PES ENERGIZE
CITY OF PULASKI, TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PES ENERGIZE
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For the Fiscal Year Ended June 30, 2015

INTRODUCTORY SECTION

PES ENERGIZE
DIRECTORY
June 30, 2015

BOARD MEMBERS

Marcus Houston – Chairman
Scott Newton – Vice Chairman
Pat Ford
Neal Bass
J.B. Smith, III

MANAGEMENT TEAM

Michael D. Meek – Chief Executive Officer
Tammie Bub – Chief Financial Officer
A. Richard Kelley – Chief Operating Officer
Jim Woodard – Vice President for Broadband Operations

COUNSEL

Andrew Hoover
Pulaski, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold, PLLC
Jackson, Tennessee

FINANCIAL SECTION

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ATA ALEXANDER THOMPSON ARNOLD PLLC
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Independent Auditor's Report

Board of Directors
PES Energize
Pulaski, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the PES Energize (the System), enterprise fund of the City of Pulaski, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PES Energize, enterprise fund of City of Pulaski, Tennessee, as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters – Reporting Entity

As discussed in Note 1, the financial statements present only the PES Energize enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Pulaski, Tennessee, as of June 30, 2015, the changes in its financial position or, where applicable, its 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.

Emphasis of Matters – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the System adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68.*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the schedule of changes in the plan's net pension liability (asset) and related ratios based on participation in the single employer defined benefit pension plan, schedule of contributions based on participation in the single employer defined benefit pension plan, schedule of notes to pension required supplementary information, and the schedule of funding progress – other post employment benefits on pages 31 through 34 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 response 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 that collectively comprise the System's financial statements. The introductory section and supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section, except that which is marked unaudited, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, except that which is marked unaudited, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and supplementary and other information section, which has been marked unaudited, 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 September 2, 2015, on our consideration of the 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 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 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 System's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
September 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the PES Energize enterprise funds of the City of Pulaski, Tennessee (the System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars. The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68,* causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

FINANCIAL HIGHLIGHTS

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

- Total assets and deferred outflows of resources were at year-end were $71.23 million and exceeded liabilities in the amount of $45.83 million (i.e. net position).
- Net position increased $2.74 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position increased by $3.26 million due to an increase in energy usage during fiscal year 2015.
- During fiscal year 2015, the System delivered 455 million kWh compared to 444 million kWh during the fiscal year 2014.
- Operating revenues were $49.56 million, an increase from 2014 in the amount of $604 thousand or 1.23%.
- Total expenses were $44.97 million, a decrease from 2014 in the amount of $154 thousand or 0.34%.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

REQUIRED FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

FINANCIAL ANALYSIS

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

The System's total net position increased by $2.74 million for the fiscal year ended June 30, 2015. The analysis below focuses on the System's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1A

CONDENSED STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease) Amount	Percent
Current and other assets	$ 15,669,713	$ 16,474,624	$ (804,911)	-4.89%
Capital assets	54,701,757	54,012,715	689,042	1.28%
Total assets	70,371,470	70,487,339	(115,869)	-0.16%
Deferred outflows of resources	859,452	-	859,452	100.00%
Long-term liabilities	16,498,988	17,055,280	(556,292)	-3.26%
Other liabilities	8,905,735	10,342,336	(1,436,601)	-13.89%
Total liabilities	25,404,723	27,397,616	(1,992,893)	-7.27%
Net position:				
Net investment in capital assets	38,101,757	36,022,715	2,079,042	5.77%
Restricted for debt service	549,808	3,150,875	(2,601,067)	-82.55%
Unrestricted	7,174,634	3,916,133	3,258,501	83.21%
Total net position	$ 45,826,199	$ 43,089,723	$ 2,736,476	6.35%

The increase in capital assets over the period was due to the fact that additions were more than disposals and depreciation. The decrease in long-term liabilities was primarily due to the refinancing of Electric System Revenue Bonds – Series 2006. Changes in the System's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the year.

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease) Amount	Percent
Operating revenues	$ 49,555,447	$ 48,951,914	$ 603,533	1.23%
Non-operating revenues	6,648	22,771	(16,123)	-70.80%
Total revenues	49,562,095	48,974,685	587,410	1.20%
Cost of sales and service	34,751,911	34,878,970	(127,059)	-0.36%
Operations and maintenance expense	6,279,232	6,227,802	51,430	0.83%
Depreciation expense	3,191,601	3,272,809	(81,208)	-2.48%
Non-operating expenses	750,121	746,877	3,244	0.43%
Total expenses	44,972,865	45,126,458	(153,593)	-0.34%
Transfer	(1,058,805)	(1,031,943)	(26,862)	2.60%
Change in net position	3,530,425	2,816,284	714,141	25.36%
Total net position - beginning	43,089,723	38,525,636	4,564,087	11.85%
Restatement - GASB 68 and 71 implementation	(793,949)	-	(793,949)	100.00%
Total net position - beginning (restated)	42,295,774	38,525,636	3,770,138	9.79%
Ending net position	$ 45,826,199	$ 43,089,723	$ 2,736,476	6.35%

Ending net position showed a 6.35% increase as a result of an operating profit for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the System had $54.70 million (net of accumulated depreciation) invested in a broad range of system capital assets. This investment includes land, equipment, buildings, vehicles and various other System infrastructure. Based on the uses of the aforementioned assets, they are classified for financial purposes as distribution plant, general plant, broadband, and work in process. This change represents an overall increase (net of increases and decreases) of $689 thousand or 1.28% above the fiscal year 2014.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2015. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
	June 30, 2015	June 30, 2014	Amount	Percent
Distribution plant	$ 35,696,517	$ 35,963,157	$ (266,640)	-0.74%
General plant	14,335,777	14,371,429	(35,652)	-0.25%
Broadband	1,517,511	1,714,409	(196,898)	-11.48%
Work in process	3,151,952	1,963,720	1,188,232	60.51%
Total capital assets	$ 54,701,757	$ 54,012,715	$ 689,042	1.28%

The major portion of the additions took place in work in process which represents projects that have not yet been completed. The System plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

Debt Administration

At the end of fiscal year 2015, PES had total outstanding long-term debt of $13.61 million in the electric division and $2.99 million in the broadband division. The $13.61 million in the electric system is composed of Electric Revenue Bonds and Revenue and Tax Bonds. The broadband division debt is composed of Revenue and Tax Bonds. Principal payments are due in the upcoming fiscal year in the amount of $1.03 million and interest payments totaling approximately $544 thousand are also due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage increased by 2.55% in fiscal year ending June 30, 2015. The PES service territory experienced a significant colder winter than in the recent past resulting in increased energy sales of 0.67%. Industrial energy usage increased the most at 5.72%.

