

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 2, 2026
SERIES 2026 BONDS TO BE SOLD FEBRUARY 10, 2026, AT 10:00 A.M. CENTRAL TIME

New Issue
Book-Entry Only

Rating: S&P "AA" (BAM Insured)
Moody's "A1" (Underlying)

This Official Statement has been prepared by the City of McMinnville, Tennessee and provides information on the Series 2026 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.



\$9,250,000*
CITY OF MCMINNVILLE, TENNESSEE
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026

Dated: Date of Delivery

Due: January 1, as shown below*

Tax Exemption:

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Series 2026 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax except for certain corporations, as more fully described herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2026 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2026 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 "TAX MATTERS".

Interest Payment Dates:

January 1 and July 1, beginning July 1, 2026*

Denominations:

Multiples of \$5,000

Redemption:

Series 2026 Bonds maturing on or after January 1, 2036 are callable at par at any time in any amount on or after January 1, 2035*. See "DESCRIPTION OF THE SERIES 2026 BONDS – Optional Redemption".

Security:

The Series 2026 Bonds are payable solely from and secured by a first and senior lien on the revenues of the Municipality's electrical power transmission and distribution system (the "System"), after payment of operating expenses. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2026 BONDS".

Purpose:

Series 2026 Bond proceeds are being used for (i) financing extensions and improvements to the System (as more fully described herein) and (ii) paying costs of issuance. See "PLAN OF FINANCING".

Bond Counsel:

Bass, Berry & Sims PLC, Nashville, Tennessee

Registration and Paying Agent:

US Bank Trust Company, National Association, Nashville, Tennessee

Municipal Advisor:

Oakdale Municipal Advisors, LLC, Portland, Tennessee. Contact: Julianne Graham (615) 351-4409

Issuer Contact:

Brittany Davis, General Manager (931) 473-3144

Book-Entry Only Form:

The Depository Trust Company

Delivery Date:

Expected February 18, 2026

The scheduled payment of principal and interest on the Series 2026 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2026 Bonds by Build America Mutual Assurance Company.



<u>Maturity (January 1)*</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>	<u>Maturity (January 1)*</u>	<u>Principal*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
2027	\$275,000				2037	\$460,000			
2028	330,000				2038	480,000			
2029	340,000				2039	500,000			
2030	355,000				2040	520,000			
2031	370,000				2041	535,000			
2032	385,000				2042	560,000			
2033	395,000				2043	580,000			
2034	415,000				2044	600,000			
2035	430,000				2045	625,000			
2036	445,000				2046	650,000			



February __, 2026

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion, or amendment without notice. The Series 2026 Bonds 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 a solicitation of an offer to buy, nor shall there be any sale of the Series 2026 Bonds 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.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the Issuer from time to time, is an Official Statement with respect to the Series 2026 Bonds described herein that is deemed final by the Issuer as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2026 Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Issuer or by Oakdale Municipal Advisors, LLC, to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Issuer or the Series 2026 Bonds must not be relied upon as having been authorized by the Issuer or Oakdale Municipal Advisors, LLC. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date as of which information is given in this Official Statement.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2026 Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2026 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the City of McMinnville, Tennessee Electric System Revenue Bonds, Series 2026.

All CUSIP data set forth herein is subject to 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 herein are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2026 Bonds, and the Municipality 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 Series 2026 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 Series 2026 Bonds.

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 "Bond Insurance" and "Appendix G - Specimen Municipal Bond Insurance Policy".

OFFICIALS

CITY OF MCMINNVILLE, TENNESSEE

Ryle Chastain - Mayor

BOARD OF ALDERMEN

Sally Brock

Deitra Dunlap

Steve Harvey - Vice-Mayor

Rachel Kirby

Keri Morton

Kara Youngblood

Nolan Ming – City Administrator

Andrea Gross – City Recorder

Samantha Moore – Finance Director

CITY ATTORNEY

Tim Pirtle, Esq.

McMinnville, Tennessee

BOARD OF PUBLIC UTILITIES

Dr. Jeff McKinley - Chairman

Sally Brock

Deitra Dunlap

Michael Griffith

Bill Locke

Brittany Davis – General Manager

Kendra Matheney – Accounting and Finance Manager

COUNSEL TO THE BOARD OF PUBLIC UTILITIES

Robert Newman, Esq.

McMinnville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC

Nashville, Tennessee

REGISTRATION AND PAYING AGENT

U.S. Bank Trust Company, National Association

Nashville, Tennessee

MUNICIPAL ADVISOR

Oakdale Municipal Advisors, LLC

Portland, Tennessee

UNDERWRITER

TABLE OF CONTENTS

	<u>Page</u>
NOTICE OF SALE	ii
DETAILED NOTICE OF SALE	iii
INTRODUCTION	1
ESTIMATED SOURCES AND USES OF FUNDS	2
DESCRIPTION OF THE SERIES 2026 BONDS	2
GENERAL.....	2
DENOMINATIONS, REGISTRATION, TRANSFERS AND EXCHANGES	3
OPTIONAL REDEMPTION	3
MANDATORY SINKING FUND REDEMPTION	4
NOTICE OF REDEMPTION	4
BOOK-ENTRY ONLY BONDS	4
SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2026 BONDS	6
GENERAL.....	6
PLEDGE OF NET REVENUES.....	6
FUNDS AND ACCOUNTS; FLOW OF FUNDS.....	7
RATE COVENANT.....	7
BOND FUND; NO RESERVE FUND.....	7
PARITY BONDS	7
ADDITIONAL BORROWING PLANS.....	8
BOND INSURANCE	8
DEBT SERVICE SCHEDULE.....	10
LEGAL MATTERS	11
PENDING LITIGATION	11
APPROVAL OF LEGAL PROCEEDINGS	11
TAX MATTERS.....	11
FEDERAL TAXES	11
STATE TAXES.....	13
CHANGES IN FEDERAL AND STATE TAX LAW.....	13
CONTINUING DISCLOSURE.....	13
MISCELLANEOUS	14
RATING.....	14
CLOSING CERTIFICATES	14
MUNICIPAL ADVISOR	14
UNDERWRITING	14
INDEPENDENT AUDITORS	14
ADDITIONAL INFORMATION	15
AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT	16
Appendix A - Summary of Certain Provisions of the Resolution	
Appendix B - Form of Continuing Disclosure Agreement	
Appendix C - Audited Financial Statement of the System for the Fiscal Year Ended June 30, 2025	
Appendix D - Supplemental Information	
Appendix E - Form of Bond Counsel Opinion	
Appendix F - Current Rate Schedule	
Appendix G - Specimen Municipal Bond Insurance Policy	

NOTICE OF SALE

\$9,250,000*

CITY OF McMINNVILLE, TENNESSEE ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026

Notice is hereby given that the City of McMinnville, Tennessee (the "Municipality") will accept electronic bids only for the purchase of all, but not less than all, of the Municipality's \$9,250,000* Electric System Revenue Bonds, Series 2026 (the "Series 2026 Bonds") until:

10:00 A.M. Central Time on Tuesday, February 10, 2026.

Electronic bids must be submitted to PARITY® via BiDCOMP Competitive Bidding System. No other form of electronic bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened and read at such time and place on said day. For the purpose of the electronic bidding process, the time as maintained by BiDCOMP/PARITY® shall constitute the official time with respect to all bids submitted. **The sale on February 10, 2026 may be postponed prior to the time bids are received as published on www.I-dealProspectus.com. If such postponement occurs, a later public sale may be held at the hour and place and on such date as communicated via www.I-dealProspectus.com upon forty-eight hours' notice.** If any provisions of this Notice of Sale conflict with information provided by BiDCOMP/PARITY® as the provider of electronic bidding services, this Notice of Sale shall control.

The Series 2026 Bonds will be dated the date of delivery and will mature on January 1 in the years 2027 through 2046*, inclusive, with term bonds optional. The interest rate or rates on the Series 2026 Bonds shall not exceed five percent (5.00%) per annum and shall be payable semi-annually on January 1 and July 1, commencing July 1, 2026. No bid for the Series 2026 Bonds will be considered for less than one hundred percent (100%) of par or for more than one hundred fifteen (115.00%) of par. The Series 2026 Bonds maturing January 1, 2036 and thereafter are callable on January 1, 2035 and thereafter as provided in the Detailed Notice of Sale. The Series 2026 Bonds will be awarded to the bidder whose bid results in the lowest true interest cost on the Series 2026 Bonds. The Series 2026 Bonds are payable solely from and secured by a first and senior lien on the revenues of the Municipality's electrical power transmission and distribution system, after payment of operating expenses.

After opening the bids, the Municipality reserves the right to increase or decrease the principal amount of each maturity as described in the Detailed Notice of Sale.

In the event the competitive sale requirements of applicable Treasury Regulations are not met, the Municipality will require bidders to comply with the "hold-the-offering-price rule" for purposes of determining the issue price of the Series 2026 Bonds.

The book-entry only Series 2026 Bonds (except that the Series 2026 Bonds shall not be required to be book-entry if purchased by a bidder who does not intend to reoffer the Series 2026 Bonds) and approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, will be furnished at the expense of the Municipality. Additional information, including the Official Statement and Detailed Notice of Sale, may be obtained from the Office of the City Administrator, 101 East Main Street, McMinnville, Tennessee 37110, or from the Municipality's Municipal Advisor, Oakdale Municipal Advisors, LLC, Telephone: 615.351.4409; Electronic Mail: julianne@oakdale-ma.com; Attention: Julianne Graham.

Ryle Chastain
Mayor

*Preliminary, subject to change as provided in the Detailed Notice of Sale.

DETAILED NOTICE OF SALE

\$9,250,000*

CITY OF MCMINNVILLE, TENNESSEE ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026

Time and Place of Sale

Notice is hereby given that the Mayor of the City of McMinnville, Tennessee (the "Municipality") will accept electronic bids only for the purchase of all, but not less than all, of the Municipality's \$9,250,000* Electric System Revenue Bonds, Series 2026 (the "Series 2026 Bonds") until:

10:00 A.M. Central Time on Tuesday, February 10, 2026.

Electronic bids must be submitted to PARITY® via the BiDCOMP Competitive Bidding System. No other form of electronic bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened and read at such time and place on said day. For the purpose of the electronic bidding process, the time as maintained by BiDCOMP/PARITY® shall constitute the official time with respect to all bids submitted. If any provisions of this Notice of Sale conflict with information provided by BiDCOMP/PARITY® as the approved provider of electronic bidding services, this Notice of Sale shall control. ***The sale of all the Series 2026 Bonds on February 10, 2026 may be postponed prior to the time bids are to be received and as published on I-dealProspectus.com. If such postponement occurs, a later public sale may be held at the hour and place and on such date as communicated via I-dealProspectus.com upon forty-eight hours' notice.*** Unless all bids for the Series 2026 Bonds are rejected as set forth in this Detailed Notice of Sale under the heading "Basis of Award," the Series 2026 Bonds will be awarded on such date by the Mayor of the Municipality.

Description of Series 2026 Bonds

The Series 2026 Bonds will be issued in fully registered, book-entry form (except as otherwise provided herein), without coupons, be dated the date of delivery, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or transferor thereof, as appropriate, and will mature and be payable on January 1 of each year as follows:

<u>Year*</u>	<u>Maturity Amount*</u>	<u>Year*</u>	<u>Maturity Amount*</u>
2027	\$275,000	2037	\$460,000
2028	330,000	2038	480,000
2029	340,000	2039	500,000
2030	355,000	2040	520,000
2031	370,000	2041	535,000
2032	385,000	2042	560,000
2033	395,000	2043	580,000
2034	415,000	2044	600,000
2035	430,000	2045	625,000
2036	445,000	2046	650,000

* Preliminary, subject to change as provided herein.

Registration and Depository Participation

Except as otherwise set forth herein, the Series 2026 Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. The book-entry system will evidence beneficial ownership interests of the Series 2026 Bonds in the principal amount of \$5,000 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 Series 2026 Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the Series 2026 Bonds will be payable semiannually on January 1 and July 1, beginning July 1, 2026, and principal of the Series 2026 Bonds will be payable, at maturity or upon redemption, to DTC or its nominee as registered owner of the Series 2026 Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Series 2026 Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The Municipality 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.

In the event that the book-entry only system for the Series 2026 Bonds is discontinued and a successor securities depository is not appointed by the Municipality, 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 or integral multiples thereof. In addition, if the successful bidder for the Series 2026 Bonds certifies that it has no present intent to reoffer the Series 2026 Bonds, the Series 2026 Bonds may be issued in fully registered form only. The ownership of Series 2026 Bonds so delivered shall be registered in registration books to be kept by U.S. Bank Trust Company, National Association, Nashville, Tennessee, as registration and paying agent (the "Registration Agent"), at its designated corporate office, and the Municipality and the Registration Agent shall be entitled to treat the registered owners of the Series 2026 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 Series 2026 Bonds.

Optional Redemption

Series 2026 Bonds maturing on January 1, 2036 and thereafter shall be subject to redemption prior to maturity at the option of the Municipality on or after January 1, 2035 as a whole, or in part, at any time, at the redemption price of par, plus interest accrued to the redemption date.

If less than all the Series 2026 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Mayor and Aldermen of the Municipality in its discretion. If less than all the Series 2026 Bonds within a single maturity shall be called for redemption, the interests 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 Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Mandatory Redemption

The successful bidder shall have the option to designate certain consecutive serial maturities of the Series 2026 Bonds as one or more Term Bonds, each Term Bond bearing a single interest rate. If a successful bidder designates certain consecutive serial maturities to be combined into one or more Term Bonds, each Term Bond shall be subject to mandatory sinking fund redemption by the Municipality at a redemption price equal to 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 proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed above for such principal payment date. Term Bonds to be redeemed within a single maturity shall be determined by DTC, or its successor, by lot or such other manner as DTC, or successor, shall determine; or if the Term Bonds are not

being held under a Book-Entry System, the Term 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.

Purpose and Authority of Bonds

The Series 2026 Bonds are being issued for the purpose of financing capital improvements to the Municipality's electrical power transmission and distribution system (the "System"), consisting of extensions and improvements to the System, the acquisition of all property real or personal appurtenant thereto, and the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith (the "Project"); and paying the costs of issuing the Series 2026 Bonds. Pursuant to the Resolution, the proceeds of the Series 2026 Bonds (excluding proceeds applied to the payment of costs of issuance and underwriter's discount) will be deposited in a construction fund (the "Construction Fund") to be held and invested by the Municipality and used to pay costs of the Project. Monies in the Construction Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project. The Series 2026 Bonds are being issued under and in full compliance with the constitution and statutes of the State of Tennessee, including Section 7-34-101 et seq., Tennessee Code Annotated, and pursuant to a resolution adopted by the Board of Mayor and Aldermen of the Municipality on October 14, 2025 (the "Resolution").

Security and Sources of Payment

The Series 2026 Bonds are limited obligations of the Municipality, payable solely from, and secured solely by a pledge of, the Net Revenues (as defined in the Resolution) of the System. Except for the Series 2026 Bonds, there is no other debt payable from the Net Revenues of the System. **The Series 2026 Bonds do not constitute a debt, liability, general or moral obligation, or pledge of the faith and credit or taxing power of the Municipality. No governmental entity, including the Municipality, is obligated to levy any tax for the payment of the Series 2026 Bonds. The pledge of and lien on Net Revenues securing the Series 2026 Bonds does not create a legal or equitable pledge, charge, lien, or encumbrance upon any of the Municipality's property or income, receipts, or revenues, except the Net Revenues and the amounts on deposit in the funds held under the Resolution.**

Submission of Bid

All bids must be submitted as set forth under the heading "**Time and Place of Sale**", set forth above.

Electronic bids must be submitted to PARITY® via the BiDCOMP Competitive Bidding System. An electronic bid made through the facilities of BiDCOMP/PARITY® shall be deemed an offer to purchase in response to the Notice of Sale and shall be binding upon the bidder as if made by a signed sealed written bid made to the Municipality. To the extent any instructions or directions set forth in BiDCOMP/PARITY® conflict with the terms of the Detailed Notice of Sale, the Detailed Notice of Sale shall prevail. The Municipality shall not be responsible for any malfunction or mistake made by or as a result of the use of electronic bidding facilities. The use of such facilities is at the sole risk of the bidders. Subscription to I-Deal's BiDCOMP/PARITY® Competitive Bidding System by a bidder is required in order to submit an electronic bid. The Municipality will not confirm any subscription or be responsible for the failure of any prospective bidder to subscribe. Bids must be unconditional and received by BiDCOMP/PARITY® before the time stated above. Bidders shall be required to comply with the provisions regarding a Good Faith Deposit as described below in the section entitled "Good Faith Deposit". The Municipality is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid, including, without limitation, the providing of a bid security deposit.

Form of Bids

All bids for the Series 2026 Bonds must be for not less than all the Series 2026 Bonds. Bidders must bid not less than 100% of par nor greater than 115% of par (the "Purchase Price") for all the Series 2026 Bonds. Bidders must specify the interest rate or rates the Series 2026 Bonds are to bear in multiples of one-eighth (1/8th) or one-one hundredth (1/100th) of one percent (1%), but no rate specified for the Series 2026 Bonds shall be in excess of 5.00% per annum. There will be no limitation on the number of rates of interest which may be specified

for the Series 2026 Bonds, but one rate of interest shall apply to all the Series 2026 Bonds of a maturity. Bidders may designate two or more consecutive serial maturities as one or more Term Bond maturities equal in aggregate principal amount to, and with mandatory redemption requirements corresponding to, such designated serial maturities. Bidders must specify the reoffering prices or yields of each maturity. Each maturity of the Series 2026 Bonds must be reoffered at a price of not less than 98% of the par amount of such maturity.

Revised Maturity Schedule

The aggregate principal amount of the Series 2026 Bonds (the "Preliminary Aggregate Principal Amount") and the annual principal amounts of Series 2026 Bonds (the "Preliminary Annual Principal Amounts" and collectively, with reference to the Preliminary Aggregate Principal Amounts, the "Preliminary Amounts") set forth in this Detailed Notice of Sale may be revised before the viewing of bids for the purchase of the Series 2026 Bonds. Any such revisions (the "Revised Aggregate Principal Amount", the "Revised Annual Principal Amounts" and the "Revised Amounts") WILL BE GIVEN BY NOTIFICATION PUBLISHED ON www.I-dealProspectus.com NOT LATER THAN 4:00 P.M., CENTRAL TIME ON THE DAY PRECEDING THE RECEIPT OF BIDS. In the event no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated in this Detailed Notice of Sale. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Prospective bidders may request notification by electronic mail of any revisions in the Preliminary Amounts by so advising and sending their electronic mail address to Oakdale Municipal Advisors, LLC, Municipal Advisor to the Municipality, at julianne@oakdale-ma.com or by calling 615.351.4409 by Noon Central Time, at least one day prior to the date for receipt of the bids.

Changes to Maturity Schedule

The Municipality reserves the right to change the Revised Aggregate Principal Amount of the Series 2026 Bonds and the Revised Annual Principal Amounts of the Series 2026 Bonds after determination of the winning bidder, by increasing or decreasing the Revised Annual Principal Amount of each maturity of the Series 2026 Bonds (which could result in the elimination of certain maturities) provided that the principal amount of the Series 2026 Bonds may not exceed \$9,250,000. Such changes, if any, will determine the final annual principal amounts of the Series 2026 Bonds (the "Final Annual Principal Amounts") and the final aggregate principal amount of Series 2026 Bonds (the "Final Aggregate Principal Amount"). The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Aggregate Principal Amount of the Series 2026 Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The Municipality anticipates that the Final Annual Principal Amounts of the Series 2026 Bonds and the Final Aggregate Principal Amount of Series 2026 Bonds will be communicated to the successful bidder prior to the award of the Series 2026 Bonds. THE DOLLAR AMOUNT BID BY THE SUCCESSFUL BIDDER FOR THE PURCHASE OF THE SERIES 2026 BONDS WILL BE ADJUSTED TO REFLECT ANY CHANGE IN THE ANNUAL PRINCIPAL AMOUNTS BASED UPON THE ASSUMPTION THAT THE COUPON RATES, REOFFERING PRICES, AND THE UNDERWRITER'S DISCOUNT (EXCLUDING ORIGINAL ISSUE DISCOUNT/PREMIUM) STATED AS A PERCENTAGE OF THE AGGREGATE PRINCIPAL AMOUNT, AS SPECIFIED BY THE SUCCESSFUL BIDDER WILL NOT CHANGE.

