(ee) “Hedged Obligations” means any Bonds or Parity Bonds for which the Authority shall have entered into a Hedge Agreement.

(ff) “Master Resolution” shall mean the Series 2021 Master Resolution adopted February 22, 2021.

(gg) “Maturity Amount” shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

(hh) “Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year of the Authority.

(ii) “Municipal Advisor” shall mean Cumberland Securities Company, Inc., Knoxville, Tennessee, or another investment banking or Municipal 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 municipal advisory services of the type with respect to which the Municipal Advisor has been retained.

(jj) “Net Available Revenues” shall mean the Revenues, excluding any profits or losses on the sale or other disposition in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

(kk) “Outstanding” shall mean, with respect to the Series 2021 Bonds, Series 2022 Bonds, Series 2023 Bond, Series 2026 Bonds and any Parity Bonds hereafter issued, such Series 2021 Bonds, Series 2022 Bonds, Series 2023 Bond, Series 2026 Bonds and Parity Bonds which have not been paid or discharged in accordance with the provisions of Section 22 of the Master Resolution at the time in question.

(ll) “Parity Bonds” shall mean bonds, notes, loan agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued by or entered into by the Authority on a parity with the Series 2021 Bonds, Series 2022 Bonds, Series 2023 Bond and Series 2026 Bonds in accordance with the restrictive provisions hereof, 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 Net Available Revenues. Upon the issuance of the Series 2026 Bonds (i) the Series 2021 Bonds, Series 2022 Bonds, Series 2023 Bond and Series 2026 Bonds will be the only Bonds of the Authority then Outstanding, and (ii) any parity bonds hereinafter issued will be Parity Bonds.

(mm) “Project” shall mean (i) the acquisition, construction, reconstruction, improvement, betterment and/or extension of the Authority’s System, including but not limited to, generation or production facilities, transmission facilities and distribution facilities, and fiber installation, and all real and personal property of every nature comprising part of or used or useful in connection with the foregoing (ii) the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith and (iv) the payment of the costs of issuing the Series 2026 Bonds

(nn) “Rating” shall mean a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

(oo) “Rating Agencies” or “Rating Agency” means Fitch, Inc., Moody’s Investors Service, Inc., S&P Global Ratings, and KBRA (Kroll Bond Rating Agency) or any successors thereto and any other nationally recognized credit rating agency.

(pp) “Registration Agent” shall mean Regions Bank, as the registration and paying agent for the Bonds, or any successor as from time to time designated by the Governing Body. The Registration Agent may also be referred to as the Bond Registrar.

(qq) “Reserve Fund” shall mean with respect to any Parity Bonds hereafter issued, the Debt Service Reserve Fund, if any, established by the Chief Executive Officer for such series of Parity Bonds pursuant to Section 14(d) of the Master Resolution and the resolution authorizing such series of Parity Bonds.

(rr) “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 Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement with respect to any series of Bonds or Parity Bonds in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of such series of Bonds or Parity Bonds.

(ss) “Reserve Fund Credit Facility Issuer” shall mean with respect to a series of Bonds, the issuer of a Reserve Fund Credit Facility rated in one of the three highest Rating categories by any Rating Agency that rates such Reserve Fund Credit Facility Issuer.

(tt) “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, which shall be set forth in the supplemental resolution authorizing such Bonds.

(uu) “Revenues” shall mean all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of 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 money in the accounts and funds of the System, including money in any accounts and funds created by the Resolution, and resolutions authorizing the Bonds, any Parity Bonds or bonds subordinate to the Bonds and Parity 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 refund any outstanding obligations payable from Revenues of the System) and at the election of the Authority, shall not include any rates, fees, rentals or other charges or other income received by the Authority 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.

(vv) “Series 2026 Bonds” shall mean the Authority’s Electric System Revenue Bonds, Series 2026.

(ww) “Series 2026 Bond Resolution” shall mean the Series 2026 Bond Resolution of the Authority adopted on March 30, 2026.

(zz) “Short-Term Indebtedness” shall mean bonds, notes, loan agreements or other debt obligations, including Variable Rate Indebtedness, maturing five (5) years or less from their date of issuance, issued by the Authority as Parity Bonds in accordance with the restrictive provisions hereof.

(aaa) “System” shall mean the complete electrical power system of the Authority, together with all electric system properties of every nature hereafter owned by the Authority, including all improvements and extensions made by the Authority while the Bonds and Parity Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the electric system, all administrative and operational support facilities, and including all appurtenances, contracts, leases, franchises and other intangibles; provided, however, at the election of the Authority, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Authority, 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 Authority to incorporate such separately Acquired System within the System.

(bbb) “Termination Payments” means an amount payable by or to the Authority upon termination of a Hedge Agreement.

(ccc) “Underwriter” shall mean the purchaser of the Series 2026 Bonds.

(ddd) “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.

Findings of the Governing Body. It is hereby found and determined by the Governing Body as follows:

(a) The Project is necessary and desirable and in the best interests of the Authority and its customers; and

(b) The Authority will be able to amortize the Series 2026 Bonds, together with all other bonds, notes and other financial obligations now outstanding and all additional obligations proposed to be issued by the Authority; and

(c) The issuance of the Series 2026 Bonds is in the best interests of the Authority and its customers.

(d) The issuance of the Series 2026 Bonds will be in compliance with the Authority's Debt Management Policy; and

(g) The proposed sale of the a series of Series 2026 Bonds being authorized by the Series 2026 Bond Resolution is feasible and in the best interests of the Authority.

Finalization of Details of Series 2026 Bonds. The Chief Executive Officer is hereby authorized and directed to approve and sell the Authority's Electric System Revenue Bonds, Series 2026, in an amount not to exceed \$10,000,000, at either a private negotiated sale or at a competitive public sale, to effect adjustments in the maturity schedules set forth herein as authorized in Section 8 of the Series 2026 Bond Resolution to set the interest rates on the Series 2026 Bonds as authorized in Section 8 of the Series 2026 Bond Resolution as the Chief Executive Officer, in consultation with the Municipal Advisor, determines in his discretion to be in the best interests of the Authority. The determinations made by the Chief Executive Officer, as described above, and the finalization of the details of the Series 2026 Bonds and sale of the Series 2026 Bonds to the Underwriter by the Chief Executive Officer shall be binding on the Authority and no further action by the Governing Body with respect thereto shall be required. The Chief Executive Officer, shall cause, if advantageous to the Authority, all or a portion of the Series 2026 Bonds to be insured by one or more bond insurance policies issued by a nationally recognized bond insurance company so long as it is demonstrated to the Chief Executive Officer's satisfaction either (i) that such insurance is necessary to sell the Series 2026 Bonds, or the portion thereof to be insured, or (ii) the present value of the projected savings in interest costs to the Authority as a result of obtaining such bond insurance exceeds the premium cost to the Authority for such bond insurance. The Chief Executive Officer is authorized to enter into such agreements with any bond insurance company with respect to the Series 2026 Bonds to the extent not inconsistent with the resolution

Sale of the Series 2026 Bonds. The Bonds shall be sold at a price of not less than 98.00% of the par value of the Series 2026 Bonds issued (excluding original issue premium or discount), plus accrued interest. If the Series 2026 Bonds are sold in a private negotiated sale, the Chief Executive Officer is authorized to execute and deliver a Bond Purchase Agreement with the Underwriter providing for the purchase and sale of the Series 2026 Bonds. In the event the Series 2026 Bonds, or any emission thereof, are sold at competitive public sale, the Series 2026 Bonds will be awarded based upon the lowest true interest cost. The Chief Executive Officer, in consultation with the Municipal Advisor, is authorized to establish a maturity schedule for the Series 2026 Bonds with due regard to accommodating cash flows of the System and to make such changes in the structuring of the terms of sale of the Series 2026 Bonds as he shall deem necessary to accomplish the purposes described herein. In this regard, the Chief Executive Officer, in consultation with the Municipal Advisor, is authorized to sell any or all of the Series 2026 Bonds as term bonds with annual mandatory redemption requirements, to change the dated date of the Series 2026 Bonds to a date other than the date of their issue, to change the series designation, to combine the issuance of the Series 2026 Bonds with the issuance of bonds pursuant to other authorizing resolutions of the Authority and to make appropriate changes in the name of the Series 2026 Bonds and other adjustments to recognize such combined issuance, such adjustments to be

made as the Chief Executive Officer in his sole discretion shall deem most advantageous to the Authority, and to adjust principal and interest payment dates and redemption dates and prices (provided that no redemption price shall exceed 102% of the principal amount of Series 2026 Bonds being redeemed plus accrued interest) of the Series 2026 Bonds, provided that in no event shall the principal amount of the Series 2026 Bonds exceed the maximum amount authorized hereunder nor shall the interest rate on any Bond exceed the maximum rate set forth herein. The Chief Executive Officer, in consultation with the Municipal Advisor, is authorized to establish the Reserve Fund Requirement for the Series 2026 Bonds, or to cause the Series 2026 Bonds to be issued without a Reserve Fund Requirement. The terms of such Reserve Fund Requirement, or lack thereof, shall be set forth in the Bond Purchase Agreement or award of the Series 2026 Bonds, as applicable.

Official Statement. The Chief Executive Officer and the Chairman, or either of them, are authorized, on behalf of the Authority, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Authority except for the omission in the Preliminary Official Statement of such pricing and other information.

Designation of Series 2026 Bonds. The Bonds shall be designated “Electric System Revenue Bonds, Series 2026,” shall be dated as of their date of issuance, shall be numbered from R-1 upward, shall be issued in fully registered, book entry only form, without coupons in the denomination of \$5,000 (or integral multiples thereof), and shall be subject to prior redemption as set forth below. Series 2026 Bonds may be initially issued in temporary form exchangeable for definitive Series 2026 Bonds when ready for delivery. Until exchanged for definitive Series 2026 Bonds, the temporary Series 2026 Bonds shall be entitled to the same benefits as definitive Series 2026 Bonds authenticated and delivered hereunder.

Series 2026 Bond Maturities. The Series 2026 Bonds shall bear interest at such rate or rates not exceeding 6.00%, payable semiannually on May 1 and November 1 of each year commencing not earlier than November 1, 2026, and shall mature May 1, in the years and in the amounts as agreed to by the Chief Executive Officer and as set forth in the Bond Purchase Agreement. The Chief Executive Officer, is authorized to change the dated date of the Series 2026 Bonds to a date other than their date of issuance, to sell the Series 2026 Bonds in one or more emissions, to change the Series designation of the Series 2026 Bonds and/or to adjust the principal and interest payment dates of the Series 2026 Bonds, such adjustments to be made as the Chief Executive Officer, shall deem most advantageous to the Authority, provided that the aggregate amount of Series 2026 Bonds issued pursuant to the Series 2026 Resolution shall not exceed \$10,000,000. The Chief Executive Officer is authorized to sell the Series 2026 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or

as determined by the Chief Executive Officer. In the event any or all the Series 2026 Bonds are sold as term bonds, the Authority shall redeem term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts established pursuant to the Series 2026 Resolution for each redemption date, as such maturity amounts may be adjusted pursuant to Section 8 of the Series 2026 Bond Resolution, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be redeemed within a single maturity shall be selected in the manner described in Section 9 of the Series 2026 Bond Resolution. The Chief Executive Officer is authorized to include such other redemption provisions, whether optional, mandatory or extraordinary, as shall be deemed to be in the best interests of the Authority.

Redemption. Subject to the adjustments permitted pursuant to Section 8 of the Series 2026 Bond Resolution, the Series 2026 Bonds maturing on or before May 1, 2034, shall mature without option of prior redemption. The Series 2026 Bonds maturing on or after May 1, 2035, are subject to redemption prior to maturity, as a whole or in part at any time on or after May 1, 2034, at a redemption price equal to the par amount of the Series 2026 Bonds to be redeemed plus accrued interest to the redemption date.

If less than all of the Series 2026 Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected as follows:

- i. if the Series 2026 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2026 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 Series 2026 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2026 Bonds within the maturity to be redeemed shall be selected by the Bond Registrar by lot or such other random manner as the Bond Registrar in its discretion shall determine.

For any Series 2026 Bonds issued as term bonds, the Authority, at its option, to be exercised on or before the forty-fifth (45th) day next preceding any such mandatory redemption date, may (i) deliver to the Bond Registrar for cancellation Series 2026 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2026 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Bond Registrar and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Bond Registrar 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 Series 2026 Bonds to be redeemed

by operation of this mandatory sinking fund provision shall be accordingly reduced. The Authority shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Bond Registrar with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph 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 call for redemption, whether optional or mandatory, shall be given by the Bond Registrar 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 Series 2026 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Bond Registrar 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 Series 2026 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 affect the redemption with the Bond Registrar no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2026 Bonds, all redemption notices shall be mailed by the Bond Registrar to DTC, or such successor Depository, as the registered owner of the Series 2026 Bonds, as and when above provided, and neither the Authority nor the Bond Registrar 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 Bond Registrar 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 Bond Registrar). From and after the redemption date, all Series 2026 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Bond Registrar 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 Bond Registrar shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Series 2026 Bonds called for redemption and not so paid remain outstanding.

Bond Registrar. The Bond Registrar is hereby authorized and directed to maintain Bond registration records with respect to the Series 2026 Bonds, to authenticate and deliver the Series 2026 Bonds as provided herein, either at original issuance or upon transfer, to effect transfers of the Series 2026 Bonds, and to make all payments of principal and interest with respect to the Series 2026 Bonds as provided herein, and to cancel and destroy Series 2026 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange, transfer or cancellation and to furnish the Authority with a certificate of destruction. The Bond Registrar shall maintain

registration books for the registration and registration of transfer of the Series 2026 Bonds, which books shall be kept in a manner that complies with the requirements of Section 149 of the Code and Regulations thereunder (or under corresponding provisions of prior law, if applicable) for recordkeeping relating to “registration-required bonds” and in accordance with the Tennessee Public Obligations Registration Act (T.C.A. §§9-19-101 et seq., as amended).

Terms, Payment and Other Provisions of the Series 2026 Bonds. The Series 2026 Bonds shall be payable, both principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar. The Bond Registrar shall make all interest payments with respect to the Series 2026 Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Bond Registrar as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by depositing such payment in the United States mail, postage prepaid, addressed to such owners at such owners’ addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Series 2026 Bonds, and all such payments shall discharge the obligations of the Authority in respect of such Series 2026 Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Series 2026 Bonds shall be made upon presentation and surrender of such Series 2026 Bonds to the Bond Registrar as the same shall become due and payable. In the event the Series 2026 Bonds are no longer registered in the name of DTC, or a successor Depository, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Series 2026 Bonds, payment of interest on such Series 2026 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Bond Registrar and written notice of any such election and designated account is given to the Bond Registrar prior to the record date.

The Series 2026 Bonds are transferrable only by presentation to the Bond Registrar by the registered owner, or his legal representative duly authorized in writing, of the registered Series 2026 Bond(s) to be transferred with the form of assignment on the reverse side thereof (or attached thereto) completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2026 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2026 Bond(s) in such form and with such documentation, if any, the Bond Registrar shall issue a new Bond or Series 2026 Bonds to the assignee(s) in such authorized denominations, as requested by the registered owner requesting transfer. No charge shall be made to any registered owner for the privilege of transferring any Series 2026 Bond, provided that any transfer tax relating to such transaction shall be paid by the owner requesting transfer. The person in whose name any Series 2026 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Authority nor the Bond Registrar shall be affected by any notice to the contrary, including, but not limited to, any previous transfer request not accompanied by acceptable documentation.

The Series 2026 Bonds shall be signed by the President and Chief Executive Officer with his or her manual or facsimile signature and shall have imprinted or impressed thereon the official seal of the Authority (or a facsimile thereof).

The Bond Registrar is hereby authorized to authenticate and deliver the Series 2026 Bonds from time to time to the original purchasers thereof or as it or they may designate upon receipt by the Authority of the proceeds of the sale thereof, together with any necessary documentation, and to authenticate and deliver Series 2026 Bonds in exchange for Series 2026 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2026 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2026 Bonds shall not be valid for any purpose unless authenticated by the Bond Registrar by the manual signature of an officer thereof on the certificate set forth herein on the Series 2026 Bond form.

In case any Series 2026 Bond shall become mutilated, or be lost, stolen, or destroyed, the Authority, in its discretion, shall issue, and the Bond Registrar shall authenticate and deliver a new Series 2026 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2026 Bond, or in lieu of and substitution for such lost, stolen or destroyed Series 2026 Bond, or if any such Series 2026 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2026 Bond the Authority may pay or authorize payment of such Series 2026 Bond without surrender thereof. In every case, the applicant shall furnish evidence satisfactory to the Authority and the Bond Registrar of the destruction, theft or loss of such Series 2026 Bond, and indemnity satisfactory to the Authority and the Bond Registrar, and the Authority may charge the applicant for the issue of such new Series 2026 Bond an amount sufficient to reimburse the Authority for the expense incurred by it in the issue thereof.

Any interest on any Series 2026 Bond that 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 Series 2026 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 Bond Registrar in writing of the amount of Defaulted Interest proposed to be paid on each Series 2026 Bond and the date of the proposed payment, and at the same time the Authority shall deposit with the Bond Registrar 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 Bond Registrar 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 as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Bond Registrar of the notice of the proposed payment, the Bond Registrar 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 Bond Registrar 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 Bond Registrar as of the date of such notice. Nothing contained in this Section or in the Series 2026 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 Series 2026 Bonds when due.