The Electric revenue budget reflects a slight increase due to a TVA and local rate increase anticipated in October. Ongoing maintenance and capital projects continue to drive the budget for operating and maintenance expenses and capital spending. PES staff continually seeks ways to reduce costs and to operate more efficiently.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Entering into its ninth year of business, the Broadband system continued to improve its performance. The Broadband system experienced a moderate increase in sales growth and solid reinvested earnings. With continual increases in programming costs, the Broadband budget for FY15 reflects a video rate increase.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the System finances for all those with an interest in the System's finances and to demonstrate the System's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Vice President of Finance of PES Energize, 128 South First Street, Pulaski, TN 38478.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2015

	Electric Division	Broadband Division	Total
Assets			
Current assets			
Cash on hand	$ 1,800	$ 600	$ 2,400
Cash and cash equivalents - general	8,844,608	870,907	9,715,515
Accounts receivable - trade (net of allowance for uncollectibles electric $83,594 and $129,146 and broadband $36,055 and $27,030 for 2015 and 2014, respectively)	2,776,159	189,985	2,966,144
Accounts receivable - CSA	23,755	-	23,755
Accounts receivable - other	275,775	15,558	291,333
Materials and supplies	770,852	44,999	815,851
Due from City	317	-	317
Due from (to) other division	(56,244)	56,244	-
Prepayments and other current assets	179,551	-	179,551
Total current assets	12,816,573	1,178,293	13,994,866
Noncurrent assets			
Restricted:			
Cash and cash equivalents	1,140,553	229,987	1,370,540
Other assets			
Unamortized debt expense	113,342	27,376	140,718
Accounts receivable TVA - Home Insulation Program	5,635	-	5,635
Other future charges	157,954	-	157,954
Total other assets	276,931	27,376	304,307
Capital assets, not being depreciated			
Distribution plant	178,766	-	178,766
General plant	190,597	-	190,597
Construction in progress	2,980,378	171,574	3,151,952
Total capital assets, not being depreciated	3,349,741	171,574	3,521,315
Capital assets, net of accumulated depreciation			
Distribution plant	35,517,751	-	35,517,751
General plant	14,145,180	1,517,511	15,662,691
Total capital assets (net of accumulated depreciation)	53,012,672	1,689,085	54,701,757
Total noncurrent assets	54,430,156	1,946,448	56,376,604
Total assets	**67,246,729**	**3,124,741**	**70,371,470**
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	291,100	32,776	323,876
Loss on defeasance	535,576	-	535,576
Total deferred outflows of resources	**$ 826,676**	**$ 32,776**	**$ 859,452**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2015

	Electric Division	Broadband Division	Total
Liabilities			
Current liabilities			
Accounts payable	$ 5,612,313	$ 155,216	$ 5,767,529
Accrued leave	658,956	-	658,956
Other accrued expense	492,506	136,012	628,518
Total current liabilities	6,763,775	291,228	7,055,003
Current liabilities payable from restricted assets			
Customers' deposits	769,790	5,612	775,402
Accrued interest	35,524	9,806	45,330
Current maturities of:			
Bonds payable	781,276	248,724	1,030,000
Total current liabilities payable from restricted assets	1,586,590	264,142	1,850,732
Noncurrent liabilities			
Net pension liability	806,962	90,859	897,821
Bonds payable (less current maturities)	12,829,100	2,740,900	15,570,000
Advances from TVA -			
Home insulation program	31,167	-	31,167
Total noncurrent liabilities	13,667,229	2,831,759	16,498,988
Total liabilities	**22,017,594**	**3,387,129**	**25,404,723**
Net Position			
Net investment in capital assets	39,402,296	(1,300,539)	38,101,757
Restricted for debt service	335,239	214,569	549,808
Unrestricted	6,318,276	856,358	7,174,634
Total net position	**$ 46,055,811**	**$ (229,612)**	**$ 45,826,199**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

	Electric Division	Broadband Division	Total
Operating revenues			
Charges for sales and service	$ 44,938,435	$ 3,228,285	$ 48,166,720
Other operating revenue	1,235,785	152,942	1,388,727
Total operating revenues	46,174,220	3,381,227	49,555,447
Operating expenses			
Cost of sales and services	32,860,321	1,891,590	34,751,911
Distribution expenses	573,998	209,114	783,112
Customer accounts expenses	479,057	43,468	522,525
Customer service and information expenses	217,213	203,111	420,324
Administrative and general expenses	2,070,518	338,422	2,408,940
Maintenance expenses	2,144,331	-	2,144,331
Provision for depreciation expense	2,852,092	339,509	3,191,601
Total operating expenses	41,197,530	3,025,214	44,222,744
Operating income (loss)	4,976,690	356,013	5,332,703
Nonoperating revenues (expenses)			
Interest and other income	6,255	393	6,648
Amortization expense	(133,919)	(3,103)	(137,022)
Interest and other expense	(486,640)	(126,459)	(613,099)
Total nonoperating revenues (expenses)	(614,304)	(129,169)	(743,473)
Income (loss) before transfers	4,362,386	226,844	4,589,230
Transfers			
Transfers out - in lieu of tax payments to City	(1,058,805)	-	(1,058,805)
Change in net position	**3,303,581**	**226,844**	**3,530,425**
Total net position - beginning	43,465,831	(376,108)	43,089,723
Restatement - GASB 68 and 71 implementation	(713,601)	(80,348)	(793,949)
Total net position - beginning (restated)	42,752,230	(456,456)	42,295,774
Total net position - ending	$ 46,055,811	$ (229,612)	$ 45,826,199