Basis of Award

If an award is made, the Series 2026 Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the Municipality for the Series 2026 Bonds as determined by reference to the Revised Aggregate Principal Amounts as discussed in the paragraph above. The lowest true interest cost on the Series 2026 Bonds will be calculated as that rate which when used in computing the present worth of all payments of principal and interest on the Series 2026 Bonds (compounded semi-annually from the dated date of such Series 2026 Bonds) produces a yield equal to the purchase price of the Series 2026 Bonds. For the purpose of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of a Term Bond shall be treated as a serial maturity in each year. Each bidder is required to specify its calculation of the true interest cost resulting from its bid, but such information shall not be treated as part of its proposal.

In the event two or more of the bidders offer to purchase the Series 2026 Bonds thereof at the same lowest true interest cost, the Mayor shall determine, in his sole discretion, which of the bidders shall be awarded the Series 2026 Bonds.

The Mayor reserves the right to waive any irregularity or informality in any bid, and to reject any or all bids, and notice of rejection of any bid will be made promptly. Unless all bids are rejected, award of Series 2026 Bonds will be made by the Mayor on the sale date.

Good Faith Deposit

The successful bidder will be required to submit a good faith deposit (the “Deposit”) in the amount of \$185,000 for the Series 2026 Bonds. The Deposit shall be provided in the form of a federal funds wire transfer submitted to the Municipality by the successful bidder by 3:00 p.m. Central Time on the date of the sale, provided the Municipality awards the bid by 2:00 p.m. Central Time; otherwise the wire shall be received not later than 12:00 noon Central Time on the next business day following the award. The Mayor reserves the right to adjust the time the deposit is to be received if there are problems with electronic transfers of funds or other acceptable reasons.

Wire transfer instructions shall be submitted to the successful bidder. In the event the successful bidder fails to timely submit the Deposit, the award may be terminated by the Mayor, and the Mayor, in his discretion, may award the Series 2026 Bonds to the bidder whose bid results in the next lowest true interest cost to the Municipality as the lowest complying bidder or hold a subsequent sale of the Series 2026 Bonds. The Municipality shall have no liability to any bidder who fails to properly submit a Deposit.

The Deposit of the successful bidder will be deposited by the Municipality and the proceeds thereof credited with no interest allowed thereon against the total purchase price to be paid for the Series 2026 Bonds upon their delivery or retained as and for full liquidated damages if the successful bidder fails to accept delivery of and pay for the Series 2026 Bonds. If a successful bidder fails to timely make the Deposit for the Series 2026 Bonds, the award may be terminated in the discretion of the Mayor and the Municipality shall be entitled to an amount equal to the Deposit as liquidated damages for failure of the successful bidder to comply with the terms of the award of the Series 2026 Bonds.

CUSIP

A CUSIP number may be printed on each of the Series 2026 Bonds, but neither failure to print such number on any Series 2026 Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2026 Bond. The policies of the CUSIP Service Bureau will govern the assignment of the specific numbers to the Series 2026 Bonds. The Municipality’s Municipal Advisor will request the assignment of CUSIP numbers no later than one (1) business day after dissemination of the Notice of Sale, in accordance with MSRB Rule G-34. All expenses in relation to the printing of CUSIP numbers on the Series 2026 Bonds will be paid for by the Municipality.

Establishment of Issue Price

General. The winning bidder shall assist the Municipality in establishing the issue price of the Series 2026 Bonds as more fully described herein. All actions to be taken by the Municipality under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Municipality by the Municipality’s Municipal Advisor identified herein and any notice or report to be provided to the Municipality may be provided to the Municipality’s Municipal Advisor.

Anticipated Compliance with Competitive Sale Requirements. The Municipality anticipates 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 Series 2026 Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- the Municipality shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the Municipality expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- the Municipality anticipates awarding the sale of the Series 2026 Bonds to the bidder who submits a firm offer to purchase the Series 2026 Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Series 2026 Bonds, as specified in the bid.

Intention to Apply the Hold-the-Offering-Price Rule if Competitive Sale Requirements are Not Met. In the event that the competitive sale requirements are not satisfied with respect to the Series 2026 Bonds, the Municipality intends to treat the initial offering prices of the Series 2026 Bonds to the public as the issue price of such Series 2026 Bonds (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).

Application of the Hold-the-Offering-Price Rule. If the competitive sale requirements are not satisfied, then the successful bidder shall, on behalf of the underwriters participating in the purchase of the Series 2026 Bonds (i) confirm that the underwriters have offered or will offer each maturity of the Series 2026 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 winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Series 2026 Bonds, that the underwriters will neither offer nor sell unsold Series 2026 Bonds of any maturity 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:

- the close of the fifth (5th) business day after the sale date; or
- the date on which the underwriters have sold at least 10% of that maturity of the Series 2026 Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Municipality when the underwriters have sold 10% of that maturity of the Series 2026 Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Municipality acknowledges that, in making the agreements and representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, 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 Series 2026 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, 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 retail distribution agreement that was employed in connection with the initial sale of the Series 2026 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Municipality further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule 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 retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2026 Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the

Series 2026 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 retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Series 2026 Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Series 2026 Bonds of that maturity or all Series 2026 Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Series 2026 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2026 Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Series 2026 Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Series 2026 Bonds of that maturity or all Series 2026 Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Definitions. Sales of any Series 2026 Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- “public” means any person other than an underwriter or a related party,
- “underwriter” means (A) any person that agrees pursuant to a written contract with the Municipality (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2026 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 Series 2026 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2026 Bonds to the public),
- a purchaser of any of the Series 2026 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) 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), (ii) 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 (iii) 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
- “sale date” means the date that the Series 2026 Bonds are awarded by the Municipality to the winning bidder.

Issue Price Certificate. The winning bidder will be required to provide the Municipality, at closing, with an issue price certificate consistent with the foregoing, together with any supporting documentation such as pricing wires or equivalent communications. In the event the winning bidder will not reoffer any maturity of the Series 2026 Bonds for sale to the Public (as defined herein) by the delivery date of the Series 2026 Bonds, the issue price certificate may be modified in a manner approved by the Municipality.

Provision of Information for the Official Statement

The successful bidder must furnish the following information to the Municipality to complete the *Official Statement* in final form within 2 hours after receipt and award of the bids for the Series 2026 Bonds:

1. The initial offering prices or yields for the Series 2026 Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. 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 as provided above);

3. The identity of the underwriters if the successful bidders are part of a group or syndicate; and
4. Any other material information necessary to complete the Official Statement in final form but not known to the Municipality.

Official Statement

The Municipality will provide or cause to be provided, to the successful bidder, either in electronic format or printed copies, the final official statement sufficient in quantity to enable the successful bidder to comply with SEC Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board. Said final official statements will be provided to the successful bidder not later than seven (7) business days after the sale, or, if the Municipality, or its Municipal Advisor, is notified that any confirmation requesting payment from any customer will be sent before the expiration of such period and specifying the date such confirmation will be sent, the final official statements will be provided in sufficient time to accompany such confirmation.

Continuing Disclosure

The Municipality will, at the time the Series 2026 are delivered, execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Series 2026 Bonds to provide certain financial information and operating data relating to the System not later than twelve months after each of the System's fiscal years (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the System. The Annual Report (and audited financial statements, if filed separately) and notices described above will be filed by the Municipality with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.com and with any State Information Depository established in the State of Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the Municipality's official statement to be prepared and distributed in connection with the sale of the Series 2026 Bonds.

Legal Opinion and Transcript

The book-entry Series 2026 Bonds and the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel (which will be delivered with the Series 2026 Bonds), together with the Series 2026 Bond transcript, including a certificate as to no litigation from the Municipality dated as of the date of the delivery of the Bonds, will be furnished to the purchaser at the expense of the Municipality. As set forth in the Official Statement and subject to the limitations set forth therein, Bond Counsel's opinion will include an opinion that interest on the Series 2026 Bonds (i) will be excluded from gross income for federal income tax purposes; and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except for certain corporations, as more fully described in the official statement. Owners of the Series 2026 Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. For a discussion thereof, reference is made to the Official Statement and the form of bond counsel opinion contained in the Official Statement.

Delivery and Payment

The Series 2026 Bonds are expected to be ready for delivery on or about February 18, 2026 in book-entry form (except as otherwise provided herein). At least five (5) days' notice will be given to the bidder. Delivery will be made through The Depository Trust Company, New York, New York at the expense of the purchaser. Payment for the Series 2026 Bonds must be made in federal funds or other immediately available funds.

Further Information

Copies of the Preliminary Official Statement may be obtained from the undersigned at the Office of the City Administrator, 101 East Main Street, McMinnville, Tennessee 37110, or from Oakdale Municipal Advisors, LLC, Attention: Julianne Graham; Telephone: 615.351.4409; Electronic Mail: julianne@oakdale-ma.com.

Ryle Chastain
Mayor

OFFICIAL STATEMENT

\$9,250,000*

THE CITY OF MCMINNVILLE, TENNESSEE ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by the City of McMinnville, Tennessee (the "Municipality") of \$9,250,000* in aggregate principal amount of its Electric System Revenue Bonds, Series 2026 (the "Series 2026 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A – Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2026 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The Municipality is a municipal corporation of the State of Tennessee incorporated pursuant to Chapter 67 of the 1953 Private Acts of the State of Tennessee, as amended. The Municipality owns and operates, through the Board of Public Utilities, an electrical power transmission and distribution system (the "System"), serving residents and businesses within its corporate limits and certain adjacent areas. See Appendix D.

The Series 2026 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to Sections 7-34-101 et seq., Tennessee Code Annotated (the "Act") and pursuant to a Resolution adopted by the Board of Mayor and Aldermen of the Municipality (the "Governing Body") on October 14, 2025 (the "Resolution").

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, the System, the Series 2026 Bonds, and the security and sources of payment for the Series 2026 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2026 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to the Municipality of a charge for copying, mailing and handling, from the General Manager, McMinnville Electric System, 200 West Morford Street, McMinnville, TN 37110; telephone (931) 473-3144.

PLAN OF FINANCING

The Series 2026 Bonds are being issued for the purpose of financing capital improvements to the System, consisting of extensions and improvements to the System, the acquisition of all property real or personal appurtenant thereto, and the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith (the "Project"); and paying the costs of issuing the Series 2026 Bonds. Pursuant to the Resolution, the proceeds of the Series 2026 Bonds (excluding proceeds applied to the payment of costs of issuance and underwriter's discount) will be deposited in a construction fund (the "Construction Fund") to be held and

invested by the Municipality and used to pay costs of the Project. Monies in the Construction Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2026 Bonds are estimated below.

Sources of Funds:

Par Amount of Series 2026 Bonds	_____
[Less: Original Issue Discount]	_____
[Plus: Original Issue Premium]	_____
 Total Sources of Funds	 _____

Uses of Funds:

Deposit to Construction Fund	_____
Costs of Issuance ⁽¹⁾	_____
 Total Uses of Funds	 _____

⁽¹⁾ Includes legal and accounting fees, municipal advisory fees, underwriter's discount, rating agency fees, printing and other costs of issuance.

DESCRIPTION OF THE SERIES 2026 BONDS

General

The Series 2026 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2026 Bonds is payable on each January 1 and July 1, commencing July 1, 2026*.

Payment of the principal of and interest on the Series 2026 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2026 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2026 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the Municipality maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2026 Bonds will be paid upon the presentation and surrender of the Series 2026 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2026 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the Municipality 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 date will be fixed in the following manner: the Municipality will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2026 Bond

and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the Municipality of such Special Record Date, and in the manner and at the expense of the Municipality, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2026 Bonds will be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof. The Series 2026 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2026 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2026 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent, will cause to be authenticated and delivered a new Series 2026 Bond or Series 2026 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2026 Bonds surrendered for such transfer. When not in book-entry form, the Series 2026 Bonds may be exchanged for a like principal amount of Series 2026 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2026 Bonds.

Optional Redemption

The Series 2026 Bonds maturing on or after January 1, 2036 are subject to redemption prior to maturity at the option of the Municipality on or after January 1, 2035, in whole or in part (with less than all such Series 2026 Bonds of a single maturity to be selected by lot within a maturity in such manner as may be designated by the Registration Agent) at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 2026 Bonds maturing on _____ are subject to scheduled mandatory redemption prior to maturity in part (by lot in such manner as may be designated by the Registration Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below:

Date (_____)	Principal <u>Amount</u>
-----------------	----------------------------

At its option, to be exercised on or before the 45th day next preceding such scheduled mandatory redemption date, the Municipality, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2026 Bonds of the same maturity subject to scheduled mandatory redemption which are delivered to the Paying Agent for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2026 Bonds of the same maturity which prior to said date have been redeemed (otherwise than through scheduled mandatory redemption) and canceled by the Paying Agent and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2026 Bond so delivered or previously redeemed shall be credited by the Registration Agent, at the principal amount thereof to the obligation of the Municipality on such scheduled mandatory redemption date and the principal amount of the Series 2026 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.

Notice of Redemption

Notice of redemption, whether optional or mandatory, will be given by first class mail not less than twenty (20) days and not more than sixty (60) days prior to the date fixed for redemption, to all registered owners of Series 2026 Bonds to be redeemed at their addresses of record as they appear on the books of the Registration Agent. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2026 Bond. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2026 Bond. Interest shall cease to accrue on any Series 2026 Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for.

Book-Entry Only Bonds

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2026 Bonds. The Series 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2026 Bond certificate will be issued for each maturity of the Series 2026 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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"). DTC has Standard & Poor's rating of AA+. 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 and www.dtc.org.

Purchases of Series 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026 Bond ("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 Series 2026 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 Series 2026 Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Series 2026 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 Series 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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.

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.

Redemption notices shall be sent to DTC. If less than all of the Series 2026 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Municipality as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2026 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 Municipality or the Registration Agent on payable date in accordance with their respective holdings shown on

DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 Registration Agent, or the Municipality, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Municipality or the Registration Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2026 Bonds at any time by giving reasonable notice to the Municipality or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2026 Bond certificates are required to be printed and delivered.

The Municipality may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2026 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Municipality believes to be reliable, but the Municipality takes no responsibility for the accuracy thereof.

NEITHER THE MUNICIPALITY, THE STATE, NOR THE REGISTRATION AGENT HAS ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) 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; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2026 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2026 BONDS

General

The Series 2026 Bonds are limited obligations of the Municipality, payable solely from the Net Revenues of the System. There is no other debt payable from the Net Revenues of the System.

The Series 2026 Bonds do not constitute a debt, liability, general or moral obligation, or pledge of the faith and credit or taxing power of the Municipality. No governmental entity, including the Municipality, is obligated to levy any tax for the payment of the Series 2026 Bonds. The pledge of and lien on Net Revenues securing the Series 2026 Bonds does not create a legal or equitable pledge, charge, lien, or encumbrance upon any of the Municipality's property or income, receipts, or revenues, except the Net Revenues and the amounts on deposit in the funds held under the hereinafter described Resolution.

Pledge of Net Revenues

Under the terms of the Resolution, Series 2026 Bonds and any Parity Bonds (as described below) are secured by a first and senior lien on the Net Revenues of the System. See Appendix A for a definition of Net Revenues. See Appendix D for information regarding the Municipality, and the System, and "DEBT SERVICE

SCHEDULE” for information regarding the Municipality’s debt service obligations with respect to the Series 2026 Bonds.

Funds and Accounts; Flow of Funds

The Resolution requires the Municipality to deposit all Revenues of the System to the Revenue Fund. From the Revenue Fund, the Municipality is to make the following payments:

- (1) Pay operating expenses.
- (2) Deposit to a Bond Fund amounts necessary for payment of debt service on the Series 2026 Bonds and any Parity Bonds.
- (3) Deposit to a Reserve Fund, if established by the Municipality, for any series of Parity Bonds. **The Municipality has determined not to fund a debt service reserve fund for the Series 2026 Bonds.**
- (4) Pay debt service on subordinate lien debt obligations and other System indebtedness and contractual obligations including payments in lieu of taxes to the Municipality.
- (5) Make any other lawful payments.

See Appendix A for a more detailed description of the flow of funds.

Rate Covenant

The Resolution requires the Municipality to estimate the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.2 times the debt service payable during the upcoming Fiscal Year on the Series 2026 Bonds and any other Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by the Municipality pursuant to the Resolution and the resolutions authorizing any subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Municipality, (iii) sufficient to pay debt service on any subordinate lien bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Series 2026 Bonds, any Parity Bonds or any Subordinate Lien Bonds.

Bond Fund; No Reserve Fund

The Resolution establishes the Bond Fund to accept monthly deposits of System revenues in amounts sufficient to provide for the payment of debt service on the Series 2026 Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2026 Bonds, and any Parity Bonds as the same become due. While the Resolution permits the Municipality to establish a debt service reserve fund, the Municipality has elected not to fund a debt service reserve fund for the Series 2026 Bonds.

Parity Bonds

The Municipality 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 security the Series 2026 Bonds. See Appendix A for the conditions under which such Parity Bonds may be

issued. The Resolution does not permit the Municipality to issue additional bonds with a lien on Net Revenues senior to that of the Series 2026 Bonds.

Additional Borrowing Plans

The Electric System's current five-year capital improvement plan contemplates approximately \$21.5 million in total capital expenditures through fiscal year 2030. The proceeds of the Series 2026 Bonds will fund approximately \$9 million of these expenditures. The Municipality has authorized up to \$30 million for System improvements under the current resolution. It is expected another approximately \$8.5 million of this amount will be issued in the next 24 months. The System routinely funds capital improvements to the System from operating funds and expects to continue to do so when the current capital plan is complete.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2026 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2026 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2026 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: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: 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 Series 2026 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 Series 2026 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2026 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 Series 2026 Bonds, nor does it guarantee that the rating on the Series 2026 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 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, 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 Series 2026 Bonds or the advisability of investing in the Series 2026 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 or the underwriter for the Series 2026 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 Series 2026 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2026 Bonds, whether at the initial offering or otherwise.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements during each fiscal year on the Series 2026 Bonds. The Municipality has no other indebtedness payable from System revenues.

Fiscal Year	Series 2026*		
	Principal	Interest	Total
2026	\$0	\$0	\$0
2027	275,000	309,631	584,631
2028	330,000	345,538	675,538
2029	340,000	332,833	672,833
2030	355,000	319,743	674,743
2031	370,000	306,075	676,075
2032	385,000	291,830	676,830
2033	395,000	277,008	672,008
2034	415,000	261,800	676,800
2035	430,000	245,823	675,823
2036	445,000	229,268	674,268
2037	460,000	212,135	672,135
2038	480,000	194,425	674,425
2039	500,000	175,945	675,945
2040	520,000	156,695	676,695
2041	535,000	136,675	671,675
2042	560,000	116,078	676,078
2043	580,000	94,518	674,518
2044	600,000	72,188	672,188
2045	625,000	49,088	674,088
2046	650,000	25,025	675,025
	<u>\$9,250,000</u>	<u>\$4,152,316</u>	<u>\$13,402,316</u>

* Preliminary.

LEGAL MATTERS

Pending Litigation

The Municipality, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Municipality, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the Municipality or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the System.

There is no litigation now pending or, to the knowledge of the Municipality, threatened which restrains or enjoins the issuance or delivery of the Series 2026 Bonds, the use of Net Revenues for the payment of the Series 2026 Bonds, or the use of the proceeds of the Series 2026 Bonds or which questions or contests the validity of the Series 2026 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor existence of the Municipality, nor the title of the present members or other officials of the Municipality to their respective offices, is being contested or questioned.

Approval of Legal Proceedings

Legal matters incident to the authorization, validity, and issuance of the Series 2026 Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix E. Copies of the opinion will be available at the time of the initial delivery of the Series 2026 Bonds. Certain legal matters will be passed upon for the Municipality by Tim Pirtle, Esq., Counsel to the Municipality.

TAX MATTERS

Federal Taxes

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2026 Bonds. Their opinion under existing law, relying on certain statements by the Municipality and assuming compliance by the Municipality with certain covenants, is that interest on the Series 2026 Bonds:

- is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

The “Code” imposes requirements on the Series 2026 Bonds that the Municipality must continue to meet after the Series 2026 Bonds are issued. These requirements generally involve the way that bond proceeds must be invested and ultimately used. If the Municipality does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2026 Bonds in its federal gross income on a retroactive basis to the date of issue. The Municipality 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 Series 2026 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
- a borrower of money to purchase or carry the Series 2026 Bonds, or
- an “applicable corporation” as defined in Section 59(k) of the Code.