The Bond Registrar shall not be required to transfer or exchange any Series 2026 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2026 Bond, nor to transfer or exchange any Series 2026 Bond after the publication of notice calling such Series 2026 Bond for redemption has been made, nor to transfer or exchange any Series 2026 Bond during the period following the receipt of instructions from the Authority to call such Series 2026 Bond for redemption; provided, the Bond Registrar, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2026 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series 2026 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Authority nor the Bond Registrar shall be affected by any notice to the contrary whether or not any payments due on the Series 2026 Bonds shall be overdue. The Series 2026 Bonds, upon surrender to the Bond Registrar, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Series 2026 Bonds of the same maturity in any authorized denomination or denominations.

Except as otherwise provided in the resolution, the Series 2026 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Series 2026 Bonds. References in this Section to a Series 2026 Bond or the Series 2026 Bonds shall be construed to mean the Series 2026 Bond or the Series 2026 Bonds that are held under the Book-Entry System. One Series 2026 Bond for each maturity shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2026 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2026 Bonds. Beneficial ownership interests in the Series 2026 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2026 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC

Participant from which such Beneficial Owner purchased its Series 2026 Bonds. Transfers of ownership interests in the Series 2026 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2026 BONDS, THE BOND REGISTRAR SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES 2026 BONDS FOR ALL PURPOSES UNDER THE RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2026 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE BOND REGISTRAR TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2026 Bonds, so long as DTC is the only owner of the Series 2026 Bonds, shall be paid by the Bond Registrar directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Series 2026 Bonds from the Authority and the Bond Registrar to DTC (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. The Authority and the Bond Registrar shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Series 2026 Bonds or (2) the Authority determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Series 2026 Bonds would adversely affect their interests or the interests of the Beneficial Owners of the Series 2026 Bonds, the Authority shall discontinue the Book-Entry System with DTC. If the Town fails to identify another qualified securities depository to replace DTC, the Authority shall cause the Bond Registrar to authenticate and deliver replacement Series 2026 Bonds in the form of fully registered Series 2026 Bonds to each Beneficial Owner.

THE AUTHORITY AND THE BOND REGISTRAR SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES 2026 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2026 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES

2026 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

The Bond Registrar is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series 2026 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2026 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2026 Bonds and provision of notices with respect to Series 2026 Bonds registered by DTC (or any of its designees identified to the Bond Registrar) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interest of any of the owners of the Series 2026 Bonds, provided, however, that the Bond Registrar shall not be liable with respect to any such arrangements it may make pursuant to this section.

Pledge of Net Available Revenues. The punctual payment of principal and Compound Accreted Value of, premium, if any, and interest on the Series 2026 Bonds, any Parity Bonds and Hedge Payments, net of Hedge Receipts, shall be payable from and secured equally and ratably by the Net Available Revenues without priority by reason of number or time of sale or execution or delivery. The Net Available Revenues are hereby irrevocably pledged to the punctual payment of such principal, Compound Accreted Value, premium, and interest on the Series 2026 Bonds and any Parity Bonds and Hedge Payments, net of Hedge Receipts, as the same become due.

All other payments payable under the Master Resolution or under the resolutions authorizing any Parity Bonds shall be payable from the Net Available Revenues of the System subject to the prior pledge of such Net Available Revenues to the principal of, premium, if any, and interest on the Series 2026 Bonds, any Parity Bonds and Hedge Payments, net of Hedge Receipts, and such Net Available Revenues are hereby pledged to such other payments.

Application of Net Available Revenues.

From and after the delivery of the Series 2026 Bonds, and as long as any of the Series 2026 Bonds or Parity Bonds shall be outstanding and unpaid either as to principal or as to interest and other amounts thereunder, or until the discharge and satisfaction of all the Series 2026 Bonds as provided herein and Parity Bonds as provided in the resolution authorizing such Parity Bonds, the entire Net Available Revenues of the System, shall be deposited as collected to the Revenue Fund of the Authority. The money so deposited shall be used only as follows:

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

(b) The money remaining in the Revenue Fund, after payment of Current Expenses, shall next be used to make deposits into a separate and special fund, to be known as the “Electric System Bond and Interest Fund” (the “Bond Fund”), to be kept separate and apart from all other

funds of the Authority and used to pay principal of, Maturity Amounts, premium, if any, and interest on the Series 2026 Bonds and Parity Bonds as the same become due, either by maturity or mandatory redemption and to make Hedge Payments net of Hedge Receipts, if any, related to Series 2026 Bonds and Parity Bonds. Such deposits shall be made monthly, or as otherwise set forth herein, until the Series 2026 Bonds and all Parity Bonds are paid in full or discharged and satisfied, beginning in the month next following delivery of the Series 2026 Bonds.

With respect to principal, for the period commencing with the month next following the delivery of the Series 2026 Bonds and any Parity Bonds, each monthly deposit shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Bond Fund, will be equal to principal due on the Series 2026 Bonds and Parity Bonds on the next principal payment date, divided by the number of months from and including the month of the first such deposit to and including the months preceding the next principal payment date; provided that, if the next principal payment date is more than 13 months following the month next following the delivery of the Series 2026 Bonds or Parity Bonds, such monthly deposits to the Bond Fund shall commence in the month that is 13 months prior to the month of the next principal payment date.

With respect to interest on the Series 2026 Bonds and any Parity Bonds, there shall be deposited to the Bond Fund, (i) if interest is payable semi-annually, then monthly an amount equal to one-sixth (1/6) of the interest coming due on the next interest payment date or an amount that together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Bond Fund will be sufficient for payment of interest next due on the Series 2026 Bonds and Parity Bonds, or (ii) if interest is payable more frequently than semi-annually, then as specified in the authorizing resolution. All or a portion of the initial interest payment for the Series 2026 Bonds may be paid from capitalized interest deposited to the Bond Fund.

The principal component shall be an amount not less than one-twelfth (1/12) of the principal amounts coming due, whether by maturity or mandatory redemption, on the Series 2026 Bonds and Parity Bonds then outstanding during such twelve-month period, provided, however, that no further monthly or periodic deposit shall be required with respect to the next principal or interest payment date when the Bond Fund balance is equal to or greater than the amount needed to pay interest coming due on the next interest payment date and the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Money in the Bond Fund shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal of, mandatory sinking fund payments, and interest on the Series 2026 Bonds and Parity Bonds. Each deposit as to interest may take into account expected Hedge Payments related to such interest payments.

(c) 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 any 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) Any Reserve Fund Requirement for each series of Bonds or Parity Bonds shall be fully satisfied by a Reserve Fund Credit Facility or Facilities, funds of the Authority, or proceeds of such series of Bonds or Parity Bonds or a combination thereof, deposited into a separate and special fund for such series, to be known and designated as the “Series \_\_\_ Debt Service Reserve Fund” (the “Reserve Fund”). If the Chief Executive Officer determines to establish a Reserve Fund for the Series 2026 Bonds, a Reserve Fund for the Series 2026 Bonds (the “Series 2026 Debt Service Reserve Fund”) is hereby created 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 for any series of Bonds unless the amount in such Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, available for such Reserve Fund becomes less than the Reserve Fund Requirement for the particular series of Bonds or Parity Bonds thereby secured. The Chief Executive Officer shall determine the method of funding the Reserve Fund Requirement for the Bonds and any Parity Bonds hereafter issued. The Reserve Fund Credit Facility, if any, for any series of Bonds or Parity Bonds shall be held by the Bond Registrar. The Chief Executive Officer is authorized to execute all documents necessary or appropriate to obtain a Reserve Fund Credit Facility in connection with the Series 2026 Bonds, including a Financial Guaranty Agreement.

In the event deposits to any Reserve Fund shall be required, the next available money in the Revenue Fund shall be used to make deposits 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 for such Reserve Fund 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. In addition, if for any reason there is not sufficient money available in the Revenue Fund to make all payments required hereunder for each Reserve Fund relating to the Series 2026 Bonds and any Parity Bonds then Outstanding, then payments as to each such Reserve Fund shall be made on a pro rata and pari-passu basis between all such Reserve Funds. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in each such Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Funds shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, to be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund for each issue of Bonds or Parity Bonds shall be used solely for the purpose of paying principal of or interest on the particular issue of Bonds for the payment of which funds are not available in the

## Bond Fund.

At the option of the Authority, the Authority may satisfy the Reserve Fund Requirement as to any issue of Bonds or Parity Bonds, or a portion thereof at any time, by providing for the benefit of owners of the Bonds or Parity Bonds of such issue a Reserve Fund Credit Facility or Facilities in an amount not greater than the Reserve Fund Requirement applicable to such issue of Bonds or Parity Bonds and release funds on deposit in the relevant Reserve Fund to be used for any legally permissible purpose. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a Rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the Authority receives notice of either of said events, the Authority shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund for such issue of Bonds or Parity Bonds from Net Available Revenues as required by the preceding paragraph hereof, or a combination thereof. 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 Bond Registrar 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 Section 17 of the Master Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement as to any issue of Bonds or Parity Bonds, the Authority shall immediately satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund for such issue of Bonds or Parity Bonds or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for such issue of Bonds or Parity Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect for the Reserve Fund for such issue.

In the event of the necessity of a withdrawal of funds from the Reserve Fund for any issue of Bonds or Parity Bonds 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 for any issue of Bonds or Parity Bonds 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 Current Expenses and required deposits to the Bond 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 as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding any other provision to the contrary, 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 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 the Resolution other than remedies which would adversely affect owners or holders of the Bonds.

It shall be the responsibility of the Authority 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.

(e) The next available money in the Revenue Fund shall be used for the payment of all other payments to be made under the Resolution and the resolutions authorizing any Parity Bonds.

(f) 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 Series 2026 Bonds and any Parity Bonds. Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund and Termination Payments required of the Authority in connection with a Hedge Agreement shall be paid as a subordinate lien obligation pursuant to this subsection.

(g) Next moneys in the Revenue Fund may be used to make payments in-lieu-of-taxes and to establish such additional reserves as in the judgment of the Authority are necessary for the sound and prudent operation of the System.

(h) All remaining moneys in the Revenue Fund may be used for any lawful purpose permitted by law.

(i) Money on deposit in the Funds described in this Section may be invested by the Authority in such investments as shall be permitted by applicable law, as determined by 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 more than two (2) 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 described herein.

(j) The Revenue Fund, the Bond Fund, and the Reserve Fund, if required (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.

Covenants Regarding the Operation of the System. The Authority hereby covenants and agrees with the owners of the Series 2026 Bonds so long as the Series 2026 Bonds shall remain outstanding:

(a) The Authority shall cause the System to be maintained in good condition and operated in an efficient manner and at reasonable cost.

(b) The Authority shall maintain insurance or a self-insurance fund of a kind and in an amount which in the judgment of the Authority is sufficient to provide coverage against losses equivalent to the coverage normally in effect for similarly situated electrical power systems; provided the Authority shall not be required to insure within the limits of immunity afforded to the Authority by Sections 29-20-101 et seq., Tennessee Code Annotated, or other similar laws providing immunity to or limitation of liability to the Authority. Any amounts paid to the Authority under any such insurance from loss or casualty to property or assets of the System shall be used to replace or repair the part or parts of the System the damage or destruction of which gave rise to the payment under the insurance coverage, or, if not so used, shall be placed in a special fund and shall be used for the retirement of Series 2026 Bonds and Parity Bonds in advance of maturity or purchase of Series 2026 Bonds and Parity Bonds in the open market.

(c) 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 firm of such accountants. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall include the following:

- (1) A statement in detail of the Revenues and expenditures of the System and the excess of Revenues over expenditures for the Fiscal Year;
- (2) A statement showing beginning and ending balances of each Fund described herein;
- (3) A balance sheet as of the end of the Fiscal Year;
- (4) The accountant's comments regarding the manner in which the Authority

has carried out the requirements of the resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

(5) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

(6) The disposition of any Bond proceeds during the Fiscal Year;

(7) A statement as to all breaches or defaults hereunder of which the accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The registered owner of any of the Series 2026 Bonds or Parity Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Authority relating thereto. It is further agreed that if the Authority fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Series 2026 Bonds and Parity Bonds may cause such audits and reports to be prepared at the expense of the Authority.

(d) Prior to the commencement of each Fiscal Year, the Authority will cause to be prepared an estimate of the revenues and expenditures for the Fiscal Year next succeeding. Based on such estimate, rates shall be adjusted to the extent necessary to produce Net Available Revenues for the next succeeding Fiscal Year (i) equal to not less than 1.20 times the Debt Service Requirement payable during the next succeeding Fiscal Year on the outstanding Series 2026 Bonds and Parity Bonds, if any, and one (1.0) times the Debt Service Requirement on subordinate lien bonds, if any, and (ii) sufficient, in addition, to provide for any required deposits during the succeeding Fiscal Year to the Reserve Fund, if any, and any other funds established pursuant to the resolution or any resolution authorizing Parity Bonds or subordinate lien bonds, and any payments required to be made during such Fiscal Year under any Financial Guaranty Agreements or in connection with any Reserve Fund Credit Facilities then in effect.

(e) The Authority will perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply the revenues of the System to the purposes and Funds specified in the resolution.

(f) 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 the System or any portion of the System or of the System facilities sold or otherwise disposed of, provided that:

(1) The Authority is in full compliance with all covenants and undertakings in connection with the Series 2026 Bonds then outstanding and payable from the Revenues of the System and any required reserve funds for such Series 2026 Bonds have been fully established and contributions thereto are current;

(2) In the event of sale of all or a portion of the System, (i) if all of the System is sold, the proceeds shall be in an amount at least equal to all principal, premium, if any, and interest on the outstanding Series 2026 Bonds and Parity Bonds and all subordinate lien obligations or if a portion of the System is sold, then the proceeds of the sale shall be in an amount equal to the outstanding Series 2026 Bonds and Parity Bonds and the outstanding subordinate lien obligations allocable to such portion of the System and the remaining revenues of the System shall be sufficient to pay principal of, premium, if any, and interest on the Series 2026 Bonds and Parity Bonds and any subordinate lien bonds and sufficient to be in compliance with the covenants set forth herein as certified by an independent engineer or engineering firm or a nationally recognized firm of financial feasibility consultants having a favorable reputation for skill and experience in the financial feasibility of electrical power systems and such proceeds will be applied either (A) redemption of the Series 2026 Bonds and Parity Bonds in accordance with the provisions governing repayment of the Series 2026 Bonds and Parity Bonds in advance of maturity or (B) to the purchase of the Series 2026 Bonds and Parity Bonds at the market price thereof so long as such price does not exceed the amount at which the Series 2026 Bonds and Parity Bonds could be redeemed on such date as set forth herein, or (C) to replacement of the facility so disposed of by another facility the revenues of which shall be deposited to the Authority, or (D) to a separate fund to be held by the Authority to be used for legally authorized purposes; or (ii) the payment of the principal and Compound Accreted Value of, premium, if any, and interest on the Series 2026 Bonds and Parity Bonds and subordinate lien bonds shall be assumed by the entity to which the System is sold if such assumption does not violate the covenants set forth herein;

(3) 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 and the operation of the System or its revenue producing capacity is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value or it is in the best interests of the Authority to otherwise dispose of all or a part of the System as determined by the Governing Body of the Authority; and

(4) The Authority receives an opinion of nationally recognized bond counsel to the effect that the disposition of the System or any portion thereof and use of the proceeds therefrom will not adversely affect the exclusion of interest on the Series 2026 Bonds or any subordinate lien obligations from gross income of the holders thereof for purposes of federal income taxation.

(5) If all or substantially all of the assets of the Authority or the electric plant of the Authority is being disposed of, the Authority receives the concurrence and consent of the City Council of the City and such other approvals as are required by the Act.

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.

(g) Prior to the beginning of each Fiscal Year, the Authority shall prepare or cause to be prepared and adopted an annual budget of estimated revenues and Current Expenses for the System for the ensuing Fiscal Year and will undertake to operate the System within such budget to the best of its ability. The Current Expenses incurred in any year will not exceed reasonable and necessary amounts therefor and the Authority will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses in the budget except upon resolution of the Authority.

(h) Each officer or employee of the Authority or any other person, other than banks or other financial institutions, having custody of funds of the System shall be under fidelity bond at all times in an amount not less than the total funds in the custody of such officer or person at any one time.

(i) The Authority will permit no free electric service and no unmetered electric service to be furnished to any consumer or user whatsoever.

(j) The rates for all services rendered by the System and the charges for all electric service supplied through the medium of the System by the Authority to all consumers shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, repairing, insuring and operating the System, and the proper and necessary allowances for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all bonds and notes payable from such revenues.

The schedule of rates and charges to be imposed for electric services rendered by the System to users shall be as prescribed by the Authority.

(k) It is agreed with the Owners from time to time of the Series 2026 Bonds and Parity Bonds and made a part of the contract rights which will vest in such Owners at the time of delivery of the Series 2026 Bonds that the Authority will maintain its existence as separate governmental authority and public corporation, that the complete and independent control and operation of the System will continue to be vested in the Authority, subject to the obligation and duty of the Authority to carry out and perform faithfully all of the covenants and agreements contained in the Resolution, and that, to the extent legally permissible, no law, ordinance, resolution or private act substantially changing the control and operation of the System or the composition, organization,

or method of operation of the Authority will be enacted, except as may be in furtherance of such purposes and agreements.