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2015

	Electric Division	Broadband Division	Total
Cash flows from operating activities			
Cash received from consumers	$ 45,925,431	$ 3,390,269	$ 49,315,700
Cash paid to suppliers	(38,106,660)	(2,533,249)	(40,639,909)
Cash paid to employees	(1,561,169)	(126,211)	(1,687,380)
Customer deposits received	175,165	700	175,865
Customer deposits refunded	(132,058)	(1,250)	(133,308)
Amounts received from (paid to) other funds	(565,232)	(43,692)	(608,924)
Net cash provided (used) by operating activities	5,735,477	686,567	6,422,044
Cash flows from non-capital and related financing activities			
Transfers	(1,058,805)	-	(1,058,805)
Net cash provided (used) by non-capital and related financing activities	(1,058,805)	-	(1,058,805)
Cash flows from capital and related financing activities			
Proceeds from long-term debt	8,115,000	-	8,115,000
Principal paid on debt	(9,265,488)	(239,512)	(9,505,000)
Unamortized debt expense	(447,431)	3,283	(444,148)
Purchase of property, plant and equipment	(3,649,775)	(120,733)	(3,770,508)
Plant removal cost	(135,182)	-	(135,182)
Materials salvaged from retirements	25,047	-	25,047
Interest paid on bonds, notes and leases	(500,608)	(127,258)	(627,866)
Net cash provided (used) by capital and related financing activities	(5,858,437)	(484,220)	(6,342,657)
Cash flows from investing activities			
Sale of investments	752,208	-	752,208
Interest and unrealized change in investments	8,292	393	8,685
Conservation loans (made) paid	865	-	865
Net cash provided (used) by investing activities	761,365	393	761,758
Net increase (decrease) in cash and cash equivalents	**(420,400)**	**202,740**	**(217,660)**
Cash and cash equivalents - beginning	10,407,361	898,754	11,306,115
Cash and cash equivalents - ending	$ 9,986,961	$ 1,101,494	$ 11,088,455
Cash and cash equivalents			
Unrestricted cash on hand	$ 1,800	$ 600	$ 2,400
Unrestricted cash and cash equivalents on deposit	8,844,608	870,907	9,715,515
Restricted cash and cash equivalents on deposit	1,140,553	229,987	1,370,540
Total cash and cash equivalents	$ 9,986,961	$ 1,101,494	$ 11,088,455

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF CASH FLOWS (Cont.)
For the Year Ended June 30, 2015

	Electric Division	Broadband Division	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ 4,976,690	$ 356,013	$ 5,332,703
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,718,173	336,406	3,054,579
Change in pension related deferred outflows and inflows of resources	(291,100)	(32,776)	(323,876)
Changes in assets and liabilities:			
Accounts receivable	(248,789)	9,042	(239,747)
Materials and supplies	(90,157)	2,842	(87,315)
Due (to) from City	(608,924)	-	(608,924)
Due from/to other division	43,692	(43,692)	-
Prepayments and other current assets	48,147	-	48,147
Other future charges	(4,674)	-	(4,674)
Accounts payable and accrued expenses	(877,727)	48,771	(828,956)
Accrued leave	(66,322)	-	(66,322)
Customer deposits	43,107	(550)	42,557
Net pension liability	93,361	10,511	103,872
Net cash provided (used) by			

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Electric System is administered by the City of Pulaski, Tennessee, as a separate department governed by the Pulaski Electric Board. The five members of the Electric Power Board are appointed by the City Board of Mayor and Aldermen. The accompanying financial statements present only the Electric System and do not include other funds of the City of Pulaski, Tennessee. Accordingly, they are not intended to present fairly the financial position nor results of operations of the City of Pulaski, Tennessee, in conformity with accounting principles generally accepted in the United States of America.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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.

C. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position

Deposits and Investments

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

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

Accounts Receivable
During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statement of net position. Trade receivables result from unpaid billings for service to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the System is based on past history of uncollectible accounts and management's analysis of current accounts.

Inventories and Prepaid Items
Inventory consists primarily of materials and supplies and is valued at the lower of average cost or market, using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Restricted Assets
Certain proceeds of the bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The System elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets
Capital assets, which include property, plant, equipment, and construction in progress, are defined by the System as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

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

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

General plant	5 - 50 years
Distribution plant	6 - 50 years

Long-term Obligations
Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are amortized over the term of the related debt.

Pensions
For 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 PES Energize's participation in their single employer defined benefit pension plan, and additions to/deductions

from PES Energize's fiduciary net position have been determined on the same basis as they are reported by the retirement plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the retirement plan. Investments are reported at fair value.

Deferred outflows/inflows of resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System pension-related items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System presently has no items that qualify for reporting in this category.

Net Position
Equity is classified as net position and displayed in the following three components:

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

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

Impact of Recently Issued Accounting Pronouncements
In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension

plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement on this System's financial statements, but has not implemented its effects on items currently reported in the financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Guidance is provided for situations where a state or local government extends or receives a nonexchange financial guarantee. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. Management has evaluated the impact of the adoption of this statement on the System's financial statements and believes there will be no impact.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. Management is currently evaluating the impact of the adoption of this statement on the System's financial statements, but has not implemented its effects on items currently reported in the financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent amounts and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The System adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the 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 capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk
The System's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the System's agent in the System's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the System to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, all of the System's deposits were fully collateralized.

B. Receivables

Receivables as of the fiscal year ended June 30, 2015 were made up of the following:

	June 30, 2015
Billed services for utility customers	$ 3,085,793
Receivable from CSA	23,755
Other receivables for utility services	291,333
Interest receivable	-
Allowance for doubtful accounts	(119,649)
Total	$ 3,281,232

C. Restricted Assets

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

	June 30, 2015
The restricted assets consist of the following:	
Cash and cash equivalents - Sinking funds	$ 40,086
Cash and cash equivalents - Construction fund	1,330,454
Investments - Construction fund	-
	$ 1,370,540
The total of these funds is represented by:	
Certificates of deposit and bank accounts	$ 1,370,540

D. System Plant in Service

Changes to the System's plant in service during the year are summarized as follows:

Electric System: Description	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Capital assets, not being depreciated:				
Distribution plant	$ 178,766	$ -	$ -	$ 178,766
General plant	190,597	-	-	190,597
Construction in progress	1,770,268	1,337,644	127,534	2,980,378
Total capital assets, not being depreciated	2,139,631	1,337,644	127,534	3,349,741
Capital assets, being depreciated:				
Distribution plant	57,528,492	1,582,302	362,152	58,748,642
General plant	22,092,832	1,121,781	205,314	23,009,299
Total capital assets, being depreciated	79,621,324	2,704,083	567,466	81,757,941
Less accumulated depreciation for:				
Distribution plant	21,744,101	1,955,110	468,320	23,230,891
General plant	7,912,000	1,123,387	171,268	8,864,119
Total accumulated depreciation	29,656,101	3,078,497	639,588	32,095,010
Total capital assets, being depreciated, net	49,965,223	(374,414)	(72,122)	49,662,931
Total capital assets, net	$ 52,104,854	$ 963,230	$ 55,412	$ 53,012,672

Broadband System: Description	Balance at June 30, 2014	Additions	Disposals	Balance at June 30, 2015
Capital assets, not being depreciated:				
Construction in progress	$ 193,452	$ 14,617	$ 36,495	$ 171,574
Capital assets, being depreciated:				
General plant	$ 3,409,119	$ 142,611	$ -	$ 3,551,730
Less: accumulated depreciation for:				
General plant	1,694,710	339,509	-	2,034,219
Total capital assets, being depreciated, net	1,714,409	(196,898)	-	1,517,511
Total capital assets, net	$ 1,907,861	$ (182,281)	$ 36,495	$ 1,689,085

Depreciation expense amounted to $2,852,092 in the electric division and $339,509 in the Broadband division for the fiscal year ended June 30, 2015. Amounts charged to transportation expense in the electric division were $226,405 for the electric division and $0 for the broadband division for the year ended June 30, 2015.

E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2015 is as follows:

	Due from:			
	Electric	City Hall	Eliminated	Total
Due to:				
Broadband	$ 56,244	$ -	$ (56,244)	$ -
Electric	-	317	-	317
City Hall	-	-	-	-
	$ 56,244	$ 317	$ (56,244)	$ 317

During the year the System also transferred out an amount of $1,058,805 to the City of Pulaski, Tennessee for in lieu of tax payments.

F. Long-term Debt

A summary of changes in the long-term debt for the years ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Payments	Balance July 30, 2015	Current Portion
Revenue and Tax Bonds - 2005 - Electric	$ 3,770,864	$ -	$ (280,488)	$ 3,490,376	$ 291,276
Revenue and Tax Bonds - 2005 - Broadband	3,229,136	-	(239,512)	2,989,624	248,724
Revenue and Tax Refunding Bonds - 2006	8,540,000	-	(8,540,000)	-	-
Revenue Bonds - 2013 - Electric	2,450,000	-	(95,000)	2,355,000	95,000
Revenue Bonds - 2014 - Electric	-	8,115,000	(350,000)	7,765,000	395,000
Total	$ 17,990,000	$ 8,115,000	$ (9,505,000)	16,600,000	$ 1,030,000

Long-term debt consisted of the following at June 30, 2015:

Electric System revenue and tax bonds - Series 2005, due through June 1, 2025, with an interest rate of 3.5 to 4.15%	$ 3,490,376
Broadband System revenue and tax bonds - Series 2005, due through June 1, 2025, with an interest rate of 3.5 to 4.15%	2,989,624
Electric System revenue bonds - Series 2013, due through June 1, 2033, with an interest rate of 3.38%	2,355,000
Electric System revenue bonds - Series 2014, due through June 1, 2031, with an interest rate of 2.69%	7,765,000
	$ 16,600,000

A summary of future debt service amounts are as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 1,030,000	$ 543,962	$ 1,573,962
2017	1,060,000	510,416	1,570,416
2018	1,100,000	475,276	1,575,276
2019	1,140,000	432,523	1,572,523
2020	1,185,000	400,138	1,585,138
2021-2025	6,565,000	1,359,547	7,924,547
2026-2030	3,435,000	461,081	3,896,081
2031-2033	1,085,000	49,672	1,134,672
Total	$ 16,600,000	$ 4,232,615	$ 20,832,615

G. Net Position

Net position represent the difference between assets, liabilities, and deferred outflows/inflows of resources. The restricted net position as of June 30, 2015 is as follows:

	2015
Net investments in capital assets	
Net property, plant and equipment in service	$ 54,701,757
Less: Debt disclosed in Note 3F	(16,600,000)
	38,101,757
Restricted for debt service	
Restricted cash and cash equivalents	1,370,540
Less: Current liabilities payable from restricted assets	(820,732)
	549,808
Unrestricted	7,174,634
Total net position	$ 45,826,199

NOTE 4 - OTHER INFORMATION

A. Pension Plan

Plan Description. The Pulaski Electric System Pension Plan (PESPP) is a single-employer defined benefit retirement plan administered by First Farmers and Merchants Bank for the employees of PES Energize. PESPP was established by statute. With the exception of maximum contribution rates, which are set forth in the statutes, required contributions and benefit provisions are established and amended by First Farmers and Merchants Bank.

Effective July 1, 2012 entry into the Plan was frozen for any eligible employee who had not become a participant prior to July 1, 2012. As of July 1, 2012 the Plan was also frozen with respect to any former participant who became reemployed following termination of employment or otherwise regain the status of eligible employee. However, periods of service for vesting purposes may continue to accrue for such employee, subject to the Plan's break in service rules.

The PESPP issues a publicly available report that can be obtained by contacting PES Energize, attention President and CEO; P.O. Box 368, Pulaski, Tennessee 38478-0368 or by calling 931-363-2522.

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

Normal retirement benefit. The amount of retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be equal to the Participant's Accrued Benefit (herein called the Participant's Normal Retirement Benefit). For Eligible Employees, a Participant's Accrued Benefit is based on a retirement benefit formula equal to 2.5% of such Participant's Average Compensation multiplied by the Participant's Period of Service, computed to the nearest dollar.

For Members of the Board, a Participant's Accrued Benefit is equal to a monthly benefit in an amount determined based on the applicable dollar amount specified below multiplied by the number of years of service as a Member of the Board:

On or after July 1, 1978 but before October 26, 1981	$ 5.00
On or after October 26, 1981 but before May 1, 1984	$10.00
On or after May 1, 1984 but before July 1, 1986	$15.00
On or after July 1, 1986	$25.00

No Member of the Board shall be eligible to participate in the Plan or to accrue or vest in any benefits under the Plan after December 31, 2010.

Escalation of Benefits – Each Participant receiving a benefit under the provisions of the Plan shall be entitled to receive an escalation of such benefit, effective on the first anniversary of the commencement of the retirement income, but not before July 1, 1973. Subject to the limitations of Code Section 415, the escalation shall be at the rate of three percent (3%) per year of the initial retirement benefit and the benefit, once escalated, shall never decrease. Provided, however, the benefit of a Participant who terminates employment shall not receive an escalation prior to the date which is ten years prior to his Normal Retirement Date. This Escalation of Benefits provisions does not apply to any Participant who is a Member of the Board.

Supplemental Benefit – Each Participant, other than a Member of the Board, whose employment terminates after December 31, 2000 and who is eligible for a benefit under the Normal Retirement, Delayed Retirement or Early Retirement provisions of the Plan and who has attained age 65 shall receive a Supplemental Benefit of $100 commencing on the first day of the month following the date those conditions are met. The Supplemental Benefit will be payable for the life of the Participant, and the Supplemental Benefit will not be escalated.