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 Series 2026 Bonds or affect the market price of the Series 2026 Bonds. See also “Changes in Federal and State Tax Law” below in this heading.

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 Series 2026 Bonds, or under State, local or foreign tax law.

Original Issue Discount. A Series 2026 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 Series 2026 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 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 Series 2026 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Series 2026 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2026 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 Series 2026 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 Series 2026 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2026 Bond with bond premium, even though the Series 2026 Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2026 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2026 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 Series 2026 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 Series 2026 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.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

State Taxes

Under existing law, the Series 2026 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 Series 2026 Bonds during the period the Series 2026 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 Series 2026 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 Series 2026 Bonds or otherwise prevent holders of the Series 2026 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2026 Bonds. Further, such proposals may impact the marketability or market value of the Series 2026 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 Series 2026 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 Series 2026 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 Series 2026 Bonds would be impacted thereby. Purchasers of the Series 2026 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 Series 2026 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 Series 2026 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The Municipality will at the time the Series 2026 Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Series 2026 Bonds to provide certain financial information and operating data relating to the System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2026 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Municipality to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Municipality with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org. If the Municipality is unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The notices of material events will be filed by the Municipality with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix B. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

In the past five years the Municipality has not failed to comply in any material respect with any previous undertakings with regard to the Rule.

MISCELLANEOUS

Rating

S&P Global Ratings is expected to assign their “AA” insured rating to the Series 2026 Bonds based on the understanding that a Bond Insurance Policy will be issued and delivered by Build America Mutual Assurance Company upon the issuance of the Series 2026 Bonds. Moody’s Investors Service has assigned the Series 2026 Bonds an underlying rating of “A1”. An explanation of the significance of such ratings may be obtained from the Rating Agency assigning it. This rating is not a recommendation to buy, sell or hold the Series 2026 Bonds. Generally, the rating agency bases its ratings on information and materials furnished to it and on investigations, studies and assumptions by the agency. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency’s judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2026 Bonds. Neither the Municipality, the Municipal Advisor, nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

Closing Certificates

The Municipality will deliver to the Underwriter a certificate that no litigation is pending or threatened against it which would have a material effect on the issuance or validity of the Series 2026 Bonds or the use of the Net Revenues to pay the Series 2026 Bonds or on the financial condition of the System. In addition, the Municipality will represent to the Underwriter that the information contained in this Official Statement does not contain any misrepresentation of a material fact and does not omit or state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

Municipal Advisor

Oakdale Municipal Advisors, LLC is serving as Municipal Advisor to the Municipality in connection with the issuance of the Series 2026 Bonds. Oakdale Municipal Advisors, LLC in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Series 2026 Bonds. The information set forth herein has been obtained by the Municipality and other sources believed to be reliable. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the Municipality and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

_____, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2026 Bonds for and aggregate purchase price of \$_____, which is par, plus/less original issue premium/discount of \$_____, less Underwriter’s Discount of \$_____.

The Underwriter may offer and sell the Series 2026 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2026 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

Independent Auditors

The financial statements of McMinnville Department of Electricity as of June 30, 2025 and for the year then ended, attached hereto as Appendix C, have been audited by Denning and Cantrell PLLC, certified public accountants, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors. The auditors have not been engaged to perform and have not performed, since the date of their report included herein, any procedure on the financial statements addressed in that report and have not performed any procedures relating to the Official Statement.

Additional Information

Use of the words “shall” or “will” in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this 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 this 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 Series 2026 Bonds.

{Signature page follows.}

**AUTHORIZATION OF AND CERTIFICATION
CONCERNING OFFICIAL STATEMENT**

The Official Statement has been authorized by the Board of Mayor and Aldermen of the Municipality. Concurrently with the delivery of the Series 2026 Bonds, the undersigned will furnish a certificate to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2026 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

_____/s/_____
Ryle Chastain, Mayor

ATTEST:

_____/s/_____
Andrea Gross, City Recorder

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Summary of Certain Provisions of the Resolution

The following is a summary of certain provisions of the Resolution authorizing the issuance of the Initial Series of Bonds.

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 electrical power generation, transmission and/or distribution system acquired by the Municipality or the Utilities Board and/or any such facilities hereafter constructed or otherwise established by the Municipality or the Utilities Board pursuant to the Act.

(b) "Act" shall mean Sections 7-34-101 et seq., Tennessee Code Annotated.

(c) "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.

(d) "Bond Fund" shall mean the Principal and Interest Sinking Fund established in the Resolution.

(e) "Bonds" means the Initial Series of Bonds and each series of Parity Bonds.

(f) "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.

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

(h) "Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

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

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 Utilities Board, either (A) the average of the actual variable rate which was in effect (weighted according

to the length of the period during which each such variable rate was in effect) for the most recent 12 month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12 month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor.

ii. For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short Term Indebtedness, at the option of the Utilities Board, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained in the Resolution, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the Municipality 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 (b) shall not be applicable for purposes of determining the Debt Service Requirement for purposes of the rate covenant provisions of the Resolution unless the Municipality or the Utilities Board has a written commitment from a bank, underwriting firm or other financial institution to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

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

(k) "Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized in the Resolution to be executed in connection with a Reserve Fund Credit Facility.

(l) "Fiscal Year" means the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

(m) "Governing Body" means the Board of Mayor and Aldermen of the Municipality.

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

(o) "Initial Series of Bonds" means, collectively, each series of bonds issued under the Resolution (i.e. up to the \$30 million of par amount authorized therein).

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

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

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

(s) "Municipality" means the City of McMinnville, Tennessee.

(t) "Municipal Advisor" means an investment banking or financial/municipal advisory firm, commercial bank, or any other person who or which is retained by the Municipality or the Utilities Board 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 Utilities Board, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Municipal Advisor has been retained.

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

(v) "Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Utilities Board (except as set forth below), any payments made by the Utilities Board 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 Utilities Board during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include payments in lieu of taxes, depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the Utilities Board or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Utilities Board.

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

(x) "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 plus (b) 100% of (i) the amounts, if any, required by the Resolution to be deposited by the Issuer into the Reserve Fund during the forthcoming Fiscal Year, and (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness.

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

(z) "Rating Agencies" or "Rating Agency" means Moody's, S&P and Fitch, or any successors thereto and any other nationally recognized credit rating agency.

(aa) "Reserve Fund" shall mean the Debt Service Reserve Fund established in the Resolution.

(bb) "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 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 the Bonds.

(cc) "Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility that is, at the time such Reserve Fund Credit Facility is procured by the Municipality or the Utilities Board, assigned a financial strength rating of at least "AA-" by S&P, "Aa3" by Moody's or "AA-" by Fitch.

(dd) "Reserve Fund Requirement" means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Initial Series of Bonds, the Reserve Fund Requirement is \$0.

(ee) "Revenue Fund" shall mean the Revenue Fund established in the Resolution.

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

(gg) "State" means the State of Tennessee.

(hh) "System" shall mean the electrical power distribution system operated by the Utilities Board, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by the Utilities Board while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases,

franchises, and other intangibles; provided, however, at the election of the Utilities Board, an Acquired System may be included within the System as defined in the Resolution and become a part thereof or, at the election of the Utilities Board, not become a part of the System but be operated as a separate and independent system by the Utilities Board with the continuing right, upon the election of the Utilities Board, to incorporate such separately Acquired System within the System.

(ii) "Utilities Board" shall mean the McMinnville Board of Public Utilities.

(jj) "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.

Application of Revenues

As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the Utilities Board to the Revenue Fund established in the Resolution, administered and controlled by the Utilities Board. The funds so deposited in the Revenue Fund created under the Resolution shall be used only as follows:

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

Bond Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into the Bond Fund created by the Resolution to be kept separate and apart from all other funds of the Utilities Board and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the Resolution, beginning in the month next following delivery of the Initial Series of Bonds.

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

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

No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-

annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality or the Utilities Board as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used for the purpose of paying principal of and interest on the Bonds.

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

Reserve Fund. To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Municipality, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as provided in the Resolution and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of 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 any subaccount of said Fund shall be replenished over a period of not greater than twenty four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made under the Resolution 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 the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, 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 shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible purposes.

At the option of the Municipality, the Municipality may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the Municipality for legally permissible purposes. At any time during the term hereof, the Municipality shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of the Resolution with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Municipality shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a

disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, 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 in the Resolution.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution, the terms, covenants, liability and liens provided or created in the Resolution or in any resolution supplemental to the Resolution 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 Municipality 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 that would adversely affect owners of Bonds.

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

Notwithstanding anything in the Resolution to the contrary, the Municipality may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

Surplus Funds. The next available money in the Revenue Fund shall be used (i) to make payments in lieu of taxes to the Municipality and other governmental jurisdictions, (ii) for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and (iii) for any legally permissible purpose, as the Utilities Board shall determine.

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

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the Utilities Board 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

Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, the Utilities Board covenants and agrees that charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the

System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

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

Books and Accounts; Audits. The Utilities Board will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited in accordance with GAAP at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the Utilities Board as certified by such accountant or accountants.

All expenses incurred in the making of the audits required by this section shall be regarded and paid as Operating Expenses. The Utilities Board further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Utilities Board relating thereto. If the Utilities Board fails to provide the audits and reports required by this section, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the Utilities Board.

Rate Covenant. The Municipality and the Utilities Board shall establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the Issuer which, together with other income, are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The Issuer agrees that should the annual financial statement made in accordance with the provisions of the Resolution disclose that during the period covered by such financial statement the Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall revise the schedule of rates, charges and fees insofar as is practicable and further revise Operating Expenses so as to produce the necessary Net Revenues for future periods as in the Resolution required. The Issuer shall revise the schedules of rates, charges and fees as provided in the preceding sentence within 120 days after the filing of the financial statements pursuant to the Resolution.

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

The Municipality and the Utilities Board are in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market

price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth in the Resolution or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

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

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

Nothing in the Resolution 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 Utilities Board is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Notwithstanding anything elsewhere provided in the Resolution, and without being subject to any of the foregoing restrictions, with the approval of the Utilities Board, the Municipality shall have the right to sell, lease, transfer, or otherwise dispose of the System, as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation, or governmental agency (each of which shall be included within the term "Transferee" as in the Resolution used), provided the Transferee thus acquiring the System from the Municipality will assume the performance of and be bound by all of the obligations of the Municipality and the Utilities Board to the holders of the Bonds under the covenants and provisions of the Resolution.

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

Franchises. Neither the Municipality nor the Utilities Board will construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality or the Utilities Board by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing in the Resolution contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the Utilities Board is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Remedies of Bond Owners

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Utilities Board or the Municipality by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

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

Prohibition of Prior Lien; Parity Bonds

Prohibition of Prior Liens. Neither the Municipality nor the Utilities Board will issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

Parity Bonds. Additional bonds, notes, Loan Agreements or obligations (which shall include any Initial Series of Bonds other than the first of the Initial Series of Bonds) may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

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

the Utilities Board shall have obtained a report from a Municipal Advisor demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities; and

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

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

There shall have been procured and filed with the Utilities Board a report by a Municipal Advisor or a certificate by the Chairman of the Utilities Board, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Municipality or the Utilities Board has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the

Municipality or the Utilities Board has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

the Utilities Board shall have received, at or before issuance of the Parity Bonds, a report from a Municipal Advisor or a certificate of the Chairman of the Utilities Board, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required by the Resolution as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

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

The Chairman of the Utilities Board shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the Utilities Board is in compliance with all requirements of the Resolution.

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

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

A certificate of the Chairman of the Utilities Board, as of the date of the combination, that the Utilities Board is in compliance with all requirements of the Resolution.

Applicability of Resolution to Parity Bonds. All the provisions and covenants of the Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance

of additional bonds, modification of the Resolution, the defeasance of Bonds, and such other provisions of the Resolution 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 the Resolution in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

Discharge and Satisfaction of Bonds

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

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

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

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

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Utilities Board, as received by the Registration Agent.

Modification of Resolution

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

Other Amendments. In addition to the amendments to the Resolution without the consent of registered owners in the Resolution, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) 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 Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

Make any change in the maturities or redemption dates of the Bonds;

Make any change in the rates of interest borne by the Bonds;

Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;

Affect the rights of the registered owners of less than all of the Bonds then outstanding; or

Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

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

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

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

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

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

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

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

Resolution a Contract

The provisions of the Resolution shall constitute a contract between the Municipality, the Utilities Board and the registered owners of the Bonds, and after the issuance of the Initial Series of Bonds, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner, except as provided in the Resolution, until such time as the Bonds shall have been paid in full or discharged pursuant to the Resolution.

APPENDIX B

CONTINUING DISCLOSURE AGREEMENT

CITY OF MCMINNVILLE, TENNESSEE

\$_____ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this ____ day of _____, 2026 by the City of McMinnville, Tennessee (the “Issuer”) in connection with the issuance of its \$_____ Electric System Revenue Bonds, Series 2026 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Fiscal Year” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on July of each calendar year and ending June 30 of the following calendar year.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the Issuer, dated _____, 2026, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Registered Owner” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“Resolution” shall mean the bond resolution adopted by the Board of Mayor and Aldermen of the Issuer on October 14, 2025.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

“System” shall mean the Issuer’s electrical power transmission and distribution system.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information*. For Fiscal Years ending on or after June 30, 2026, the Issuer shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The audited financial statements of the System, prepared in accordance with generally accepted accounting principles, or, if such audited financial statements are not available, then the unaudited financial statements of the System; and

(ii) Operating data of the type included under the following headings of the Official Statement, which data may be presented in a manner other than as set in the Official Statement:

- Number of Customers
- Largest Electric System Customers
- Electric Rates
- Revenue and Expenses Statement Comparison, Statements of Net Position, and Debt Service Coverage
- Debt Service Schedule

(c) *Audited Financial Statements*. For Fiscal Years ending on or after June 30, 2026, the Issuer shall provide audited financial statements for the System, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices*. The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) 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;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

(a) This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment 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 the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer

(such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), 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 Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall 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.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

CITY OF MCMINNVILLE, TENNESSEE

By: _____
Mayor

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE SYSTEM FOR THE FISCAL YEAR ENDED JUNE 30, 2025

McMINNVILLE ELECTRIC SYSTEM

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year ended June 30, 2025

>>>>>>>>>> C O N T E N T S <<<<<<<<<<

List of Officials.....	Page i
Independent Auditors' Report.....	ii
Management Discussion and Analysis.....	v
Financial Statements:	
Statement of Net Position.....	4
Statement of Revenues, Expenses, and Changes in Net Position.....	6
Statement of Cash Flows.....	7
Statement of Fiduciary Net Position - Pension Trust Fund.....	9
Statement of Changes in Fiduciary Net Position - Pension Trust Fund.....	10
Notes to Financial Statements.....	11
Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios.....	24
Schedule of Contributions.....	25
Schedule of Changes in Total OPEB Liability and Related Ratios.....	26
Supplementary Information:	
Schedule 1 - Distribution of Expense.....	28
Schedule 2 - Customer Accounts Expense.....	28
Schedule 3 - Customer Service Information.....	28
Schedule 4 - Sales Expense.....	28
Schedule 5 - Administrative and General Expense.....	29
Schedule 6 - Maintenance Expense.....	29
Schedule of Rates in Force.....	30
Schedule of Long Term Debt.....	32
Schedule of Changes in Long Term Debt by Individual Issue.....	33
Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	34
Schedule of Prior Year Findings.....	36

McMINNVILLE ELECTRIC SYSTEM

LIST OF OFFICIALS

June 30, 2025

Brittany Davis	General Manager
Jeff McKinley	Chairman of Board
Sally Brock	Vice-Chairman of Board
Michael Griffith	Board Member
Deitra Dunlap	Board Member
William Locke	Board Member
Thomas Bratcher	Secretary and Treasurer
Robert Newman	General Counsel

Note: The Chairman and four members of the Board receive \$ 300 per meeting when attended. The Secretary and Treasurer receives \$ 300 per meeting and the General Counsel receives a minimum of \$ 1,000 per month.

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INDEPENDENT AUDITORS' REPORT

McMinnville Electric System
McMinnville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activity and the fiduciary fund activity of the McMinnville Electric System as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the McMinnville Electric System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the McMinnville Electric System, as of June 30, 2025, and the fiduciary fund of McMinnville Electric System's Employees' Pension Plan as of June 30, 2024 and the respective 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 Opinion

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

We did not audit the Statement of Fiduciary Net Position of McMinnville Electric System's Employees' Pension Plan as of June 30, 2024, and the respective Statement of Changes in Fiduciary Net Position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for fiduciary activities, is based solely on the report of the other auditors.

Emphasis of Matter

As discussed in Note A, the financial statements of the McMinnville Electric System are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activity, of the City of McMinnville, Tennessee that is attributed to the transactions of the McMinnville Electric System. They do not purport to, and do not, present fairly the financial position of City of McMinnville, Tennessee as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 McMinnville Electric System'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 on 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 McMinnville Electric System'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 McMinnville Electric System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v-xi, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 24-26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McMinnville Electric System's financial statements. The supplementary information on pages 27-33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 27-33 is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of officials on page i and the schedule of prior year findings on page 36 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated October 10, 2025 on our consideration of the McMinnville Electric System'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 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 McMinnville Electric System's internal control over financial reporting and compliance.


Certified Public Accountants

McMinnville, Tennessee
October 10, 2025

Management's Discussion and Analysis of Financial Condition

Management's Discussion and Analysis (MD&A) of Financial Condition explains the general financial condition of the McMinnville Electric System (MES). The MD&A should be read in conjunction with the accompanying Financial Statements and Notes to the Financial Statements.

Management's Report

The management of MES has prepared – and is responsible for – the integrity and objectivity of the financial statements and related information included in this report. The financial statements have been prepared in accordance with generally accepted accounting principles and follow the standards outlined by the Governmental Accounting Standards Board.

To ensure the integrity of our financial statements, MES maintains a system of internal accounting controls. These internal accounting controls are supported by written policies and procedures and an organizational structure that appropriately assigns responsibilities to mitigate risks. These controls have been put in place to ensure MES's assets are properly safeguarded, and the books and records reflect only those transactions that have been duly authorized. MES's controls are evaluated continuously by both management and MES's Finance and Accounting Department. In addition, Denning and Cantrell, CPA's, PLLC, and MES's independent public accountants consider some aspects of the internal control system to determine their auditing procedures to express an opinion on the financial statements.

Based on the statements above, it is management's assertion that the financial statements do not omit or improperly include untrue statements of a material fact or include statements of a misleading nature.

Brittany Davis
General Manager/CEO

Audit Assurance

The unqualified (clean) opinion of our independent external auditors, Denning and Cantrell, CPA's, PLLC, is included in this report.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to MES's financial statements, and the notes that follow this section should be read in conjunction with them. This section will provide a narrative discussion, define the basic financial statements, and summarize MES's general financial condition and results of operations.

Basic Financial Statements

The basic financial statements are prepared to provide the reader with a comprehensive overview of MES's financial position, results of operations, and cash flows.

The Statement of Revenues, Expenses, and Changes in Net Position presents current and prior year revenue and expenses.

The Statement of Net Position presents information on all of MES's assets and liabilities, with the difference between these two amounts being reported as Net Position. The change in Net Position is a potential indicator of MES's improving or deteriorating financial position. Current assets, other assets, and liabilities are reported based on their liquidity. MES's assets are separated for reporting purposes based on their nature. For example, utility plant includes assets in service and currently under construction. Restricted and designated assets include legally restricted cash and cash equivalents.

Reporting Changes and Significant Accounting Policies

In 2003, MES implemented Government Accounting Standards Board (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. Although not affecting MES's financial position or results of operations, the implementation of this statement resulted in reporting presentation changes, including incorporating this discussion.

Results of Operations

MES's fiscal year, financial year (or, sometimes called a budget year) is from July 1 to June 30. During MES's fiscal year (FY) ending June 30, 2025, MES's Net Position increased by 8.23% from FY2024. Also, due to weather conditions, increased electric rates, and several newly constructed apartments and townhouses, MES purchased 7.47% more energy from TVA. The number of electric customers MES served increased by 1.69% compared to FY2024.

In fiscal year 2025, the Government implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement establishes updated accounting and financial reporting requirements for compensated absences by introducing a single recognition and measurement model for all types of leave. Implementation of this standard resulted in the recognition of a liability for compensated absences deemed reasonably probable of payment. An adjustment was recorded to retained earnings for fiscal year 2025 to reflect the cumulative effect of implementing GASB Statement No. 101.