Remedies of Bondholders. Except as herein expressly limited, the registered owners of the Series 2026 Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Tennessee and of the United States of America for the enforcement of payment of such Series 2026 Bonds and the interest thereon and of the pledge of the revenues made hereunder and of the covenants of the Authority hereunder, including all the benefits and rights granted by the Act.

Prohibition of Prior Lien; Parity Bonds and Notes. The Authority will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Series 2026 Bonds herein authorized.

Additional bonds may hereafter be issued on a parity with the Series 2026 Bonds under the following conditions but not otherwise:

(a) Additional bonds may be issued on a parity with the Series 2026 Bonds and Parity Bonds without regard to the requirements of subsection (c) of this Section, if such bonds shall be issued for the purpose of refunding any of the Bonds which shall have matured or have become subject to mandatory redemption or which shall mature or become subject to mandatory redemption not later than three months after the date of delivery of such refunding bonds and for the payment of which insufficient money is available in the Bond Fund.

(b) Additional bonds may be issued on a parity with the Series 2026 Bonds without regard to the requirements of subsection (c) of this Section, if such bonds shall be issued for the purpose of refunding any outstanding Bonds under circumstances not resulting in the defeasance of all of the Bonds pursuant to the resolution authorizing such Bonds, provided the Maximum Annual Debt Service Requirement computed with respect to all Bonds to be outstanding as of the date of issuance of such additional bonds (and after giving effect to the application of the proceeds thereof) shall not be greater than 105% of the Maximum Annual Debt Service Requirement computed with respect to all Bonds outstanding as of the date immediately preceding the issuance of such additional bonds.

(c) Additional bonds may be issued on a parity with the Series 2026 Bonds and Parity Bonds if all of the following conditions shall have been met:

(1) Either:

(A) the Net Available Revenues of the System for twelve consecutive months out of the eighteen months immediately preceding the issuance of such additional bonds must have been equal to at least one and two-tenths (1.20) times the Maximum Annual Debt Service Requirement computed with respect to the bonds proposed to be issued, and the outstanding Bonds and Parity Bonds other than any Bonds or Parity Bonds intended to be refunded by the proposed additional bonds; or

(B) the Net Available Revenues of the System for the twelve consecutive months out of the eighteen months immediately preceding the issuance of the proposed additional bonds, as certified by the Municipal Advisor, must be equal at least to one and two-tenths (1.20) times the Maximum Annual Debt Service Requirement computed with respect to the bonds proposed to be issued and the outstanding Bonds and Parity Bonds, and one (1.0) times the Maximum Annual Debt Service on any subordinate lien obligations other than the obligations intended to be refunded by the proposed bonds; provided, however, that if prior to the sale of such additional bonds or the incurring of additional indebtedness the Authority shall have adopted a revised schedule of rates for the System and resolved to put such rate schedule in effect at or prior to the issuance of the additional bonds, then the Net Available Revenues for the Fiscal Year immediately preceding the issuance of such additional bonds or the incurring of additional indebtedness, as certified by an independent engineer or engineering firm or a nationally recognized firm of financial feasibility consultants having a favorable reputation for skill and experience in the financial feasibility of electrical power systems, that would have resulted from such rates had they been in effect for such period, may be used in lieu of the actual Net Available Revenues for such Fiscal Year; and the Net Available Revenues for each of the next three Fiscal Years ending after the issuance of the additional bonds, as estimated by an independent engineer or engineering firm, or a nationally recognized firm of financial feasibility consultants, having a favorable reputation for skill and experience in the financial feasibility of electrical power systems, must be equal to at least one and two-tenths (1.20) times the Maximum Annual Debt Service Requirement computed with respect to the additional bonds proposed to be issued, and the Bonds and one times (1.0) times the Maximum Annual Debt Service Requirement on any subordinate lien obligations other than the Bonds intended to be refunded by the proposed additional bonds; provided, however, that if the proposed additional bonds are to be issued for the acquisition or construction of any extension, improvement or replacement to the System, then the estimate of Net Available Revenues may be for the next three Fiscal Years ending after the time that such improvement, extension or replacement is expected to be placed in service;

(2) The payments required to be made into the Bond Fund and the Reserve Fund, if any, must be current, and all payments under any Financial Guaranty Agreement or with respect to any Reserve Fund Credit Facility must be current;

(3) The proceeds of the additional bonds may be used only to (i) make improvements, extensions, renewals or replacements to the System, to refund Bonds, to purchase an Acquired System, or to refund bonds, subordinate lien obligations, or outstanding debt of an Acquired System, (ii) fund necessary reserves related to such additional bonds, (iii) fund capitalized interest related to the additional bonds; or (iv) pay the costs and expenses of issuance and sale of the additional bonds;

(d) All the provisions and covenants of the resolution relating to 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 the owners of Bonds, the issuance of additional bonds, modification of the resolution 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 pursuant to the terms of this Section 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.

#### Application of Bond Proceeds.

(a) The proceeds of the sale of the Series 2026 Bonds shall be applied by the Authority as follows:

(1) accrued interest, if any, shall be deposited into the Bond Fund of the Authority and used to pay interest on the Series 2026 Bonds on the first interest payment date following delivery of the Bonds;

(2) next to pay the costs of issuance of the Series 2026 Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Bond Registrar fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Series 2026 Bonds;

(3) next, if required, an amount equal to the Reserve Fund Requirement relating to the Series 2026 Bonds shall be deposited in the Series 2026 Debt Service Reserve Fund, if any, except to the extent a Reserve Fund Credit Facility has been deposited with the Bond Registrar, in which case the fees for such Reserve Fund Credit Facility may then be paid; and

(4) the remainder of the proceeds of the sale of the Bonds shall be deposited with a bank or trust company regulated by the Federal Deposit Insurance Corporation in a special fund known and designated as the “Electric System 2026 Project Fund” (the “2026 Project Fund”), to be kept separate and apart from all other funds of the Authority. The funds in the 2026 Project Fund shall be disbursed solely to pay the costs of the Project. Monies in the 2026 Project Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said 2026 Project Fund. Monies in the 2026 Project Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the 2026 Project Fund after completion of the Project authorized and payment of authorized expenses shall be deposited to the Revenue Fund. Monies in the 2026 Project Fund may be invested as directed by the Chief Executive Officer in any investment authorized for municipal funds under the applicable laws of the State of Tennessee, and approved by the issuer of the Credit Facility, if any. All income derived from such investment shall be retained in the 2026 Project Fund.

Tax-Exempt Status. The Authority recognizes that the purchasers and holders of the Series 2026 Bonds will have accepted them on, and paid therefor a price, that reflects the understanding that interest thereon is exempt from federal income taxation under laws in force on the date of delivery of the Series 2026 Bonds. In this connection, the Authority agrees that it shall take no action which may render the interest on any of said Series 2026 Bonds subject to federal income taxation and agrees to take all action as may be necessary to comply with the provisions of the Code and the regulations thereunder in order to maintain or assure the tax-exempt status of the Series 2026 Bonds. It is the reasonable expectation of the Governing Body of the Authority that the proceeds of the 2026 Bonds will not be used in a manner which will cause the Series 2026 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, including any lawful regulations promulgated or proposed thereunder (or under corresponding provisions of prior law, if applicable), and to this end the said proceeds of the Series 2026 Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. The Chief Executive Officer is authorized and directed to make such certifications in this regard in connection with the sale of the Series 2026 Bonds as they shall deem appropriate, and such certification shall constitute a representation and certification of the Authority.

Bank-Qualification. If appropriate and, to the extent it may legally do so, the Authority hereby designates the Series 2026 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Code and covenants that the Series 2026 Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income taxes (excluding, however, private activity bonds as defined in Section 141 of the Code, other than qualified 501(c)(3) Bonds as defined in Section 145

of the Code), including the Series 2026 Bonds, have been or are reasonably expected to be issued by the Authority, including all subordinate entities, during the calendar year 2026.

Defeasance. If the Authority shall pay and discharge the indebtedness evidenced by any of the Series 2026 Bonds in any one or more of the following ways, to wit:

(a) By paying or causing to be paid the principal of and interest on such Series 2026 Bonds as and when the same become due and payable; or

(b) By depositing or causing to be deposited with any trust company or bank whose deposits are insured by the Federal Deposit Insurance Corporation and which has trust powers (the "Trustee"), in trust, 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 Series 2026 Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Series 2026 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) and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority with respect to such Series 2026 Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Trustee to pay amounts when and as required to the Bond Registrar for further payment to the registered owners for the payment of principal of and interest and redemption premiums, if any, on such Series 2026 Bonds when due; or

(c) By delivering such Series 2026 Bonds to the Bond Registrar for cancellation; then and in that case the indebtedness evidenced by such Series 2026 Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Authority to the owners of such Series 2026 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 Series 2026 Bonds in the manner provided in 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 the Defeasance Obligations nor moneys deposited with the Trustee 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 premium, if any, and interest on said Series 2026 Bonds; provided, that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, (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 Trustee 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 premium, if any, and interest to become due on said Series 2026 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 Trustee.

Compliance with Continuing Disclosure Certificate. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Resolution, failure of the Authority to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any Bondholder or 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 this Section. For purposes of this Section, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2026 Bonds (including persons holding Series 2026 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2026 Bonds for federal income tax purposes. The Authority may from time to time disclose certain information and data in addition to the provisions of the Continuing Disclosure Certificate. Notwithstanding anything herein to the contrary, the Authority shall not incur any obligation to continue to provide, or to update, such additional information or data.

Further Actions. All other actions of officers of the Authority in conformity with the purposes and intent of the resolution and in furtherance of the issuance and sale of the Series 2026 Bonds are hereby approved and confirmed. The officers of the Authority are hereby authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the Series 2026 Bonds.

Resolution a Contract. The provisions of the Resolution shall constitute a contract between the Authority and the registered owners of the Series 2026 Bonds, and after the issuance of the Series 2026 Bonds, no change, variation or alteration of any kind in the provisions of the Resolution shall be made in any manner until such time as the Series 2026 Bonds and interest due thereon shall have been paid in full except such changes as shall be required or may be appropriate to assure the validity of the Series 2026 Bonds, the tax exempt status of the Series 2026 Bonds, and/or changes made pursuant hereto.

Invalidity. If any section, paragraph, clause or provision of the Resolution shall be held to be invalid or ineffective for any reason, the remainder of the Resolution shall remain in full force and effect, it being expressly hereby found and declared that the remainder of the Resolution would have been adopted by this Governing Body despite the invalidity of such section, paragraph, clause or provision.

No Conflict. In the event of a conflict between the covenants and provisions of the Master Resolution and the covenants and provisions of the Series 2026 Bond Resolution, the Master Resolution shall control.

Modification of Resolution.

(a) The Master Resolution may be amended without the consent of or notice to the owner of the registered owners of the Series 2026 Bonds for the purpose of curing any ambiguity or formal defect or omission herein.

(b) In addition to the amendments to the Master Resolution without the consent of owner or registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds and Parity Bonds at any time outstanding (not including in any case any Bonds and Parity 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 or Parity 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 Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Master Resolution; provided, however, that the Master Resolution may not be so modified or amended in such manner as to:

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

Whenever the Authority shall propose to amend or modify the resolution under the provisions of this Section, the Authority shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond or Parity 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 (1) year from the date of mailing of said notice there shall be filed with the Chief Executive Officer an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds and Parity 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 and Parity Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds and Parity 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 and Parity 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 or Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) 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 or Parity Bond during such period. Such consent may be revoked at any time after six (6) 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's office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds and Parity 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 and Parity 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 Bond Registrar, which records shall constitute conclusive proof of the ownership thereof.

Merged Systems. Nothing contained in the Resolution shall prevent the Authority from acquiring an Acquired System, and nothing herein shall prevent the issuance of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, to acquire an Acquired

System provided that the requirements of the Resolution are met if such indebtedness is to be issued as Parity Bonds. Any Acquired System, at the election of the Authority, may be operated as a separate and independent system or be merged into the System and operated as a single unified system with the System (the “Merged Systems”). Revenues of the Merged Systems may be commingled without keeping separate accounts of the funds of each of the systems, provided all revenues of the Merged Systems are applied in accordance with the Resolution, including the payment of principal of and interest on all bonds, notes or other obligations of the Acquired System. All outstanding parity bonds and any bonds, notes and other obligations of the Acquired System outstanding upon the merger of the systems designated by the Authority may be payable from revenues of the Merged Systems on a parity and equality of lien with each other, provided the Net Available Revenues of the Merged Systems, for a period of twelve consecutive months (hereinafter sometimes called the “Twelve-Month Period”) out of the eighteen months immediately preceding the merger of the systems shall be equal to at least 1.20 times the Maximum Annual Aggregate Debt Service on all outstanding Bonds and Parity Bonds, all bonds, notes and obligations of the Acquired System then outstanding and any additional indebtedness to be then issued; or if within twelve months prior to any such calculation, the Authority shall have put into effect a revised schedule of rates for the Merged Systems or any part thereof, then the Net Available Revenues of the Merged Systems, as certified by a Consulting Engineer or Municipal Advisor, that would have resulted from such revised rates had they been in effect for the Twelve-Month Period, may be used in lieu of the actual Net Available Revenues for such Twelve-Month Period.

Series 2021 Master Resolution passed and approved February 22, 2021.

Series 2022 Bond Resolution passed and approved February 28, 2022.

Series 2023 Bond Resolution passed and approved October 20, 2023.

Series 2026 Bond Resolution passed and approved March 30, 2026.

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**FINANCIAL STATEMENTS**  
**OF**  
**BOLIVAR ENERGY AUTHORITY**  
**FOR THE FISCAL YEAR ENDED**  
**June 30, 2025**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Authority for the fiscal year ended June 30, 2025, which is available upon request from the Authority.



**BOLIVAR ENERGY AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED  
JUNE 30, 2025 and 2024**

**BOLIVAR ENERGY AUTHORITY**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
For the Fiscal Years Ended June 30, 2025 and 2024

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## **INTRODUCTORY SECTION**

**BOLIVAR ENERGY AUTHORITY  
DIRECTORY**  
June 30, 2025

**BOARD MEMBERS**

Todd Lowe, Chairperson  
Ernest Jones, Vice Chairperson  
Elmer Cobb  
LeAnne Shelton  
Frank Wilhite

**MANAGEMENT TEAM**

Tony Kirk, President  
Karen Bowers, Chief Financial Officer  
Tammy Foote and Hannah Swift, Administrative Assistant

**COUNSEL**

Grant & Sain, PLLC  
Jackson, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

ATA, PC  
Jackson, Tennessee

## **FINANCIAL SECTION**



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## Independent Auditor's Report

Board of Directors  
Bolivar Energy Authority  
Bolivar, Tennessee

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business type activities and the aggregate remaining fund information of Bolivar Energy Authority (the Authority), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities and the aggregate remaining fund information of Bolivar Energy Authority as of June 30, 2025 and 2024, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audits 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

and therefore is not a guarantee that an audit conducted in accordance with 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 Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in Net Pension and OPEB Liability and Related Ratios, Schedule of Pension Plan Contributions, Schedule of Investment Returns- Pension and OPEB Plans, and Notes to the Schedule of Changes in Net OPEB Liability 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 audits 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 Bolivar Energy Authority's basic financial statements. The accompanying schedule of long-term debt, schedule of changes in long-term debt by individual issue, electric rates in force, Schedule of Operating Revenues and Expenses, and schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes

of additional analysis and are 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 schedule of long-term debt, schedule of changes in long-term debt by individual issue, electric rates in force, Schedule of Operating Revenues and Expenses, and schedule of expenditures of federal awards, 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 historical information-unaudited but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 on our consideration of Bolivar Energy Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of 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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bolivar Energy Authority's internal control over financial reporting and compliance.

*ATA, PC*

Jackson, Tennessee  
December 15, 2025

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

As management of the Bolivar Energy Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2025 and 2024. All amounts, unless otherwise indicated, are expressed in actual dollars.

### **FINANCIAL HIGHLIGHTS**

Management believes the Authority's financial condition is strong. The Authority is well within its debt covenants and the more 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 year-end were \$49.88 million and \$2.73 million, respectively, and exceeded liabilities and deferred inflows of resources by \$13.76 million (i.e. net position).
- The Authority had a net income of \$1.67 million during the current year compared to net income of \$1.40 million during the previous year.
- During fiscal year 2025, the Authority delivered 217.47 million kWh compared to 219.49 million kWh during the fiscal year 2024.
- Operating revenues were \$33.12 million, an increase from fiscal year 2024 in the amount of \$1.88 million or 6.01%.
- Operating expenses were \$31.17 million, an increase from fiscal year 2024 in the amount of \$1.48 million or 4.97%.
- Ratio of operating income to total operating revenue was 0.06 for 2025 and 0.05 for 2024.

