SEVIER COUNTY ELECTRIC SYSTEM EMPLOYEES' PENSION PLAN

FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2023

and

INDEPENDENT AUDITOR'S REPORT

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Financial Statements
With Required Supplementary Information

Year Ended June 30, 2023

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SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

List of Principal Officials

June 30, 2023

Officials serving Sevier County Electric System Employees' Pension Plan at June 30, 2023 were as follows:

Board Members

Mitch Rader, Chairman
Allen Blalock, Vice Chairman
Robin Nichols
Jack Parton
Greg Davis

Investment Committee

Allen Robbins, Superintendent
Stanley Stiles, Secretary/Treasurer
Isaiah Ramsey, Accounting Manager

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INDEPENDENT AUDITOR'S REPORT

The Investment Committee
Sevier County Electric System
Employees' Pension Plan
Sevierville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sevier County Electric System Employees' Pension Plan, a fiduciary fund of the City of Sevierville, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sevier County Electric System Employees' Pension Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Sevier County Electric System Employees' Pension Plan, a fiduciary fund of the City of Sevierville, Tennessee, as of and for the year ended June 30, 2023, and the changes in its fiduciary net position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sevier County Electric System Employees' Pension Plan, 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only Sevier County Electric System Employees' Pension Plan and do not purport to, and do not, present fairly the financial position of the City of Sevierville, Tennessee or the Sevier County Electric System, as of June 30, 2023, the changes in their financial position or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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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 Plan'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sevier County Electric System Employees' Pension Plan'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 Sevier County Electric System Employees' Pension Plan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 – 6 and the Required Supplementary Information on pages 18 – 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Sevier County Electric System Employees' Pension Plan, the list of principal officials is presented for purposes of additional analysis and is not a required part of the financial statements. The list of principal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the Sevier County Electric System Employees' Pension Plan'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 Sevier County Electric System Employees' Pension Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sevier County Electric System Employees' Pension Plan's internal control over financial reporting and compliance.

Brown Jake & McDaniel, PC

Knoxville, Tennessee
December 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management' discussion and analysis (MD&A) of the Sevier County Electric System Employees' Pension Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the Plan's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Plan's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023 are as follows:

- The Plan's return on investment for the year was 10.13 percent.
- The net position of the Plan decreased $552,459 for the year. This was primarily due to benefit payments to employees.
- The actuarially determined contribution for the year ended June 30, 2023 was $2,516,409. The contribution by employers was $2,570,937 for the year. Employee contributions were $385,248.
- The Plan's funding objective is to meet its long-term benefit obligations through employer and employee contributions and investment income. As of June 30, 2023, the Plan's net position as a percentage of the total pension liability is 64.16 percent.
- The Plan's assets are managed by USI Advisors, Inc. subject to an investment policy approved by the Board of the Sevier County Electric System. The Trustee is Home Federal Bank and the Custodian of Plan Assets is Commercial Bank & Trust.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion is intended to serve as an introduction to the Plan's financial statements. The financial statements are composed of a statement of fiduciary net position, a statement of changes in fiduciary net position, and notes to the financial statements.

The statement of fiduciary net position is a snapshot at a point in time of the assets that are available for future payments to retirees.

The statement of changes in fiduciary net position provides a view of the current year additions to and deductions from net position.

The financial statements also include certain required information regarding the funded status of the plan and certain historical trend information.

The Plan's net position is as follows at June 30, 2023 and 2022:

TABLE 1

	2023	2022
ASSETS		
Cash and cash equivalents	$ 844,745	$ 661,581
Employer contributions receivable	93,054	252
Investments, at fair value	38,269,095	39,097,520
Total assets	$ 39,206,894	$ 39,759,353
LIABILITIES AND NET POSITION		
None	$ -	$ -
Net position restricted for pensions	$ 39,206,894	$ 39,759,353

The changes in the Plan's net position for the fiscal years ended June 30, 2023 and 2022 are as follows:

	2023	2022
ADDITIONS		
Employer contributions	$ 2,570,937	$ 2,086,397
Employee contributions	385,248	351,603
Interest and dividend income	677,907	650,648
Net increase (decrease) in fair value of investments	3,225,162	(8,197,955)
	6,859,254	(5,109,307)
DEDUCTIONS		
Benefit payments	7,376,393	2,470,178
Administrative expenses	35,320	37,505
	7,411,713	2,507,683
Net increase (decrease) in net position	$ (552,459)	$ (7,616,990)

INFORMATION FOR NEXT YEAR

The minimum actuarially determined contribution for the year beginning July 1, 2023 is $3,039,182. This is an increase from the prior year's determination of $2,516,409. Per the funding policy, Sevier County Electric System and the City of Sevierville will contribute at least the minimum actuarially determined contribution for the fiscal year ending June 30, 2024.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Statement of Fiduciary Net Position

June 30, 2023

Assets		
Assets held by trustee:		
Cash and cash equivalents	$	844,745
Investments, at fair value:		
Mutual funds - equities		29,947,924
Mutual funds - fixed income		8,321,171
Total investments held by trustee		39,113,840
Employer contributions receivable		93,054
Net position restricted for pensions	$	39,206,894

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023

Additions:	
Contributions:	
Employer	$ 2,570,937
Employee	385,248
Total contributions	2,956,185
Investment income:	
Interest and dividend income	677,907
Net increase in fair value of investments	3,225,162
Total investment gain	3,903,069
Total additions	6,859,254
Deductions:	
Benefit payments	7,376,393
Administrative expenses	35,320
Total deductions	7,411,713
Net decrease in net position	(552,459)
Net position restricted for pensions:	
Beginning of year	39,759,353
End of year	$ 39,206,894

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

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements

June 30, 2023

1. Plan Description

Plan Administration

The Sevier County Electric System Employees' Pension Plan (the "Plan") is a single-employer public employee, defined benefit pension plan established and administered by Sevier County Electric System (the System) effective July 1, 1958, amended and restated effective July 1, 2015, and amended and restated again effective July 1, 2019. Governance of the Plan is vested in the Sevier County Electric System's Board of Directors, which consists of 5 members appointed by the City of Sevierville, Tennessee. Management of the Plan is vested with the Plan's Investment Committee.

Participant Data

Inactive Plan Participants as of July 1, 2023	
a). Retirees and beneficiaries currently receiving benefits	36
b). Terminated employees entitled to deferred benefits	10
c). Disabled employees entitled to deferred benefits	2
d). Total	48

Active Plan Participants as of July 1, 2023	
a). Vested	79
b). Non-Vested	40
c). Total	119

Plan Provisions

The Plan's benefit terms are established and may be amended by the Sevier County Electric System's Board of Directors. The types of plan benefits provided through the Plan are as follows:

Eligibility

The Plan provides retirement, disability, and death benefits for all eligible System employees, including certain employees of the City of Sevierville who were formerly employed by the System, who have completed three years of service and has attained the age of 24½. The eligible employee will become a participant effective as of the July 1 coinciding with or next following date on which the employee meets the eligibility requirements.

Normal Retirement Date

The normal retirement date is the first day of the month coinciding with or next following attainment of age 62 or 10th year of credited service, whichever is later.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

1. Plan Description (Continued)

Plan Provisions (Continued)

Normal Retirement Benefit

Effective July 1, 2015, the monthly normal retirement benefit for the Plan participants is calculated as 3.00% of the participant's average compensation, multiplied by the number of his years of credited service up to a maximum of 20 years plus 1% of average compensation multiplied by years of credited service, not in excess of 10, credited after the later of attainment of full early retirement date or completion of 20 years of service. The normal form of benefit paid is a single life annuity with 10 years certain.