MES's peak power generation facility is an additional type of operating revenue. MES has a Purchase Power Agreement (PPA) and Parallel Operating Agreement (POA) with TVA. TVA pays MES up to \$966,000.00 each year of the Agreement for standby, peak power operation.

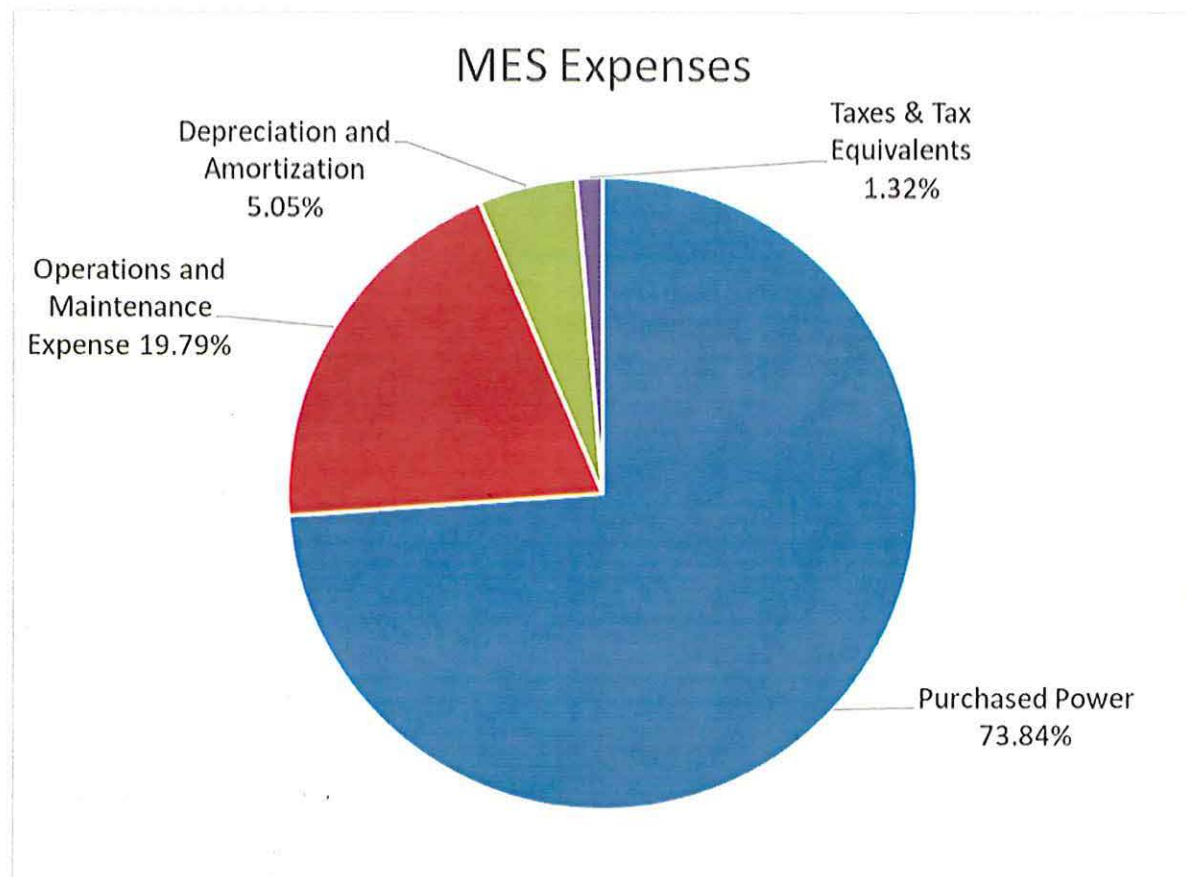
As a result of MES signing a 20-year Long Term Agreement with TVA, TVA has extended the PPA and POA to August 2029.

MES makes an in-lieu-of-tax payment to the City of McMinnville and Warren County. The in-lieu-of-tax payment uses a formula legislated by the State of Tennessee as the Municipal Electric System Tax Equivalent Law of 1987. The formula includes a property tax equivalency calculation of three years' average revenue less power cost. In FY2025, MES transferred in-lieu-of-tax payments totaling \$419,416.27 to the City of McMinnville and \$121,766 to Warren County, which is a 9.34% decrease from FY2024.

Economic Factors and Next Year's Budget and Rates

MES's most challenging future issues remain our aging workforce and infrastructure. MES continues to train line workers through its apprentice program in anticipation of employee attrition. MES also has a line inspection program that continually evaluates our electric system for poles and transformers that need to be replaced.

The City of McMinnville passed a Bond Resolution that will allow MES to invest in its infrastructure and complete multiple projects over the span of the next five years thus increasing system reliability to the City and our customer base.



Ratios

Ratio Analysis

*(FYE - Fiscal Year Ending)	FYE	FYE
	6/30/2024	6/30/2025
Liquidity:		
Cash Ratio	20.0%	19.7%
Profitability:		
Net Income/kWh Sold	\$6.22	\$11.38
Net Income Ratio	5.4%	9.0%
Gross Margin Ratio	24.4%	27.0%
Power Cost to Sales Revenue	75.6%	73.0%
Revenue Less Power Cost (thousands)	\$4,905	\$6,024
Operating:		
O&M per \$1,000 Net Plant	\$182	\$191
O&M per Customer (\$)	\$471	\$510
O&M per kWh sold	\$0.022	\$0.024
Line Losses	3.5%	3.5%
Uncollectable to Electric Sales	0.03%	0.02%
Debt Coverage:		
Leverage Ratio	100.0%	100.0%
Liabilities to Total Assets or Debt Ratio	20%	19%

Ratio Definitions

Liquidity: Refers to the availability of cash or near cash assets to meet a firm's obligations. Liquid assets are cash, current marketable securities, and current receivables.

- Cash Ratio: Measures liquidity even more strictly - measures our ability to pay off current liabilities with cash and short-term investments. The critical range is less than 5%.

Profitability:

- Net Income/kWh Sold (mills) – measures the income (in mills) after all expenses, depreciation, interest payments, and tax equivalents for each kWh of energy sold.
- Net Income Ratio – measures operating performance and shows the relationship of net income to electric sales. If net income was \$10 and electric sales were \$100, our net income ratio would be \$10 divided by \$100 or 10%. Critical is <1%.
- Gross Margin Ratio – shows the percentage of each sales dollar remaining after a utility has paid for its power (also called *gross profit margin*.) The Gross Margin Ratio is calculated by dividing gross income (profits) by net sales revenue. For

example, assume that net sales are \$80,000 and gross profit is \$30,000. The gross margin ratio is \$30,000 divided by \$80,000 or 37.5%. The gross margin ratio measures the percentage of dollars remaining (after buying power from TVA) available to pay MES's overhead expenses.

- Power Cost to Sales Revenue – shows the Purchased Power divided by the Electric Sales Revenue ratio.

Operating: These indicators provide a means to benchmark MES's operating and maintenance expenses; however, there is no critical level or magic number to be achieved.

- O&M per Net Plant (\$) – this ratio measures the average O&M cost associated with each dollar of net plant value.
- O&M per Customer (\$) – this ratio measures the average O&M cost associated with delivering power to each customer on the System.
- O&M per 1000 kWhs sold – this ratio measures the average O&M cost associated with the sale of each kWh.
- Line Losses – line loss is the difference between what we buy from TVA and what we sell to our customers.

Debt Coverage:

- Leverage Ratio –the ratio of debts to total assets or, in our case, net plant (plant less depreciation and unamortized acquisition adjustments). If, for instance, our net plant was \$100,000, and our debt was \$50,000, our leverage ratio would be 50%. The Valley average is 78%. <50 is critical.
- Liabilities to Total Assets – (debt ratio) measures our ability to meet the current and long-term debt. The Valley average is 38%. MES is well-positioned to pay its debts.

Condensed Financial Information

Summary information regarding MES's financial position is as follows:

STATEMENT OF NET POSITION

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			\$\$\$	%%
Current assets	\$ 8,098,084	\$ 7,188,978	\$ 909,106	12.65%
Capital assets	\$ 22,433,885	\$ 21,290,077	\$ 1,143,808	5.37%
Non-current assets	\$ 2,130,924	\$ 1,560,379	\$ 570,545	36.56%
Deferred Outflows of Resources	\$ 624,910	\$ 1,153,599	\$ (528,689)	-45.83%
Total Assets and Deferred Outflows of Resources	\$ 33,287,803	\$ 31,193,033	\$ 2,094,770	6.72%
Current liabilities	\$ 3,353,214	\$ 3,482,689	\$ (129,475)	-3.72%
Long-term liabilities	\$ 3,354,784	\$ 2,572,028	\$ 782,756	30.43%
Deferred Inflows of Resources	\$ 253,653	\$ 66,395	\$ 187,258	282.04%
Total Liabilities and Deferred Inflows of Resources	\$ 6,961,651	\$ 6,121,112	\$ 840,539	13.73%
Net Position	\$ 26,326,152	\$ 25,071,921	\$ 1,254,231	5.00%

Current assets increased due to outstanding receivables for pole attachment rental and TVA generation billing. Also, includes receivable for electric bills, which increased due to weather and increase in rates.

Capital assets increased due to purchase of bucket truck and two other vehicles \$377,932, professional fees regarding construction of future substation \$321,534, and reconductoring projects \$115,923.

Non-current assets increased due to increase in net pension assets \$582,277.

Deferred Outflows of Resources decreased due to changes in expected and actual experience, changes in assumptions, projected and actual earnings, and contributions to the Pension Plan. Also, includes changes in assumptions, expected and actual experience, and contributions for Other Post Employment Benefits.

Long-term liabilities includes increase in Other Post Employment Benefits other than pension \$843,313 due to implementation of new GASB Standard 101 for compensated absences, and decrease in vacation accruals (\$36,901).

Deferred Inflows of Resources increased due to difference between expected and actual experience of Pension Plan \$174,960, and change in assumptions \$12,339 of Other Post Employment Benefits.

Summary information regarding MES's operations is as follows:

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30, 2025	June 30, 2024	Increase (Decrease)	
			\$\$\$	%%
Operating Revenues	\$ 24,322,438	\$ 21,850,770	\$ 2,471,668	11.31%
Purchased Power	\$ 16,315,052	\$ 15,181,392	\$ 1,133,660	7.47%
Operation and maintenance expense	\$ 2,686,860	\$ 2,326,008	\$ 360,852	15.51%
Administration and general expense	\$ 1,685,007	\$ 1,644,091	\$ 40,916	2.49%
Depreciation and amortization	\$ 1,115,233	\$ 1,073,382	\$ 41,851	3.90%
Payroll taxes and payments to other governments	\$ 291,885	\$ 306,829	\$ (14,944)	-4.87%
	\$ 22,094,037	\$ 20,531,702	\$ 1,562,335	7.61%
Gross Earnings	\$ 2,228,401	\$ 1,319,068	\$ 909,333	68.94%
Non operating revenues less non operating expenses	\$ 193,350	\$ 225,512	\$ (32,162)	-14.26%
Transfers out to City of McMinnville	\$ (419,416)	\$ (462,610)	\$ 43,194	-9.34%
Available for Reinvestment	\$ 2,002,335	\$ 1,081,970	\$ 920,365	85.06%
Net Position, beginning of year	\$ 25,071,921	\$ 23,989,951	\$ 1,081,970	4.51%
Retained Earnings Adjustment	\$ (748,104)	\$ -	\$ (748,104)	
Net Position, end of year	\$ 26,326,152	\$ 25,071,921	\$ 2,002,335	8.23%

Operating Revenues increased due to weather, electric rates, and several newly constructed apartments and townhouses.

Purchased power increased due to weather, electric rates, and several newly constructed apartments and townhouses.

Operation and maintenance expense increased due to implementation of new GASB Standard 101 for compensated absences, arc flash study, increase in overhead and underground line expense, operation and maintenance of generators, increase in compensation due to retirement of General Manager, increase in customer credit card fees absorbed by MES, customer service payroll, building improvements, and managed IT services.

Nonoperating revenues decreased due to decrease on interest earned on savings accounts and Certificates of Deposits.

Retained earnings adjustment due to implementing new GASB Standard No. 101 for compensated absences.

Contacting McMinnville Electric System's Financial Management

This financial report is designed to provide a general overview of MES's finances. If you have any questions about this report or need any additional information, contact the Manager of Finance and Accounting, McMinnville Electric System, 200 W. Morford Street, McMinnville, Tennessee, 37110.

STATEMENT OF NET POSITION

ASSETS

Cash - unrestricted	\$	4,045,465
Accounts receivable		2,501,142
Inventories		487,528
Prepaid expenses		833,599
Other current assets		119,504
Portion of non-current receivables due within one year		110,846

Net pension asset	\$	1,476,690	
Contracts receivable - for home weatherization		765,080	
Less amount due within one year		(110,846)	2,130,924

Land and construction in progress	1,186,444	
Buildings and equipment - net	<u>21,233,479</u>	
	22,419,923	
Acquisition adjustments (Cost \$19,946 less amortization \$ 5,984)	<u>13,962</u>	<u>22,433,885</u>
	TOTAL ASSETS	32,662,893

Difference between expected and actual experience - pension plan	58,178
Change of assumptions - pension plan	87,645
Net difference between projected and actual earnings on pension investments	1,469
Change of assumptions - OPEB	55,463
Difference between expected and actual experience - OPEB	318,956
OPEB contribution after measurement date	56,928
Pension contribution after measurement date	46,271

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,287,803
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<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$	1,456,693
Customer deposits			1,296,303
Interest payable			80,419
Other current liabilities			251,958
Portion of long-term debt due within one year			<u>267,841</u>
			<u>TOTAL CURRENT LIABILITIES</u>
			3,353,214
<u>LONG TERM DEBT</u>			
Accrued post employment benefits other than pension	\$	945,131	
Accrued compensated absences		1,869,937	
Unearned revenue - annexations		11,967	
Advance - Tennessee Valley Authority for home weatherization loans and interest		<u>795,590</u>	
		<u>3,622,625</u>	
Less amount due within one year		<u>267,841</u>	<u>3,354,784</u>
			<u>TOTAL LIABILITIES</u>
			6,707,998
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between expected and actual experience - pension			177,235
Difference between expected and actual experience - OPEB			407
Change in assumptions - OPEB			<u>76,011</u>
			<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>
			253,653
<u>NET POSITION</u>			
Net Investment in capital assets		22,421,918	
Restricted for pensions		1,476,690	
Unrestricted		<u>2,427,544</u>	<u>26,326,152</u>
			<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>
			<u>AND NET POSITION</u>
		\$	<u>33,287,803</u>

McMINNVILLE ELECTRIC SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2025

Operating revenue:

Electric sales revenue (includes \$ 3,524 of uncollectible accounts written off)	\$	22,335,827
Generation revenue		990,366
Rent from electric property		542,223
Forfeited discounts		96,581
Company use of electricity		52,966
Miscellaneous service revenue		304,475
		<u>24,322,438</u>

Operating expenses:

Purchased power	\$	16,315,052	
Distribution expense		1,100,595	
Customer accounts expense		555,168	
Customer service and information		76,260	
Sales expense		42,966	
Administrative and general expense		1,685,007	
Maintenance expense		862,564	
Depreciation (excluding amount of \$ 52,156 charged to other accounts)		1,113,238	
Amortization - acquisition adjustments		1,995	
Payroll taxes and payments to Warren County		291,885	
Interest expense for customer deposits		26,770	
Donations and community welfare		22,537	22,094,037
			<u>22,094,037</u>

Operating income 2,228,401

Nonoperating revenues (expenses):

Interest income		193,350
		<u>2,421,751</u>

Transfers to City of McMinnville

(419,416)

Increase in net position 2,002,335

Net position at July 1, 2024

25,071,921

Restatement due to implementation of GASB 101, Compensated Absences

(748,104)

Net position at July 1, 2024 - restated

24,323,817

Net position at June 30, 2025

\$ 26,326,152

McMINNVILLE ELECTRIC SYSTEM

STATEMENT OF CASH FLOWS

Year ended June 30, 2025

Cash flows from operating activities:	
Cash received from customers	\$ 23,917,989
Cash payments to suppliers for goods and services	(18,182,097)
Cash payments to employees for services	(2,831,303)
Interest paid on customer deposits	(7,417)
Cash donations and community welfare	(22,537)
Net decrease in TVA loan funds receivable	6,586
Net increase in TVA loan funds payable	5,462
Payments to Warren County	<u>(121,766)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,764,917
Cash flows from noncapital financing activities:	
Transfers to primary government - City of McMinnville	(419,416)
Cash flows from capital and related financing activities:	
Additions to plant	\$ (2,086,164)
Removal cost	(337,666)
Salvage	112,632
Payments on long-term debt	<u>(1,994)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(2,313,192)
Cash flows from investing activities:	
Interest on investments	<u>193,350</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>193,350</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	225,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,819,806</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>4,045,465</u></u>

McMINNVILLE ELECTRIC SYSTEM

STATEMENT OF CASH FLOWS

Year ended June 30, 2025

Reconciliation of operating income to net cash provided by operating activities:

Operating income		\$	2,228,401
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$	1,165,394	
Amortization		1,994	
Change in pension liabilities and deferrals		39,989	
Change in OPEB liabilities and deferrals		65,919	
Decrease (Increase) in operating assets:			
Accounts receivable		(404,449)	
Inventories		39,247	
Prepaid expenses		(394,826)	
Other current assets		81,727	
TVA contracts receivable - home weatherization		6,586	
Increase (Decrease) in operating liabilities:			
Accounts payable		(153,287)	
Customer deposits		150,747	
Accrued interest payable on customer deposits		19,353	
Accrued compensated absences		219,094	
Other current liabilities		(306,434)	
TVA contracts payable - home weatherization		5,462	
	TOTAL ADJUSTMENTS		<u>536,516</u>
	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u><u>2,764,917</u></u>

McMINNVILLE ELECTRIC SYSTEM

STATEMENT OF FIDUCIARY NET POSITION - PENSION TRUST FUND

June 30, 2024

<u>ASSETS</u>	
Cash and cash equivalents	\$ 389,310
Receivables	98,015
Investments	<u>9,041,146</u>
Total Assets	<u>9,528,471</u>
<u>NET POSITION</u>	
Net Position - Restricted for pensions	<u>\$ 9,528,471</u>

McMINNVILLE ELECTRIC SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUND

Year ended June 30, 2024

Additions -	
Contributions:	
Employer	\$ 90,195
Employee	20,307
Total Contributions	<u>110,502</u>
Investment Income -	
Net appreciation (depreciation) in fair value of investments	598,922
Interest and dividends	234,544
Total Investment Income	<u>833,466</u>
Less: investment fees	(18,059)
Net investment gain (loss)	<u>815,407</u>
Other income	<u>(8,771)</u>
Total net additions (reductions)	<u>917,138</u>
Deductions -	
Benefit payments	<u>477,546</u>
Net increase (decrease) in net position	<u>439,592</u>
Total Net Position - Beginning	<u>9,088,879</u>
Total Net Position - Ending	<u><u>\$ 9,528,471</u></u>

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the McMinnville Electric System, an enterprise fund of the City of McMinnville, Tennessee, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the System's accounting policies are described below.

Legal Formation

McMinnville Electric System was formed by an ordinance of the City of McMinnville, Tennessee as provided by Section 13 of Chapter 32 of the Public Acts of Tennessee, 1935. Therefore McMinnville Electric System is a department of the City of McMinnville, Tennessee.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The System uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

All activities of the System are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the System is determined by its measurement focus. The transactions of the System are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for capital activity and debt service; and unrestricted components.

Budgeting

The System adopts a flexible annual operating budget. A budget is adopted on a basis consistent with generally accepted accounting principles. The current operating budget projects the System's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The System's budget is not legally binding.

There were no budgetary amendments during the year. All unexpended and unencumbered appropriations in the operating budget remaining at the end of the fiscal year lapse.

Management submits a proposed budget to the System's Board of Directors which approves the budget.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the System or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system. Restricted assets are generally not available for current operating expenses.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Bad Debts

The System uses the direct write off method to account for bad debts.

Inventories

The inventories of materials and supplies are based on average cost.

Fixed Assets and Depreciation

Fixed assets are valued at historical cost. The System computes depreciation based on average rates. Those rates range from .012% to 25.0%. The System's capitalization threshold is \$ 1,000.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Operating revenues consist of electric sales, generating revenue, rent from poles, forfeited discounts, and various small servicing revenues.

Non-operating Revenues and Expenses

Non-operating revenues consist of investment income. Investment income is interest earned.

Compensated Absences

The System pays employees, upon termination or retirement, unused vacation as well as sick pay. The System records an expense and liability as the benefits are earned under the vesting method. Sick pay is accrued for employees when they reach age 62 and are then entitled to receive sick pay upon retirement. At retirement, an employee can receive 100% of accumulated sick leave days if they retire at normal retirement age of 62.

Advertising

The System expenses advertising costs as incurred. The amount expensed for the year amounted to \$ 34,203.

McMINNVILLE ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Contributions

Contributions are recognized in the statement of revenues, expenses, and changes in net assets when earned. Contributions include federal, state, and local grants in support of system improvements.

Net Position

Net position comprise the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital activity and debt service; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted consists of all other net assets not included in the above categories.

Restricted and Unrestricted Resources

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

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the McMinnville Electric System's participation in the McMinnville Electric System Defined Benefit Pension Plan, and additions to/deductions from the McMinnville Electric System's fiduciary net position have been determined on the same basis as they are reported to the McMinnville Electric System Defined Benefit Pension Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The System's outflow of resources relates to pension contributions made after the measurement date and other pension accruals. The System also has deferred outflows related to other post employment benefits.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The System has a deferred inflow of resources from pension accruals and other post employment benefits.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Implementation of New GASB Standard

During the year ended June 30, 2025, the System implemented GASB Statement No. 101, *Compensated Absences*. This standard requires accrual for absences that will be paid at a later date if they are reasonably probable to be paid.

Net Position Restated

Due to the implementation of GASB Statement 101, *Compensated Absences*, the System reduced beginning net position by \$ 748,103.

NOTE B - RISK FINANCING ACTIVITIES

It is the policy of the McMinnville Electric System to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE C - CREDIT RISK - DEPOSITS

Various state statutes restrict the types of deposits available to the System. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts and the State Local Government Investment Pool (SLGIP).

NOTE D - CASH AND DEPOSITS

It is the System's policy for deposits to be 105% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. At year end, the System's carrying amount of deposits were \$4,043,865, and the bank balances were \$ 4,086,560. The System had \$ 1,600 of petty cash not included above.

NOTE E - PAST DUE ACCOUNTS RECEIVABLE

At June 30, 2025, .0001% (\$ 242) of the System's accounts receivable were 90 days or more past due.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE F - CONTRACTS RECEIVABLE

Contracts receivable consists of receivables from customers for weatherization loans made from TVA through the System. Customers are paying these receivables on a monthly basis with their electric bills. The estimated maturities of these receivables are as follows:

<u>Year ended June 30,</u>	
2026	\$ 110,846
2027	110,585
2028	104,082
2029	93,663
2030	89,065
Beyond five years	<u>256,839</u>
TOTAL	\$ <u>765,080</u>

NOTE G - CAPITAL ASSETS

Changes in capital assets for the year are as follows:

	<u>Balance at July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2025</u>
Capital assets not being depreciated:				
Land	\$ 522,636	\$		\$ 522,636
Construction in progress	<u>558,799</u>	<u>105,009</u>		<u>663,808</u>
	1,081,435	105,009		1,186,444
Capital assets being depreciated:				
Production plant	4,930,270		1,751	4,928,519
Distribution plant	30,062,852	1,567,956	797,607	30,833,201
General plant	<u>4,928,155</u>	<u>413,197</u>	<u>479,866</u>	<u>4,861,486</u>
	39,921,277	1,981,153	1,279,224	40,623,206
Less accumulated depreciation				
Production plant	4,769,488	5,253	960	4,773,781
Distribution plant	12,328,680	1,032,473	1,064,225	12,296,928
General plant	<u>2,630,423</u>	<u>127,668</u>	<u>439,073</u>	<u>2,319,018</u>
	19,728,591	1,165,394	1,504,258	19,389,727
Net capital assets	\$ <u>21,274,121</u>	\$ <u>920,768</u>	\$ <u>(225,034)</u>	\$ <u>22,419,923</u>

NOTE H - ACQUISITION ADJUSTMENTS

Acquisition adjustments represent the excess of purchase price over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority.

NOTE I - CHANGES IN LONG TERM DEBT

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due in one year</u>
Accrued OPEB Liability	\$ 972,893		\$ 27,762	\$ 945,131	NA
Accrued Compensated Absences	1,650,843	219,094		1,869,937	\$ 155,000
Unearned revenue - Annexations	13,962		1,995	11,967	1,995
TVA weatherization loans	790,128	5,462		795,590	110,846
	<u>\$ 3,427,826</u>	<u>\$ 224,556</u>	<u>\$ 29,757</u>	<u>\$ 3,622,625</u>	<u>\$ 267,841</u>

Note - Beginning accrued compensated absences was restated due to GASB 101 implementation. There was an increase to the beginning of the year balance of \$ 748,103.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE J - CONTRACTS PAYABLE AND ADVANCES

Long term debt consists of contracts payable to Caney Fork Electric Cooperative, Inc. for the total of costs of additions to the electric plant and the acquisition adjustment referred to in Note H and advances from TVA for home weatherization loans and interest. The contracts payable are payable in annual installments without any interest charges. The TVA advances for home weatherization loans is payable in monthly installments as the System is paid by the customers. These loans bear interest at 6 to 8% and are secured by UCC-1's. Long term debt matures as follows.

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 112,841	\$ 50,433	\$ 163,274
2027	112,579	42,938	155,517
2028	106,076	35,558	141,634
2029	95,657	28,745	124,402
2030	91,060	22,406	113,466
Beyond five years	289,344	34,822	324,166
TOTAL	\$ 807,557	\$ 214,902	\$ 1,022,459

NOTE K - COMPENSATED ABSENCES

Full-time, regular employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the System. Sick leave accrues to full-time, regular employees. Employees are entitled to all of their accrued vacation leave upon termination. At retirement, an employee can receive 100% of accumulated sick leave days if they retire at normal retirement age of 62. GASB Statement 101, Compensated absences was implemented during the year which resulted in an adjustment to beginning Net Position of \$ 748,103.

NOTE L - NET POSITION

Net assets represent the difference between assets and liabilities. The net assets at year end were as follows:

Net investment in capital assets	\$ 22,421,918
Restricted for pensions	1,476,690
Unrestricted	<u>2,427,544</u>
	<u>\$ 26,326,152</u>

NOTE M - TRANSFERS TO CITY OF McMINNVILLE

The Electric System made payments totaling \$ 419,416 to the City of McMinnville in lieu of property taxes.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE N - GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

Employees of McMinnville Electric System are provided a defined benefit pension plan through the McMinnville Electric System Defined Benefit Pension Plan, a single employer pension plan administered by the McMinnville Electric System. The McMinnville Electric System Pension Board of Trustees is responsible for the proper operation and administration of the plan. The plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to McMinnville Electric System, 200 W Morford St, McMinnville, TN 37110 or by calling 1-931-473-3144.

Benefits Provided

McMinnville Electric System Pension Board establishes the benefit terms and can be amended only by the McMinnville Electric System Board of Public Utilities. Members are eligible to retire with an unreduced benefit at age 62. Benefits are determined by a formula using the members' highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with seven years of service credit. Disability benefits are provided at the accrued benefit payable at the normal retirement date or a reduced, immediate benefit determined to be the actuarial equivalent of the deferred benefit. A death benefit is provided for the spouse of a participant which is the same benefit that would be payable to a survivor annuity if the participant had retired with an immediate 50% Joint and Survivor Annuity on the day before his death.

Employees covered by benefit terms

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	5
	<u>17</u>

Contributions

The contribution requirements of plan members and the System are established and may be amended by the McMinnville Electric System. Employees contribute 4 percent of salary. McMinnville Electric makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for the plan were \$ 90,195 based on a rate of 18.58% percent of covered payroll. By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

McMinnville's net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 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 percentage of pay
Amortization method	Level dollar amortization, closed
Remaining amortization period	Initial amortization period: 30 years as of 7/1/2020
Asset valuation method	Five-year asset average spreading investment gains and losses, actuarial value of assets shall not be greater than 120% of market value, nor less than 80% of market value
Salary increases	3.00%
Cost of living increases	N/A
Investment rate of return	5.75%
Retirement age	100% at age 62
Mortality	SOA RP-2014 Adjusted to 2006 Blue Collar Mortality with Scale MP-2021
Diabled Mortality	SOA RP-2014 Adjusted to 2006 Blue Collar Mortality with Scale MP-2021

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE N -GENERAL INFORMATION ABOUT THE PENSION PLAN - continued

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the McMinnville Electric System Board by a majority vote of its members. It is the policy of the McMinnville Electric System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rate of return on pension plan investments was determined by the investment advisor, Commercial Bank and FTB Advisors. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
US Equity - Large Cap	5.67%	16%
US Equity - Small/Mid Cap	6.89%	22%
Non-US Equity - Developed	6.48%	10%
Non-US Equity - Emerging	8.36%	8%
US Corporate Bonds - Core	2.54%	18%
US Corporate Bonds - High Yield	4.31%	5%
Non-US Debt - Developed	1.52%	7%
US Treasuries(Cash Equivalents)	0.98%	4%
Real Estate	4.82%	5%
Hedge Funds	3.98%	5%
		100.00%

The long-term expected rate of return on pension plan investments was 7.58% based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from McMinnville Electric will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/23	\$ 8,194,466	\$ 9,088,879	\$ (894,413)
Changes for the year:			
Service cost	41,019		41,019
Interest	460,003		460,003
Change of benefit terms			-
Differences between expected and actual experience	(328,717)		(328,717)
Change of assumptions	162,556		162,556
Contributions - employer		90,195	(90,195)
Contributions - employee		20,307	(20,307)
Net investment income		824,695	(824,695)
Benefit payments, including refunds of employee contributions	\$ (477,546)	(477,546)	
Administrative expense		(18,059)	18,059
Net changes	(142,685)	439,592	(582,277)
Balance at 6/30/24	\$ 8,051,781	\$ 9,528,471	\$ (1,476,690)

McMINNVILLE ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE N -GENERAL INFORMATION ABOUT THE PENSION PLAN - continued

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of McMinnville Electric's calculated using the discount rate of 5.75 percent, as well as what the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
McMinnville Electric's net pension liability	\$ (661,014)	\$ (1,476,690)	\$ (2,181,638)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions**

Pension expense

For the measurement period ended June 30, 2024, McMinnville Electric recognized pension expense of \$ 86,259.

Deferred Outflows of resources and deferred inflows of resources

For the measurement period ended June 30, 2024, McMinnville Electric 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	\$ 58,178	\$ 177,235
Changes of assumptions	87,645	
Net difference between projected and actual earnings on pension plan investments	1,469	
Contributions subsequent to the measurement date of June 30, 2024	46,271	
Total	<u>\$ 193,563</u>	<u>\$ 177,235</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2025	\$ (89,938)
2026	243,987
2027	(121,698)
2028	(62,294)
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2025, McMinnville reported a payable of \$ 0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2025.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE O - GENERAL INFORMATION ABOUT OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description

Employees of McMinnville Electric System are provided medical, dental, and vision insurance after age 62. The System pays these benefits as incurred. There is no trust fund established for the funding of the projected benefits. The plan issues a separate actuarial valuation report that includes financial statements and required supplementary information. That report may be obtained by writing to McMinnville Electric System, 200 W Morford St, McMinnville, TN 37110 or by calling 1-931-473-3144.

Benefits Provided

McMinnville Electric System Board establishes the benefit terms and can be amended only by the McMinnville Electric System Board of Public Utilities. Employees are eligible for benefits at the normal retirement age of 62. The System pays the full cost of the retiree's medical, dental, and vision premium until age 65 or Medicare eligible. A retiree's dependents may remain on the plan until the spouse reaches age 65 or Medicare eligible, or the child(ren) reach age 26. MES will pay a percentage of dependent coverage as defined by the McMinnville Board of Public Utilities. Currently, MES pays 45%.

Changes in the Total OPEB Liability

Balance at 6/30/23	\$ 972,893
Changes for the year:	
Service cost	46,375
Interest	35,541
Change in Benefit Terms	
Differences between expected and actual experience	-
Change in assumptions and other inputs	(17,773)
Benefit Payments	(91,905)
Net changes	(27,762)
Balance at 6/30/24	\$ 945,131
Covered Employee Payroll	\$ 2,307,436
Net OPEB Liability as a percentage of Covered employee payroll	40.96%

Sensitivity of the Total OPEB Liability:

Current Discount		
1% Decrease	Rate	1% Increase
2.93%	3.93%	4.93%
\$ 1,009,959	\$ 945,131	\$ 884,259

Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
5.00%	6.00%	7.00%
decreasing to 4.00%	decreasing to 5.00%	decreasing to 6.00%
\$ 845,018	\$ 945,131	\$ 1,066,319

McMINNVILLE ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE O - GENERAL INFORMATION ABOUT OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION - continued

Actuarial Assumptions

Discount Rate

The discount rate was based on the Bond Buyer's 20 Bond Index. Discount rates of 3.54%, 3.65% and 3.93% were used as of June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

Health Care Trend Rates

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

Year	Valuation	
	Medical	Dental & Vision
2022	7.00%	6.00%
2023	6.50%	5.50%
2024	6.00%	5.00%
2025	5.50%	5.00%
2026+	5.00%	5.00%

Mortality

The RPH-2014 total dataset headcount-weighted fully generational mortality table with projection scale MP-2021.

Termination Rates

Age	Rate
20	6.5%
25	5.3%
30	4.8%
35	4.5%
40	3.8%
45	3.2%
50	1.5%
55	0.3%
60+	0.0%

Disability Rates

None assumed

Retirement Rates

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

Age	Rate
62	35%
63	50%
64	75%
65+	100%

Participation Rate

It was assumed that 100% of the current active employees hired on or before May 1, 2003 and 80% of the current active employees hired after May 1, 2003 would enroll in the retiree medical plan upon retirement.

Percent Married

It was assumed that 80% of those who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that female spouses are three years younger than the retiree and male spouses are three years older than the retiree. For current retirees, actual census information was used.

McMINNVILLE ELECTRIC SYSTEM

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE O - GENERAL INFORMATION ABOUT OTHER POST EMPLOYMENT BENEFITS OTHER THAN PENSION - continued

<u>Participant Salary Increases</u>	2.5% annually
<u>Payroll Growth Rate</u>	2.5% annually
<u>Inflation Rate</u>	2.0% annually

Date of Actuarial Valuation

The actuarial valuation report was the results of the July 1, 2022 valuation. The discount rate was updated as of June 30, 2024 from the prior estimated valuation to reflect a change in Bond Index used to the Bond Buyer's 20 Bond Index. The effect of this change was an increase in discount rate from 3.65% to 3.93% as of June 30, 2024. This change created an increase in the amount of \$ 17,773.

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

OPEB expense

For the measurement period ended June 30, 2024, McMinnville Electric recognized OPEB expense of \$ 103,576.

Deferred Outflows of resources and deferred inflows of resources

For the measurement period ended June 30, 2024, McMinnville Electric reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 55,463	\$ 76,011
Difference between expected and actual experience	318,956	407
Contributions subsequent to the measurement date of June 30, 2024	56,928	
Total	<u>\$ 431,347</u>	<u>\$ 76,418</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024," will be recognized as a reduction (increase) to net OPEB liability (asset) in the following measurement period.

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

Year Ended June 30:

2025	\$ 21,660
2026	21,660
2027	21,660
2028	21,660
2029	21,660
Thereafter	189,701

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

Payable to the OPEB Plan

At June 30, 2025, McMinnville reported a payable of \$ 0 for the outstanding amount of contributions to the OPEB plan required at the year ended June 30, 2025.

Note - This OPEB plan was not set up by a trust fund. The Electric System continues to pay the insurance premiums directly with its active employees. Therefore, there are no fiduciary fund financial statements for this OPEB plan contained in these financial statements.

NOTE P - DEFINED CONTRIBUTION PENSION PLAN

The McMinnville Electric System Money Purchase Pension Plan is a defined contribution pension plan established by the McMinnville Electric System to provide benefits at retirement to eligible electric system employees. At June 30, 2025, there were 18 plan members. Plan members are required to contribute 4% of covered salary. The System is required to contribute 10% of annual covered compensation. Plan provisions and contribution requirements are established and may be amended by the Board of Directors of McMinnville Electric System. Contributions to the plan for the year for the company and employees were \$ 163,369 and \$ 67,894, respectively. There were no outstanding deposits at year end. McMinnville Electric System does not have "control" over this plan, and therefore is not required to report it as a Fiduciary Activity. Employees begin vesting in the plan with 3 years of service at 20%, 4 years at 40%, 5 years at 60%, 6 years at 80%, and 100% at 7 years. Any employer contributions made that are not vested are forfeited and remain in the plan. These forfeitures can be used for employer contributions.

REQUIRED SUPPLEMENTARY INFORMATION

McMINNVILLE ELECTRIC SYSTEM

**SCHEDULE OF CHANGES IN McMINNVILLE ELECTRIC SYSTEM'S NET PENSION LIABILITY(NPL)
AND RELATED RATIOS**

Last Fiscal Year ending June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 54,641	\$ 41,019	\$ 37,780	\$ 48,010	\$ 45,868	\$ 81,059	\$ 80,254	\$ 85,308	\$ 101,721	\$ 98,343
Interest	452,582	460,003	442,826	431,154	423,368	431,260	441,266	449,715	453,439	431,851
Changes in benefit terms	-	-	-	-	-	176,695	-	-	-	-
Differences between actual & expected experience	151,266	(328,717)	255,394	132,001	114,953	(176,687)	(79,238)	54,136	(133,655)	20,792
Change of assumptions	-	162,556	-	13,916	(31,933)	101,644	57,815	(173,740)	-	13,756
Benefit payments, including refunds of employee contributions	(477,546)	(477,546)	(404,514)	(418,993)	(418,993)	(1,004,865)	(354,081)	(754,911)	(192,673)	(192,673)
Net change in total pension liability	180,943	(142,685)	331,486	206,088	133,263	(390,894)	146,016	(339,492)	228,832	372,069
Total pension liability - beginning	8,051,781	8,194,466	7,862,980	7,656,892	7,523,629	7,914,523	7,768,507	8,107,999	7,879,167	7,507,098
Total pension liability - ending (a)	\$ 8,232,724	\$ 8,051,781	\$ 8,194,466	\$ 7,862,980	\$ 7,656,892	\$ 7,523,629	\$ 7,914,523	\$ 7,768,507	\$ 8,107,999	\$ 7,879,167
Plan fiduciary net position										
Contributions - employer	\$ 46,271	\$ 90,195	\$ 244,957	\$ 244,957	\$ 244,957	\$ 946,661	\$ 222,948	\$ 244,957	\$ 244,957	\$ 244,957
contributions - employee	18,508	20,307	20,069	20,089	21,343	25,446	24,579	28,683	33,294	31,025
Net investment income	909,442	824,695	779,409	(1,325,413)	2,099,978	(32,034)	375,550	483,676	671,816	(34)
Benefit payments, including refunds of employee contributions	(477,546)	(477,546)	(404,514)	(418,993)	(418,993)	(1,004,865)	(354,081)	(754,911)	(192,673)	(192,673)
Administrative expense	(19,732)	(18,059)	(17,638)	(19,742)	(17,377)	-	(218)	(1,920)	(3,455)	(5,717)
Net change in plan fiduciary net position	476,943	439,592	622,283	(1,499,102)	1,929,908	(64,792)	268,778	485	753,939	77,558
Plan fiduciary net position - beginning	9,528,471	9,088,879	8,466,596	9,965,698	8,035,790	8,100,582	7,831,804	7,831,319	7,077,380	6,999,822
Plan fiduciary net position - ending (b)	\$ 10,005,414	\$ 9,528,471	\$ 9,088,879	\$ 8,466,596	\$ 9,965,698	\$ 8,035,790	\$ 8,100,582	\$ 7,831,804	\$ 7,831,319	\$ 7,077,380
Net Pension Liability (asset) - ending (a) - (b)	\$ (1,772,690)	\$ (1,476,690)	\$ (894,413)	\$ (603,616)	\$ (2,308,806)	\$ (512,161)	\$ (186,059)	\$ (63,297)	\$ 276,680	\$ 801,787
Plan fiduciary net position as a percentage of total pension liability	121.53%	118.34%	110.91%	107.68%	130.15%	106.81%	102.35%	100.81%	96.59%	89.82%
Covered - employee payroll	\$ 391,451	\$ 485,557	\$ 517,302	\$ 468,797	\$ 531,263	\$ 588,331	\$ 702,081	\$ 705,172	\$ 746,311	\$ 801,484
Net pension liability (asset) as a percentage of covered-employee payroll	-452.85%	-304.12%	-172.90%	-128.76%	-434.59%	-87.05%	-26.50%	-8.98%	37.07%	100.04%

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF CONTRIBUTIONS - McMINNVILLE ELECTRIC SYSTEM

Last Fiscal Year ending June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 28,320	\$ 14,561	\$ 20,484	\$ 19,693	\$ 27,810	\$ 42,652	\$ 52,612	\$ 39,748	\$ 61,404	\$ 101,106
Contributions in relation to the actuarially determined contribution	46,271	90,195	244,957	244,957	244,957	946,661	222,948	244,957	266,920	238,877
Contribution deficiency (excess)	\$ (17,951)	\$ (75,634)	\$ (224,473)	\$ (225,264)	\$ (217,147)	\$ (904,009)	\$ (170,336)	\$ (205,209)	\$ (205,516)	\$ (137,771)
Covered-employee payroll	\$ 391,451	\$ 485,557	\$ 517,302	\$ 468,797	\$ 531,263	\$ 588,331	\$ 702,081	\$ 705,172	\$ 746,311	\$ 801,484
Contributions as a percentage covered-employee payroll	11.82%	18.58%	47.35%	52.25%	46.11%	160.91%	31.76%	34.74%	35.77%	29.80%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July1).