### **OVERVIEW OF THE FINANCIAL REPORT**

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 Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, bond resolutions, and other management tools were used for this analysis. The Financial Statements and Supplementary Information is made up of four sections: 1) the introductory section, 2) the financial section, 3) supplementary and other information section, and 4) the internal control and compliance section. The introductory section includes the Authority'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**

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

A Fiduciary Fund is used to account for resources held for the benefit of parties outside of the Authority. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The financial statements report information about the Authority, 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 Authority on a full accrual historical cost basis. The statement includes all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

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 position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations and can be used to determine whether the Authority has successfully recovered all of its costs. This statement also measures the Authority'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 *Statement of Fiduciary Net Position* includes all accounting assets and liabilities of the plan and provides a picture of the fiduciary net position of the plan as of the end of the current fiscal year compared to the previous fiscal year. Assets less liabilities results in net position restricted for pensions held in trust at year-end.

The *Statement of Changes in Fiduciary Net Position* reports all additions and deductions of the plan for the current fiscal year compared to the previous fiscal year. Additions consist of employer contributions and investment earnings. Deductions include benefits paid to plan participants and administrative expenses. Total additions minus total deductions provide the net increase in net position for the current fiscal year compared to the previous fiscal year. The increase in net position plus the beginning net position restricted for pensions results in the ending net position restricted for pensions for the current year compared to the previous year.

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 Authority'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 Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reports information about the Utility's activities in a way that will help answer this question. These two statements report the net position of the Authority, and the changes in the net position. Net position is one way to measure the financial health or financial position of the Authority. Over time, increases or decreases in the Authority's net position is 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 \$1.67 million for the fiscal year ended June 30, 2025. The analysis below focuses on the Authority's net position (Table 1A and 1B) at June 30, 2025 and 2024 and changes in net position (Table 2A and 2B) during the years ended June 30, 2025 and 2024. The decrease in current and other assets and the increase to capital assets is due to the decrease cash due to the capital asset buildouts. The increase in other liabilities was mainly due to the increase in net pension liabilities due to current year investments on the plan.

**CONDENSED STATEMENT OF NET POSITION (TABLE 1A)**

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			\$	%
Current and other assets	\$ 11,723,396	\$ 14,757,147	\$ (3,033,751)	-20.56%
Capital assets	38,152,224	33,944,103	4,208,121	12.40%
Total assets	<u>49,875,620</u>	<u>48,701,250</u>	<u>1,174,370</u>	2.41%
Deferred outflows of resources	<u>2,732,713</u>	<u>2,770,257</u>	<u>(37,544)</u>	-1.36%
Current liabilities	6,364,520	6,098,521	265,999	4.36%
Other liabilities	<u>30,894,260</u>	<u>31,877,587</u>	<u>(983,327)</u>	-3.08%
Total liabilities	<u>37,258,780</u>	<u>37,976,108</u>	<u>(717,328)</u>	-1.89%
Deferred inflows of resources	<u>1,585,482</u>	<u>1,397,383</u>	<u>188,099</u>	13.46%
Net investment in capital assets	20,758,777	17,152,336	3,606,441	21.03%
Restricted	361,726	3,578,788	(3,217,062)	-89.89%
Unrestricted	<u>(7,356,432)</u>	<u>(8,633,108)</u>	<u>1,276,676</u>	-14.79%
Total net position	<u>\$ 13,764,071</u>	<u>\$ 12,098,016</u>	<u>\$ 1,666,055</u>	13.77%

**CONDENSED STATEMENT OF NET POSITION (TABLE 1B)**

	June 30, 2024	June 30, 2023	Increase (Decrease)	
			\$	%
Current and other assets	\$ 14,757,147	\$ 13,757,027	\$ 1,000,120	7.27%
Capital assets	33,944,103	32,607,522	1,336,581	4.10%
Total assets	<u>48,701,250</u>	<u>46,364,549</u>	<u>2,336,701</u>	5.04%
Deferred outflows of resources	<u>2,770,257</u>	<u>3,557,563</u>	<u>(787,306)</u>	-22.13%
Current liabilities	6,098,521	5,904,160	194,361	3.29%
Other liabilities	<u>31,877,587</u>	<u>30,756,721</u>	<u>1,120,866</u>	3.64%
Total liabilities	<u>37,976,108</u>	<u>36,660,881</u>	<u>1,315,227</u>	3.59%
Deferred inflows of resources	<u>1,397,383</u>	<u>1,628,873</u>	<u>(231,490)</u>	-14.21%
Net investment in capital assets	17,152,336	18,496,727	(1,344,391)	-7.27%
Restricted	3,578,788	1,648,633	1,930,155	117.08%
Unrestricted	<u>(8,633,108)</u>	<u>(8,513,002)</u>	<u>(120,106)</u>	1.41%
Total net position	<u>\$ 12,098,016</u>	<u>\$ 11,632,358</u>	<u>\$ 465,658</u>	4.00%

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

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (TABLE 2A)**

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			\$	%
Operating revenues	\$ 33,117,956	\$ 31,239,088	\$ 1,878,868	6.01%
Non-operating revenues	372,146	452,525	(80,379)	-17.76%
Total revenues	<u>33,490,102</u>	<u>31,691,613</u>	<u>1,798,489</u>	5.67%
Cost of sales and service	20,117,511	19,018,654	1,098,857	5.78%
Operations expense	4,998,506	5,192,174	(193,668)	-3.73%
Maintenance expense	2,911,730	2,859,555	52,175	1.82%
Depreciation expense	2,322,211	1,869,635	452,576	24.21%
Tax equivalents	823,430	757,799	65,631	8.66%
Non-operating expenses	650,659	592,707	57,952	9.78%
Total expenses	<u>31,824,047</u>	<u>30,290,524</u>	<u>1,533,523</u>	5.06%
<b>Change in net position</b>	<b><u>1,666,055</u></b>	<b><u>1,401,089</u></b>	<b><u>264,966</u></b>	18.91%
Beginning net position, as previously stated	12,098,016	11,632,358	465,658	4.00%
Restatement - error correction	-	(935,431)	935,431	-100.00%
Beginning net position - restated	<u>12,098,016</u>	<u>10,696,927</u>	<u>1,401,089</u>	13.10%
Ending net position	<u>\$ 13,764,071</u>	<u>\$ 12,098,016</u>	<u>\$ 1,666,055</u>	13.77%

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (TABLE 2B)**

	June 30, 2024	June 30, 2023	Increase (Decrease)	
			\$	%
Operating revenues	\$ 31,239,088	\$ 30,819,878	\$ 419,210	1.36%
Non-operating revenues	452,525	170,598	281,927	165.26%
Total revenues	<u>31,691,613</u>	<u>30,990,476</u>	<u>701,137</u>	2.26%
Cost of sales and service	19,018,654	20,307,882	(1,289,228)	-6.35%
Operations expense	5,192,174	4,742,774	449,400	9.48%
Maintenance expense	2,859,555	1,979,534	880,021	44.46%
Depreciation expense	1,869,635	1,849,180	20,455	1.11%
Tax equivalents	757,799	681,953	75,846	11.12%
Non-operating expenses	592,707	621,355	(28,648)	-4.61%
Total expenses	<u>30,290,524</u>	<u>30,182,678</u>	<u>107,846</u>	0.36%
<b>Change in net position</b>	<b><u>1,401,089</u></b>	<b><u>807,798</u></b>	<b><u>593,291</u></b>	73.45%
Beginning net position	11,632,358	10,824,560	807,798	7.46%
Restatement - error correction	(935,431)	-	(935,431)	-100.00%
Beginning net position - restated	<u>10,696,927</u>	<u>10,824,560</u>	<u>(127,633)</u>	-1.18%
Ending net position	<u>\$ 12,098,016</u>	<u>\$ 11,632,358</u>	<u>\$ 465,658</u>	4.00%

Operating revenues showed a 6.01% increase from 2024 to 2025 and operating expenses showed an increase of 4.97% as a result of increased rates from TVA. Depreciation expense showed an increase of \$453 thousand in 2025, or 24.21%. This increase in depreciation expense was mainly due to an error in depreciation not being booked increasing \$453 thousand in 2025.

**CAPITAL ASSETS**

At the end of fiscal year 2025, the Authority had \$38.15 million (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, land rights, distribution and transmission systems and their related equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as transmission plant, distribution plant and general plant. This investment represents an overall increase (net of increases and decreases) of \$4.21 million or 12.40% as compared to 2024.

The following tables summarize the Authority’s capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2025 and 2024. These changes are presented in detail in Note 3C to the financial statements.

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION (TABLE 3A)**

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			\$	%
Transmission plant	\$ 469,463	\$ 491,771	\$ (22,308)	-4.54%
Distribution plant	21,099,351	19,944,089	1,155,262	5.79%
General plant	3,927,227	4,276,527	(349,300)	-8.17%
Construction in progress	12,656,183	9,231,716	3,424,467	37.09%
Total capital assets, net	<u>\$ 38,152,224</u>	<u>\$ 33,944,103</u>	<u>\$ 4,208,121</u>	12.40%

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION (TABLE 3B)**

	June 30, 2024	June 30, 2023	Increase (Decrease)	
			\$	%
Transmission plant	\$ 491,771	\$ 509,014	\$ (17,243)	-3.39%
Distribution plant	19,944,089	17,424,567	2,519,522	14.46%
General plant	4,276,527	3,903,550	372,977	9.55%
Construction in progress	9,231,716	10,770,391	(1,538,675)	-14.29%
Total capital assets, net	<u>\$ 33,944,103</u>	<u>\$ 32,607,522</u>	<u>\$ 1,336,581</u>	4.10%

The Authority plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

**DEBT ADMINISTRATION**

The Authority has outstanding revenue bonds of \$19.04 million as of June 30, 2025. Principal payments are due in the upcoming fiscal year in the amount of \$885 thousand with interest payments totaling approximately \$583 thousand also due. Details relating to the outstanding debt can be found in Note 3F. The Authority is well within its debt covenants and foresees no problems in the future relating to outstanding debt.

**ECONOMIC FACTORS AND NEXT YEAR’S RATES**

As proposed for fiscal year 2026, rate increases or decreases will be made as reflected by TVA’s monthly fuel cost adjustments which are revenue neutral to the Authority. This rate is set by the supplier

and passed on to the customer. The fiscal year 2026 budget was approved by the Board on May 27, 2025. 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 Authority's power sales and should help the overall financial condition of the Authority.

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

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances and to demonstrate the Authority'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 Manager of Bolivar Energy Authority, 815 Tennessee St., Bolivar, TN, 38008.

**BOLIVAR ENERGY AUTHORITY**  
**STATEMENTS OF NET POSITION**  
June 30,

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Current assets		
Cash on hand	\$ 3,000	\$ 3,000
Cash and cash equivalents - general	3,242,681	1,295,632
Accounts receivable - trade (net of allowance for uncollectibles)	1,694,481	1,811,978
Accounts receivable - other	114,916	150,089
Materials and supplies	597,019	645,079
Prepayments and other current assets	393,366	331,849
Total current assets	6,045,463	4,237,627
Noncurrent assets		
Other assets:		
Cash and cash equivalents - restricted	2,754,728	7,358,145
Unamortized debt expense	822,349	860,519
Investments - unrestricted	2,100,000	2,300,000
Notes receivable - TVA Home Insulation Program	856	856
Total other assets	5,677,933	10,519,520
Capital assets:		
Transmission plant	945,537	945,537
Distribution plant	48,614,798	45,970,130
General plant	8,577,055	8,418,606
Construction in progress	12,656,183	9,231,716
Less: Accumulated depreciation	(32,641,349)	(30,621,886)
Total capital assets (net of accumulated depreciation)	38,152,224	33,944,103
Total noncurrent assets	43,830,157	44,463,623
<b>Total assets</b>	<b>49,875,620</b>	<b>48,701,250</b>
<b>Deferred Outflows of Resources</b>		
Pension related	2,457,068	2,451,991
OPEB related	275,645	318,266
<b>Total deferred outflows of resources</b>	<b>2,732,713</b>	<b>2,770,257</b>

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

**BOLIVAR ENERGY AUTHORITY  
STATEMENTS OF NET POSITION**

June 30,

	<b>2025</b>	<b>2024</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,677,499	3,615,311
Other accrued expense	42,212	47,217
Customers' deposits	1,306,697	1,239,712
Bonds payable- current portion (plus premium of \$32,886 for 2025 and \$29,386 for 2024)	917,886	779,386
Interest accrued - bonds- payable from restricted assets	96,596	101,405
Compensated absences	323,630	315,490
Total current liabilities	<b>6,364,520</b>	<b>6,098,521</b>
Noncurrent liabilities:		
Bonds payable- noncurrent portion (plus premium of \$621,967 for 2025 and \$655,332 for 2024)	18,771,967	19,690,333
Net pension liability	6,379,970	6,384,956
Net OPEB liability	4,820,539	5,035,996
Compensated absences	921,784	766,302
Total noncurrent liabilities	<b>30,894,260</b>	<b>31,877,587</b>
 <b>Total liabilities</b>	 <b>37,258,780</b>	 <b>37,976,108</b>
 <b>Deferred Inflows of Resources</b>		
Pension related	389,478	454,693
OPEB related	1,196,004	942,690
Total deferred inflows of resources	<b>1,585,482</b>	<b>1,397,383</b>
 <b>Net Position</b>		
Net investment in capital assets	20,758,777	17,152,336
Restricted for capital projects	114,809	1,408,460
Restricted for debt service	246,917	2,170,328
Unrestricted	(7,356,432)	(8,633,108)
 <b>Total net position</b>	 <b>\$ 13,764,071</b>	 <b>\$ 12,098,016</b>

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

**BOLIVAR ENERGY AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Years Ended June 30,

	<b>2025</b>	<b>2024</b>
<b>Operating revenues</b>		
Charges for sales and services	\$ 30,189,600	\$ 28,900,405
Other electric revenue	2,928,356	2,338,683
Total operating revenues	33,117,956	31,239,088
<b>Operating expenses</b>		
Cost of sales and services	20,117,511	19,018,654
Operations expense	4,998,506	5,192,174
Maintenance expense	2,911,730	2,859,555
Tax equivalent payments	823,430	757,799
Provision for depreciation	2,322,211	1,869,635
Total operating expenses	31,173,388	29,697,817
Operating income (loss)	1,944,568	1,541,271
<b>Nonoperating revenues (expenses)</b>		
Interest income	355,457	438,890
CRC Patronage income	16,689	13,635
Interest on long-term debt - bonds	(627,899)	(606,404)
Amortization of debt premium	(22,760)	13,697
Total nonoperating revenues (expenses)	(278,513)	(140,182)
<b>Change in net position</b>	<b>1,666,055</b>	<b>1,401,089</b>
Total net position - beginning, as previously stated	12,098,016	11,632,358
Restatement - error correction	-	(935,431)
Total net position - beginning - as restated	12,098,016	10,696,927
Total net position - ending	\$ 13,764,071	\$ 12,098,016

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

**BOLIVAR ENERGY AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30,

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Cash received from consumers	\$ 33,270,626	\$ 30,841,535
Cash paid to suppliers of goods and services	(25,648,794)	(24,701,314)
Cash paid to employees for services	(2,166,405)	(2,149,349)
Amounts paid for taxes	(823,430)	(757,799)
Customer deposits received	163,088	132,293
Customer deposits refunded	(96,103)	(92,987)
Net cash provided (used) by operating activities	4,698,982	3,272,379
<b>Cash flows from capital and related financing activities</b>		
Issuance of Revenue Bonds Series 2023	-	2,100,000
Principal paid on bonds	(750,000)	(550,000)
Interest paid on bonds	(632,708)	(592,529)
Construction and acquisition of plant	(6,311,201)	(3,709,187)
Amortization of bond premium and discounts	(14,455)	(14,455)
Plant removal cost	(226,795)	(443,709)
Materials salvaged from retirements	7,664	11,249
Net cash provided (used) by capital and related financing activities	(7,927,495)	(3,198,631)
<b>Cash flows from investing activities</b>		
Purchase of investment	(2,100,000)	(2,300,000)
Proceeds from sale of investments	2,300,000	2,600,000
Interest income	355,457	438,890
Miscellaneous income (expense)	16,688	13,635
Net cash provided (used) by investing activities	572,145	752,525
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,656,368)</b>	<b>826,273</b>
Cash and cash equivalents - beginning of year	8,656,777	7,830,504
Cash and cash equivalents - end of year	\$ 6,000,409	\$ 8,656,777
Cash and cash equivalents		
Unrestricted cash on hand	\$ 3,000	\$ 3,000
Unrestricted cash and cash equivalents on deposit	3,242,681	1,295,632
Restricted cash and cash equivalents on deposit	2,754,728	7,358,145
<b>Total cash and cash equivalents</b>	<b>\$ 6,000,409</b>	<b>\$ 8,656,777</b>

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

**BOLIVAR ENERGY AUTHORITY  
STATEMENTS OF CASH FLOWS**

For the Years Ended June 30,

	<b>2025</b>	<b>2024</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 1,944,568	\$ 1,541,271
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense charged to operations	2,322,211	1,869,635
Change in pension related deferred outflows and inflows of resources	(70,292)	642,382
Change in OPEB related deferred outflows and inflows of resources	295,935	(86,566)
(Increase) decrease in accounts receivable	152,670	(397,553)
(Increase) decrease in materials and supplies	48,060	67,778
(Increase) decrease in prepayments and other assets	(61,517)	(145,785)
Increase (decrease) in accounts payable and accrued expenses	220,805	(34,346)
Increase (decrease) in net pension liability	(4,986)	(370,313)
Increase (decrease) in OPEB liability	(215,457)	146,570
Increase (decrease) in customer deposits	66,985	39,306
<b>Net cash provided (used) by operating activities</b>	<b>\$ 4,698,982</b>	<b>\$ 3,272,379</b>