The Plan defines average compensation as an average of earnings for the 36 consecutive months during which the average is the highest. The maximum annual compensation for 2023 is $330,000. Credited service is defined as all years and full months up to a maximum of 20 years during which an employee is continuously employed by the employer. Vesting service is defined as all years and full calendar months during which an employee is continuously employed by the employer. The maximum annual benefit for the Plan for 2023 is $265,000 as adjusted per Internal Revenue Code Section 415 for retirement age other than social security retirement age.

Early Retirement Benefit

Participants may retire at age 52 with 10 years of vesting service. The accrued benefit is multiplied by the early retirement factor listed in the plan document. The factor at age 52 is .42.

Full Early Retirement Benefit

A participant may elect an unreduced early retirement on the earlier of the anniversary of hire or birth following the day when age plus benefit service equals 84.

Pre-Retirement Death Benefit

If the participant is not eligible for full early retirement at the time of death, his spouse will receive the standard REA per-retirement spouse benefit. Effective July 1, 1997, if the participant dies while employed and eligible for Full Early Retirement, the beneficiary will receive 100% of the accrued benefit (actuarially adjusted for the beneficiary's age) as an immediate life annuity.

Disability Benefit

A totally and permanently disabled participant shall continue to accrue service and receive his accrued benefit, commencing at age 65.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

1. Plan Description (Continued)

Plan Provisions (Continued)

Vested Termination Benefit

A terminated participant shall receive his accrued benefit times 5% for each year of vesting service, payable at the normal retirement date. Effective July 1, 2005, an active participant with 10 or more years of vesting service is 100% vested in his accrued benefit. A participant is always 100% vested in his employee contributions. The applicable vesting schedule is as follows:

Years of Credited Service	Vesting Percentage
Less than 1 year	0%
1 years	5%
2 years	10%
3 years	15%
4 years	20%
5 years	25%
6 years	30%
7 years	35%
8 years	40%
9 years	45%
10 or more years:	100%

Optional Forms of Benefit

At retirement, a participant may elect the normal form of benefit (10 years certain and life), or one of the following options: life annuity, 50, 75, or 100% Joint and Survivor annuity, 5, 10, or 15 years certain and life, or a lump sum. The benefit is adjusted from the normal form based on factors listed in the plan document.

Cost of Living

Each January 1, all participants in pay status shall have their benefits adjusted for changes in the cost-of-living as measured by the Consumer Price Index for the one year period ending on the prior June 30. The percentage increase is limited to a maximum of 3% with regard to any such one-year period.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

1. Plan Description (Continued)

Contributions

The Plan is funded by employee and employer contributions. Employees contribute to the Plan through their payroll deductions. Eligible employees are required to contribute 5% of their plan compensation reduced by group term life insurance premiums for insurance over $50,000. The System and the City of Sevierville are required to contribute the difference between the actuarially determined rate and the mandatory contribution rate of employees. Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following contribution policy:

Actuarial Cost Method:	Individual Entry Age Normal. Level Percentage of Pay
Asset Valuation Method:	Fair market value of assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% per year.
Amortization Method:	The amortization policy shall be that of the unfunded Actuarial Accrued Liability as of July 1, 2020 and shall be amortized over a fixed period of 30 years. The amortization period for experience gains and losses, changes in actuarial methods or assumptions, or plan amendments shall be amortized 10 years from the date of the valuation in which such event occurred.

For the year ended June 30, 2023, total employee contributions were $385,248 and total employer contributions were $2,570,937.

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

2. Pension Plan Investments

Investment Policy

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

2. Pension Plan Investments (Continued)

Investment Policy (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the plan's gains and losses on investments bought and sold as well as held during the year.

The Plan's policy in regard to the allocation of invested assets is established and may be amended by Sevier County Electric System by a majority vote of its Board members. It is the policy of the System to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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 following was the System's adopted asset allocation policy as of June 30, 2023:

Asset Class	**Target Allocation**
US Equity - Large Cap	22.00%
US Equity - Small/Mid Cap	20.00%
Non-US Equity - Developed	12.00%
Non-US Equity - Emerging	5.00%
US Corporate Bonds - Core	22.00%
Non-US Debt - Developed	4.00%
US Treasuries (Cash Equivalents)	2.00%
Real Estate	6.00%
Hedge Funds	7.00%
Total	100.00%

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.13%. The money-weighted rate of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

3. Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2023:

	June 30, 2023	Fair Value Measurement using Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments:		
Mutual funds:		
Equities	$ 29,947,924	$ 29,947,924
Fixed Income	8,321,171	8,321,171
	$ 38,269,095	$ 38,269,095

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

4. Net Pension Liability of the System

The components of the net pension liability at June 30, 2023 were as follows:

Total pension liability	$ 61,105,192
Plan fiduciary net position	(39,206,894)
Net pension liability	$ 21,898,298
Plan fiduciary net position as a percentage of total pension liability	64.16%

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

4. Net Pension Liability of the System (Continued)

Actuarial Assumptions for the Calculation of the Net Pension Liability

Measurement Date	June 30, 2023
Valuation Date	July 1, 2023
Mortality	RP2014 Blue Collar Mortality Table, adjusted to 2006 with MP-2021 Scale
Disabled Mortality	RP2014 Disability Mortality Table, adjusted to 2006 with MP-2021 Scale
Discount Rate	7.25%
Inflation	N/A
Salary Projection	Varies by department and age (see table A below)
Retirement Age	Varies by age (see table B below)
Age Difference	Males 4 years older than females
Cost of Living Adjustment	2.00%
Withdrawal Rates	Crocker-Sarason-Straight T-1; see sample rates in table C below
Disability Rates	Disability Rate Table; see sample rates illustrated in table C below

A.

Salary Projection			
Electric Department		Water Department	
Age	Projection	Age	Projection
Under age 35	9.00%	Under age 40	4.25%
Ages 35-39	5.25%	Ages 40-44	3.75%
Ages 40-49	5.00%	Ages 45-49	3.50%
Ages 50-54	3.75%	Ages 50-54	3.00%
Age 55 and older	3.50%	Ages 55-59	2.00%
		Age 60 and older	1.75%

B.

Retirement Age	
Age	Projection
Ages 55-56	5%
Ages 57-61	10%
Age 62	25%
Age 63	10%
Age 64	50%
Age 65 or NRD if later	100%

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Financial Statements
(Continued)

4. Net Pension Liability of the System (Continued)

Actuarial Assumptions for the Calculation of the Net Pension Liability (Continued)

C.

Pre-Retirement Decrement Rates				
	Withdrawal		Disability	
Age	Male	Female	Male	Female
25	4.97%	4.97%	0.084%	0.102%
30	3.80%	3.80%	0.084%	0.102%
35	2.49%	2.49%	0.084%	0.102%
40	1.33%	1.33%	0.084%	0.102%
45	0.62%	0.62%	0.095%	0.109%
50	0.65%	0.65%	0.528%	0.553%
55	1.04%	1.04%	0.959%	0.780%
60	1.56%	1.56%	1.433%	0.951%

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through July 1, 2019.

Long-Term Expected Rate of Return on Pension Plan Investments

The Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments was determined using a modified building blocks methodology because the ability to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Asset Class	Long-Term Expected Rate of Return
US Equity - Large Cap	6.05%
US Equity - Small/Mid Cap	7.08%
Non-US Equity - Developed	6.74%
Non-US Equity - Emerging	8.70%
US Corporate Bonds - Core	2.40%
Non-US Debt - Developed	1.31%
US Treasuries (Cash Equivalents)	0.74%
Real Estate	4.89%
Hedge Funds	3.97%

4. Net Pension Liability of the System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the System's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. 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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
System's net pension liability	$ 29,447,394	$ 21,898,298	$ 15,489,960

5. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

6. Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent statements and implementation guide that are effective in the current year:

GASB has issued the following recent pronouncements that are effective in the current fiscal year:
Statement No. 96, *Subscription-Based Information Technology Arrangement*
Statement No. 99, *Omnibus 2022*

The adoption of these pronouncements has had no effect on the Plan's financial statements.

7. Subsequent Events

Management has evaluated subsequent events through December 15, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Schedule of Changes in the System's Net Pension Liability and Related Ratios

For the Last 10 Measurement Periods Ended on June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	$ 1,493,552	$ 1,375,675	$ 1,326,871	$ 1,311,414	$ 901,368	$ 919,057	$ 941,813	$ 904,158	$ 858,202	$ 884,956
Interest	4,212,650	3,969,208	3,803,474	3,614,085	3,384,151	3,198,659	3,158,640	2,780,466	2,649,229	2,417,195
Changes of benefit terms	-	-	-	-	-	-	-	2,661,186	-	-
Differences between expected and actual experience	2,539,747	2,694,977	684,727	1,307,555	2,453,600	2,659,058	891,017	620,193	458,876	-
Changes of assumption	-	80,454	(163,200)	(139,324)	(250,588)	-	-	-	(858,673)	-
Benefit payments / refunds	(7,376,393)	(2,470,178)	(4,326,706)	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
Net change in total pension liability	869,556	5,650,136	1,325,166	3,398,031	4,824,862	(38,151)	2,851,630	5,176,807	2,075,650	2,202,198
Total pension liability - beginning	60,235,636	54,585,500	53,260,334	49,862,303	45,037,441	45,075,592	42,223,962	37,047,155	34,971,505	32,769,307
Total pension liability - ending (a)	$ 61,105,192	$ 60,235,636	$ 54,585,500	$ 53,260,334	$ 49,862,303	$ 45,037,441	$ 45,075,592	$ 42,223,962	$ 37,047,155	$ 34,971,505
Plan fiduciary net position										
Contributions - employer	$ 2,570,937	$ 2,086,397	$ 1,948,838	$ 4,374,479	$ 2,294,600	$ 2,370,127	$ 1,523,579	$ 6,150,118	$ 1,754,047	$ 2,487,053
Contributions - employees	385,248	351,603	349,841	339,905	299,647	301,081	298,425	297,303	313,487	323,006
Net investment income	3,903,069	(7,547,308)	11,898,197	405,986	1,705,106	3,613,963	3,932,653	(288,996)	728,944	2,684,379
Benefit payments / refunds	(7,376,393)	(2,470,178)	(4,326,706)	(2,695,699)	(1,663,669)	(6,814,925)	(2,139,840)	(1,789,196)	(1,031,984)	(1,099,953)
Administrative expenses	(35,320)	(37,504)	(33,842)	(29,272)	(26,160)	(26,938)	(25,273)	(9,932)	(5,348)	(3,643)
Net change in plan fiduciary net position	(552,459)	(7,616,990)	9,836,328	2,395,399	2,609,524	(556,692)	3,589,544	4,359,297	1,759,146	4,390,842
Plan fiduciary net position - beginning	39,759,353	47,376,343	37,540,015	35,144,616	32,535,092	33,091,784	29,502,240	25,142,943	23,383,797	18,992,955
Plan fiduciary net position - ending (b)	$ 39,206,894	$ 39,759,353	$ 47,376,343	$ 37,540,015	$ 35,144,616	$ 32,535,092	$ 33,091,784	$ 29,502,240	$ 25,142,943	$ 23,383,797
System's net pension liability - ending (a) - (b)	$ 21,898,298	$ 20,476,283	$ 7,209,157	$ 15,720,319	$ 14,717,687	$ 12,502,349	$ 11,983,808	$ 12,721,722	$ 11,904,212	$ 11,587,708
Plan fiduciary net position as a percentage of the total pension liability	64.16%	66.01%	86.79%	70.48%	70.48%	72.24%	73.41%	69.87%	67.87%	66.87%
Covered payroll	$ 9,839,877	$ 8,922,347	$ 8,621,017	$ 8,497,588	$ 7,491,157	$ 7,441,733	$ 7,460,616	$ 7,432,581	$ 7,679,555	$ 7,619,836
System's net pension liability as a percentage of covered payroll	222.55%	229.49%	83.62%	185.00%	196.47%	168.00%	160.63%	171.16%	155.01%	152.07%

See independent auditor's report.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Schedule of System Contributions

For the Last 10 Measurement Periods Ended on June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 2,516,409	$ 2,016,018	$ 2,385,552	$ 2,443,144	$ 1,794,906	$ 1,531,507	$ 1,523,579	$ 1,658,792	$ 1,754,045	$ 1,982,165
Contributions in relation to the actuarially determined contribution	2,570,937	2,086,397	3,380,441	2,942,876	2,294,600	2,370,127	1,523,579	6,150,118	1,754,047	2,487,053
Contribution deficiency (excess)	$ (54,528)	$ (70,379)	$ (994,889)	$ (499,732)	$ (499,694)	$ (838,620)	$ -	$ (4,491,326)	$ (2)	$ (504,888)
Covered payroll	$ 9,839,877	$ 8,922,347	$ 8,621,017	$ 8,497,588	$ 7,491,157	$ 7,441,733	$ 7,460,616	$ 7,432,581	$ 7,679,555	$ 7,619,836
Contributions as a percentage of covered payroll	26.13%	23.38%	39.21%	34.63%	30.63%	31.85%	20.42%	82.75%	22.84%	32.64%

See independent auditor's report.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Schedule of Investment Returns

For the Last 10 Measurement Periods Ended on June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	10.13%	-15.54%	32.08%	1.09%	5.00%	11.31%	13.37%	-0.17%	1.97%	17.24%

See independent auditor's report.

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Notes to Required Supplementary Information

For the Last 10 Measurement Periods Ended on June 30

Changes to Benefit Terms:

As of July 1, 2015, the Normal Retirement Benefit Formula is calculated as 3.00% of Average Compensation time Years of Benefit Service up to 20 years, plus 1.00% of Average Compensation times Years of Benefit Service, not in excess of 10, following the later of attainment of Full Early Retirement Date or completion of 20 years of Benefit Service.

Changes of Assumptions:

As of July 1, 2014, the mortality table for post-retirement was changed from 2014 Static Mortality Table to TCRS Mortality Table.
As of July 1, 2018, it is assumed that 60% of Participants will elect the Lump Sum and that 40% will elect the Single Life Annuity.
As of July 1, 2019, the mortality generational scaling was updated from the MP2018 generational scale to the MP2019 generational scale.
As of July 1, 2020, the mortality improvement was updated from the MP2019 generational scale to the MP2020 generational scale.
As of July 1, 2021, the mortality improvement was updated from the MP2020 generational scale to the MP2021 generational scale.

Valuation Date:

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

Actuarial Methods and Assumptions:

Actuarial cost method:	Individual Entry Age Normal, Level Percentage of Pay
Amortization method:	Closed, Level Dollar Amortization
Remaining amortization period	30 years as of July 1, 2020
Asset valuation method:	Market value of plan assets adjusted to phase in asset gains
Discount rate	7.25%
Inflation	N/A
Salary increases	Varies by department and age
Cost of living increases	2.00%
Investment rate of return	7.25%
Retirement age	Varies by age
Mortality:	RP2014 Blue Collar Mortality Table, adjusted to 2006 with MP-2021 Scale
Disabled Mortality:	RP2014 Disabled Mortality Table, adjust to 2006 with MP-2021 Scale

INTERNAL CONTROL AND COMPLIANCE SECTION

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

The Investment Committee
Sevier County Electric System
Employees' Pension Plan
Sevierville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sevier County Electric System Employees' Pension Plan (the "Plan") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Brown Jake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 15, 2023

SEVIER COUNTY ELECTRIC SYSTEM
EMPLOYEES' PENSION PLAN

Summary Schedule of Prior Audit Findings

June 30, 2023

There were no prior year findings.