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level percentage of pay
Amortization method	Level dollar amortization, closed
Remaining amortization period	Initial Amortization Period: 30 years as of 7/1/2020
Asset valuation	Five-year asset average spreading investment gains and losses, actuarial value of assets shall be greater than 120% of market value, nor less than 80% of market value.
Cost of living increases	N/A
Salary increases	5.00% per annum
Investment Rate of Return	5.75% per annum
Retirement age	100% at Age 62
Mortality	Pri-2012 Blue Collar Mortality with Scale MP-2021
Disabled Mortality	Pri-2012 Blue Collar Mortality with Scale MP-2021

Schedule of Investment Returns

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.75%	9.23%	9.30%	-13.44%	26.44%	-0.19%	5.06%	6.63%	9.46%	0.00%

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF CHANGES IN McMINNVILLE ELECTRIC SYSTEM'S TOTAL OPEB LIABILITY
AND RELATED RATIOS

Last Fiscal Year ending June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ 27,404	\$ 46,375	\$ 46,128	\$ 33,670	\$ 32,564	\$ 13,428	\$ 12,231	\$ 12,188	\$ 13,572
Interest	22,227	35,541	35,419	17,122	18,617	10,409	11,207	9,572	7,544
Changes in benefit terms	-	-	-	-	368,650	78,312	-	-	-
Differences between actual & expected experience	(415,511)	-	291,661	-	78,959	(612)	-	3,931	-
Change of assumptions and other inputs	(10,845)	(17,773)	17,867	(61,137)	(3,058)	45,319	6,777	9,566	(12,425)
Benefit payments	(56,928)	(91,905)	(111,176)	(110,760)	(98,027)	(28,604)	(18,700)	(7,567)	(1,773)
	(433,653)	(27,762)	279,899	(121,105)	397,705	118,252	11,515	27,690	6,918
Total OPEB liability - beginning	945,131	972,893	692,994	814,099	416,394	298,142	286,627	258,937	252,019
Total OPEB liability - ending	\$ 511,478	\$ 945,131	\$ 972,893	\$ 692,994	\$ 814,099	\$ 416,394	\$ 298,142	\$ 286,627	\$ 258,937
Covered - employee payroll	\$ 2,265,868	\$ 2,307,436	\$ 2,251,157	\$ 2,015,571	\$ 1,966,411	\$2,111,546	\$2,060,045	\$2,048,959	\$1,998,984
Net OPEB liability as a percentage of covered-employee payroll	22.57%	40.96%	43.22%	34.38%	41.40%	19.72%	14.47%	13.99%	12.95%
Notes:									
Plan changes:	None	None	None	None	Cost sharing change for retirees and their dependents	Early retirement incentive program offered as of 5/31/2020	None	None	None
Plan provisions are summarized in Note O.									
Assumption changes									
Discount rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%
Pre-65 Trend Rate	8.0% initially grading down to 5.0% in 2030	6.5% initially grading down to 5.0% in 2026	7.0% initially grading down to 5.0% in 2026	6.5% initially grading down to 5.0% in 2024	7.0% initially grading down to 5.0% in 2024	7.5% initially grading down to 5.0% in 2024	8.0% initially grading down to 5.0% in 2024	7.0% initially grading down to 5.0% in 2020	7.5% initially grading down to 5.0% in 2020
Mortality Table	PUB-2010 headcount- weighted table with projection Scale MP-2021	RPH-2014 headcount- weighted table with projection Scale MP-2021	RPH-2014 headcount- weighted table with projection Scale MP-2021	RPH-2014 headcount- weighted table with projection Scale MP-2020	RPH-2014 headcount- weighted table with projection Scale MP-2020	RP-2000 Fully Generational table with projection Scale BB	RP-2000 Fully Generational table with projection Scale BB	RP-2000 Fully Generational table with projection Scale AA	RP-2000 Fully Generational table with projection Scale AA
Assumptions are summarized in Note O.									

Note - The OPEB is not funded through a trust that would require reporting as a fiduciary activity according to GASB Statement 84.

OTHER SUPPLEMENTARY INFORMATION

McMINNVILLE ELECTRIC SYSTEM

OPERATING EXPENSES

Year ended June 30, 2025

Schedule 1 - Distribution Expense

Supervision and engineering	\$ 453,360
Station expense	49,917
Generation expenses	98,347
Overhead and underground line expense	117,681
Rents	10,127
Meter expense	119,663
Customer installation expense	42,419
Athletic field lighting	939
Loss on disallowance of plant	196,032
Electric vehicle expense	10,244
Miscellaneous	1,866
	<u>\$ 1,100,595</u>

Schedule 2 - Customer Accounts Expense

Supervision	\$ 104,813
Meter reading	8,121
Customer records and collection expense	442,234
	<u>\$ 555,168</u>

Schedule 3 - Customer Service Information

Customer assistance expense	<u>\$ 76,260</u>
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Schedule 4 - Sales Expense

Demonstrating and selling expense	\$ 31,665
Advertising	11,301
	<u>\$ 42,966</u>

McMINNVILLE ELECTRIC SYSTEM

OPERATING EXPENSES

Year ended June 30, 2025

Schedule 5 - Administrative and General Expense

Administration and general salaries	\$	415,439
Office supplies and expense		91,147
Outside services employed		112,814
Property insurance		52,500
Injuries and damages		92,378
Employee pensions and benefits		829,800
Advertising		22,902
Employee uniforms		17,709
Miscellaneous expense		50,318
		<hr/>
	\$	<u>1,685,007</u>

Schedule 6 - Maintenance Expense

Supervision and engineering	\$	125,608
Maintenance of station equipment		148,577
Maintenance of overhead lines		461,286
Maintenance of underground lines		7,518
Maintenance of line transformers		14,523
Maintenance of street lighting and signal systems		2,221
Maintenance of meters		2,472
Maintenance of security lights		7,063
Maintenance of general plant		93,296
		<hr/>
	\$	<u>862,564</u>

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF RATES IN FORCE

June 30, 2025

RESIDENTIAL RATE

Customer charge per month	\$	21.05	
Energy charge:			
All kWh			0.11088

GENERAL POWER RATE

PART A (DEMAND 0-5,000 KW)

1. Less than 50 KW

Customer charge per month	41.98	
Energy charge:		
All kWh		0.11886

2. Between 51 KW and 1,000 KW

Customer charge per month	209.85	
Demand charge:		
After 50 KW per month	17.40	
Energy charge:		
First 15,000 KWH per month		0.12236
Additional KWH per month		0.07824

Commercial
GSA-3

3. Demand between 1,001 and 5000 KW

Customer charge per month	1,112.46	
Demand charge		
First 1,000 KW per month	16.54	
Additional KW per month	14.88	
Energy charge:		
All KWH per month	0.08173	

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF RATES IN FORCE

June 30, 2025

STREET LIGHTING

Customer charge
All KWH

0.08464

OUTDOOR LIGHTING

50 Watt LED	7.81
75 Watt LED	9.62
110 Watt LED	12.62
200 Watt LED	20.29
215 Watt LED	18.65
260 Watt LED	31.86
360 Watt LED	34.35

POLE RENTAL FOR LIGHTS

30 foot pole	5.00
35 foot pole	7.00
40/45 foot pole	8.00
14 foot Dec pole	36.48

Number of Customers at Year End:

Residential	6,707
Commercial	1,599
Street and athletic fields	42
Individually billed outdoor lighting	26
	<hr/>
	8,374
	<hr/> <hr/>

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF LONG TERM DEBT

Year ended June 30, 2025

TVA Energy Advances				Caney Fork Electric Cooperative Annexation		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 110,846	\$ 50,433	\$ 161,279	\$ 1,995	na	\$ 1,995
2027	110,585	42,938	153,523	1,995	na	1,995
2028	104,082	35,558	139,640	1,995	na	1,995
2029	93,663	28,745	122,408	1,994	na	1,994
2030	89,065	22,406	111,471	1,994	na	1,994
2031	84,844	16,331	101,175	1,994	na	1,994
2032	72,253	10,625	82,878			
2033	57,395	5,697	63,092			
2034	33,025	1,933	34,958			
2035	39,832	236	40,068			
	<u>\$ 795,590</u>	<u>\$ 214,902</u>	<u>\$ 1,010,492</u>	<u>\$ 11,967</u>	<u>\$ -</u>	<u>\$ 11,967</u>

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2025

Description of Indebtedness	Original Amount of Issue	Last Interest Rate	Date of Issue	Issued Maturity Date	Paid and/or Outstanding 7/1/2024	Issued During Period	Matured During Period	Refunded During Period	Outstanding 6/30/2025
Business-Type Activities									
<u>OTHER LOANS PAYABLE</u>									
Contracts payable to Caney Fork Electric Cooperative for annexations	\$ 19,946	0.00%	06/28/22	6/30/2032	<u>\$ 13,962</u>		<u>\$ 1,995</u>		<u>\$ 11,967</u>

Note - The TVA energy loans are not applicable to this schedule.

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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

McMinnville Electric System
McMinnville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activity and the fiduciary fund activity of the McMinnville Electric System as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2025. Our report includes a reference to other auditors who audited the financial statements of McMinnville Electric System's Employee's Pension Plan, as described in our report on McMinnville Electric System's financial statements. This report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

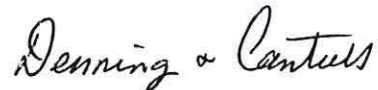
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McMinnville Electric System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance of the results of that testing, and not to provide an opinion on the effectiveness of the McMinnville Electric System'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 McMinnville Electric System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

McMinnville, Tennessee
October 10, 2025

McMINNVILLE ELECTRIC SYSTEM

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2025

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
no prior year findings		

APPENDIX D
SUPPLEMENTAL INFORMATION

SYSTEM INFORMATION

The System is operated and maintained by an independent Board of Directors (the “Board”) as an enterprise fund of the City of McMinnville, Tennessee. The five member Board has general supervision and control of McMinnville Electric System (“MES”) with representation from the Board of Mayor and Aldermen. Each member is appointed by the Mayor and confirmed by the Board of Aldermen to staggered four-year terms of office except in the case of aldermanic representative which is a yearly appointment. The Board appoints the general manager of the System. MES issues financial statements and supplementary information which are incorporated in the Municipality’s annual comprehensive financial report and operates as a department of the Municipality. Set forth below are the members of the Board, their principal occupations and the expiration of their terms of office.

	<u>Principal Occupation</u>	<u>Expiration of Term</u>
Dr. Jeff McKinley	Chiropractor	July 2027
Sally Brock	Retired	July 2026
Dietra Dunlap	Educator	November 2026
Michael Griffith	Bank President	July 2029
Bill Locke	Retired Judge	November 2026

As of June 30, 2025, MES provided electric services for more than 8,300. Approximately 81 percent of the System’s electric customers are residential, and about 19 percent are commercial/industrial.

In 2001, MES became one of the state’s first power systems to become both a distributor and supplier of electric power to the Tennessee Valley Authority. Eleven 2-megawatt diesel generators were installed at the utility’s East McMinnville Substation, located in an industrial section of the Municipality. MES contracted to provide twenty megawatts of power to TVA. The additional two megawatts of capacity are used for reserve or backup to ensure reliability. This generating facility is used during times of peak load or when power supply is short. The capacity of this facility can generate power for roughly 45% of MES’s peak load and power the load for all homes in McMinnville during an energy crisis.

In 2004, MES became the first municipal electric system in the United States to generate electricity using a clean burning fuel made primarily from soybeans (Biodiesel). To date, the Biodiesel generator has over 1,000 hours of operation and has used 187,500 gallons of 100% Biodiesel to produce 1,500,000 kilowatt hours of clean, renewable power.

Service Area

MES’s service area consists of approximately 16.25 square miles in Warren County, Tennessee including the City of McMinnville.

Tennessee law (TCA Section 7-34-104) authorizes municipalities to operate electric systems within and outside the municipality’s corporate boundaries. Tennessee municipalities may operate electric systems within the corporate boundaries of other municipalities, with those municipalities’ consent. If another municipality annexes a previously unincorporated area in which a municipality provides electric service, Tennessee law provides that the annexing municipality has the right to acquire the local assets of the municipal electric provider at fair market value (TCA Section 6-51-111).

Source of Electric Power

MES does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority ("TVA") pursuant to a long-term wholesale power contract dated September 30, 2019 (the "Power Contract"). Under the Power Contract, the Municipality agrees to purchase all of its electric power from TVA.

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

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

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

The Tennessee Valley Authority

TVA is a wholly owned corporate agency and instrumentality of the United States. TVA was created by the U.S. Congress in 1933 by virtue of the Tennessee Valley Authority Act of 1933, as amended, 16 U.S.C. §§ 831-831ee (2000 & Supp. IV 2004) (as amended, the "TVA Act"). TVA was created to improve navigation on the Tennessee River, reduce flood damage, provide agricultural and industrial development, and provide electric power to the Tennessee Valley region. TVA manages the Tennessee River and its tributaries for multiple river-system purposes, such as navigation; flood damage reduction; power generation; environmental stewardship; shoreline use; and water supply for power plant operations, consumer use, recreation, industry, and other stewardship purposes. TVA's power system operations, however, constitute the majority of its activities and provide virtually all of its revenues.

TVA provides electric power to most of Tennessee, northern Alabama, northeastern Mississippi, and southwestern Kentucky. It also supplies power to small areas of Georgia, North Carolina, and Virginia. TVA is the nation's largest public power company, providing power to approximately ten million residents. TVA also maintains a navigable channel for the Tennessee River, performs flood control on the same river along with assistance to flood control on two other rivers, develops and introduces improved soil fertilizers, and encourages agricultural and industrial development and better forestry in the region. TVA's operations fall into two classes: power and non-power. Most of its revenues and assets are provided by the power program. TVA is a self-supporting entity.

The Power Contract provides that the System may sell power to all customers in its service area, except federal installations having contract demands greater than 5,000 kW and large customers as determined by a calculation outlined in TVA's Industrial Service Policy whom TVA may serve directly. At the present time, TVA does not directly serve any customer located within the service area of the System.

The Power Contract contains provisions that establish the wholesale rates, retail rates and terms and conditions under which power is to be purchased by TVA and distributed to the customers of the System. Under the Power Contract, TVA, on a monthly basis, may determine and make adjustments in the wholesale rate schedule with corresponding adjustments in retail rate schedules necessary to enable TVA to meet all requirements of the TVA Act, and the tests and provisions of TVA's bond resolutions.

TVA generates much of the electrical power and energy distributed to its distributors but also purchases some of its electrical power and energy from third parties. The TVA system includes nuclear plants, fossil plants, hydroelectric plants, combustion-turbine plants, solar sites, a wind- energy site, and a methane gas facility. TVA transmits electrical power and energy over its transmission system and sells such power and energy at wholesale rates to its distributors, of which the System is one. TVA also directly serves a limited number of large customers and federal installations. The power sold to the System is not supplied by one specific generating facility but from the entire TVA system.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver output thereof so as to be in a position to supply additional power when and to the extent needed by the System. Neither TVA nor the System is liable for breach of contract if the availability or use of power is interrupted or curtailed or 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 availability of power purchased from other generating facilities. The cost and availability of power to the System may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as stricter emissions standards and future legislation regulating the use of fossil fuel, changes in TVA's wholesale rate design, the construction and financing of future generating and transmission facilities, weather conditions and other factors relating to TVA's ability to supply the power demands of its customers. The System cannot determine with any precision its future cost of wholesale power purchased from TVA, and the System's wholesale power costs could be impacted by any combination of the above or other factors.

For more information concerning TVA, its generation capacity, and its financial condition, including some of those factors discussed above, see the annual, quarterly, and current reports filed by TVA with the Securities and Exchange Commission ("SEC"). Annual financial information about TVA can be found in TVA's Annual Report filed on Form 10-K. Interim financial information can be found in TVA's Quarterly Reports filed on Form 10-Q. Additional information may be found from time to time on TVA's Current Reports filed on Form 8-K. You may read and copy any of these documents at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. In addition, TVA's SEC filings are available to the public from the SEC's website at www.sec.gov and from TVA's website at www.tva.gov. Information contained in these reports and on TVA's website shall not be deemed to be incorporated into, or to be a part of, this Official Statement.

Deregulation and Other Factors Affecting the Electric Utility Industry

The electric utility industry has been and will continue to be affected by a number of factors that will have an impact on the business, operations, and financial conditions of both public and private electric utilities, including the System.

In the past, one of these factors was the efforts at both the national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is more (or open) competition for power supply service at both the wholesale and retail level. Historically, electric utilities have operated as monopolies within their service territories, subject to certain exceptions. Under this arrangement, utilities have generally been able to charge rates primarily determined by their costs of service, rather than by competitive forces. There has been little activity regarding deregulation in recent years due to the perception of rapid escalation of electric rates in areas that have been deregulated. There can be no assurance that this arrangement will continue for the System.

Competitive Environment in Tennessee

In the late 1990s and early 2000s, various regulatory and legislative bodies in Tennessee considered a wide range of issues associated with the advisability of retail competition in the electric utility industry. None of these groups recommended that the State actively pursue full retail competition at that time, and there are no currently pending State legislative or regulatory initiatives to provide for retail competition in Tennessee at this time.

Transmission Access to Wholesale Power

The Municipality's ability to access the wholesale power markets is limited, and TVA currently enjoys substantial insulation from wholesale competition. Under the TVA Act, subject to certain minor exceptions, TVA may not currently enter into contracts that would have the effect of making it or the Municipality and other distributors a source of TVA power supply outside a statutorily specified area. However, under a special provision of the Energy Policy Act of 1992 (the "anti-cherry-picking provision"), TVA is not required to provide its competitors with access to its transmission system to transmit power for consumption within the area that TVA or the System and other distributors of TVA's power may serve. Thus, while TVA may not sell power outside its current service area, except for certain pre-existing arrangements, its competitors are not allowed to obtain transmission service from TVA to sell power within TVA's service areas under present law. Pending and future legislative and regulatory actions could impact the Municipality's ability to access the wholesale market, and modification of TVA's historically protected service area could adversely affect TVA's financial and operating condition.

Federal Energy Policy Act of 2005

The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission ("FERC") to require "unregulated transmitting utilities" to provide open access to their transmission systems on comparable terms and conditions as those "unregulated transmitting utilities" provide transmission service to themselves. While the Municipality meets the minimum kilowatt-hour sales threshold to be an "unregulated transmission utility" under Section 201(f) of the Federal Power Act, it is unclear the extent to which, if any, the Municipality's facilities would be considered subject to these requirements. The Municipality is unable to predict at this time the impact of these requirements on the Department's operations and finances.

The Energy Policy Act of 2005 provides certain "load serving entities" holding firm transmission rights the ability to continue to use those rights to serve their customers, and one provision of the Energy Policy Act of 2005 purports to provide these rights to wholesale customers of TVA like the Municipality. It is currently unclear whether these or other provisions of the Energy Policy Act of 2005 will fundamentally change the Municipality's power supply arrangements with TVA or the Municipality's ability to access the wholesale generation markets at a future point in time.

The Energy Policy Act of 2005 also subjected electric utilities like the Board to certain amendments to the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The purposes of PURPA in 1978 were, and continue to be, to help the nation facilitate the conservation of energy, optimize efficiency, and provide for the establishment of equitable rates. As originally enacted, PURPA required certain utilities to consider and, if appropriate, adopt certain service practice and rate standards. As amended, PURPA now requires consideration of five new standards: (i) Net Metering; (ii) Fuel Source Diversity; (iii) Fossil Fuel Generation Efficiency; (iv) Smart Metering (time-based metering and communications); and (v) Interconnection Standards for Independent Power Producers. Under the revised PURPA standards, the TVA Board is the Municipality's regulatory authority for purposes of PURPA. The potential financial implications for some of the standards are currently unknown.

NERC Electric Reliability Standards Compliance

With the passage of the Energy Policy Act of 2005, Congress authorized FERC to establish an Electric Reliability Organization ("ERO") to protect the reliability of the bulk electric power system in the United States. The North American Electric Reliability Corporation ("NERC") was certified by FERC as the ERO. Owners, operators, and users of the bulk power system are required to be registered with NERC and the appropriate Regional Entities, or in MES's case, the Southeastern Electric Reliability Corporation ("SERC"). NERC intends to comprehensively and thoroughly protect the reliability of the U.S. power grid. To support this goal, NERC will include in its compliance registry each entity that NERC concludes can materially impact the reliability of the bulk electric system.

Effective as of July 1, 2014, NERC revised its definition of the bulk electric system to include additional transmission elements that were not previously considered to be a part of the bulk electric system. MES has

identified some electric system assets that could be considered to be transmission elements within the NERC's definition of the bulk power system. MES entered into a Memorandum of Understanding with TVA dated July 1, 2016 to ensure full compliance with the applicable NERC reliability standards. MES does not currently anticipate that these requirements will have a material and adverse impact on its operations and finances, but the Municipality cannot predict the impact of NERC activities and regulations on its operations and finances in the future.

TVA and General Industry Risk Factors

Because the Municipality purchases all of its power from TVA, any risk factors affecting or potentially affecting the business operations of TVA may also affect the Municipality. TVA may mitigate some of these risks by increasing the rates it charges for its power. *A discussion of the risk factors affecting TVA's operations can be found in TVA's Annual Report.* TVA's Annual Report is available to the public from the SEC's website at www.sec.gov and from the TVA's website at www.tva.gov.

In addition to risks discussed above, the electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition of the Board. Such factors include, among others, the following: (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative other than those described elsewhere in this Official Statement; (ii) changes resulting from conservation and load management programs on the timing and use of electric energy; (iii) changes in national, regional or state energy policy; (iv) competition from other utilities, independent power producers, marketers and brokers; (v) competition with customer-owned generation, such as "self-generation" or "distributed generation," which might include microturbines, fuel cells, and other generation resources; (vi) shifts in the availability and relative costs of different fuels, whether such fuels are competitive alternatives to electricity or are used in the generation of electricity; (vii) other federal, state or local legislative or regulatory changes; (viii) loss of large industrial or commercial customers; and (ix) changes in the economy. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any electric utility and will likely affect individual utilities in different ways.

The Municipality is unable to predict what impact any of the foregoing factors will have on its operations and financial conditions, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is available in the public domain, and potential purchasers of the Bonds should obtain and review such information.

Payments In Lieu of Taxes

MES makes an in-lieu-of-tax payment to the City of McMinnville. The payment is based on the formula provided by the State of Tennessee Municipal Electric System Tax Equivalent Law of 1987. The formula includes a property tax equivalency calculation plus 4% of operating revenue less power costs (three-year average). Under Tennessee law, payments in lieu of taxes are required annually, but only from funds available after the payment of operating expenses and debt service. See the line item titled "Transfers in lieu of taxes" in "Summary of Operating Results-STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION" for the amount of payments in lieu of taxes made by the Electric System for the 2020 through 2025 fiscal years.

Electric Rates

The Municipality obtains power for the System through the Power Contract. Pursuant to the Power Contract, the Municipality has agreed to adhere to the resale rates set forth in certain schedules established by TVA. The schedules include the provision that the customer billings will be adjusted in accordance with the Adjustment Addenda published by TVA. The System is not otherwise subject to rate regulation under existing law, and the Municipality is not aware of any pending legislation to make its electric rates subject to regulation. The Power Contract provides further that if the resale rates set forth therein do not provide sufficient revenues for the

operation and maintenance of the system on a self-supporting, financially sound basis, including debt service, the Municipality and TVA shall agree to changes in rates to provide increased revenues. In like manner, if the rates and charges 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.

Effective April 2011, TVA implemented a seasonal Time-of-Use (TOU) wholesale rate structure. With the TOU rate structure, TVA provides distributors with a monthly wholesale power cost invoice, calculated by applying the respective rates detailed below to usage measured at TVA's wholesale metering points. All usage measured from the separate wholesale metering points are combined by TVA and billed as a single wholesale meter. Qualifying industrial and commercial customer loads are removed from the total wholesale system load being billed on the TOU rate structure. The qualifying industrial and commercial customer loads are billed separately under an End-Use rate structure.

In addition to seasonal TOU energy (kilowatt-hour), demand (kilowatt), and FCA charges, TVA added a fixed cost recovery component to the wholesale rate structure effective October 2018. Designed to be revenue neutral, TVA reduced wholesale energy rates by \$0.005 while implementing an offsetting flat, monthly Grid Access Charge ("GAC"). The GAC is based on the average of MES's annual energy (kilowatt) load during TVA's previous five fiscal years and is recalculated annually.

Over the last several years, TVA and distributors have worked collaboratively to develop a Strategic Pricing Plan ("SPP") that focuses on TVA's long-term pricing strategy. The SPP serves as a guide for the long-term direction of TVA's wholesale rates and provides distributors with the knowledge needed to make future business decisions and evaluate technology investments. As part of the SPP, effective October 2015, TVA changed the wholesale rate structure to send improved pricing signals that are more reflective of TVA's embedded (fixed) and marginal (variable) costs. Additionally, the wholesale rate structure provides more dynamic pricing and encourages technology investment through pricing and assistance with interval metering and data management.

The current rates of the System are included in Appendix F.

Substations, Transmission and Distribution Systems

The System currently provides electric service to approximately 8,374 customers (6,707 residential and 1,599 industrial/commercial) Warren County in Tennessee including the City of McMinnville totaling approximately 16.25 square miles. TVA provides power for the distribution system at two 161 kV delivery points located at the West 161 kV Substation (60 MVA base capacity) and the Carl Walker (East) 161 kV Substation (24 MVA base capacity). The System has a total of 12 (12 kV) feeder circuits originating from the substations with tie circuits connecting all substations for "loop" feeds. West Substation is equipped with a spare power transformer. East Substation normally runs with two power transformers in parallel. Normal loads can be fed from one unit, conditionally. The System presently serves its customers through more than 236 miles of distribution lines and achieved sales of approximately 16,625,853 million kilowatt hours during fiscal year 2025. With few exceptions, System personnel perform all maintenance work required. The System currently has 26 full time employees.

The historical peak system demand of 45,266 kW occurred January 17, 2024 at a temperature of 23 degrees Fahrenheit. The peak load for fiscal year 2025 was set January 22, 2025 at 43,673 kW at a temperature range between 3 degrees and 32 degrees Fahrenheit. System losses were 3.49% in fiscal year 2025.

Number of Customers

Set forth below are the number of customers by type for the years presented.

FISCAL YEAR	RESIDENTIAL	COMMERCIAL	STREET/ ATHLETIC	OUTDOOR	TOTAL
2019	6,436	1,554	45	31	8,066
2020	6,555	1,561	45	30	8,191
2021	6,506	1,578	45	32	8,161
2022	6,529	1,575	44	24	8,172
2023	6,521	1,572	43	25	8,161
2024	6,571	1,597	42	25	8,235
2025	6,707	1,599	42	26	8,306

Largest Electric System Customers

Approximately 15% of fiscal year 2025 sales were made to the System's largest customers. The table below lists the largest customers of the System in order of annual sales generated as of June 30, 2025.

	Customer	Annual Usage (kwh)	Total 12-month Peak Demand (billed)	Peak Demand (kw) (billed)	Annual Sales (\$)	Percent of Total Sales
1	Sunbeam Products	5,983,200	14,851.20	1,545.60	628,392.97	2.81%
2	St Thomas Riverpark Hospital	5,416,500	9,271.50	880.50	577,051.28	2.58%
3	Cumberland Lumber	4,406,400	14,834.40	1,252.80	491,981.62	2.20%
4	Wal Mart Stores	3,530,000	6,986.00	769.00	419,536.54	1.88%
5	WC Board of Education-WCHS	2,292,000	7,192.00	713.00	286,977.96	1.28%
6	Mayfield Lumber	1,866,500	6,892.35	639.20	254,019.61	1.14%
7	WC Board of Education-WCMS	1,640,700	5,301.90	534.60	217,137.85	0.97%
8	Warehouse Discount Grocery	1,713,120	2,805.12	254.16	185,064.65	0.83%
9	McMinnville Tool & Die	1,601,640	3,244.56	320.64	175,143.00	0.78%
10	Poly Flex Products	845,480	3,442.10	918.25	136,680.13	0.61%
		29,295,540	74,821.00	7,827.75	3,371,985.61	15.09%

Environmental Compliance

MES is subject to federal, state and local laws and regulations pertaining to the environment. MES has installed hazardous waste communications procedures under the right to know law and has initiated guidelines for the use, handling and storage of polychlorinated biphenyls ("PCBs"). MES has in place spill prevention and clean up programs.

Summary of Operating Results

The following table sets forth a summary of the operating results of the System for the past six fiscal years. The information has been extracted from the audited financial statements of the Department for the fiscal years 2020 through 2025. For more detailed information regarding the financial results and condition of the System, see Appendix C.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020	2021	2022	2023	2024	2025
OPERATING REVENUE						
Electric sales revenue	\$18,987,990	\$18,323,099	\$19,309,493	\$20,155,814	\$20,081,546	\$22,335,827
Generation revenue	969,342	971,715	969,893	967,756	968,710	990,366
Rent from electric property	479,957	510,927	512,082	549,685	546,488	542,223
Forfeited discounts	76,023	85,679	88,927	91,162	91,969	96,581
Company use of electricity	41,928	40,898	44,136	50,765	49,913	52,966
Miscellaneous service revenue	103,233	122,247	121,223	112,256	112,144	304,475
TOTAL OPERATING REVENUES	20,658,473	20,054,565	21,045,754	21,927,438	21,850,770	24,322,438
OPERATING EXPENSES						
Purchased power	14,712,116	13,938,680	14,906,075	15,904,075	15,181,392	16,315,052
Distribution expense	724,070	771,477	841,742	889,269	867,225	1,100,595
Customer accounts expense	378,127	343,640	393,532	434,644	491,509	555,168
Customer service and informational expense	116,946	63,241	65,037	63,623	70,596	76,260
Sales expense	45,468	64,706	72,266	76,802	76,322	42,966
Administrative and general expense	1,417,383	1,523,723	1,480,073	1,530,508	1,644,091	1,685,007
Maintenance expense	810,870	634,520	685,164	721,791	770,795	862,564
Depreciation	1,101,121	1,079,661	1,032,246	1,043,281	1,071,387	1,113,238
Amortization	5,126	4,234	4,235	1,995	1,995	1,995
Payroll taxes	273,986	278,197	293,392	292,446	306,829	291,885
Interest expense	14,584	4,889	4,285	13,739	25,012	26,770
Donations and community welfare	18,553	4,907	24,316	19,439	24,549	22,537
TOTAL OPERATING EXPENSES	19,618,350	18,711,875	19,802,363	20,991,612	20,531,702	22,094,037
OPERATING INCOME	1,040,123	1,342,690	1,243,391	935,826	1,319,068	2,228,401
NON-OPERATING REVENUES (EXPENSES)						
Interest income	104,832	51,988	33,321	117,934	225,512	193,350
TRANSFERS TO THE CITY OF MCMINNVILLE	(454,212)	(475,481)	(482,145)	(430,683)	(462,610)	(419,416)
INCREASE IN NET POSITION	690,743	919,197	794,567	623,077	1,081,970	2,002,335
NET POSITION, BEGINNING OF YEAR	20,962,367	21,653,110	22,572,307	23,366,874	23,989,951	25,071,921
RESTATEMENT (GASB 101 IMPLEMENTATION)						(748,104)
NET POSITION, END OF YEAR	\$21,653,110	\$22,572,307	\$23,366,874	\$23,989,951	\$25,071,921	\$26,326,152

Source: Audited Financial Statements for Fiscal Years 2020 through 2025.

CITY OF McMINNVILLE, TENNESSEE
ELECTRIC SYSTEM
STATEMENTS OF NET POSITION
(For the Years Ended June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
ASSETS:						
CURRENT ASSETS						
Cash - unrestricted	\$968,539	\$4,642,645	\$3,775,905	\$4,032,159	\$3,819,806	\$4,045,465
Certificates of deposit	2,201,461	233,041	*	*	*	*
Accounts receivable	1,866,715	1,880,581	2,041,661	1,828,420	2,096,693	2,501,142
Inventories	441,247	364,414	447,524	578,601	526,775	487,528
Prepaid expenses	18,068	28,718	23,382	524,492	438,773	833,599
Other current assets	97,330	96,449	95,487	119,620	201,231	119,504
Portion of non-current receivables due within one year	116,404	108,567	102,515	95,220	105,700	110,846
	<u>5,709,764</u>	<u>7,354,415</u>	<u>6,486,474</u>	<u>7,178,512</u>	<u>7,188,978</u>	<u>8,098,084</u>
NON CURRENT ASSETS						
Net pension asset	208,069	512,162	2,308,807	603,617	894,413	1,476,690
Contracts receivable - for home weatherization	738,082	641,240	661,578	657,444	771,666	765,080
Less amount due within one year	(116,404)	(108,567)	(102,515)	(95,220)	(105,700)	(110,846)
	<u>829,747</u>	<u>1,044,835</u>	<u>2,867,870</u>	<u>1,165,841</u>	<u>1,560,379</u>	<u>2,130,924</u>
CAPITAL ASSETS						
Land and construction in progress	603,882	669,008	532,358	557,648	1,081,435	1,186,444
Buildings and equipment - net	<u>17,487,779</u>	<u>17,752,663</u>	<u>18,225,599</u>	<u>19,231,214</u>	<u>20,192,686</u>	<u>21,233,479</u>
	18,091,661	18,421,671	18,757,957	19,788,862	21,274,121	22,419,923
Acquisition adjustments	<u>8,469</u>	<u>4,235</u>	<u>19,946</u>	<u>17,951</u>	<u>15,956</u>	<u>13,962</u>
Total Assets	<u>24,639,641</u>	<u>26,825,156</u>	<u>28,132,247</u>	<u>28,151,166</u>	<u>30,039,434</u>	<u>32,662,893</u>
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience - pension plan	34,808	18,584	83,948	130,101	205,623	58,178
Change of assumptions - pension plan	48,188	104,430	60,501	26,738	4,286	87,645
Net difference between projected and actual earnings on pension investments	4,614	369,100		742,276	340,764	1,469
Change of assumptions - OPEB	14,694	55,938	51,863	47,788	60,559	55,463
Difference between expected and actual experience - OPEB	3,429	3,178	76,755	71,373	340,995	318,956
OPEB contribution after measurement date		91,765	91,346	110,760	111,176	56,928
Pension contribution after measurement date	924,652	244,957	244,957	244,957	90,196	46,271
Total Deferred Outflows of Resources	<u>1,030,385</u>	<u>887,952</u>	<u>609,370</u>	<u>1,373,993</u>	<u>1,153,599</u>	<u>624,910</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>25,670,026</u>	<u>27,713,108</u>	<u>28,741,617</u>	<u>29,525,159</u>	<u>31,193,033</u>	<u>33,287,803</u>

*Unrestricted cash includes certificates of deposit.

Source: Audited Financial Statements for years presented.

CITY OF McMINNVILLE, TENNESSEE
ELECTRIC SYSTEM
STATEMENTS OF NET POSITION (continued)
(For the Years Ended June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
LIABILITIES:						
CURRENT LIABILITIES						
Accounts payable	\$334,077	\$1,366,655	\$356,308	\$1,595,772	\$1,609,980	\$1,456,693
Customer deposits	1,009,942	1,047,372	937,950	994,951	1,145,556	1,296,303
Interest payable	33,061	34,363	28,468	39,696	61,066	80,419
Accrued vacation payable	748,703	703,912	790,224			
Other current liabilities	613,661	658,115	604,041	569,005	558,392	251,956
Portion of long term debt due within one year	120,639	108,567	104,510	97,215	107,695	267,841
Total current liabilities	<u>2,860,083</u>	<u>3,918,984</u>	<u>2,821,501</u>	<u>3,296,639</u>	<u>3,482,689</u>	<u>3,353,212</u>
LONG TERM DEBT						
Contracts payable	4,234					
Accrued post employment benefits other than pension	298,142	416,394	814,099	692,994	972,893	945,131
Accrued vacation payable				838,400	902,740	1,869,937
Unearned revenue - annexations			17,951	15,956	13,962	11,967
Advance - TVA for home weatherization loans and interest	751,412	657,529	681,638	678,769	790,128	795,590
Less amount due in one year	(120,639)	(108,567)	(104,510)	(97,215)	(107,695)	(267,841)
Total long-term debt	<u>933,149</u>	<u>965,356</u>	<u>1,409,178</u>	<u>2,128,904</u>	<u>2,572,028</u>	<u>3,354,784</u>
Total liabilities	<u>3,793,232</u>	<u>4,884,340</u>	<u>4,230,679</u>	<u>5,425,543</u>	<u>6,054,717</u>	<u>6,707,998</u>
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience - pension plan	119,304	192,024	98,505	28,861		177,235
Net difference between projected and actual earnings on pension investments			996,771			
Difference between expected and actual experience - OPEB		571	530	489	448	407
Change of assumptions - pension plan	94,226	54,469	36,759	12,161	2,275	
Change of assumptions - OPEB	10,154	9,397	11,499	68,154	63,672	76,011
Total deferred inflows of resources	<u>223,684</u>	<u>256,461</u>	<u>1,144,064</u>	<u>109,665</u>	<u>66,395</u>	<u>253,653</u>
NET POSITION:						
Net investment in capital assets	18,095,896	18,425,906	18,757,957	19,790,857	21,276,115	22,421,918
Restricted for pensions	208,069	512,162	2,308,807	603,617	894,413	1,476,690
Unrestricted	3,349,145	3,634,239	2,300,110	3,595,477	2,901,393	2,427,544
Total net position	<u>21,653,110</u>	<u>22,572,307</u>	<u>23,366,874</u>	<u>23,989,951</u>	<u>25,071,921</u>	<u>26,326,152</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$25,670,026</u>	<u>\$27,713,108</u>	<u>\$28,741,617</u>	<u>\$29,525,159</u>	<u>\$31,193,033</u>	<u>\$33,287,803</u>

Source: Audited Financial Statements for years presented.

Historical Debt Service Coverage

The Bond Resolution authorizing the Series 2026 Bonds includes a Rate Covenant. The Rate Covenant requires the System to have annual Net Revenues that are sufficient to cover the Series 2026 debt service and any parity debt service by at least 1.20 times. For the definition of Net Revenues, see “Appendix A—Summary of Certain Provisions of the Resolution.” Set forth below is the historical debt service coverage for the fiscal years indicated.

CITY OF McMINNVILLE, TENNESSEE

McMinnville Electric System

HISTORICAL DEBT SERVICE COVERAGE ANALYSIS

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operating Revenue:						
Electric sales revenue	\$18,987,990	\$18,323,099	\$19,309,493	\$20,155,814	\$20,081,546	\$22,335,827
Generation revenue	969,342	971,715	969,893	967,756	968,710	990,366
Rent from electric property	479,957	510,927	512,082	549,685	546,488	542,223
Forfeited discounts	76,023	85,679	88,927	91,162	91,969	96,581
Company use of electricity	41,928	40,898	44,136	50,765	49,913	52,966
Miscellaneous service revenue	103,233	122,247	121,223	112,256	112,144	304,475
Interest income	104,832	51,988	33,321	117,934	225,512	193,350
	<u>\$20,763,305</u>	<u>\$20,106,553</u>	<u>\$21,079,075</u>	<u>\$22,045,372</u>	<u>\$22,076,282</u>	<u>\$24,515,788</u>
Operating Expenses:						
Purchased power	14,712,116	13,938,680	14,906,075	15,904,075	15,181,392	16,315,052
Distribution expense	724,070	771,477	841,742	889,269	867,225	1,100,595
Customer accounts expense	378,127	343,640	393,532	434,644	491,509	555,168
Customer service and information	116,946	63,241	65,037	63,623	70,596	76,260
Sales expense	45,468	64,706	72,266	76,802	76,322	42,966
Administrative and general expense	1,417,383	1,523,723	1,480,073	1,530,508	1,644,091	1,685,007
Maintenance expense	810,870	634,520	685,164	721,791	770,795	862,564
Amortization	5,126	4,234	4,235	1,995	1,995	1,995
Payroll Taxes and payments to Warren County	273,986	278,197	293,392	292,446	306,829	291,885
Interest expense	14,584	4,889	4,285	13,739	25,012	26,770
Donations and community welfare	18,553	4,907	24,316	19,439	24,549	22,537
Total Operating Expenses	<u>\$18,517,229</u>	<u>\$17,632,214</u>	<u>\$18,770,117</u>	<u>\$19,948,331</u>	<u>\$19,460,315</u>	<u>20,980,799</u>
Net Revenue Available for Debt Service	\$2,246,076	\$2,474,339	\$2,308,958	\$2,097,041	\$2,615,967	\$3,534,989
<u>Estimated</u> Maximum Annual Debt Service after issuance of Series 2026	\$676,830	\$676,830	\$676,830	\$676,830	\$676,830	\$676,830
Debt Service Coverage	3.32 X	3.66 X	3.41 X	3.10 X	3.87 X	5.22 X

Source: Audited Financial Statements of the System for the years presented.

Operating Statistics

The following table sets forth certain statistics of the System related to power purchase and use for the last six fiscal years.

	For the Fiscal Year Ended June 30					
	2020	2021	2022	2023	2024	2025
Purchased Power from TVA	189,696,008	187,286,158	186,689,849	176,518,139	180,145,678	182,382,922
Other Purchased Power	0	0	0	0	0	0
kWh Sold						
Residential	76,987,350	78,585,152	78,320,594	74,272,870	77,640,112	79,201,315
Commercial	21,782,406	22,571,341	22,719,118	21,802,341	22,903,125	23,178,542
Industrial	81,502,030	76,798,435	76,405,875	71,558,923	70,677,336	71,009,626
Electric Vehicles	0	0	0	0	0	0
Street and Athletic	1,015,586	1,046,664	1,040,822	1,043,950	1,048,976	1,072,321
Outdoor Lighting	866,525	875,233	888,070	909,114	927,834	941,363
Total	182,153,897	179,876,825	179,374,479	169,587,198	173,197,383	175,403,167
kWh for Own Use	573,321	590,019	587,009	598,810	624,494	623,036
Total Kilowatt Hours Sold and Used	182,727,218	180,466,844	179,961,488	170,186,008	173,821,877	176,026,203
Line Losses and kWh Unaccounted For	6,968,790	6,819,314	6,728,361	6,332,131	6,323,801	6,356,719
Percentage of Loss	3.67%	3.64%	3.60%	3.59%	3.51%	3.49%

Source: System Records

Billing and Collections

All customers are billed monthly. The monthly bill is mailed within three days of the date the meter is read. The customer has fifteen days from the billing date to pay. After fifteen days, the bill becomes delinquent. A late fee of 5% is assessed on the first \$250 and 1% on the amount over \$250. No interest is charged on overdue accounts.

Management

The General Manager serves at the discretion of the Board and is responsible for the appointment and selection of all personnel of the Electric System. This position is held by Brittany Davis who has served in this capacity since 2024. Kendra Matheney was recently promoted to Manager of Accounting and Finance and was in accounting roles at MES prior to selection.

MES has twenty-six employees involved in its operations. The turnover in the Electric System's workforce has averaged less than 2.4 employees per year over the last five years.

Cyber-Security

MES utilizes various computer information systems, software, and networking technology to perform its vital day-to-day operations. Day-to-day operations include the storage and transmission of sensitive personal data, and as a result, MES could be a targeted entity for a cyberattack. In addition to cyberattacks, employees have access to personal customer data and could be exploited to gain access to the information. It is also possible for unintentional breaches to occur due to employee error. MES has no knowledge of, nor historical record of any successful cybersecurity breach or attack. Cybersecurity attacks, whether anonymous or targeted, are not uncommon to organizations or agencies with similar characteristics. Therefore, MES must take the precautions necessary to safeguard its information systems.

In an effort to mitigate the risk of a successful cybersecurity attack or data breach, MES has instituted various networking policies and procedures to safeguard customer data. MES's network is separated from any public facing networks and is additionally protected by a firewall which is updated regularly to the newest firmware. All documents are backed up daily to a storage service with multiple backups per file off site. The information technology officer reviews and implements best and current practices. All personal computers and servers are protected by Next-gen Antivirus and Malware software and are monitored. In addition, all personal computers have patch management software installed which enforces all critical and security patches are installed in a timely manner. On a month-to-month basis, employees are sent phishing scenarios by email. Along with this, employees are required to go through a Cyber Security Awareness Training annually. MES also maintains insurance against cyber security incidents, up to a coverage maximum of \$1,000,000. Despite the System's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

Miscellaneous

There are no formal efforts to enter into contracts with private parties for the operation of all or part of the electric system.

Capital Improvement Plans

The Municipality has prioritized long-term financial planning by identifying necessary System extensions, maintenance, and improvement projects to be funded in the years ahead. MES has established a projected capital improvement plan that includes major engineering and construction projects. Funding for these projects is addressed in the capital budget component of the annual budget process.

MES uses operating revenues to fund capital additions as a general practice. MES continually evaluates rates to assure provision of revenue to cover operating expenses and debt requirements annually contracting with an independent rate consultant. MES also continually monitors cash position and planned capital expenditures to evaluate the need for long-term debt.

The following is excerpted from MES's five-year capital plan and reflects estimated capital improvement needs for System projects through FY2030.

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Location Totals</u>
BYBEE BRANCH SUBSTATION	200,000	335,900	244,425	3,505,000	2,774,600	0	0	0	7,059,925
EAST SUBSTATION	0	0	820,825	0	0	3,729,600	0	0	4,550,425
WEST SUBSTATION	0	0	0	15,000	600,900	287,425	3,075,000	3,054,600	7,032,925
Annual Totals	<u>\$200,000</u>	<u>\$335,900</u>	<u>\$1,065,250</u>	<u>\$3,520,000</u>	<u>\$3,375,500</u>	<u>\$4,017,025</u>	<u>\$3,075,000</u>	<u>\$3,054,600</u>	<u>\$18,643,275</u>
Plus: Project Contingency (15%)									2,796,491
Total Capital Plan									<u>\$21,439,766</u>

DEMOGRAPHIC AND FINANCIAL INFORMATION

The information contained in this section is included only for purposes of supplying general information regarding the City of McMinnville (the “Municipality”) and Warren County, Tennessee (the “County”). The Series 2026 Bonds are payable solely from the sources described in this Official Statement under the heading “SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2026 BONDS.” Neither the full faith and credit nor the taxing power of the State of Tennessee nor any political subdivision thereof, including the Municipality, is pledged to the payment of the Series 2026 Bonds. The Series 2026 Bonds do not constitute a charge, lien, or encumbrance upon any other property of the Municipality.

Location

Founded in 1810 and named after Joseph McMinn, a former Speaker of the Tennessee Senate and later Governor, McMinnville (the “Municipality”) is the county seat of Warren County and is located in the southern middle portion of the State of Tennessee, approximately 35 miles south of Cookeville, approximately 75 miles southeast of Nashville and 70 miles northwest of Chattanooga. The Municipality is located along the Eastern Highland Rim near the base of the Cumberland Plateau. Other incorporated cities and towns in Warren County include Centertown, Morrison, and Viola.

The Municipality is well known as the “Nursery Capital of the World.” With more than four hundred nurseries operating in and around the Municipality, McMinnville has become a leader in the horticulture industry.

The Municipality encompasses approximately ten square miles.

A Board of Mayor and Aldermen governs the Municipality. The Board of Aldermen is composed of one at-large member and five district seats elected to four-year terms. The Mayor is elected for four-year terms.

The Municipality provides a wide range of services characteristic of similar jurisdictions in the State including public safety (police and fire protection), electricity, water, wastewater and gas, street, sanitation, recreation, public improvements, planning and zoning and general administrative services.

The Municipality has 165 employees.

Population

The Municipality’s population has increased 1.82% since 2020 and 3.19% since 2010. The following table presents information related to population growth in the Municipality. A comparison with Warren County, the State of Tennessee and the United States illustrates growth relative to these entities.

	2024	2020	2010	2000
City of McMinnville	14,039	13,788	13,605	12,749
Warren County	43,619	40,953	39,839	38,404
Tennessee	7,227,750	6,910,840	6,346,105	5,689,283
United States	340,110,988	331,449,281	308,745,538	281,421,906

Source: United States Bureau of Census

Income, Construction and Housing

WARREN COUNTY, TENNESSEE	
Median Household Income, 2022 ¹	\$54,088
Per Capita Personal Income, 2023 ³	\$44,375
Total Taxable Residential Parcels, 2024 ²	17,919
Median Home Value, 2023 ¹	\$173,900
Persons Below Poverty (%), 2023 ¹	17.6%

¹ United States Bureau of Census, QuickFacts

² Tennessee Tax Aggregate Report

³ Bureau of Economic Analysis, Current Release Personal Income Summary

CITY OF MCMINNVILLE, TENNESSEE	
Per Capita Personal Income, 2024 ¹	\$28,864
Median Household Income, 2024 ¹	\$55,747
Total Taxable Residential Parcels, 2024 ²	4,615
Median Home Value, 2023 ³	\$147,200
Persons Below Poverty (%), 2023 ³	18.5%

¹ ESRI

² Tennessee Tax Aggregate Report

³ United States Bureau of Census, QuickFacts

The table below shows data based on home sales in 2024 compiled by the Tennessee Housing Development Agency. Data accounts for the sales prices of new and existing homes sold in 2024 only.

	WARREN COUNTY	TENNESSEE
Number of New Home Sales	85	20,701
Average Price of New Homes Sold	\$326,950	\$565,816
Number of Existing Homes Sold	412	76,936
Average Price of Existing Homes Sold	\$271,944	\$408,673
All Homes Sold	497	97,637
Average Price of All Homes Sold	\$281,351	\$441,990

Source: Tennessee Housing Development Agency

Major Employers

Set forth below is a list of major employers in and around the Municipality, their product/service, and the approximate number of employees. There can be no assurance that any employer listed below will continue to be in the area or will continue employment at the level stated. No independent investigation has been made of, and no representation can be made as to, the stability or financial condition of the companies listed below.

EMPLOYER	APPROXIMATE EMPLOYMENT	PRODUCT/SERVICE
Bridgestone	1,019	Radial truck and bus tires
Warren County Schools	843	County school system
Yorozu	501	Metal stamping
River Park Hospital	405	Regional health care
Wal-Mart Stores, Inc.	400	Retail
Warren County Government	250	County government
Morrison Industries	201	Welding and fabrication
City of McMinnville	165	Municipal government
Sunbeam Products, Inc.	163	Outdoor grill products
Newell Brands	150	Consumer products
Lowe's Home Centers, LLC	125	Construction retail
Cumberland Lumber	105	Hardwood strip flooring

Source: Tennessee Department of Economic and Community Development and local sources.

Labor Force, Employment and Unemployment Data

Set forth below are the average annual unemployment rates for the State of Tennessee and Warren County for the years 2019 through September 2025.

	2019	2020	2021	2022	2023	2024	2025 ¹
TENNESSEE	3.3%	7.5%	4.1%	3.4%	3.2%	3.4%	3.6%
WARREN CO.	3.9%	8.6%	4.8%	4.0%	3.9%	3.9%	4.1%

Source: United States Bureau of Labor Statistics

¹ *Figures are preliminary and reflect the month of September only.*

Transportation

CSX Transportation and Caney Fork & Western provide rail services through Warren County. The County is also served by US Highway 70 and State Highways 1, 8, 30, 55, 56, 108, 127, 136, 286, 287, 288, 379, and 380 with Interstates 24 and 40 nearby. Four motor freight carriers maintain routes throughout the County, and there are two distribution terminals based in the Municipality.

General aviation service is available at the McMinnville – Warren County Airport which has a 5,000-foot lighted runway. Nashville and Chattanooga provide the nearest commercial service airports, each approximately one hour's drive from the Municipality.

Healthcare

Ascension Saint Thomas River Park in McMinnville is a full-service hospital with 24/7 emergency care offering a wide range of health care options including heart and vascular care, orthopedics, obstetrics, and maternity care. A newly expanded intensive care unit adds square footage to include a 12-bed unit. Provided at this location are primary care and family medicine, cardiology, general surgery, orthopedics, behavior health services, a variety

of imaging services and testing, women's health, therapies including physical, occupation and speech, and inpatient and cardiac and pulmonary rehabilitation.

Education

McMinnville is part of the Warren County School system (the "School System"). The School System includes twelve schools serving students in Pre-K through twelfth grade. The School System employs 391 classroom teachers and enjoys a 16:1 student to teacher ratio. Total number of students enrolled is approximately 6,225. The county-wide school system employs 482 people. High school graduation rate is over 96% and approximately 23% of adults twenty-five or older have attained an additional degree.

In addition to public schools, there are six private and parochial elementary and secondary educational opportunities for students in Warren County with a combined enrollment of approximately 300.

The Tennessee College of Applied Technology at McMinnville is part of a statewide system of twenty-six vocational-technical school. 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. This location serves the central region of Tennessee including Warren, Dekalb, White and VanBuren Counties. Fall 2022 enrollment was 919.

There are multiple four-year colleges and universities within a 100-mile radius of the Municipality including Tennessee Technological University in Cookeville; Middle Tennessee State University in Murfreesboro; David Lipscomb University, Belmont University, Tennessee State University, and Fisk University in Nashville; and the University of the South in Sewanee.

Fiscal Year

The Municipality operates on a fiscal year that commences July 1 and ends June 30.

Employee Retirement Systems and Pension Plans

Employees of MES are provided a defined benefit pension plan through the McMinnville Electric System Defined Benefit Pension Plan, a single employer pension plan administered by MES. The McMinnville Electric System Pension Board of Trustees is responsible for the proper operation and administration of the plan. The plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained from MES.

McMinnville Electric System Pension Board establishes the benefit terms which can only be amended by the McMinnville Electric System Board of Public Utilities. Members are eligible to retire with an unreduced benefit at age 62. Benefits are determined by a formula using the member's highest five consecutive-year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with seven years of service credit. Disability benefits are provided at the accrued benefit payable at the normal retirement date or a reduced, immediate benefit determined to be the actuarial equivalent of the deferred benefit. A death benefit is provided for the spouse of a participant which is the same benefit that would be payable to a survivor annuity if the participant had retired with an immediate 50% Joint and Survivor Annuity on the day before their death.

For more information about the pension plan, please see Note N of the Financial Statements included in Appendix C of this Official Statement.

Employees of MES are provided medical and dental insurance after age 62. The system pays for these benefits as incurred. There is no trust fund established for the funding of the projected benefits. The plan issues a

separate actuarial valuation report that includes financial statements and required supplementary information. That report may be obtained from MES.

Employees are eligible for benefits at the normal retirement age of sixty-two. The System pays the full cost of the retiree's medical, dental, and vision premium until age 65 or Medicare eligibility. A retiree's dependent may remain on the plan until the spouse reaches age 65 or Medicare eligible, or the child(ren) reach age 26. MES will pay a percentage of dependent coverage as defined by the McMinnville Board of Public Utilities. Currently, MES pays 45%.

MES's total OPEB liability of \$511,478 was measured as of June 30, 2025.

The McMinnville Electric System Money Purchase Pension Plan is a defined contribution pension plan established by the McMinnville Electric System to provide benefits at retirement to eligible electric system employees. At June 30, 2025 there were 18 plan members. Plan members are required to contribute 4% of covered salary. The System is required to contribute 10% of annual covered compensation. Plan provisions and contribution requirements are established and may be amended by the Board of Directors of MES. Contributions to the plan for the year were \$163,369 and \$67,894, respectively. There were no outstanding deposits at year end.

For additional information regarding the funding status of MES's retirement programs, please refer to the Notes to Financial Statements located in the Audited Financial Report and Supplementary Information attached as Appendix C.

Basis of Accounting and Presentation of Funds

All activities of the System are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the system is determined by its measurement focus. The transactions of the System are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net assets are segregated into net investment in capital assets; restricted for capital activity and debt service; and unrestricted components.

Budgeting

The System adopts a flexible annual operating budget. A budget is adopted on a basis consistent with generally accepted accounting principles. The current operating budget projects the System's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

Management submits a proposed budget to the Board of Directors for approval.

APPENDIX E

BOND COUNSEL OPINION

(Proposed Form of Bond Counsel Opinion)

(Closing Date)

Board of Mayor and Aldermen of the City of McMinnville, Tennessee
McMinnville, Tennessee

[Underwriter]

Re: City of McMinnville, Tennessee Electric System Revenue Bonds, Series 2026

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of McMinnville, Tennessee (the "Issuer") of \$_____ * Electric System Revenue Bonds, Series 2026, dated _____, 2026 (the "Series 2026 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 Series 2026 Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Mayor and Aldermen of the Issuer authorizing the Series 2026 Bonds (the "Resolution") has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer.

3. The principal of and interest on the Series 2026 Bonds are payable solely from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the electrical power transmission and distribution system of the Issuer. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2026 Bonds.

4. Interest on the Series 2026 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 Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026 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 Series 2026 Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2026 Bonds. The Issuer has covenanted to comply with all such requirements.

5. Under existing law, the Series 2026 Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Series 2026 Bonds during the period such Series 2026 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 Series 2026 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.

The rights of the owners of the Series 2026 Bonds and the enforceability of the Series 2026 Bonds and the Resolution authorizing the Series 2026 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 Series 2026 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 F

CURRENT RATES

MCMINNVILLE ELECTRIC SYSTEM

Rate Schedule

Base Rates Effective 12/1/2025
TVA Fuel Cost Adjustment (FCA) Effective 2/1/2026

<u>MES</u> <u>Class</u>	<u>Access</u> <u>Charge</u>	<u>Base Rate</u> <u>with FCA</u>	<u>MES</u> <u>Class</u>	<u>Access</u> <u>Charge</u>	<u>Base Rate</u> <u>with FCA</u>
22 Residential - RS			72 Street Lighting - LS		
Access Charge	\$ 24.05		All kWh	\$ -	\$ 0.08353
All kWh		\$ 0.10779			
			73 Athletic Field Lighting - LS		
			All kWh	\$ 16.69	\$ 0.08353
40 Commercial < 50 kW GSA-1			74 Traffic Lighting - LS		
Access Charge	\$ 41.98		All kWh	\$ 16.69	\$ 0.08353
All kWh		\$ 0.11929			
			78 Type Outdoor Lighting - LS		
50 Commercial 50-1000 kW GSA-2			38 75 Watt LED	26 kWh	\$ 9.59
Access Charge	\$ 209.85		37 50 Watt LED	17 kWh	\$ 7.79
All kW>50 *		\$ 16.34	39 110 Watt LED	39 kWh	\$ 12.58
1st 15000 kWh		\$ 0.12250	40 215 Watt LED	79 kWh	\$ 18.56
All Additional kWh		\$ 0.07842	41 360 Watt LED	132 kWh	\$ 34.21
* First 50 kW of billing demand, no demand charge			52 200 Watt LED	73 kWh	\$ 20.21
**Contract greater than 50kW but less than 1000kW			53 260 Watt LED	95 kWh	\$ 31.76
			Type Pole Expenses:	Installation	Rental
			11 30 ft pole	\$ 50.00	\$ 5.00
			12 35 ft. pole	\$ 70.00	\$ 7.00
			13 40/45 ft. pole	\$ 80.00	\$ 8.00
			20 14 ft. Dec pole	\$ 100.00	\$ 36.48
54 Commercial 1000-5000 kW GSA-3			30 EVC		
Access Charge	\$ 1,112.46		Access Charge	\$ 105.55	
1st 1000 kW		\$ 15.48	All kWh		\$ 0.24710
All Additional kW		\$ 13.82			
All kWh		\$ 0.08165			
**Contract less than 5000kW					

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

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