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

**BOLIVAR ENERGY AUTHORITY  
STATEMENTS OF FIDUCIARY NET POSITION**

June 30,

	<b>Bolivar Energy Authority Employees Pension Plan</b>		<b>Bolivar Energy Authority Post- Employment Benefit Trust</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 520,811	\$ 410,295	\$ 60,212	\$ 60,304
Investments	<u>20,406,861</u>	<u>18,886,506</u>	<u>682,652</u>	<u>598,150</u>
<b>Net assets available for benefits</b>	<b><u>20,927,672</u></b>	<b><u>19,296,801</u></b>	<b><u>742,864</u></b>	<b><u>658,454</u></b>
 Liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<b>Net position restricted for pension and OPEB</b>	<b><u>\$ 20,927,672</u></b>	<b><u>\$ 19,296,801</u></b>	<b><u>\$ 742,864</u></b>	<b><u>\$ 658,454</u></b>

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

**BOLIVAR ENERGY AUTHORITY**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
For the Years Ended June 30,

	Bolivar Energy Authority Employees		Bolivar Energy Authority Post- Employment	
	Pension Plan		Benefit Trust	
	2025	2024	2025	2024
<b>Additions</b>				
Contributions				
Employer	\$ 1,094,139	\$ 975,960	\$ 120,000	\$ 120,000
Investment income				
Dividend income	351,717	305,535	12,097	10,876
Interest income	9,644	11,253	1,935	2,106
Net appreciation in fair value of investments	1,515,386	1,584,650	48,892	57,379
Other Income	115	-	5	-
Total investment income (loss)	<u>1,876,862</u>	<u>1,901,438</u>	<u>62,929</u>	<u>70,361</u>
Total additions	<u>2,971,001</u>	<u>2,877,398</u>	<u>182,929</u>	<u>190,361</u>
<b>Deductions</b>				
Benefit payments	1,323,319	759,072	95,519	46,788
Administrative and other expenses	<u>16,811</u>	<u>14,002</u>	<u>3,000</u>	<u>3,000</u>
Total deductions	<u>1,340,130</u>	<u>773,074</u>	<u>98,519</u>	<u>49,788</u>
<b>Net increase in fiduciary net position</b>	<b>1,630,871</b>	<b>2,104,324</b>	<b>84,410</b>	<b>140,573</b>
<b>Net position restricted for pension and OPEB</b>				
Beginning of year	<u>19,296,801</u>	<u>17,192,477</u>	<u>658,454</u>	<u>517,881</u>
End of year	<u>\$ 20,927,672</u>	<u>\$ 19,296,801</u>	<u>\$ 742,864</u>	<u>\$ 658,454</u>

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

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Bolivar Energy Authority (the Authority) was formed June 27, 2006, pursuant to Chapter No. 130 of the Private Acts, 2006 cited as the Bolivar Energy Authority Act and is a political subdivision of the State of Tennessee. The legislation creating the Authority amended the acts that established the City of Bolivar Electric Utility Board. The Authority was created as a separate legal entity for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric utility and telecommunications systems within or outside the corporate limits of the City of Bolivar and within or outside the state. Upon creation of the Authority, the City of Bolivar was authorized to transfer to the Authority all its rights, title and interest in and to all assets operated for the City by Bolivar Electric Utility Board. The City will be relieved from all legal obligation and debt from the Authority. The City board retains the right to approve the board of directors for the Authority. The City cannot remove any member of the board of directors at will. However, any director may be removed from office for cause upon a vote of two thirds (2/3) of the members of the city council of the City of Bolivar, but only after preferment of formal charges by resolution of a majority of the members of the city council. The accompanying financial statements present the financial position, results of operations and cash flows of Bolivar Energy Authority as of and for the periods ended June 30, 2025 and 2024.

The criteria for including organizations as component units within a primary government's reporting entity, is set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, and include whether:

- the organization is legally separate (can sue and be sued in their own name),
- the primary government holds the corporate powers of the organization,
- the primary government appoints a voting majority of the organization's board and it is able to impose its will on the organization or if the organization has the potential to impose a financial benefit/burden on the primary government, or
- there is fiscal dependency by the organization on the primary government.

Based on the aforementioned criteria, the Authority is not considered a component unit of the City. Although, the City appoints the board of directors it cannot remove any board member at will.

**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 Authority's financial statements (enterprise and fiduciary) are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the Authority conform to applicable accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (GASB).

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

Enterprise 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 enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges for sales and services to customers. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary fund financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenue is recorded as earned and expenses are recorded as incurred.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, Liabilities, and Equity**

**Deposits and Investments**

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

State statutes authorize the Authority to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

**Investments – Pension and OPEB Plans**

*Investment policy.* The pension and OPEB plans' policy in regard to the allocation of invested assets is established and may be amended by the Board of Directors by a majority vote of its members. It is the policy of the Board of Directors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

*Method used to value investment.* Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

**Accounts receivable**

Trade receivables result from unpaid billings for electric 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 Authority 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.

**BOLIVAR ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**Restricted assets**

Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**Capital assets**

Capital assets, which include property, plant, equipment, and construction in progress, are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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. Interest incurred during the construction phase of capital assets is expensed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following useful lives:

General plant	5 - 40 years
Transmission plant	28 - 33 years
Distribution plant	16 - 40 years

**Compensated absences**

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as both a current and non-current liability on the financial statements. All sick leave has been accrued and is reflected as both a current and non-current 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 straight-line method. Actual results from applying the straight-line method are not materially different from those that would result from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as noncurrent assets and amortized over the term of the related debt. The Authority will continue to report bond cost 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.

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows of resources are related to the Authority's pension requirements under GASB Statement No. 68 and OPEB under GASB Statement No. 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources are related to the Authority's pension requirements under GASB Statement No. 68 and OPEB requirements under GASB Statement No. 75.

**Net position flow assumption**

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

**Net position**

Equity is classified as net position 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 – Consists of net position amounts 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 position amounts that do not meet the description of the above categories.

**Pension and OPEB**

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Authority's participation in their single employer defined benefit pension and OPEB plans, and additions to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by the plans. For these purposes, benefits are recognized when due and payable in accordance with the benefit terms of the plans. Investments are reported at fair value. Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit.

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**Impact of Recently Issued Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following statements: Statement No. 100, Accounting Changes and Error Corrections, and Amendment of GASB Statement No. 62, the requirements of this Statement were implemented and are now reported and disclosed in the financial statements. Statement No. 101 related to Compensated Absences establishes standards for 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.

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

**Budgetary information**

The fiscal year 2026 budget was approved unanimously at the May 2025 Board meeting.

**NOTE 3 – DETAILED NOTES**

**A. Deposits and Investments**

**Investment- Electric**

Investments consist of certificates of deposit for renewal and replacement with a maturity of twelve months and an investment in marketable securities with Raymond James. The certificates of deposit totaled \$2,100,000 and \$2,300,000 as of June 30, 2025 and 2024, respectively. The investments are stated at fair value and measured on a recurring basis and are backed by the U.S. Government.

**Custodial credit risk**

The Authority'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 or the Tennessee Bank Collateral Pool, by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority 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, 2025 and 2024, all bank deposits were fully insured or covered by the state collateral pool.

**Fiduciary Fund – Pension Plan**

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2025:

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

Investment by fair value level	Total	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalent	\$ 520,811	\$ 520,811	\$ -	\$ -
Debt securities				
Mutual funds - fixed	2,973,370	2,973,370	\$ -	\$ -
Equity securities				
Mutual funds	17,433,491	17,433,491	-	-
Total investments measured at fair value	<u>\$ 20,927,672</u>	<u>\$ 20,927,672</u>	<u>\$ -</u>	<u>\$ -</u>

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2024:

Investment by fair value level	Total	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalent	\$ 410,295	\$ 410,295	\$ -	\$ -
Debt securities				
Mutual funds - fixed	2,973,370	2,973,370	\$ -	\$ -
Equity securities				
Mutual funds	15,913,136	15,913,136	-	-
Total investments measured at fair value	<u>\$ 19,296,801</u>	<u>\$ 19,296,801</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**Fiduciary Fund – Post-Retirement Benefit Plan**

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2025:

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

	Total	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment by fair value level				
Cash and cash equivalent	\$ 60,212	\$ 60,212	\$ -	\$ -
Debt securities				
Mutual funds - fixed	89,058	89,058	-	-
Equity securities				
Mutual funds	593,594	593,594	-	-
Total investments measured at fair value	\$ 742,864	\$ 742,864	\$ -	\$ -

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2024:

	Total	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment by fair value level				
Cash and cash equivalent	\$ 60,304	\$ 60,304	\$ -	\$ -
Debt securities				
Mutual funds - fixed	89,058	89,058	-	-
Equity securities				
Mutual funds	509,092	509,092	-	-
Total investments measured at fair value	\$ 658,454	\$ 658,454	\$ -	\$ -

**B. Receivables**

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

	June 30, 2025	June 30, 2024
Billed services for utility customers	\$ 1,704,481	\$ 1,821,978
Other receivables	114,916	150,089
Allowance for doubtful accounts	(10,000)	(10,000)
Total	\$ 1,809,397	\$ 1,962,067

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**C. Capital assets**

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2024	Additions	Disposals	Balance at June 30, 2025
Capital assets, not being depreciated				
Distribution plant	\$ 136,415	\$ -	\$ -	\$ 136,415
General plant	21,540	-	-	21,540
Construction in progress	9,231,716	3,424,467	-	12,656,183
Total capital assets not being depreciated	<u>9,389,671</u>	<u>3,424,467</u>	<u>-</u>	<u>12,814,138</u>
Capital assets, being depreciated				
Transmission plant	945,537	-	-	945,537
Distribution plant	45,833,715	2,978,771	334,103	48,478,383
General plant	8,397,066	180,034	21,585	8,555,515
Total capital assets being depreciated	<u>55,176,318</u>	<u>3,158,805</u>	<u>355,688</u>	<u>57,979,435</u>
Less accumulated depreciation for:				
Transmission plant	453,766	22,308	-	476,074
Distribution plant	26,026,041	2,042,639	553,233	27,515,447
General plant	4,142,079	529,336	21,587	4,649,828
Total accumulated depreciation	<u>30,621,886</u>	<u>2,594,283</u>	<u>574,820</u>	<u>32,641,349</u>
Total capital assets, being depreciated, net	<u>24,554,432</u>	<u>564,522</u>	<u>(219,132)</u>	<u>25,338,086</u>
Total capital assets, net	<u>\$ 33,944,103</u>	<u>\$ 3,988,989</u>	<u>\$ (219,132)</u>	<u>\$ 38,152,224</u>

Depreciation expense charged to operations amounted to \$2,322,211 for the fiscal year ended June 30, 2025. Additionally, transportation expense depreciation charged to clearing for the fiscal year ended June 30, 2025 was \$272,072.

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2025 and 2024

Description	Balance at June 30, 2023	Additions	Disposals	Balance at June 30, 2024
Capital assets, not being depreciated				
Distribution plant	\$ 136,415	\$ -	\$ -	\$ 136,415
General plant	21,540	-	-	21,540
Construction in progress	<u>10,770,391</u>	-	<u>1,538,675</u>	<u>9,231,716</u>
Total capital assets not being depreciated	<u>10,928,346</u>	<u>-</u>	<u>1,538,675</u>	<u>9,389,671</u>
Capital assets, being depreciated				
Transmission plant	945,537	-	-	945,537
Distribution plant	41,462,458	4,633,699	262,442	45,833,715
General plant	<u>7,803,325</u>	<u>860,856</u>	<u>267,115</u>	<u>8,397,066</u>
Total capital assets being depreciated	<u>50,211,320</u>	<u>5,494,555</u>	<u>529,557</u>	<u>55,176,318</u>
Less accumulated depreciation for:				
Transmission plant	436,523	17,243	-	453,766
Distribution plant	25,109,737	1,611,639	695,335	26,026,041
General plant	<u>3,921,315</u>	<u>491,856</u>	<u>271,092</u>	<u>4,142,079</u>
Total accumulated depreciation	<u>29,467,575</u>	<u>2,120,738</u>	<u>966,427</u>	<u>30,621,886</u>
Total capital assets, being depreciated, net	<u>20,743,745</u>	<u>3,373,817</u>	<u>(436,870)</u>	<u>24,554,432</u>
Total capital assets, net	<u>\$ 31,672,091</u>	<u>\$ 3,373,817</u>	<u>\$ 1,101,805</u>	<u>\$ 33,944,103</u>

Depreciation expense charged to operations amounted to \$1,869,635 for the fiscal year ended June 30, 2024. Additionally, transportation expense depreciation charged to clearing for the fiscal year ended June 30, 2024 was \$251,103.

**D. Restricted assets**

Restricted assets for the fiscal year end were made up of the following:

	June 30, 2025
The restricted assets consist of the following:	
Cash and cash equivalents - restricted	<u>\$ 2,754,728</u>
Total Cash and cash equivalents - restricted	<u>\$ 2,754,728</u>
The total of these funds is represented by:	
Certificates of deposit and bank accounts	<u>\$ 2,754,728</u>

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	<u>June 30, 2024</u>
The restricted assets consist of the following:	
Cash and cash equivalents - restricted	\$ 7,358,145
	<u>7,358,145</u>
The total of these funds is represented by:	
Certificates of deposit and bank accounts	\$ 7,358,145

**E. Net position**

Net position represents the difference between assets and the deferred outflow of resource, and liabilities and deferred inflows of resources. The net position amounts were as follows:

	<u>June 30, 2025</u>
Invested in capital assets, net of related debt:	
Net property, plant and equipment in services	\$ 38,152,224
Less: Debt as disclosed in Note 3F	(19,689,853)
Add: Unspent bond proceeds	<u>2,296,406</u>
	<u>20,758,777</u>
Restricted for debt service:	
Restricted cash and cash equivalents	343,513
Interest accrued - bonds	<u>(96,596)</u>
	<u>246,917</u>
Restricted Capital Projects:	<u>114,809</u>
Unrestricted	<u>(7,356,432)</u>
Total net position	<u>\$ 13,764,071</u>

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	<u>June 30, 2024</u>
Invested in capital assets, net of related debt:	
Net property, plant and equipment in services	\$ 33,944,103
Less: Debt as disclosed in Note 3F	(20,469,719)
Add: Unspent bond proceeds	<u>3,677,952</u>
	<u>17,152,336</u>
Restricted for debt service:	
Restricted cash and cash equivalents	2,271,733
Interest accrued - bonds	<u>(101,405)</u>
	<u>2,170,328</u>
Restricted Capital Projects:	<u>1,408,460</u>
Unrestricted	<u>(8,633,108)</u>
Total net position	<u>\$ 12,098,016</u>

**F. Long-term debt**

Long-term debt is made up of the following:

Revenue Bonds:	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Electric System Revenue Bonds, Series 2021 variable interest of 1.35% to 3.0% due serially through 2045	\$ 7,360,000	\$ 7,910,000
Electric System Revenue Bonds, Series 2022 variable interest of 3.0% to 4.0% due serially through 2052	9,675,000	9,775,000
Electric System Revenue Bonds, Series 2023 variable interest of 4.75% due serially through 2034	<u>2,000,000</u>	<u>2,100,000</u>
Total bonds payable	19,035,000	19,785,000
Less current portion Revenue Bonds	<u>885,000</u>	<u>750,000</u>
Total long-term portion Revenue Bonds	<u>\$ 18,150,000</u>	<u>\$ 19,035,000</u>

**Electric System Revenue Bonds, Series 2021**

During 2021, Bolivar Energy Authority issued \$9,560,000 Electric System Revenue Bonds, Series 2021, for the purpose of providing funds for additions and improvements to the system. The bonds bear a variable rate of interest ranging from 1.35% to 3.0%. The last payment is due on May 1, 2045. The bonds are secured by a pledge of revenues by the System. Expenses incurred by the issuance of the bonds are being amortized by equal charges to operations over the life of the

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bonds. The Series 2021 Bonds maturing on or after May 1, 2027 are subject to redemption prior to maturity, as a whole or in part at any time on or after May 1, 2026, at a redemption price equal to the par amount of the Series 2021 Bonds to be redeemed plus accrued interest to the redemption date.

**Electric System Revenue Bonds, Series 2022**

During 2022, Bolivar Energy Authority issued \$9,775,000 Electric System Revenue Bonds, Series 2022, for the purpose of providing funds for adding fiber. The bonds bear a variable rate of interest ranging from 3.0% to 4.0%. The last payment is due on May 1, 2052. The bonds are secured by a pledge of revenues by the System. Expenses incurred by the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds. The Series 2022 Bonds maturing on or after May 1, 2027 are subject to redemption prior to maturity, as a whole or in part at any time on or after May 1, 2026, at a redemption price equal to the par amount of the Series 2022 Bonds to be redeemed plus accrued interest to the redemption date.