The "Normal Retirement Benefit" of each Participant shall not be less than the largest periodic benefit that would have been payable to the Participant upon separation from service at or prior to Normal Retirement Age under the Plan exclusive of social security supplements, premiums on disability or term insurance, and the value of disability benefits not in excess of the "Normal Retirement Benefit." For purposes of comparing periodic benefits in the same form, commencing prior to and at Normal Retirement Age, the greater benefit is determined by converting the benefit payable prior to Normal Retirement Age into the same form of annuity benefit payable at Normal Retirement Age and comparing the amount of such annuity payments.

Early retirement. A Participant may elect to retire on an Early Retirement Date. In the event that a Participant makes such an election, such Participant shall be entitled to receive an Early Retirement Benefit equal to the Participant's Accrued Benefit payable at the Participant's Normal Retirement Date. However, if a Participant so elects, such Participant may receive payment of an Early Retirement Benefit commencing on the first day of the month coinciding with or next following the Participant's Early Retirement Date, which Early Retirement Benefit shall equal the Participant's Accrued Benefit reduced by 2.5% for each of the first five (5) years and 3.5% for each of the next five (5) years that the first day of the month on which the Participant's Early Retirement Benefit commences precedes the Participant's Normal Retirement Date. Members of the Board are not eligible for Early Retirement with respect to their benefit accrued as a Member of the Board.

Normal form of distribution. The Normal Retirement Benefit payable to a Participant pursuant to this Section 5.1 shall be a monthly pension commencing on the Participant's Retirement Date and continuing for life. However, the form of distribution of such benefit shall be determined pursuant to the provisions of the Plan.

Delayed retirement. A Participant may be continued in employment beyond Normal Retirement Date. At the close of each Plan Year prior to the Participant's actual Retirement Date, such Participant shall be entitled to a monthly retirement benefit payable each subsequent Plan Year equal to the greater of (1) the Participant's monthly retirement benefit determined at the close of the prior Plan Year, or (2) the Participant's Accrued Benefit determined at the close of the Plan Year, offset by the actuarial value (determined pursuant to the Plan) of the total benefit distributions made by the close of the Plan Year.

At June 1, 2014, the following employees were covered by the Plan:

Active employees	56
Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	14
Total employees covered by the Plan	109

Contributions. Required contributions are determined by First Farmers and Merchants Bank based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

No contribution shall be required under PESPP from any participant. The PES Energize shall pay to the Trustee from time to time such amounts in cash as the Administration and Employer shall determine to be necessary to provide the benefits under the Plan determine by the application of accepted actuarial methods and assumptions. The method of funding shall be consistent with Plan objectives.

Net Pension Liability. The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual Entry-Age Normal
Year of service subsequent to valuation date:	It is assumed that each participant will earn one year of service in each future year.
Asset valuation:	Market value of assets.
Termination or withdraw from service:	Graduated rates.
Compensation increases:	Employee compensation is assumed to increase at 3.00% per year.
Interest:	7.00% per year, compounded annually.
Age at retirement:	It is assumed early retirement occurs according to the withdraw rate table; others at normal retirement age. Participants who are age 65 or older are expected to retire at the end of the plan year. Board Members are assumed to terminate at the end of their term.
Mortality:	Active Participants and Non-Disabled Pensioners projected generational with a scale aa: Males - 2000 Annuity for Healthy Males Females - 2000 Annuity for Healthy Females Disabled Pensioners: Males - 1965 Railroad Board Disability Annuity Mortality Females - 1965 Railroad Board Disability Annuity Mortality
Probability of disability:	None
Marital status at benefit eligibility:	Percentage married - Males: 80% Females: 80% Age Difference: Males: Spouses are assumed to be four years younger. Age Difference: Females: Spouses are assumed to be four years older.
Assumed age of commencement for deferred vested benefits:	Age 65

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2014. In addition, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The asset allocations as well as their market values are summarized in the following table:

		Market Value	Percentage of Total
Cash equivalents	$	160,442	1.32%
Equities		8,281,955	68.36%
Fixed Income		3,672,919	30.32%
Total	$	12,115,316	100.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in System's Net Pension Liability. Changes in the System's net pension liability for the year ended June 30, 2015 were as follows:

	Increase (Decrease)					
		Total pension liability (TPL)		Plan fiduciary net position		Net pension liability (NPL)
		(a)		(b)		(a)-(b)
Balances as 6/30/2014	$	12,909,265	$	12,115,316	$	793,949
Changes for the year:						
Service cost		222,187		-		222,187
Interest		896,465		-		896,465
Difference between actual and expected		-		-		-
Contributions - employer		-		648,000		(648,000)
Contributions - employee		-		-		-
Net investment income		-		440,587		(440,587)
Benefit payments		(649,612)		(649,612)		-
Administrative expenses		-		(73,807)		73,807
Net changes		469,040		365,168		103,872
Balances as 6/30/2015	$	13,378,305	$	12,480,484	$	897,821

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	15,209,118	13,378,305	11,859,913
Plan fiduciary net position	12,480,484	12,480,484	12,480,484
Net pension liability	2,728,634	897,821	(620,571)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Pulaski Electric System Pension Plan financial report.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2015, the System recognized pension expense of $427,996. At June 30, 2015, the System 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	$ -	$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	323,876	-
Total	$ 323,876	$ -

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

Year ending June 30,	Amortized
2015	80,969
2016	80,969
2017	80,969
2018	80,969
2019	80,969
Thereafter	-

B. Power Contract

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

C. OPEB Disclosure

Plan Description – PES Energize sponsors a single-employer post-retirement plan. The plan provides a portion of medical benefits to eligible retirees until Medicare eligible.

The OPEB Plan issues a publicly available report that can be obtained by contacting PES Energize, attention Superintendent; P.O. Box 368, Pulaski, Tennessee 38478-0369 or by calling 931-363-2522.

Funding Policy - The System intends to continue its policy of funding OPEB liabilities on a pay-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB-45.

Annual OPEB Cost and Net OPEB Obligation - The System's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB Obligation based off the most recent actuarial dated July 8, 2015.

Components of Net OPEB Obligation

Annual required contribution	$ 61,289
Amortization of OPEB Obligation	7,102
Annual OPEB Cost (expense)	68,391
Interest on Net OPEB Obligation	4,301
Amortization of OPEB Obligation	(7,102)
Contributions and subsidy	(41,739)
Change in obligation	23,851
Net OPEB Obligation (BOY)	143,373
Net OPEB (Asset) Obligation (EOY)	$ 167,224

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 65,590	$ 41,739	63.64%	$ 167,224
June 30, 2014	55,056	32,096	58.30%	143,374
June 30, 2013	61,355	39,575	64.50%	120,413

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $701,235 and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $701,235. The covered payroll (annual payroll of active employees covered by the plan) was $3,150,560 and the ratio of the UAAL to the covered payroll was 22.26%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2014, the most recent actuarial valuation date, the projected unit credit actuarial cost and the entry age normal methods were used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 5.75% initially, reduced each year by .25% until a rate of 2.5% is reached. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining amortization period at July 1, 2014 was 24 years.

D. Subsequent Events

Management has evaluated subsequent events through September 2, 2015, the date in which the financial statements were available to be issued.

E. Restatement of Beginning Net Position – GASB 68 Implementation

As of July 1, 2015 a restatement of beginning net position was made for net pension liability and the net difference between projected and actual earnings on pension plan investments due to the System implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The implementation of GASB Statement No. 68 resulted in the System restating net position by $713,601 in the electric division and $80,348 in the broadband division with a measurement date of June 30, 2015. The net effect of this restatement of beginning net position resulted in a decrease in the July 1, 2014 net position in the amount of $793,949.

REQUIRED SUPPLEMENTARY INFORMATION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2015

	2015
Total pension liability	
Service cost	$ 222,187
Interest	896,465
Changes in benefit terms	-
Differences between actual & expected experience	-
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(649,612)
Net change in total pension liability	469,040
Total pension liability - beginning	12,909,265
Total pension liability - ending (a)	13,378,305
Plan fiduciary net position	
Contributions - employer	648,000
Contributions - employee	-
Net investment income	440,587
Benefit payments, including refunds of employee contributions	(649,612)
Administrative expense	(73,807)
Net change in plan fiduciary net position	365,168
Plan fiduciary net position - beginning	12,115,316
Plan fiduciary net position - ending (b)	12,480,484
Net Pension Liability (Asset) - ending (a) - (b)	897,821
Plan fiduciary net position as a percentage of total pension liability	93.29%
Covered-employee payroll	$ 3,150,560
Net pension liability (asset) as a percentage of covered-employee payroll	28.50%

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

Last Fiscal Year Ending June 30

	2014	2015
Actuarially determined contribution	$ 489,938	$ 374,734
Contributions in relation to the actuarially determined contribution	648,000	648,000
Contribution deficiency (excess)	$ (158,062)	$ (273,266)
Covered-employee payroll	$ 3,263,719	$ 3,150,560
Contributions as a percentage of covered-employee payroll	19.85%	20.57%

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Notes to Pension Required Supplementary Information

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual Entry-Age Normal
Year of service subsequent to valuation date:	It is assumed that each participant will earn one year of service in each future year.
Asset valuation:	Market value of assets.
Termination or withdraw from service:	Graduated rates.
Compensation increases:	Employee compensation is assumed to increase at 3.00% per year.
Interest:	7.00% per year, compounded annually.
Age at retirement:	It is assumed early retirement occurs according to the withdraw rate table; others at normal retirement age. Participants who are age 65 or older are expected to retire at the end of the plan year. Board Members are assumed to terminate at the end of their term.
Mortality:	Active Participants and Non-Disabled Pensioners projected generational with a scale aa: Males - 2000 Annuity for Healthy Males Females - 2000 Annuity for Healthy Females Disabled Pensioners: Males - 1965 Railroad Board Disability Annuity Mortality Females - 1965 Railroad Board Disability Annuity Mortality
Probability of disability:	None
Marital status at benefit eligibility:	Percentage married - Males: 80% Females: 80% Age Difference: Males: Spouses are assumed to be four years younger. Age Difference: Females: Spouses are assumed to be four years older.
Assumed age of commencement for deferred vested benefits:	Age 65

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	-	701,235	701,235	-	3,150,560	22.26%
7/1/2013	-	605,067	605,067	-	3,263,719	18.54%
7/1/2012	-	660,067	660,067	-	3,369,015	19.59%
7/1/2011	-	661,506	661,506	-	3,168,939	20.87%
7/1/2010	-	718,047	718,047	-	2,931,712	24.49%
7/1/2009	-	660,067	660,067	-	3,074,259	21.47%
7/1/2008	-	718,047	718,047	-	2,758,098	26.03%

The above schedules are designed to show the extent to which a post employment benefits plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
ELECTRIC DIVISION
For the Year Ended June 30, 2015

	2015	
	Amount	Percent
Operating revenues		
Charges for sales and services		
Residential sales	$ 20,095,872	43.53
Small lighting and power sales	3,516,140	7.61
Large lighting and power sales	15,092,823	32.69
Industrial sales	5,448,672	11.80
Street and athletic lighting sales	439,859	0.95
Outdoor lighting sales	344,567	0.75
Other sales	502	-
Total charges for sales and services	44,938,435	97.33
Other revenues:		
Forfeited discounts	317,199	0.69
Service charge revenue	167,440	0.36
Miscellaneous service revenue	4,500	0.01
Rent from property	721,333	1.56
Other electric revenue	25,313	0.05
Total other revenues	1,235,785	2.67
Total operating revenue	**$ 46,174,220**	**100.00**
Operating expenses		
Cost of sales and services		
Purchased power	$ 32,860,321	71.17
Distribution expenses		
Overhead line expense	5,807	0.01
Underground line expense	1,552	-
Substation expense	64,230	0.14
Street lighting and signal system	25,063	0.05
Meter expense	201,393	0.44
Installation expense	102,130	0.22
Rents	24,446	0.05
Miscellaneous	149,377	0.32
Total distribution expenses	$ 573,998	1.23

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
ELECTRIC DIVISION
For the Year Ended June 30, 2015

	2015	
	Amount	Percent
Customer accounts expenses		
Customer records and collection expense	$ 479,057	1.04
Customer service and information expenses		
Supervision customer service	75,040	0.16
Customer assistance expense	101,209	0.22
Information and advertising expense	27,191	0.06
Demonstrating and selling	12,525	0.03
Sales	-	-
Miscellaneous	1,248	-
Total customer service and information expenses	217,213	0.47
Administrative expenses		
Salaries	796,492	1.72
Board members pay	7,409	0.02
Safety coordinator	132,306	0.29
Office supplies and expense	364,262	0.79
Outside services employed	264,720	0.57
Insurance	213,728	0.46
Duplicate charge credit	(132,955)	(0.29)
Employee pension and benefits	-	-
Employee educational expense	11,952	0.03
Property taxes	330,271	0.72
Donations	424	-
Miscellaneous	81,909	0.18
Total administrative expenses	$ 2,070,518	4.49

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
ELECTRIC DIVISION
For the Year Ended June 30, 2015

	2015	
	Amount	Percent
Maintenance expenses		
Substation expense	$ 241,873	0.52
Overhead lines	1,651,400	3.58
Underground Lines	240	-
Line transformers	12,924	0.03
Street lights and signal system	1,548	-
Meters	88,832	0.19
Outdoor lighting	28,623	0.06
Maintenance - general	118,891	0.26
Total maintenance expenses	2,144,331	4.64
Provision for depreciation	2,852,092	6.18
Total operating expenses	**$ 41,197,530**	**89.22**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
BROADBAND DIVISION
For the Year Ended June 30, 2015

	2015	
	Amount	Percent
Operating revenues		
Charges for sales and services		
Video	$ 1,385,656	40.98
Pay per view	3,619	0.11
STB channel	82,793	2.45
Data	988,987	29.25
Other data services	128,913	3.81
Collection and data storage	51,925	1.54
Telephone	643,739	19.04
Other sales	(57,347)	(1.70)
Total charges for sales and services	3,228,285	95.48
Other revenues		
Service charge revenue	95,406	2.82
Miscellaneous	15,015	0.44
Late payment fee	42,521	1.26
Total other revenues	152,942	4.52
Total operating revenue	**$ 3,381,227**	**100.00**
Operating expenses		
Cost of sales and services		
Internet cogs	$ 252,000	7.45
Telephone cogs	248,212	7.34
Programming fee	1,391,378	41.15
Total cost of sales and services	1,891,590	56
Distribution expenses		
Sub-station expense	194,141	5.74
Miscellaneous	14,973	0.44
Total distribution expenses	209,114	6.18
Customer accounts expenses		
Customer records and collection expense	$ 43,468	1.29

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
BROADBAND DIVISION
For the Year Ended June 30, 2015

	2015	
	Amount	Percent
Customer service and information expenses		
Supervision customer service	$ 6,813	0.20
Customer assistance expense	167,090	4.94
Information and advertising expense	29,208	0.86
Total customer service and information expenses	203,111	6.00
Administrative and general expenses		
Salaries	75,930	2.25
Office supplies and expense	32,086	0.95
Outside services employed	60,003	1.77
Employee pension and benefits	(14,987)	(0.44)
Rents	147,779	4.37
Property taxes	1,067	0.03
Business taxes	8,695	0.26
Miscellaneous	27,849	0.82
Total administrative and general expenses	338,422	10.01
Provision for depreciation	339,509	10.04
Total operating expenses	**$ 3,025,214**	**89.47**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
For the Year Ended June 30, 2015

Residential rate schedule RS		
Customer charge - per delivery point per month	$	20.15
Energy charge - cents per kWh		-
First 800 kWh		0.09883
Additional		0.09883
Commercial Rate:		
<u>Demand from 0 to 50 KW - Schedule GSA1</u>		
Customer charge - per delivery point per month	$	35.00
Each kWh - cents per kWh		0.10176
<u>Demand from 5 to 1,000 kW - Schedule GSA2</u>		
Customer charge per delivery point per month	$	150.00
Demand charges - per kW per month over 51 kW		15.29
Energy charge - cents per kWh		
First 15,000 kWh per month		0.10523
Additional kWh per month		0.06111
Industrial Rate:		
<u>Demand from 1,001 to 5,000 kW - Schedule GSA3</u>		
Customer charge per delivery point per month	$	525.00
Demand charges - per kW per month		
First 1,000 kW		18.14
Excess over 1,000 kW		12.53
Energy charge - cents per kWh		0.06444
<u>American Mag</u>		
Customer charge per delivery point per month	$	1,500.00
Energy charge - cents per kWh for up to 620 hours		0.04047
Per kWh for all additional kWh per month		0.04047
Demand charges - per kW per month		20.44
<u>Demand for Street Outdoor Lighting - Schedule OL</u>		
Per kWh per month	$	0.06808
150W HPS Security		8.53
175W MPI Security		7.48
250W HPS Security		12.02
400W MH Security		17.01
400W MVI Security		14.61
400W HPS Security		17.01
1000W MVI Security		32.71
1000W HPS Security		35.45
1000W MH Security		38.90

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2015

	Electric Revenue and Tax Bonds - Electric		Electric Revenue and Tax Bonds - Broadband		Electric Revenue Bonds		Electric Revenue Refunding Bonds		Total Requirements		
Year Ended	Series 2005		Series 2005		Series 2013		Series 2014				
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2016	291,276	137,809	248,724	117,676	95,000	79,599	395,000	208,878	1,030,000	543,962	1,573,962
2017	302,064	127,177	257,936	108,598	100,000	76,388	400,000	198,253	1,060,000	510,416	1,570,416
2018	312,852	115,850	267,148	98,925	105,000	73,008	415,000	187,493	1,100,000	475,276	1,575,276
2019	323,640	100,725	276,360	86,010	110,000	69,459	430,000	176,329	1,140,000	432,523	1,572,523
2020	339,822	91,501	290,178	78,134	110,000	65,741	445,000	164,762	1,185,000	400,138	1,585,138
2021	356,004	78,248	303,996	66,817	115,000	62,023	450,000	152,792	1,225,000	359,880	1,584,880
2022	366,792	64,008	313,208	54,657	120,000	58,136	460,000	140,687	1,260,000	317,488	1,577,488
2023	382,974	49,336	327,026	42,129	125,000	54,080	485,000	128,313	1,320,000	273,858	1,593,858
2024	399,156	33,826	340,844	28,884	125,000	49,855	475,000	115,267	1,340,000	227,832	1,567,832
2025	415,796	17,460	364,204	14,910	130,000	45,630	510,000	102,489	1,420,000	180,489	1,600,489
2026	-	-	-	-	135,000	41,236	510,000	88,770	645,000	130,006	775,006
2027	-	-	-	-	140,000	36,673	530,000	75,051	670,000	111,724	781,724
2028	-	-	-	-	145,000	31,941	540,000	60,794	685,000	92,735	777,735
2029	-	-	-	-	150,000	27,040	555,000	46,268	705,000	73,308	778,308
2030	-	-	-	-	155,000	21,970	575,000	31,338	730,000	53,308	783,308
2031	-	-	-	-	160,000	16,731	590,000	15,872	750,000	32,603	782,603
2032	-	-	-	-	165,000	11,323	-	-	165,000	11,323	176,323
2033	-	-	-	-	170,000	5,746	-	-	170,000	5,746	175,746
	$ 3,490,376	$ 815,940	$ 2,989,624	$ 696,740	$ 2,355,000	$ 826,579	$ 7,765,000	$ 1,893,356	$ 16,600,000	$ 4,232,615	$ 20,832,615

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF HISTORICAL INFORMATION - UNAUDITED

Electric Division	2015	2014	2013	2012	2011
Revenue					
Residential	$ 20,095,872	$ 20,316,934	$ 18,909,186	$ 18,154,388	$ 19,914,513
Small lighting and power sales	3,516,140	3,458,872	3,225,854	3,698,992	3,680,033
Large lighting and power sales	15,092,823	14,949,782	14,736,167	14,576,100	14,795,607
Industrial sales	5,448,672	5,154,008	4,233,130	4,106,388	3,961,359
Street, athletic and outdoor lighting sales	784,426	760,329	753,134	747,608	752,139
Other sales	502	20,844	18,232	25,669	32,878
Interest and other revenue	1,242,040	1,155,903	1,102,155	1,049,981	1,067,322
	46,180,475	45,816,672	42,977,858	42,359,126	44,203,851
Expense					
Cost of sales and services	32,860,321	33,219,577	31,525,793	31,688,303	33,101,481
Distribution expenses	573,998	543,347	539,686	627,722	567,027
Customer accounts expenses	479,057	413,853	406,691	395,729	391,419
Customer service and information expenses	217,213	293,106	378,800	454,393	402,437
Administrative and general expenses	2,070,518	2,029,370	1,980,495	2,046,768	1,964,466
Maintenance expenses	2,144,331	2,183,188	2,090,893	1,944,284	1,771,190
Provision for depreciation expense	2,852,092	2,952,163	2,854,396	2,690,425	2,394,107
Amortization expense	133,919	12,573	14,488	8,837	20,169
Interest and other expense	486,640	595,500	587,954	619,222	653,553
Transfers out - in lieu of tax payments to city	1,058,805	1,031,943	1,017,607	1,000,923	993,259
	42,876,894	43,274,620	41,396,803	41,476,606	42,259,108
Net income (loss)	$ 3,303,581	$ 2,542,052	$ 1,581,055	$ 882,520	$ 1,944,743
Financial					
Plant in service (at original cost)	$ 85,107,682	$ 81,760,955	$ 78,490,616	$ 76,000,648	$ 73,233,034
Power in use - KWH					
Residential	176,786,706	180,262,551	172,404,997	164,870,658	187,523,527
Commercial	30,704,273	30,296,769	28,899,469	28,804,421	29,041,706
Industrial	241,374,448	227,146,735	217,877,543	215,829,273	226,409,421
Other customers	6,219,663	6,042,191	6,029,997	5,984,964	6,017,938
Total	455,085,090	443,748,246	425,212,006	415,489,316	448,992,592
Peak KW demand	110,681	101,796	78,767	91,156	104,241
Number of customers					
Residential	11,679	11,661	11,698	11,697	11,564
Commercial	2,177	2,180	2,177	2,176	2,175
Industrial	198	205	213	205	214
Street and athletic	58	58	55	55	55
Outdoor lighting	78	80	73	73	78
	14,190	14,184	14,216	14,206	14,086
Line Loss	3.02%	4.64%	4.16%	5.01%	4.30%

*** GASB 68 was implemented in the current year. Therefore, some balances are not comparable.**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF HISTORICAL INFORMATION - UNAUDITED

Broadband Divisior

	2015	2014	2013	2012	2011
Revenue					
Video	$ 1,385,656	$ 1,251,237	$ 1,139,549	$ 1,045,404	$ 946,916
Pay per view	3,619	5,009	4,938	8,012	9,882
STB Channel	82,793	78,330	72,224	69,697	61,684
Data and related services	1,117,900	1,028,750	951,805	876,563	794,444
Collection and data storage	51,925	52,384	51,467	37,708	36,370
Telephone	643,739	638,755	593,079	592,934	562,503
Other sales	(57,347)	(40,190)	(44,023)	(50,819)	(34,715)
Interest and other revenue	153,335	143,738	122,843	142,831	127,842
	3,381,620	3,158,013	2,891,882	2,722,330	2,504,926
Expense					
Cost of sales and services	1,891,590	1,659,393	1,526,374	1,390,872	1,325,026
Distribution expenses	209,114	225,188	213,833	183,260	226,451
Customer accounts expenses	43,468	73,417	66,138	59,836	56,393
Customer service and information expenses	203,111	215,543	210,704	205,319	152,085
Administrative and general expenses	338,422	250,790	254,093	376,668	222,159
Maintenance expenses	-	-	842	1,050	365
Provision for depreciation expense	339,509	320,646	307,667	288,146	261,933
Amortization expense	3,103	3,103	3,103	3,103	3,103
Interest and other expense	126,459	135,701	142,380	147,082	152,251
	3,154,776	2,883,781	2,725,134	2,655,336	2,399,766
Net income (loss)	$ 226,844	$ 274,232	$ 166,748	$ 66,994	$ 105,160
Financial					
Plant in service (at original cost	$ 3,723,304	$ 3,602,571	$ 3,418,635	$ 3,291,964	$ 3,133,405

*** GASB 68 was implemented in the current year. Therefore, some balances are not comparable.**

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Directors
PES Energize
City of Pulaski, 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 PES Energize (the System), enterprise fund of the City of Pulaski, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report dated September 2, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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*.

In addition, we noted other matters involving the internal control and its operation that we reported to management of the System in a separate letter dated September 2, 2015.

PES Energize's response to the finding identified in our audit is described in the accompanying schedule of findings and responses – current year. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

This 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.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
September 2, 2015

2015-001 Billing Adjustments (Significant Deficiency)

Condition
During our review of billing adjustments, we noted that numerous billing adjustments were not being reviewed or approved by appropriate management personnel.

Criteria
Billing adjustments should be reviewed and approved by appropriate management personnel before the adjustments are posted in the accounting system in order to determine that such adjustments are appropriate and accurate.

Effect
Failure to review and approve billing adjustments by appropriate management personnel leaves the System at risk of potential misstatements or misappropriation of assets.

Recommendation
We recommend that the appropriate management personnel review and approve all billing adjustments before the adjustments are posted in the accounting system.

Response
The System established a policy stating that all billings adjustments must be reviewed and approved by the appropriate management personnel.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2015

There were no prior year findings reported.