**Electric System Revenue Bonds, Series 2023**

During 2023, Bolivar Energy Authority issued \$2,100,000 Electric System Revenue Bonds, Series 2023, for the purpose of providing funds for adding fiber. The bonds bear a variable rate of interest 4.75%. The last payment is due on May 1, 2034. The bonds are secured by a pledge of revenues by the System. Expenses incurred by the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds. The Series 2023 Bonds maturing on or after May 1, 2027 are subject to redemption prior to maturity, as a whole or in part at any time on or after May 1, 2026, at a redemption price equal to the par amount of the Series 2023 Bonds to be redeemed plus accrued interest to the redemption date.

The following is a summary of long-term debt transactions for the years ended June 30, 2025 and 2024:

	Balance at <u>June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2025</u>	Due Within <u>One Year</u>
Borrowings from direct placements:					
Revenue bonds	\$ 19,785,000	\$ -	\$ 750,000	\$ 19,035,000	\$ 885,000
Premium	684,719	-	29,866	654,853	32,886
Compensated absences	<u>1,081,792</u>	<u>490,959</u>	<u>327,337</u>	<u>1,245,414</u>	<u>323,630</u>
	<u>\$ 21,551,511</u>	<u>\$ 490,959</u>	<u>\$ 1,107,203</u>	<u>\$ 20,935,267</u>	<u>\$ 1,241,516</u>

	Balance at <u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2024</u>	Due Within <u>One Year</u>
Borrowings from direct placements:					
Revenue bonds	\$ 18,235,000	\$ 2,100,000	\$ 550,000	\$ 19,785,000	\$ 750,000
Premium	714,584	-	29,865	684,719	29,386
Compensated absences	<u>1,024,428</u>	<u>405,852</u>	<u>348,488</u>	<u>1,081,792</u>	<u>315,490</u>
	<u>\$ 19,974,012</u>	<u>\$ 2,505,852</u>	<u>\$ 928,353</u>	<u>\$ 21,551,511</u>	<u>\$ 1,094,876</u>

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The scheduled annual requirements for long-term debt at June 30, 2025, including interest of \$6,927,878 are as follows:

<b>Bonds Payable: Direct Placements</b>			
<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 885,000	\$ 583,181	\$ 1,468,181
2027	915,000	551,894	1,466,894
2028	920,000	519,369	1,439,369
2029	940,000	485,919	1,425,919
2030	965,000	429,394	1,394,394
2031-2035	4,320,000	1,730,530	6,050,530
2036-2040	3,290,000	1,274,890	4,564,890
2041-2045	3,380,000	862,772	4,242,772
2046-2050	2,365,000	434,266	2,799,266
2051-2052	1,055,000	55,663	1,110,663
	<u>\$ 19,035,000</u>	<u>\$ 6,927,878</u>	<u>\$ 25,962,878</u>

The Utility complied with all significant debt covenants and restrictions as set forth in the bond agreements.

The bonds 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 bonds payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

Line of Credit

The Authority has a \$3,000,000 line-of-credit with Bank of Fayette County. The line has an interest rate of 7.75% and a maturity date of December 11, 2025 and is collateralized by the Authority's accounts held with the lender. During fiscal year 2025, the Authority did not use this line of credit and the balances at June 30, 2025 and 2024 were \$0 and \$0.

**NOTE 4 – OTHER INFORMATION**

**A. Pension Plan**

*General information.* The Pension Plan for Employees of The Bolivar Energy Authority (the Plan) is a single-employer defined benefit retirement plan administered by the Bolivar Energy Authority for the employees of the Bolivar Energy Authority. The Plan was established by statute, with the exception of maximum contribution rates, which are set forth in the statutes. Required contributions and benefit provisions are established and amended by the Board of Directors.

*Benefits Provided.* The Plan provides retirement, termination, disability, and death benefits to plan members and their beneficiaries.

*Normal retirement benefit.* The amount of retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be equal to the Participant's Accrued Benefit

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(herein called the Participant's Normal Retirement Benefit). For Eligible Employees, a Participant's Accrued Benefit is based on a retirement benefit formula equal to 2.50% of such Participant's Average Annual Earnings multiplied by the Participant's years of Credited Service.

*Early retirement.* Any Participant, who has attained his Early Retirement Age, may elect to retire on an Early Retirement Date once the participant has attained age 55. In the event that a Participant makes such an election, he shall be entitled to receive an early retirement Pension equal to his Vested Accrued Benefit reduced by 0.4 percent for each full calendar month by which his Annuity Starting Date precedes his Normal Retirement Date. However, in the event a Participant is at least age 57 on his Annuity Starting Date and is credited with at least 30 years of Credited Service, his early retirement Pension shall not be subject to a reduction. For participants hired after March 31, 2016, there shall be no reduction for early commencement for a participant who has attained the age 62 and has at least 30 years of credited service.

*Late retirement.* A Participant may continue in employment beyond his Normal Retirement Date. In such event, no retirement benefit will be paid to the Participant until he actually retires, subject to any required minimum distributions.

The amount of retirement benefit payable to the Participant at his Late Retirement Date is the amount determined for the Normal Retirement Pension, increased actuarially for each year that retirement is deferred.

*Normal form of distribution.* The retirement benefit payable to a Participant shall be paid in the Normal Form which is a single life annuity with 120 months certain; provided, however, a Participant may elect an optional form of payment pursuant to the provisions of the Plan.

*Vested termination benefit.* The vested percentage of a participant's benefit is determined based on the number of years of vesting service. If the participant has fewer than 5 years of service, the vesting percentage is 0%. If the participant has 5 or more years of vesting service, the vesting percentage is 100%.

*Cost of living adjustment.* Beginning January 1, 2019, all retirees and beneficiaries who are receiving a full monthly retirement (full early or normal retirement) benefit are subject to a cost of living adjustment (COLA) with a maximum of 2% per year, based off the Consumer Price Index (CPI).

*Contributions* Required contributions are determined by the USI Consulting 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.

At July 1, 2024 and 2023, membership consisted of:

	<u>2024</u>	<u>2023</u>
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to, but not yet receiving benefits	7	7
Active employees	<u>46</u>	<u>45</u>
Total	<u><u>65</u></u>	<u><u>64</u></u>

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The Plan's policy provides for actuarially determined periodic contributions. Contributions to the Plan for the year ended June 30, 2025 of \$1,094,139 were made in accordance with actuarially determined requirements computed through the actuarial valuation performed as of July 1, 2025. Contributions to the Plan for the year ended June 30, 2024 of \$975,960 were made in accordance with actuarially determined requirements computed through the actuarial valuation performed as of July 1, 2024.

*Funded status and funding progress.* As of June 30, 2025, the actuarial accrued liability for benefits was \$27,464,365 and the net pension liability was \$6,536,693. Total covered payroll was \$3,212,146 and the ratio of net pension liability to covered payroll was 203.50%. As of June 30, 2024, the actuarial accrued liability for benefits was \$25,676,771 and the net pension liability was \$6,379,970. Total covered payroll was \$3,182,710 and the ratio of net pension liability to covered payroll was 220.46%. As of June 30, 2023, the actuarial accrued liability for benefits was \$23,577,433 and the net pension liability was \$6,384,956. Total covered payroll was \$2,895,735 and the ratio of net pension liability to covered payroll was 220.50%

*Changes in net pension liability.* The components of the net pension liability of the Pension Plan for Employees of The Bolivar Energy Authority at June 30, 2025 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2024</b>	\$ 25,676,771	\$ 19,296,801	\$ 6,379,970
Changes for the year:			
Service Cost	462,123	-	462,123
Interest	1,847,939	-	1,847,939
Changes of benefit items	-	-	-
Differences between expected and actual experience	800,851	-	800,851
Changes of assumptions	-	-	-
Contributions - employer	-	1,094,139	(1,094,139)
Contributions - employee	-	-	-
Net investment income	-	1,876,862	(1,876,862)
Benefit payments	(1,323,319)	(1,323,319)	-
Administrative expense	-	(16,811)	16,811
<b>Net changes</b>	<u>1,787,594</u>	<u>1,630,871</u>	<u>156,723</u>
<b>Balances at 6/30/2025</b>	<u>\$ 27,464,365</u>	<u>\$ 20,927,672</u>	<u>\$ 6,536,693</u>

The components of the net pension liability of the Pension Plan for Employees of The Bolivar Energy Authority at June 30, 2024 were as follows:

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2023</b>	<u>\$ 23,577,433</u>	<u>\$ 17,192,477</u>	<u>\$ 6,384,956</u>
Changes for the year:			
Service Cost	417,121	-	417,121
Interest	1,712,570	-	1,712,570
Changes of benefit items	-	-	-
Differences between expected and actual experience	748,954	-	748,954
Changes of assumptions	(20,235)		(20,235)
Contributions - employer	-	975,960	(975,960)
Contributions - employee	-	-	-
Net investment income	-	1,901,438	(1,901,438)
Benefit payments	(759,072)	(759,072)	-
Administrative expense	-	(14,002)	14,002
<b>Net changes</b>	<u>2,099,338</u>	<u>2,104,324</u>	<u>(4,986)</u>
<b>Balances at 6/30/24</b>	<u>\$ 25,676,771</u>	<u>\$ 19,296,801</u>	<u>\$ 6,379,970</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2022</b>	<u>\$ 22,090,120</u>	<u>\$ 15,334,851</u>	<u>\$ 6,755,269</u>
Changes for the year:			
Service Cost	409,996	-	409,996
Interest	1,609,117	-	1,609,117
Changes of benefit items	103,725	-	103,725
Differences between expected and actual experience	(13,847)	-	(13,847)
Changes of assumptions	-		-
Contributions - employer	-	1,054,394	(1,054,394)
Contributions - employee	-	-	-
Net investment income	-	1,439,204	(1,439,204)
Benefit payments	(621,678)	(621,678)	-
Administrative expense	-	(14,294)	14,294
<b>Net changes</b>	<u>1,487,313</u>	<u>1,857,626</u>	<u>(370,313)</u>
<b>Balances at 6/30/23</b>	<u>\$ 23,577,433</u>	<u>\$ 17,192,477</u>	<u>\$ 6,384,956</u>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability calculated using the discount of 7.25 percent the measurement period of June 30, 2025, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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	June 30, 2025		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	<u>\$ 10,252,405</u>	<u>\$ 6,536,693</u>	<u>\$ 3,415,249</u>

The following presents the net pension liability calculated using the discount of 7.25 percent the measurement period of June 30, 2024, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	June 30, 2024		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	<u>\$ 9,835,965</u>	<u>\$ 6,379,970</u>	<u>\$ 3,481,204</u>

The following presents the net pension liability calculated using the discount of 7.25 percent for the measurement period of June 30, 2023, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	June 30, 2023		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	<u>\$ 9,568,700</u>	<u>\$ 6,384,956</u>	<u>\$ 3,714,765</u>

*Net Pension Liability.* The System's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Individual Entry-age normal, level percent of compensation
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years as of 7/1/2024
Asset valuation method	Five-year asset average spreading investment gains and losses
Salary increases	4.00% per annum
Cost of Living increases	2.00% per annum
Investment rate of return	7.25% per annum
Retirement assumption	Earliest unreduced retirement age
Mortality table	Pre-retirement: RP2014 Total Dataset Generational Table with MP2021 Improvement Post-retirement: TCRS Mortality Table

The actuarial assumptions used in the July 1, 2024 and July 1, 2023 valuations were based on the results of an actuarial experience study for the periods July 1, 2023 through June 30, 2024 and July 1, 2022 through June 30, 2023.

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*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employees do not 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 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.

*Long-term expected rate of return on pension plan investments.* The long-term expected rate of return on pension 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 pension 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 and 2024 are summarized in the following tables:

**June 30, 2025**

<b>Asset Class</b>	<b>Long-Term Expected</b>	
	<b>Real Rate of Return</b>	<b>Target Allocation</b>
US Equity - Large Cap	5.67%	23%
US Equity - Small/Mid Cap	6.89%	30%
Non-US Equity - Developed	6.48%	9%
Non-US Equity - Emerging	8.36%	8%
US corporate Bonds - Core	2.54%	8%
US corporate Bonds - High Yield	4.31%	5%
Non-US Debt - Developed	1.52%	2%
US Treasuries (Cash Equivalents)	0.98%	2%
TIPS (Inflation-Protected)	1.99%	3%
Real Estate	4.82%	5%
Hedge Funds	3.98%	5%

**June 30, 2024**

<b>Asset Class</b>	<b>Long-Term Expected</b>	
	<b>Real Rate of Return</b>	<b>Target Allocation</b>
US Equity - Large Cap	6.02%	24%
US Equity - Small/Mid Cap	7.04%	32%
Non-US Equity - Developed	6.71%	8%
Non-US Equity - Emerging	8.67%	6%
US corporate Bonds - Core	2.37%	12%
US corporate Bonds - High Yield	4.42%	3%
Non-US Debt - Developed	1.28%	3%
US Treasuries (Cash Equivalents)	0.71%	2%
Real Estate	4.86%	5%
Hedge Funds	3.94%	5%

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*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Directors by a majority vote of its members. It is the policy of the Board of Directors to pursue an investment strategy that reduces risk though the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the asset allocation as of June 30, 2025 and 2024:

	2025		2024	
	Market Value	Percentage of Total	Market Value	Percentage of Total
Cash and cash equivalents	\$ 520,811	2.49%	\$ 410,295	2.13%
Equities	17,433,491	83.30%	15,913,136	82.47%
Fixed income and balanced	<u>2,973,370</u>	<u>14.21%</u>	<u>2,973,370</u>	<u>15.41%</u>
Total	<u>\$ 20,927,672</u>	<u>100.00%</u>	<u>\$ 19,296,801</u>	<u>100.00%</u>

*Concentrations.* The following investments represent more than 5% of the fiduciary net position as of June 30, 2025 and 2024 and are not issued or explicitly guaranteed by the U.S. government:

	2025	2024
AB Discovery Growth A	-	1,464,511
Columbia Mid Cap Value A Series	-	1,679,150
Pioneer Fundamental Growth A	-	2,202,797
MFS International Diversification Class R3	-	1,751,249
Victory Sycamore Small Company A	-	1,264,687
Columbia Dividend Income Fund Class R	-	2,346,901
AB Small Cap Growth Z	1,239,879	
Cohen & Steers Realty Shares Z	1,021,538	
Columbia Dividend Income Fund, 3 Class	2,486,071	
Columbia Select Mid Cap Growth I3	1,874,195	
Franklin Small Cap Value Fund Class R6	1,457,974	
JPMorgan Large Cap Growth Fund Class R6	2,340,715	
The Merger Fund VL	1,015,037	
MFS Mid Cap Growth Fund Class R6	1,683,680	
Fidelity Advisor Emerging Markets Fund	1,720,022	
MFS International Diversification Class R6	1,866,988	

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the measurement period ended June 30, 2024, the Authority recognized pension expense of \$1,018,861. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,156,765	\$ 114,284
Changes of assumptions	15,051	275,194
Net difference between projected and actual earnings on pension plan investments	191,113	-
Contributions subsequent to the measurement date of June 30, 2024	1,094,139	-
Total	\$ 2,457,068	\$ 389,478

Contributions subsequent to the measurement date will be recognized as expenses in the subsequent period.

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

<b>Year ended June 30:</b>	
2025	\$ (15,935)
2026	676,568
2027	(130,045)
2028	(61,793)
2029	98,330
Thereafter	406,325

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the measurement period ended June 30, 2023, the Authority recognized pension expense of \$1,248,030. At June 30, 2024, the Authority 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	\$ 560,628	\$ 131,336
Changes of assumptions	24,171	323,357
Net difference between projected and actual earnings on pension plan investments	891,232	-
Contributions subsequent to the measurement date of June 30, 2023	975,960	-
Total	\$ 2,451,991	\$ 454,693

Contributions subsequent to the measurement date will be recognized as expenses in the subsequent period.

*Rate of Return.* For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.86%. For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.00%. For the year ended June 30, 2023, the annual

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money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**B. Deferred Compensation Plan**

Effective July 1, 2007, the Authority established a deferred compensation plan known as the Bolivar Energy Authority Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The deferred compensation plan is available to all employees, with the exception of leased employees. Eligible employees may participate and defer compensation under this plan as of their hire date. Maximum amounts of annual deferrals to the deferred compensation plan are governed by the Internal Revenue Code Section 457(e)(15). The purpose of the Plan is to enable employees who become covered under the Plan to enhance their retirement security by permitting them to enter into agreements with the Authority to defer a portion of the compensation and receive benefits at retirement, separation from service, death, or in the event of financial hardship due to unforeseeable emergencies.

**C. Power Contract**

The Authority has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system 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 furnishings, advancing, lending, pledging or otherwise diverting Authority funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

**D. Risk Management**

The Authority 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 June 30, 2025, and 2024, the Authority 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 provided.

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

The Authority sponsors a single-employer defined medical benefit post-retirement plan known as the Bolivar Energy Authority's OPEB Plan.

**Plan Description**

The Board of Directors has the authority to establish the benefit provisions and may amend them as necessary. The plan provides medical, dental, and vision insurance to eligible retirees and medical and vision insurance to eligible retirees' spouses. In July 2018, the Board of Directors passed a resolution to start funding a trust for the Authority's OPEB Plan. The Plan's trust was established in December 2018, is maintained at Commercial Bank and Trust, and is administered by the Authority.

Any employee retiring after age 57 with at least 30 years of service has the option to maintain health insurance after they retire, until they reach age 65.

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**Funding Policy**

The Authority intends to continue its policy of funding OPEB liabilities through annual contributions to the trust. The Authority is not subject to statutorily or contractually required contributions; therefore, an actuarially determined contribution has not been developed for any purpose.

**Annual OPEB Cost and Net OPEB Obligation**

*Changes in System's Net OPEB Liability.* Changes in the System's net OPEB liability measured at June 30, 2025 and 2024 are detailed in the following tables.

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(c) Non-Trust Contributions	(a) - (b) - (c) OPEB Liability
Balances as of 6/30/2024	\$ 5,694,450	\$ 658,454	\$ -	\$ 5,035,996
Service Cost	118,741	-	-	118,741
Interest	370,777	-	-	370,777
Changes in Benefit Terms	-	-	-	-
Difference Between Actual and Expected	(301,333)	17,129		(318,462)
Contributions - employer	-	120,000	70,309	(190,309)
Expected Investment Income	-	42,800	-	(42,800)
Changes in Assumptions and Other Inputs	(153,404)	-		(153,404)
Benefit Payments	(165,828)	(95,519)	(70,309)	-
Net Changes	(131,047)	84,410	-	(215,457)
Balances as of 6/30/2025	<u>\$ 5,563,403</u>	<u>\$ 742,864</u>	<u>\$ -</u>	<u>\$ 4,820,539</u>

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(c) Non-Trust Contributions	(a) - (b) - (c) OPEB Liability
Balances as of 6/30/2023	\$ 5,407,307	\$ 517,881	\$ -	\$ 4,889,426
Service Cost	106,168	-	-	106,168
Interest	352,877	-	-	352,877
Changes in Benefit Terms	-	-	-	-
Difference Between Actual and Expected	-	33,699		(33,699)
Contributions - employer	-	120,000	125,114	(245,114)
Expected Investment Income	-	33,662		(33,662)
Changes in Assumptions and Other Inputs	-	-		-
Benefit Payments	(171,902)	(46,788)	(125,114)	-
Net Changes	287,143	140,573	-	146,570
Balances as of 6/30/2024	<u>\$ 5,694,450</u>	<u>\$ 658,454</u>	<u>\$ -</u>	<u>\$ 5,035,996</u>

**Actuarial Methods and Assumptions**

The valuation was based on information provided by Bolivar Energy Authority as of July 1, 2024.

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**Plan Membership**

Number of Participants	June 30, 2025	June 30, 2024
Actives	48	46
Inactives (Not Receiving Benefits)	0	0
Inactives (Receiving Benefits)	10	9
Total Participants	58	55

**Benefits Provided**

Eligibility is attained at 57 with 30 years of service. The System pays 100% of the employee medical, dental, and vision premiums until Medicare eligible.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	A discount rate of 6.50% was used as of June 30, 2024. A discount rate of 7.00% was used as of June 30, 2025.
Mortality	PUB-2010 headcount-weighted fully generational table projected generationally using projection scale MP-2021
Retirement rate	It was assumed that 100% of eligible employees would retire by age 57.
Participation rate	It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement
Inflation rate	2.50% annually
Per capita claims cost	Based on the premium levels of the plan utilized. Actual premiums were used as an approximation to claims experience. Aging factors were then applied to the plan premiums to produce age-related per-capita claim rates.
Salary Increases	3.50% annually
Health Trend	Health Trend rate is 8.00% and reduced by .50% each year after until 5.00% is reached.
Coverage Assumptions	70% of male and 70% of female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. Male spouses are three years older than their wives and female spouses are three years younger than the retiree.
Payroll Growth	2.50% annually

***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:

**BOLIVAR ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

<b>As of June 30, 2025</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	(6.50%) decreasing to 4.00%)	(7.50%) decreasing to 5.00%)	(8.50%) decreasing to 6.00%)
Net OPEB Liability	<u>\$ 4,012,630</u>	<u>\$ 4,820,539</u>	<u>\$ 5,832,861</u>

<b>As of June 30, 2024</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	(5.00%) decreasing to 4.00%)	(6.00%) decreasing to 5.00%)	(7.00%) decreasing to 6.00%)
Net OPEB Liability	<u>\$ 4,150,390</u>	<u>\$ 5,035,996</u>	<u>\$ 6,155,067</u>

***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:

<b>As of June 30, 2025</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	6.00%	7.00%	8.00%
Net OPEB Liability	<u>\$ 5,724,567</u>	<u>\$ 4,820,539</u>	<u>\$ 4,089,944</u>

<b>As of June 30, 2024</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	5.50%	6.50%	7.50%
Net OPEB Liability	<u>\$ 5,975,671</u>	<u>\$ 5,035,996</u>	<u>\$ 4,277,997</u>

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

For the year ended June 30, 2025, the System recognized OPEB expense of \$270,787. For the year ended June 30, 2024, the System recognized OPEB expense of \$305,118. At June 30, 2025, the System reported deferred inflows of resources related to OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 262,061	\$ 627,004
Experience Gain	13,584	546,843
Investment Gain	-	22,157
Total	<u>\$ 275,645</u>	<u>\$ 1,196,004</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows as of the fiscal year ending:

**BOLIVAR ENERGY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

Year ending June 30,		\$
2026	\$	(168,442)
2027		(186,405)
2028		(183,305)
2029		(176,565)
2030		(90,106)
Thereafter		(115,536)

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

At June 30, 2024, the System reported deferred inflows of resources related to OPEB liability from the following sources:

	<u>June 30, 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 302,665	\$ 600,992
Experience Gain	15,601	333,879
Investment Gain	-	7,819
Total	<u>\$ 318,266</u>	<u>\$ 942,690</u>

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.

*Long-Term Expected Rate or Return.* The long-term expected rate of return on OPEB plan investments is based on the real rates of return, the asset allocation percentages, and a 2.50% inflation rate. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 and 2024 are summarized in the following tables:

<b>June 30, 2025</b>		<b>Long-Term Expected</b>	
<b>Asset Class</b>	<b>Real Rate of Return</b>	<b>Target Allocation</b>	
US Equity - Large Cap	5.81%	14.58%	
US Equity - Small/Mid Cap	7.06%	68.22%	
Non-US Equity - Developed	6.64%	17.20%	
US corporate Bonds - Core	2.60%	8.00%	
US corporate Bonds - High Yield	4.42%	13.00%	
US Treasuries (Cash Equivalents)	1.00%	5.00%	
Real Estate	4.94%	5.00%	

**BOLIVAR ENERGY AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2025 and 2024

**June 30, 2024**

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
US Equity - Large Cap	5.59%	28%
US Equity - Small/Mid Cap	6.62%	36%
Non-US Equity - Developed	6.41%	5%
US corporate Bonds - Core	1.12%	16%
US corporate Bonds - High Yield	3.15%	5%
US Treasuries (Cash Equivalents)	-0.32%	5%
Real Estate	5.29%	5%

*Payment of Benefits.* Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2025 and 2024, no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2025 and 2024 administrative expenses paid were \$0 and \$0.

**F. Subsequent Events**

Management has evaluated subsequent events through December 15, 2025, the date in which the financial statements were available to be issued.

**G. Correction of an Error**

Beginning net assets of the Authority as of June 30, 2024, were restated for the correction of errors. The adjustments principally relate to recording of accumulated depreciation due to under depreciated assets in prior periods.

	<u>Accounts Affected by Adjustments to and Restatements of Beginning Balances</u>	
	<u>Accumulated Depreciation</u>	<u>Net Position</u>
June 30, 2024, as previously reported	(29,686,455)	(13,033,447)
Error correction	(935,431)	935,431
June 30, 2025 as restated	(30,621,886)	(12,098,016)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
For the Years Ended June 30,

Measurement Period Ended	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total pension liability</b>										
Service cost	\$ 462,123	\$ 417,121	\$ 409,996	\$ 394,593	\$ 397,925	\$ 380,846	\$ 331,891	\$ 312,595	\$ 332,046	\$ 277,107
Interest	1,847,939	1,712,570	1,609,117	1,530,207	1,408,780	1,313,156	1,084,285	1,003,042	928,189	759,753
Changes in benefit terms	-	-	103,725	-	-	-	1,963,149	-	-	1,518,721
Differences between actual & expected experience	800,851	748,954	(13,847)	(60,406)	550,366	(63,881)	(36,300)	(6,447)	(10,217)	385,961
Change of assumptions	-	(20,235)	-	-	-	-	(7,292)	-	-	(846,769)
Benefit payments, including refunds of employee contributions	(1,323,319)	(759,072)	(621,678)	(955,264)	(411,990)	(247,406)	(208,952)	(206,872)	(189,659)	(211,509)
<b>Net change in total pension liability</b>	<b>1,787,594</b>	<b>2,099,338</b>	<b>1,487,313</b>	<b>909,130</b>	<b>1,945,081</b>	<b>1,382,715</b>	<b>3,126,781</b>	<b>1,102,318</b>	<b>1,060,359</b>	<b>1,883,264</b>
<b>Total pension liability - beginning</b>	<b>25,676,771</b>	<b>23,577,433</b>	<b>22,090,120</b>	<b>21,180,990</b>	<b>19,235,909</b>	<b>17,853,194</b>	<b>14,726,413</b>	<b>13,624,095</b>	<b>12,563,736</b>	<b>10,680,472</b>
<b>Total pension liability - ending (a)</b>	<b>27,464,365</b>	<b>25,676,771</b>	<b>23,577,433</b>	<b>22,090,120</b>	<b>21,180,990</b>	<b>19,235,909</b>	<b>17,853,194</b>	<b>14,726,413</b>	<b>13,624,095</b>	<b>12,563,736</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 1,094,139	\$ 975,960	\$ 1,054,394	\$ 895,642	\$ 973,625	\$ 972,733	\$ 969,839	\$ 1,220,729	\$ 1,401,712	\$ 845,019
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	1,876,862	1,901,438	1,439,204	(2,677,336)	4,455,907	184,927	588,391	893,501	1,013,127	(97,483)
Benefit payments, including refunds of employee contributions	(1,323,319)	(759,072)	(621,678)	(955,264)	(411,990)	(247,406)	(208,952)	(206,872)	(189,659)	(211,509)
Administrative expense	(16,811)	(14,002)	(14,294)	(15,642)	(13,625)	(12,603)	(9,839)	(10,729)	(7,581)	(15,015)
Other	-	-	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>1,630,871</b>	<b>2,104,324</b>	<b>1,857,626</b>	<b>(2,752,600)</b>	<b>5,003,917</b>	<b>897,651</b>	<b>1,339,439</b>	<b>1,896,629</b>	<b>2,217,599</b>	<b>521,012</b>
<b>Plan fiduciary net position - beginning</b>	<b>19,296,801</b>	<b>17,192,477</b>	<b>15,334,851</b>	<b>18,087,451</b>	<b>13,083,534</b>	<b>12,185,883</b>	<b>10,846,444</b>	<b>8,949,815</b>	<b>6,732,216</b>	<b>6,211,204</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>20,927,672</b>	<b>19,296,801</b>	<b>17,192,477</b>	<b>15,334,851</b>	<b>18,087,451</b>	<b>13,083,534</b>	<b>12,185,883</b>	<b>10,846,444</b>	<b>8,949,815</b>	<b>6,732,216</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 6,536,693</b>	<b>\$ 6,379,970</b>	<b>\$ 6,384,956</b>	<b>\$ 6,755,269</b>	<b>\$ 3,093,539</b>	<b>\$ 6,152,375</b>	<b>\$ 5,667,311</b>	<b>\$ 3,879,969</b>	<b>\$ 4,674,280</b>	<b>\$ 5,831,520</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	76.20%	75.15%	72.92%	69.42%	85.39%	68.02%	68.26%	73.65%	65.69%	53.58%
<b>Covered-employee payroll</b>	\$ 3,212,146	\$ 3,182,710	\$ 2,895,735	\$ 2,841,510	\$ 2,711,292	\$ 2,747,323	\$ 2,631,022	\$ 2,604,935	\$ 2,453,329	\$ 2,595,812
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	203.50%	200.46%	220.50%	237.74%	114.10%	223.94%	215.40%	148.95%	190.53%	224.65%

Assumption changes: None noted

See independent auditor's report

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
Fiscal Years Ending June 30,

Measurement Period Ended	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,087,692	\$ 973,074	\$ 798,315	\$ 793,965	\$ 881,883	\$ 810,436	\$ 644,415	\$ 719,624	\$ 782,538	\$ 692,043
Contributions made	<u>1,094,139</u>	<u>975,960</u>	<u>1,054,394</u>	<u>895,642</u>	<u>973,625</u>	<u>972,733</u>	<u>969,839</u>	<u>1,220,729</u>	<u>1,401,712</u>	<u>845,019</u>
Contribution deficiency (excess)	<u>\$ (6,447)</u>	<u>\$ (2,886)</u>	<u>\$ (256,079)</u>	<u>\$ (101,677)</u>	<u>\$ (91,742)</u>	<u>\$ (162,297)</u>	<u>\$ (325,424)</u>	<u>\$ (501,105)</u>	<u>\$ (619,174)</u>	<u>\$ (152,976)</u>
<b>Covered-employee payroll</b>	\$ 3,212,146	\$ 3,182,710	\$ 2,895,735	\$ 2,841,510	\$ 2,711,292	\$ 2,747,323	\$ 2,631,022	\$ 2,604,935	\$ 2,453,329	\$ 2,595,812
<b>Contributions as a percentage of covered-employee payroll</b>	34.06%	30.66%	36.41%	31.52%	35.91%	35.41%	36.86%	46.86%	57.14%	32.55%

**Notes to schedule:**

Valuation date:

Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July 1)

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual Entry Age Normal, level percentage of compensation
Amortization method:	Level dollar amortization
Remaining amortization period:	19 years as of 7/1/2025
Asset valuation method:	Five-year asset average spreading investment gains and losses
Salary increases:	4.00% per annum
Cost of living increases	2.00% per annum
Investment rate of return	7.25 % per annum
Retirement age:	Earliest unreduced retirement age
Mortality:	Pre-retirement: RP2014 Total Dataset Generational Table with MP2021 Improvement Post-retirement: TCRS mortality table

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF INVESTMENT RETURNS - PENSION PLAN**  
Fiscal Years Ending June 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.86%	11.00%	9.25%	-14.96%	33.45%	1.48%	5.26%	9.46%	14.10%	-1.41%

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
For the Years Ended June 30,

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>								
Service cost	\$ 118,741	\$ 106,168	\$ 93,242	\$ 86,656	\$ 86,075	\$ 47,313	\$ 101,966	\$ 114,126
Interest	370,777	352,877	334,882	313,244	298,962	167,047	121,759	117,756
Changes in benefit terms	-	-	-	-	2,518,348	-	-	-
Differences between expected and actual experience	(301,333)	-	19,635	-	(414,630)	(622)	(182,220)	-
Changes in assumptions and other inputs	(153,404)	-	334,572	-	(265,696)	68,024	(864,370)	(96,630)
Benefit Payments	(165,828)	(171,902)	(175,027)	(169,512)	(182,925)	(120,085)	(70,969)	(96,676)
Net Change in Total OPEB Liability	\$ (131,047)	\$ 287,143	\$ 607,304	\$ 230,388	\$ 2,040,134	\$ 161,677	\$ (893,834)	\$ 38,576
<b>Total OPEB liability - beginning</b>	<b>5,694,450</b>	<b>5,407,307</b>	<b>4,800,003</b>	<b>4,569,615</b>	<b>2,529,481</b>	<b>2,367,804</b>	<b>3,261,638</b>	<b>3,223,062</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 5,563,403</b>	<b>\$ 5,694,450</b>	<b>\$ 5,407,307</b>	<b>\$ 4,800,003</b>	<b>\$ 4,569,615</b>	<b>\$ 2,529,481</b>	<b>\$ 2,367,804</b>	<b>\$ 3,261,638</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	120,000	120,000	130,000	110,000	120,000	139,178	122,911	-
Contributions - employee	-	-	-	-	-	-	-	-
Difference between expected and actual experience	17,129	33,699	15,503	(89,833)	37,460	(30,056)	1,365	-
Expected investment income	42,800	33,662	28,144	27,102	15,144	8,812	-	-
Benefit payments, including refunds of employee contributions	(95,519)	(46,788)	(66,632)	(32,039)	-	(19,178)	-	-
Administrative expense	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>84,410</b>	<b>140,573</b>	<b>107,015</b>	<b>15,230</b>	<b>172,604</b>	<b>98,756</b>	<b>124,276</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>658,454</b>	<b>517,881</b>	<b>410,866</b>	<b>395,636</b>	<b>223,032</b>	<b>124,276</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>742,864</b>	<b>658,454</b>	<b>517,881</b>	<b>410,866</b>	<b>395,636</b>	<b>223,032</b>	<b>124,276</b>	<b>-</b>
<b>Non-Trust Contributions and Payments</b>								
Contributions - employer	70,309	125,114	108,395	137,925	182,925	100,907	70,969	-
Benefit payments	(70,309)	(125,114)	(108,395)	(137,925)	(182,925)	(100,907)	(70,969)	-
<b>Total Non-Trust Activities (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net OPEB Liability (Asset) - ending (a) - (b) + (c)</b>	<b>4,820,539</b>	<b>5,035,996</b>	<b>4,889,426</b>	<b>4,389,137</b>	<b>4,173,979</b>	<b>2,306,449</b>	<b>2,243,528</b>	<b>3,261,638</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<b>13.35%</b>	<b>11.56%</b>	<b>9.58%</b>	<b>8.56%</b>	<b>8.66%</b>	<b>8.82%</b>	<b>5.25%</b>	<b>0.00%</b>

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.

*Assumption Change:* The discount rate was 6.50% as of June 30, 2024 and 7.00% as of June 30, 2025. As of June 30, 2024, the pre-65 trend rate was 6.5% initially, grading down to 5.0% in 2026. As of June 30, 2025, and 2024, the post-65 trend rate was 5.00%. As of June 30, 2025 the mortality table was the PUB-2010 headcount-weighted table with Scale MP-2021. As of June 30, 2024, the mortality table was the RPH-2014 headcount-weighted with Scale MP-2021.

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2025

**Notes to OPEB Required Supplementary Information**

*Valuation Date* : June 30, 2025

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

Discount rate: A discount rate of 7.00% was used as of June 30, 2025. The discount rate was based on the Bond Buyer's 20 Bond Index.

Health care cost trend rate: Health care trend rate was 8.00% starting in 2025, and reduced by 0.50% each year after until 5.00% is reached.

Mortality: PUB-2010 headcount-weighted fully generational table projected generationally using projection scale MP-2021.

Termination rates:	<b>Age:</b>	25	30	35	40	45	50	55+
	<b>Rate:</b>	9.00%	7.50%	6.00%	4.50%	3.00%	1.50%	0.00%

Disability rates: None

Retirement rates: Age: 57; Rate 100%

Participation rate: 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Percent married: 70% of the male and 70% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. Male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Participant salary increases: 3.50% annually

Payroll growth rate: 2.50% annually

Inflation rate: 2.50% annually

Per capita claims cost: Based on the premiums levels of the plans utilized. Actual premiums were used as an approximation to claims experience. Aging factors were then applied to the plan premiums to produce age-related per-capita claim rates.

Actuarial cost method: Entry Age Normal

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN**  
Fiscal Years Ending June 30,

	2025	2024	2023	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expenses	-4.98	12.03%	-4.79%	-14.36%	18.75%	-1.19%	3.44%

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 is available.

*See independent auditor's report*

**SUPPLEMENTARY AND OTHER  
INFORMATION SECTION**

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULES OF OPERATING REVENUES AND EXPENSES**

For the Years Ended June 30,

	<u>2025</u>		<u>2024</u>	
	<u>Actual</u>	<u>Percent</u>	<u>Actual</u>	<u>Percent</u>
<b>Operating revenues</b>				
Charges for sales and services:				
Residential sales	\$ 17,376,679	52.47	\$ 16,520,443	52.88
Small lighting and power sales	3,994,753	12.06	3,833,101	12.27
Large lighting and power sales	8,461,650	25.55	8,193,594	26.23
General power credit	(540,778)	(1.63)	(426,113)	(1.36)
Street and athletic lighting sales	75,542	0.23	72,776	0.23
Outdoor lighting	831,669	2.51	716,659	2.29
Uncollectible accounts	(9,915)	(0.03)	(10,055)	(0.03)
Total charges for sales and services	<u>30,189,600</u>	<u>91.16</u>	<u>28,900,405</u>	<u>92.52</u>
Other revenues:				
Forfeited discounts	151,727	0.46	146,056	0.47
Miscellaneous service revenue	2,510,468	7.58	1,826,959	5.85
Rent from electric property	266,161	0.80	365,668	1.16
Total other revenues	<u>2,928,356</u>	<u>8.84</u>	<u>2,338,683</u>	<u>7.48</u>
<b>Total operating revenues</b>	<b><u>\$ 33,117,956</u></b>	<b><u>100.00</u></b>	<b><u>\$ 31,239,088</u></b>	<b><u>100.00</u></b>
<b>Operating expenses</b>				
Cost of sales and services:				
Purchased power	\$ 20,117,511	60.75	\$ 19,018,654	60.88
Operations expenses:				
Distribution expenses:				
Station expense	46,315	0.14	32,101	0.10
Overhead line expense	1,018,261	3.07	1,017,051	3.26
Meter expense	113,398	0.34	154,956	0.50
Consumer installations	19,649	0.06	17,588	0.06
Miscellaneous distribution expense	70,044	0.21	62,325	0.20
Rent expense	61,574	0.19	62,779	0.20
Total distribution expenses	<u>1,329,241</u>	<u>4.01</u>	<u>1,346,800</u>	<u>4.32</u>
Customer accounts expenses:				
Meter reading	110,044	0.33	139,048	0.45
Consumer records and collection expense	860,100	2.60	871,001	2.79
Total customer accounts expenses	<u>970,144</u>	<u>2.93</u>	<u>1,010,049</u>	<u>3.24</u>

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULES OF OPERATING REVENUES AND EXPENSES**

For the Years Ended June 30,

	<b>2025</b>		<b>2024</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Sales expenses:				
Customer assistance	38,505	0.12	32,836	0.11
Advertising	50,232	0.15	54,168	0.17
Miscellaneous	15,250	0.05	15,000	0.05
Total sales expenses	<u>103,987</u>	<u>0.32</u>	<u>102,004</u>	<u>0.33</u>
Administrative expenses:				
Salaries	1,157,756	3.50	1,106,464	3.54
Office supplies and expense	604,448	1.83	538,116	1.72
Outside services	83,335	0.25	63,370	0.20
Insurance	218,390	0.66	217,808	0.70
Employee pension and benefits	459,786	1.39	694,956	2.22
Miscellaneous	71,419	0.22	112,607	0.36
Total administrative expenses	<u>2,595,134</u>	<u>7.85</u>	<u>2,733,321</u>	<u>8.74</u>
Total operations expense	<u>4,998,506</u>	<u>15.11</u>	<u>5,192,174</u>	<u>16.63</u>
Maintenance expenses:				
Distribution expenses:				
Substation distribution	329,206	0.99	219,395	0.70
Overhead lines	690,132	2.08	747,123	2.39
Right-of-way	1,318,590	3.98	1,371,221	4.39
Line transformers	209,619	0.63	171,798	0.55
Street lighting and signal system	346,540	1.05	320,133	1.02
Meters	3,955	0.01	1,126	-
Total distribution expenses	<u>2,898,042</u>	<u>8.74</u>	<u>2,830,796</u>	<u>9.05</u>
General plant and equipment	<u>13,688</u>	<u>0.04</u>	<u>28,759</u>	<u>0.09</u>
Total maintenance expenses	<u>2,911,730</u>	<u>8.78</u>	<u>2,859,555</u>	<u>9.14</u>
Depreciation	<u>2,322,211</u>	<u>7.01</u>	<u>1,869,635</u>	<u>5.98</u>
Tax equivalent payments	<u>823,430</u>	<u>2.49</u>	<u>757,799</u>	<u>2.43</u>
<b>Total operating expenses</b>	<b><u>\$ 31,173,388</u></b>	<b><u>94.14</u></b>	<b><u>\$ 29,697,817</u></b>	<b><u>95.06</u></b>

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY  
ELECTRIC RATES IN FORCE**

June 30, 2025

**Residential rate schedule**

Customer charge - per delivery point per month	\$	26.43
Energy charge - cents per kWh		
First 800 kWh per month		0.13821
Additional kWh		0.10421

**General power schedule**

<b>GSA1 (0-50 kW demand and less than 15,000 kWh)</b>		
Customer charge - per delivery point per month		28.87
Energy charge - cents per kWh		
First 1500 kWh per month		0.14847
Additional kWh		0.11255
<b>GSA2 (51-1000 kW demand or more than 15,000 kWh)</b>		
Customer charge per delivery point per month		268.54
Demand charges - per kW per month		
First 50 kW		11.86
Excess over 50 kW		22.93
Energy charge - cents per kWh		
First 15,000 kWh per month		0.08022
Additional kWh per month		0.07867
<b>GSA3 (over 1,000 kW)</b>		
Customer charge per delivery point per month		1,267.03
First 1,000 kW		26.16
Excess over 1000 kW		10.83
Energy charge - cents per kWh		0.07848

**Outdoor Lighting**

100 watt HPS		8.55
250 watt HPS		16.22
400 watt MH		23.62
60 watt LED		6.58

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**HISTORICAL INFORMATION - UNAUDITED**  
For the Fiscal Years Ended June 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>					
Residential	\$ 17,366,764	\$ 16,510,388	\$ 17,250,281	\$ 16,098,311	\$ 15,096,086
Commercial	3,994,753	3,833,101	3,889,600	3,618,054	3,336,348
Industrial	7,920,872	7,767,481	7,955,674	7,340,016	6,690,586
Street and outdoor lighting	907,211	789,435	817,272	775,178	744,639
Other operating	2,928,356	2,338,683	907,051	579,072	473,095
Interest and other revenue	349,386	466,222	518,190	63,340	32,923
	<u>\$ 33,467,342</u>	<u>\$ 31,705,310</u>	<u>\$ 31,338,068</u>	<u>\$ 28,473,971</u>	<u>\$ 26,373,677</u>
<b>Expense</b>					
Electric power costs	20,117,511	19,018,654	20,307,882	18,380,401	16,943,850
Other operating expenses	7,910,236	8,051,729	6,722,308	5,840,419	9,115,322
Provision for depreciation	2,322,211	1,869,635	1,849,180	1,679,841	1,654,829
Tax equivalents and transfers	823,430	757,799	681,953	673,901	717,943
Interest and other expense	627,899	606,404	968,947	282,722	207,457
	<u>31,801,287</u>	<u>30,304,221</u>	<u>30,530,270</u>	<u>26,857,284</u>	<u>28,639,401</u>
Net Income (Loss)	<u>\$ 1,666,055</u>	<u>\$ 1,401,089</u>	<u>\$ 807,798</u>	<u>\$ 1,616,687</u>	<u>\$ (2,265,724)</u>
<b>Financial</b>					
Plant in service (at original cost)	<u>\$ 70,793,573</u>	<u>\$ 64,565,989</u>	<u>\$ 61,139,666</u>	<u>\$ 50,728,456</u>	<u>\$ 48,837,708</u>
<b>Power in use - KWH</b>					
Residential	124,215,952	124,103,203	124,123,001	127,011,933	127,061,305
Commercial	24,852,447	25,248,426	24,666,768	24,898,470	24,053,595
Industrial	64,330,416	65,948,614	66,402,032	67,102,609	62,899,457
Other Customers	4,068,528	4,192,147	4,272,294	4,344,115	4,426,398
Total	<u>217,467,343</u>	<u>219,492,390</u>	<u>219,464,095</u>	<u>223,357,127</u>	<u>218,440,755</u>
<b>Number of customers</b>					
Residential	8,902	8,968	8,948	8,940	8,906
Small commercial	2,370	2,330	2,313	2,249	2,236
Large commercial	107	105	102	97	100
Street and athletic	13	13	13	13	13
Outdoor lighting - Code 78	8	7	12	12	10
	<u>11,400</u>	<u>11,423</u>	<u>11,388</u>	<u>11,311</u>	<u>11,265</u>
<b>Line Loss</b>	<u>3.09%</u>	<u>3.39%</u>	<u>4.38%</u>	<u>6.34%</u>	<u>6.34%</u>

See independent auditor's report

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF LONG-TERM DEBT**  
June 30, 2025

Year Ended June 30,	Revenue Bond Series 2021		Revenue Bond Series 2022		Revenue Bond 2023		Series	Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest		Principal	Interest	
2026	550,000	158,913	150,000	329,268	185,000	95,000	885,000	583,181	1,468,181	
2027	550,000	142,413	175,000	323,268	190,000	86,213	915,000	551,894	1,466,894	
2028	485,000	125,913	235,000	316,268	200,000	77,188	920,000	519,369	1,439,369	
2029	485,000	111,363	245,000	306,868	210,000	67,688	940,000	485,919	1,425,919	
2030	485,000	74,613	260,000	297,068	220,000	57,713	965,000	429,394	1,394,394	
2031	375,000	67,338	270,000	286,668	230,000	47,263	875,000	401,269	1,276,269	
2032	375,000	61,713	280,000	275,868	245,000	36,338	900,000	373,919	1,273,919	
2033	375,000	56,650	290,000	264,668	255,000	24,700	920,000	346,018	1,266,018	
2034	370,000	51,400	305,000	253,068	265,000	12,588	940,000	317,056	1,257,056	
2035	370,000	51,400	315,000	240,868	-	-	685,000	292,268	977,268	
2036	370,000	51,400	325,000	231,418	-	-	695,000	282,818	977,818	
2037	370,000	51,400	335,000	221,668	-	-	705,000	273,068	978,068	
2038	275,000	44,000	345,000	211,618	-	-	620,000	255,618	875,618	
2039	275,000	38,500	355,000	201,268	-	-	630,000	239,768	869,768	
2040	275,000	33,000	365,000	190,618	-	-	640,000	223,618	863,618	
2041	275,000	27,500	375,000	179,668	-	-	650,000	207,168	857,168	
2042	275,000	22,000	390,000	168,418	-	-	665,000	190,418	855,418	
2043	275,000	16,500	400,000	156,718	-	-	675,000	173,218	848,218	
2044	275,000	11,000	415,000	144,218	-	-	690,000	155,218	845,218	
2045	275,000	5,500	425,000	131,250	-	-	700,000	136,750	836,750	
2046	-	-	445,000	117,438	-	-	445,000	117,438	562,438	
2047	-	-	460,000	102,976	-	-	460,000	102,976	562,976	
2048	-	-	475,000	88,026	-	-	475,000	88,026	563,026	
2049	-	-	485,000	71,400	-	-	485,000	71,400	556,400	
2050	-	-	500,000	54,426	-	-	500,000	54,426	554,426	
2051	-	-	520,000	36,926	-	-	520,000	36,926	556,926	
2052	-	-	535,000	18,737	-	-	535,000	18,737	553,737	
	<u>\$ 7,360,000</u>	<u>\$ 1,202,516</u>	<u>\$ 9,675,000</u>	<u>\$ 5,220,671</u>	<u>\$ 2,000,000</u>	<u>\$ 504,691</u>	<u>\$ 19,035,000</u>	<u>\$ 6,927,878</u>	<u>\$ 25,962,878</u>	

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
June 30, 2025

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/24	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/25
Revenue Bond Series 2023	\$ 2,100,000	4.75%	December 1, 2023	May 1, 2034	\$ 2,100,000	\$ -	\$ 100,000	\$ -	\$ 2,000,000
Revenue Bond Series 2022	9,775,000	3.0% - 4.0%	April 22, 2022	May 1, 2052	9,775,000	-	100,000	-	9,675,000
Revenue Bond Series 2021	9,560,000	1.35% - 3.0%	April 30, 2021	May 1, 2045	7,910,000	-	550,000	-	7,360,000
	<u>\$ 21,435,000</u>				<u>\$ 19,785,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 19,035,000</u>

*See independent auditor's report*

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2025

	Contract Number	ALN Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b>United States Department of Treasury</b>			
Passed through the State of Tennessee			
Department of Human Services			
Coronavirus Relief Fund	1664	21.027*	\$ <u>1,333,106</u>
<b>Total Federal Awards</b>			<b>\$ <u>1,333,106</u></b>

\* Denotes major program

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the full accrual basis of accounting whereby expenditures are recorded when the related 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 Authority 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**



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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With Government Auditing Standards**

Board of Directors  
Bolivar Energy Authority  
Bolivar, 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 business type activities and the aggregate remaining fund information of the Bolivar Energy Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 15, 2025.

**Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 over financial reporting 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*ATA, PC*

Jackson, Tennessee  
December 15, 2025



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**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Bolivar Energy Authority  
Bolivar, Tennessee

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Bolivar Energy Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2025. Bolivar Energy Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bolivar Energy Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
  
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bolivar Energy Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
  
- Obtain an understanding of Bolivar Energy Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bolivar Energy Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

*ATA, PC*

Jackson, Tennessee  
December 15, 2025

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2025

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ x no
Significant deficiency(ies) identified?	_____ yes	_____ x none reported
Noncompliance material to financial statements noted?	_____ yes	_____ x no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	_____ x no
Significant deficiency(ies) identified?	_____ yes	_____ x none reported

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)	_____ yes	_____ x no
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Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus Relief Fund

Dollar Threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
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Auditee qualified as a low-risk auditee	_____ yes	_____ x no
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**BOLIVAR ENGERGY AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2025

**Section II – Financial Statement Findings**

There are no financial statement findings to report in the current year.

**Section III – Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report in the current year.

**BOLIVAR ENERGY AUTHORITY**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
June 30, 2025

**Financial Statement Findings**

No finding was reported.

**Federal Award Finding and Questioned Costs**

None reported.



**APPENDIX E**

**BOND INSURANCE  
AND  
SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## BOND INSURANCE



### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). 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 as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59<sup>th</sup> Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: [www.bambonds.com](http://www.bambonds.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.bambonds.com](http://www.bambonds.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

28 Liberty Street, 59<sup>th</sup> Floor  
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN