PES ENERGIZE
CITY OF PULASKI, TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

PES ENERGIZE
TABLE OF CONTENTS
For the Years Ended June 30, 2017 and 2016

INTRODUCTORY SECTION

PES ENERGIZE
DIRECTORY
June 30, 2017

BOARD MEMBERS

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

MANAGEMENT TEAM

Richard Kelley – President & Chief Executive Officer
Tammie Bub – Executive Vice President
Kirby Parr – Director of Operations

COUNSEL

M. Andrew Hoover
Pulaski, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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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 business-type activities and the aggregate remaining fund information of PES Energize (the System) funds of the City of Pulaski, Tennessee, as of and for the years ended June 30, 2017 and 2016, 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 audits. We conducted our audits 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 System'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 the business-type activities and the aggregate remaining fund information of the System as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years 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 business-type activities and the aggregate remaining fund and do not purport to, and do not, present fairly the financial position of the City of Pulaski, Tennessee, as of June 30, 2017 and 2016, the changes in its financial position or, where applicable, its cash flows for the years 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.

As discussed in Note 1 to the financial statements, the single employer defined benefit pension plan is presented as a fiduciary fund of PES Energize. Our opinion is not modified with respect to this matter.

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 10 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 investment returns 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 42 through 46 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 August 30, 2017, 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
August 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of PES Energize (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 years ended June 30, 2017 and June 30, 2016. All amounts, unless otherwise indicated, are expressed in actual dollars. This information should be considered within the context of the accompanying financial statements and note disclosures.

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 at year-end were $76.34 million and exceeded liabilities and deferred inflows of resources in the amount of $51.75 million (i.e. net position).
- Net position increased $3.62 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position increased by $678 thousand due to an increase in charges for sales and service during the fiscal year 2017.
- During fiscal year 2017, the System delivered 453 million kWh compared to 447 million kWh during the fiscal year 2016.
- Operating revenues were $50.40 million, an increase from 2016 in the amount of $2.02 million or 4.17%.
- Total operating expenses were $45.20 million, an increase from 2016 in the amount of $1.83 million or 4.22%.

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. 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.

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

The System maintains one fiduciary fund used to report resources held related to the System's single employer defined benefit pension plan.

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 *Statement of Fiduciary Net Position* includes all accounting assets and liabilities of the plan and provides a picture of the fiduciary net position of the plan as of the end of the current fiscal year compared to the previous fiscal year. Assets less liabilities results in net position restricted for pensions held in trust at year-end.

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

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the 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 $3.62 million for the fiscal year ended June 30, 2017. 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, 2017	June 30, 2016	Increase (Decrease) Amount	Percent
Current and other assets	$ 16,775,254	$ 15,984,646	$ 790,608	4.95%
Capital assets	57,614,782	56,434,211	1,180,571	2.09%
Total assets	74,390,036	72,418,857	1,971,179	2.72%
Deferred outflows of resources	1,951,416	1,387,637	563,779	40.63%
Long-term liabilities	15,150,183	15,889,077	(738,894)	-4.65%
Other liabilities	9,310,480	9,228,946	81,534	0.88%
Total liabilities	24,460,663	25,118,023	(657,360)	-2.62%
Deferred inflows of resources	128,999	555,099	(426,100)	-76.76%
Net position:				
Net investment in capital assets	43,208,853	40,939,359	2,269,494	5.54%
Restricted for debt service	1,381,247	710,350	670,897	94.45%
Unrestricted	7,161,690	6,483,663	678,027	10.46%
Total net position	$ 51,751,790	$ 48,133,372	$ 3,618,418	7.52%

Table 1B

CONDENSED STATEMENT OF NET POSITION

	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	Percent
Current and other assets	$ 15,984,646	$ 15,669,713	$ 314,933	2.01%
Capital assets	56,434,211	54,701,757	1,732,454	3.17%
Total assets	72,418,857	70,371,470	2,047,387	2.91%
Deferred outflows of resources	1,387,637	1,183,576	204,061	17.24%
Long-term liabilities	15,889,077	16,776,982	(887,905)	-5.29%
Other liabilities	9,228,946	8,905,735	323,211	3.63%
Total liabilities	25,118,023	25,682,717	(564,694)	-2.20%
Deferred inflows of resources	555,099	1,058,610	(503,511)	-47.56%
Net position:				
Net investment in capital assets	40,939,359	38,101,757	2,837,602	7.45%
Restricted for debt service	710,350	549,808	160,542	29.20%
Unrestricted	6,483,663	6,162,154	321,509	5.22%
Total net position	$ 48,133,372	$ 44,813,719	$ 3,319,653	7.41%

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 is due to the System paying down on its outstanding debt obligations. 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, 2017	June 30, 2016	Increase (Decrease) Amount	Percent
Operating revenues	$ 50,401,304	$ 48,382,163	$ 2,019,141	4.17%
Non-operating revenues	6,446	5,652	794	14.05%
Total revenues	50,407,750	48,387,815	2,019,935	4.17%
Cost of sales and service	35,244,867	33,857,498	1,387,369	4.10%
Operations and maintenance expense	6,491,431	6,247,595	243,836	3.90%
Depreciation expense	3,468,326	3,268,092	200,234	6.13%
Non-operating expenses	436,645	595,478	(158,833)	-26.67%
Total expenses	45,641,269	43,968,663	1,672,606	3.80%
Transfer	(1,148,063)	(1,099,499)	(48,564)	4.42%
Change in net position	3,618,418	3,319,653	298,765	9.00%
Total net position - beginning	48,133,372	44,813,719	3,319,653	7.41%
Ending net position	$ 51,751,790	$ 48,133,372	$ 3,618,418	7.52%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	Percent
Operating revenues	$ 48,382,163	$ 49,555,447	$ (1,173,284)	-2.37%
Non-operating revenues	5,652	6,648	(996)	-14.98%
Total revenues	48,387,815	49,562,095	(1,174,280)	-2.37%
Cost of sales and service	33,857,498	34,751,911	(894,413)	-2.57%
Operations and maintenance expense	6,247,595	6,279,232	(31,637)	-0.50%
Depreciation expense	3,268,092	3,191,601	76,491	2.40%
Non-operating expenses	595,478	750,121	(154,643)	-20.62%
Total expenses	43,968,663	44,972,865	(1,004,202)	-2.23%
Transfer	(1,099,499)	(1,058,805)	(40,694)	3.84%
Change in net position	3,319,653	3,530,425	(210,772)	-5.97%
Total net position - beginning	44,813,719	43,089,723	1,723,996	4.00%
Restatement - GASB 68 and 71 implementation	-	(1,806,429)	1,806,429	100.00%
Total net position - beginning (restated)	44,813,719	41,283,294	3,530,425	8.55%
Ending net position	$ 48,133,372	$ 44,813,719	$ 3,319,653	7.41%

Ending net position showed a 7.52% increase as a result of an operating profit for the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the System had $57.61 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 $1.18 million or 2.09% above the fiscal year 2016.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2017 and June 30, 2016. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	Percent
Distribution plant	$ 37,012,331	$ 36,088,016	$ 924,315	2.56%
General plant	14,604,198	14,656,546	(52,348)	-0.36%
Broadband	1,401,123	1,217,772	183,351	15.06%
Work in process	4,597,130	4,471,877	125,253	2.80%
Total capital assets	$ 57,614,782	$ 56,434,211	$ 1,180,571	2.09%

Table 3B
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2016	June 30, 2015	Increase (Decrease) Amount	Percent
Distribution plant	$ 36,088,016	$ 35,696,517	$ 391,499	1.10%
General plant	14,656,546	14,335,777	320,769	2.24%
Broadband	1,217,772	1,517,511	(299,739)	-19.75%
Work in process	4,471,877	3,151,952	1,319,925	41.88%
Total capital assets	$ 56,434,211	$ 54,701,757	$ 1,732,454	3.17%

The major portion of the additions took place in Broadband which represents various projects that the System has completed to the System's infrastructure. 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 2017, PES had total outstanding long-term debt of $11.98 million in the electric division and $2.43 million in the broadband division. The $11.98 million in the electric division 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 $1.14 million and interest payments totaling approximately $351 thousand are also due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage increased by 1.23% in fiscal year ending June 30, 2017. The PES service territory experienced a significantly mild winter than in the recent past resulting in increased energy sales of 4.07%. Industrial energy usage increased the most at 16.67%.

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.

Entering into its twelfth year of business, the Broadband division continued to improve its performance. The Broadband division experienced a moderate change in net position and solid reinvested earnings.

CONTACTING THE SYSTEM'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 Executive Vice President of PES Energize, 128 South First Street, Pulaski, TN 38478.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	Electric Fund	
Assets	2017	2016
Current assets		
Cash on hand	$ 960	$ 2,400
Cash and cash equivalents - general	9,972,625	10,061,302
Accounts receivable - trade (net of allowance for uncollectibles electric $166,879 and $113,333 and broadband $43,507 and $60,255 for 2017 and 2016, respectively)	3,080,590	2,944,059
Accounts receivable - CSA	23,755	23,755
Accounts receivable - other	364,656	272,944
Materials and supplies	708,459	754,756
Due from City	2,835	471
Prepayments and other current assets	189,548	184,654
Total current assets	14,343,428	14,244,341
Noncurrent assets		
Restricted:		
Cash and cash equivalents	2,206,428	1,511,410
Other assets		
Unamortized debt expense	63,281	67,533
Accounts receivable TVA - Home Insulation Program	201	2,325
Other future charges	161,916	159,037
Total other assets	225,398	228,895
Capital assets, not being depreciated		
Distribution plant	178,766	178,766
General plant	190,597	190,597
Construction in progress	4,597,130	4,471,877
Total capital assets, not being depreciated	4,966,493	4,841,240
Capital assets, net of accumulated depreciation		
Distribution plant	36,833,565	35,909,250
General plant	15,814,724	15,683,721
Total capital assets (net of accumulated depreciation)	57,614,782	56,434,211
Total noncurrent assets	60,046,608	58,174,516
Total assets	**74,390,036**	**72,418,857**
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	325,989	-
Differences between expected and actual experience	434,997	180,001
Pension contributions subsequent to the measurement date of June 30, 2016 and 2015	720,000	700,000
Loss on defeasance	470,430	507,636
Total deferred outflows of resources	**$ 1,951,416**	**$ 1,387,637**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	Electric Fund	
Liabilities	2017	2016
Current liabilities		
Accounts payable	$ 5,816,043	$ 5,930,561
Accrued leave	671,207	714,383
Other accrued expense	856,366	719,211
Total current liabilities	7,343,616	7,364,155
Current liabilities payable from restricted assets		
Customers' deposits	803,473	777,906
Accrued interest	21,708	23,154
Current maturities of:		
Bonds payable	1,141,683	1,063,731
Total current liabilities payable from restricted assets	1,966,864	1,864,791
Noncurrent liabilities		
Net pension liability	1,885,736	1,431,913
Bonds payable (less current maturities)	13,264,246	14,431,121
Advances from TVA -		
Home insulation program	201	26,043
Total noncurrent liabilities	15,150,183	15,889,077
Total liabilities	**24,460,663**	**25,118,023**
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	-	405,720
Differences between expected and actual experience	128,999	149,379
Total deferred inflows of resources	**128,999**	**555,099**
Net Position		
Net investment in capital assets	43,208,853	40,939,359
Restricted for debt service	1,381,247	710,350
Unrestricted	7,161,690	6,483,663
Total net position	**$ 51,751,790**	**$ 48,133,372**

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 Years Ended June 30, 2017 and 2016

	Electric Fund	
Operating revenues	2017	2016
Charges for sales and service	$ 49,101,901	$ 47,027,311
Other operating revenue	1,299,403	1,354,852
Total operating revenues	50,401,304	48,382,163
Operating expenses		
Cost of sales and services	35,244,867	33,857,498
Distribution expenses	737,525	775,521
Customer accounts expenses	417,461	530,320
Customer service and information expenses	596,688	426,945
Administrative and general expenses	2,675,682	2,370,458
Maintenance expenses	2,064,075	2,144,351
Provision for depreciation expense	3,468,326	3,268,092
Total operating expenses	45,204,624	43,373,185
Operating income (loss)	5,196,680	5,008,978
Nonoperating revenues (expenses)		
Interest and other income	6,446	5,652
Amortization expense	(5,186)	(81,300)
Interest and other expense	(431,459)	(514,178)
Total nonoperating revenues (expenses)	(430,199)	(589,826)
Income (loss) before transfers	4,766,481	4,419,152
Transfers		
Transfers out - in lieu of tax payments to City	(1,148,063)	(1,099,499)
Change in net position	**3,618,418**	**3,319,653**
Total net position - beginning	48,133,372	44,813,719
Total net position - ending	$ 51,751,790	$ 48,133,372

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	Electric Fund	
Cash flows from operating activities	2017	2016
Cash received from consumers	$ 50,173,061	$ 48,422,637
Cash paid to suppliers	(40,771,507)	(38,841,131)
Cash paid to employees	(1,514,882)	(1,460,615)
Customer deposits received	186,401	174,630
Customer deposits refunded	(160,834)	(172,126)
Amounts received from (paid to) other funds	(2,364)	(154)
Net cash provided (used) by operating activities	7,909,875	8,123,241
Cash flows from non-capital and related financing activities		
Transfers	(1,148,063)	(1,099,499)
Net cash provided (used) by non-capital and related financing activities	(1,148,063)	(1,099,499)
Cash flows from capital and related financing activities		
Proceeds from long-term debt	-	6,272,095
Principal paid on debt	(1,088,923)	(7,377,243)
Unamortized debt expense	36,272	101,125
Purchase of property, plant and equipment	(4,643,403)	(4,885,276)
Plant removal cost	(15,237)	(154,157)
Materials salvaged from retirements	9,743	38,887
Interest paid on bonds, notes and leases	(438,091)	(536,354)
Net cash provided (used) by capital and related financing activities	(6,139,639)	(6,540,923)
Cash flows from investing activities		
Interest and unrealized change in investments	6,446	5,652
Conservation loans (made) paid	(23,718)	(1,814)
Net cash provided (used) by investing activities	(17,272)	3,838
Net increase (decrease) in cash and cash equivalents	**604,901**	**486,657**
Cash and cash equivalents - beginning	11,575,112	11,088,455
Cash and cash equivalents - ending	$ 12,180,013	$ 11,575,112
Cash and cash equivalents		
Unrestricted cash on hand	$ 960	$ 2,400
Unrestricted cash and cash equivalents on deposit	9,972,625	10,061,302
Restricted cash and cash equivalents on deposit	2,206,428	1,511,410
Total cash and cash equivalents	$ 12,180,013	$ 11,575,112

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	Electric Fund	
Reconciliation of operating income	2017	2016
(loss) to net cash provided (used)		
by operating activities		
Operating income (loss)	$ 5,196,680	$ 5,008,978
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,473,512	3,186,792
Change in pension related deferred outflows and inflows of resources	(1,027,085)	(735,512)
Changes in assets and liabilities:		
Accounts receivable	(228,243)	40,474
Materials and supplies	46,297	61,095
Due (to) from City	(2,364)	(154)
Prepayments and other current assets	(4,894)	(5,103)
Other future charges	(2,879)	(1,083)
Accounts payable and accrued expenses	22,637	253,725
Accrued leave	(43,176)	55,427
Customer deposits	25,567	2,504
Net pension liability	453,823	256,098
Net cash provided (used) by operating activities:	$ 7,909,875	$ 8,123,241

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 147,080	$ 137,514
Accrued income	17,282	19,548
Investments		
Equity investments	8,580,924	7,457,877
Fixed income investments	4,768,591	4,633,067
Total investments	13,349,515	12,090,944
Net position available for benefits	**13,513,877**	**12,248,006**
Liabilities	-	-
Net position restricted for pensions	**$ 13,513,877**	**$ 12,248,006**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
Additions		
Employer contributions	$ 720,000	$ 700,000
Investment income		
Interest income	20,349	19,568
Dividend income	180,789	165,559
Realized gains and losses	253,053	448,347
Net depreciation in fair value of investments	911,665	(354,970)
Total investment income	1,365,856	278,504
Total additions	2,085,856	978,504
Deductions		
Benefit payments	795,489	792,018
Administrative and other expenses	24,496	24,171
Total deductions	819,985	816,189
Net increase in fiduciary net position	**1,265,871**	**162,315**
Net position restricted for pensions		
Beginning of year	12,248,006	12,085,691
End of year	$ 13,513,877	$ 12,248,006

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

PES Energize 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 PES Energize 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. The single employer defined benefit pension plan is presented as a fiduciary fund of PES Energize.

During fiscal year ended June 30, 2006, PES Energize established a Broadband division pursuant to section 7-52-601, Tennessee Code Annotated. In accordance with T.C.A. 7-52-603 et seq, the Broadband division is operated as a separate division of the Electric fund and the revenues of the Electric division do not subsidize the operations of the Broadband division.

The Electric division provides electrical service to customers located within its service area. The Broadband division began providing cable, Internet, and VOIP services to residents within the area during the fiscal year ended June 30, 2006.

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).

Business-type activities 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 activities 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. Investments are stated at fair market value.

The System's defined benefit plan's policy in regard to the allocation of invested assets is established and may be amended by the Power Board by a majority vote of its members. It is the policy of the Power Board to pursue an investment strategy that reduces risk though the prudent diversification of the portfolio across a broad selection of distinct asset classes. Investments are stated at fair market value. The System's defined benefit plan maintains investments that consist of a money market account, stocks in publically traded companies, mutual funds and fixed income securities. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on the trade-date basis. Realized gains and losses from security transactions are reported on the average cost method.

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 (when applicable), as well as issuance costs, are amortized over the life of the bonds using the effective interest method. The System will continue to report bond cost as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This regulatory option as part of GASB Statement No. 65 is available due to the above mentioned cost being used for rate setting by the System.

Compensated Absences
Paid time off (PTO) is a benefit for all full-time employees. PTO combines traditional vacation, time off for personal matters, and absence due to sickness or injury, but does not include holidays. Employees with PTO in excess of 90 days at the end of the calendar year shall receive compensation for the unused time in an amount equal to 50% of their standard hourly rate of pay per hour of excess PTO. In the event of retirement or separation, employees shall be paid for 100% of accumulated PTO. The payout of accumulated PTO may be altered in conjunction with provisions included in an amendment to the PES pension plan.

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 has pension-related items and a loss on defeasance that qualifies 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 has pension-related 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.

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.

The System's defined benefit plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported and disclosed.

Impact of Recently Issued Accounting Pronouncements

In March 2016, the GASB issued Statement No. 82 – *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for financial statements for periods beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and

Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has implemented this statement and its effects are reported in the current financial statements.

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

The following is the asset allocation as of June 30, 2017, 2016, and 2015:

	June 30, 2017		June 30, 2016		June 30, 2015	
	Market Value	Percentage of Total	Market Value	Percentage of Total	Market Value	Percentage of Total
Cash and cash equivalents	$ 164,362	1.22%	$ 157,062	1.28%	$ 763,255	6.32%
Equities	8,580,924	63.50%	7,457,877	60.89%	7,854,859	64.99%
Fixed income investments	4,768,591	35.29%	4,633,067	37.83%	3,467,577	28.69%
Total	$ 13,513,877	100.00%	$ 12,248,006	100.00%	$ 12,085,691	100.00%

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government:

	June 30, 2017	June 30, 2016
Federated strategic value dividend	$ 702,387	$ 714,670
Fidelity small cap discovery	816,024	775,512
Fidelity contrafund #22	1,443,322	1,225,888
Vanguard primecap core	1,172,456	970,502

For the years ended June 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.20 and 2.32 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
US agencies	$ 7,086	$ 7,086	$ -	$ -
Corporate bonds	806,733	806,733	-	-
Total debt securities	813,819	813,819	-	-
Equity securities				
Mutual funds	11,636,816	11,636,816	-	-
Common stocks	898,880	898,880	-	-
Total equity securities	12,535,696	12,535,696	-	-
Total investments measured at fair value	$13,349,515	$13,349,515	$ -	$ -

The Plan has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
US agencies	$ 9,432	$ 9,432	$ -	$ -
Corporate bonds	1,120,671	563,571	-	-
Total debt securities	1,130,103	573,003	-	-
Equity securities				
Mutual funds	10,115,780	10,115,780	-	-
Common stocks	845,061	845,061	-	-
Total equity securities	10,960,841	10,960,841	-	-
Total investments measured at fair value	$12,090,944	$11,533,844	$ -	$ -

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

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, 2017 and 2016, all of the System's deposits were fully collateralized.

B. Receivables

Receivables as of the fiscal years ended June 30, 2017 and 2016 were made up of the following:

	June 30, 2017	June 30, 2016
Billed services for utility customers	$ 3,290,976	$ 3,117,647
Receivable from CSA	23,755	23,755
Other receivables for utility services	364,656	272,944
Allowance for doubtful accounts	(210,386)	(173,588)
Total	$ 3,469,001	$ 3,240,758

C. Restricted Assets

Restricted assets as of the fiscal years ended June 30, 2017 and 2016 were made up of the following:

	June 30, 2017	June 30, 2016
The restricted assets consist of the following:		
Cash and cash equivalents - Sinking funds	$ 216,845	$ 40,271
Cash and cash equivalents - Construction fund	1,989,583	1,471,139
	$ 2,206,428	$ 1,511,410
The total of these funds is represented by:		
Certificates of deposit and bank accounts	$ 2,206,428	$ 1,511,410

D. Plant in Service

Changes to the System's plant in service during the fiscal years ended June 30, 2017 and 2016 are summarized as follows:

Electric Division:

Description	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Capital assets, not being depreciated:				
Distribution plant	$ 178,766	$ -	$ -	$ 178,766
General plant	190,597	-	-	190,597
Construction in progress	4,267,087	7,468,836	7,141,963	4,593,960
Total capital assets, not being depreciated	4,636,450	7,468,836	7,141,963	4,963,323
Capital assets, being depreciated:				
Distribution plant	60,590,504	2,923,296	529,436	62,984,364
General plant	24,376,426	1,426,832	392,574	25,410,684
Total capital assets, being depreciated	84,966,930	4,350,128	922,010	88,395,048
Less accumulated depreciation for:				
Distribution plant	24,681,254	2,064,587	595,042	26,150,799
General plant	9,910,477	1,388,484	301,878	10,997,083
Total accumulated depreciation	34,591,731	3,453,071	896,920	37,147,882
Total capital assets, being depreciated, net	50,375,199	897,057	25,090	51,247,166
Total capital assets, net	$ 55,011,649	$ 8,365,893	$ 7,167,053	$ 56,210,489

Description	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets, not being depreciated:				
Distribution plant	$ 178,766	$ -	$ -	$ 178,766
General plant	190,597	-	-	190,597
Construction in progress	2,980,378	1,292,710	6,001	4,267,087
Total capital assets, not being depreciated	3,349,741	1,292,710	6,001	4,636,450
Capital assets, being depreciated:				
Distribution plant	58,748,642	2,306,414	464,552	60,590,504
General plant	23,009,299	1,525,151	158,024	24,376,426
Total capital assets, being depreciated	81,757,941	3,831,565	622,576	84,966,930
Less accumulated depreciation for:				
Distribution plant	23,230,891	1,992,748	542,385	24,681,254
General plant	8,864,119	1,197,449	151,091	9,910,477
Total accumulated depreciation	32,095,010	3,190,197	693,476	34,591,731
Total capital assets, being depreciated, net	49,662,931	641,368	(70,900)	50,375,199
Total capital assets, net	$ 53,012,672	$ 1,934,078	$ (64,899)	$ 55,011,649

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Broadband Division: Description	Balance at June 30, 2016	Additions	Disposals	Balance at June 30, 2017
Capital assets, not being depreciated:				
Construction in progress	$ 204,790	$ 60,311	$ 261,931	$ 3,170
Capital assets, being depreciated:				
General plant	$ 3,547,110	$ 523,367	$ 31,828	$ 4,038,649
Less: accumulated depreciation for:				
General plant	2,329,338	340,016	31,828	2,637,526
Total capital assets, being depreciated, net	1,217,772	183,351	-	1,401,123
Total capital assets, net	$ 1,422,562	$ 243,662	$ 261,931	$ 1,404,293

Description	Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets, not being depreciated:				
Construction in progress	$ 171,574	$ 33,216	$ -	$ 204,790
Capital assets, being depreciated:				
General plant	3,551,730	109,488	114,108	3,547,110
Less: accumulated depreciation for:				
General plant	2,034,219	339,373	44,254	2,329,338
Total capital assets, being depreciated, net	1,517,511	(229,885)	69,854	1,217,772
Total capital assets, net	$ 1,689,085	$ (196,669)	$ 69,854	$ 1,422,562

Depreciation expense amounted to $3,128,310 and $2,928,719 in the electric division and $340,016 and $339,373 in the Broadband division for the fiscal years ended June 30, 2017 and 2016. Amounts charged to transportation expense in the electric division were $324,761 and $261,478 for the electric division and $0 and $0 for the broadband division for the years ended June 30, 2017 and 2016.

E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2017 and 2016 is as follows:

	Due from:			
	Electric	Broadband	Eliminated	Total
Due to:				
Broadband	$ -	$ -	$ -	$ -
Electric	-	108,877	(108,877)	-
City Hall	2,835	-	-	2,835
	$ 2,835	$ 108,877	$ (108,877)	$ 2,835

	Due from:			
	Electric	Broadband	Eliminated	Total
Due to:				
Broadband	$ -	$ -	$ -	$ -
Electric	-	1,508	(1,508)	-
City Hall	471	-	-	471
	$ 471	$ 1,508	$ (1,508)	$ 471

During the years ended June 30, 2017 and 2016, the System also transferred out an amount of $1,148,063 and $1,099,499, respectively 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, 2017 and June 30, 2016 are as follows:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Current Portion
Revenue Bonds - 2013 - Electric	$ 2,260,000	$ -	$ (100,000)	$ 2,160,000	$ 105,000
Revenue Bonds - 2014 - Electric	7,370,000	-	(400,000)	6,970,000	415,000
Revenue and Tax Bonds - 2015 - Electric	3,163,501	-	(317,665)	2,845,836	335,336
Revenue and Tax Bonds - 2015 - Broadband	2,701,351	-	(271,258)	2,430,093	286,347
Total	$ 15,494,852	$ -	$ (1,088,923)	$ 14,405,929	$ 1,141,683

	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016	Current Portion
Revenue and Tax Bonds - 2005 - Electric	$ 3,490,376	$ -	$ (3,490,376)	$ -	$ -
Revenue and Tax Bonds - 2005 - Broadband	2,989,624	-	(2,989,624)	-	-
Revenue Bonds - 2013 - Electric	2,355,000	-	(95,000)	2,260,000	100,000
Revenue Bonds - 2014 - Electric	7,765,000	-	(395,000)	7,370,000	400,000
Revenue and Tax Bonds - 2015 - Electric	-	3,383,168	(219,667)	3,163,501	304,077
Revenue and Tax Bonds - 2015 - Broadband	-	2,888,927	(187,576)	2,701,351	259,654
Total	$ 16,600,000	$ 6,272,095	$ (7,377,243)	$ 15,494,852	$ 1,063,731

Long-term debt consisted of the following at June 30, 2017 and 2016:

	2017	2016
Electric Division revenue bonds - Series 2013, due through June 1, 2033, with an interest rate of 3.38%	$ 2,160,000	$ 2,260,000
Electric Division revenue bonds - Series 2014, due through June 1, 2031, with an interest rate of 2.69%	6,970,000	7,370,000
Electric Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	2,845,836	3,163,501
Broadband Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	2,430,093	2,701,351
	$ 14,405,929	$ 15,494,852

A summary of future debt service amounts are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,141,683	$ 350,809	$ 1,492,492
2019	1,172,966	324,813	1,497,779
2020	1,199,453	298,040	1,497,493
2021	1,221,150	270,655	1,491,805
2022	1,248,059	242,755	1,490,814
2023-2027	5,217,618	795,526	6,013,144
2028-2032	3,035,000	263,277	3,298,277
2033	170,000	5,746	175,746
Total	$ 14,405,929	$ 2,551,621	$ 16,957,550

G. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. The restricted net position as of June 30, 2017 and June 30, 2016 is as follows:

	2017	2016
Net investments in capital assets		
Net property, plant and equipment in service	$ 57,614,782	$ 56,434,211
Less: Debt disclosed in Note 3F	(14,405,929)	(15,494,852)
	43,208,853	40,939,359
Restricted for debt service		
Restricted cash and cash equivalents	2,206,428	1,511,410
Less: Current liabilities payable from restricted assets	(825,181)	(801,060)
	1,381,247	710,350
Unrestricted	7,161,690	6,483,663
Total net position	$ 51,751,790	$ 48,133,372

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 Trust and Financial Management 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 Trust and Financial Management.

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.

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 Mav 1. 1984	$10.00
On or after Mav 1. 1984 but before Julv 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 July 1, 2016 and 2015, the following employees were covered by the Plan:

	July 1, 2016	July 1, 2015
Active participants (employees)	48	50
Retired participants and beneficiaries	42	42
Vested terminated participants	17	16
Total employees covered by the Plan	107	108

Contributions. Required contributions are determined by First Farmers Trust and Financial Management 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. 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.

The Plan's policy provides for actuarially determined periodic contributions. Contributions to the Plan for the years ended June 30, 2017, 2016, and 2015 of $720,000, $700,000, and $648,000 were made in accordance with actuarially determined requirements computed through the actuarial valuations performed as of July 1, 2016 and 2015.

Funded status and funding progress. As of June 30, 2017 the actuarial accrued liability for benefits was $14,506,576 and the net pension liability was $992,699. Total covered payroll was $2,962,214 and the ratio of net pension liability to covered payroll was 33.51%. As of June 30, 2016 the actuarial accrued liability for benefits was $14,133,742 and the net pension liability was $1,885,736. Total covered payroll was $2,955,030 and the ratio of net pension liability to covered payroll was 63.81%. As of June 30, 2015 the actuarial accrued liability for benefits was $13,517,604 and the net pension liability was $1,431,913. Total covered payroll was $2,894,615 and the ratio of net pension liability to covered payroll was 49.47%.

Net Pension Liability. The System's net pension liability was measured as of June 30, 2017, 2016, and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The total pension liability in the July 1, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The July 1, 2016 actuarial valuation was determined using the following actuarial assumptions:

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 later of attainment of age 65 or completion of their term.
Mortality:	Active Participants and Non-Disabled Participants: Male - SOA - RP 2000 Mortality Table for males with blue collar adjustment Female - SOA - RP 2000 Mortality Table for females with blue collar adjustment Disabled Participants: Male - 1965 Railroad Board Disability Annuity Mortality Female - 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
Changes since prior year:	There have been no method or assumption changes since the prior valuation as of July 1, 2015.

Please refer to prior funding valuations for the assumptions used to develop earlier contributions.

The Electric fund uses the measurement date of June 30, 2016 and 2015 for reporting purposes for the fiscal years ended June 30, 2017 and 2016.

The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2016 and July 1, 2014 through June 30, 2015. In addition, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for blue collars.

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 measured at June 30, 2017, 2016, and 2015 are detailed in the following tables. Table 2A and Table 2B show the net pension liability as of June 30, 2016 and 2015, which is what is reported in the financial statements in accordance with GASB Statement No. 68. Table 1A is required to be disclosed due to the inclusion of the fiduciary fund statements in the System's financial statements. Total Pension Liability was rolled forward to June 30, 2017 in order to be in compliance with GASB Statement No. 67.

	Table 1A - Increase (Decrease)		
	Total pension liability (TPL) (a)	Plan fiduciary net position (b)	Net pension liability (NPL) (a)-(b)
Balances as 6/30/2016	$ 14,133,742	$ 12,248,006	$ 1,885,736
Changes for the year:			
Service cost	195,442	-	195,442
Interest	972,881	-	972,881
Difference between actual and expected	-	-	-
Contributions - employer	-	720,000	(720,000)
Contributions - employee	-	-	-
Net investment income	-	1,365,856	(1,365,856)
Benefit payments	(795,489)	(795,489)	-
Administrative expenses	-	(24,496)	24,496
Net changes	372,834	1,265,871	(893,037)
Balances as 6/30/2017	$ 14,506,576	$ 13,513,877	$ 992,699

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

	Table 2A - Increase (Decrease)		
	Total pension liability (TPL) (a)	Plan fiduciary net position (b)	Net pension liability (NPL) (a)-(b)
Balances as 6/30/2015	$ 13,517,604	$ 12,085,691	$ 1,431,913
Changes for the year:			
Service cost	191,944	-	191,944
Interest	929,638	-	929,638
Difference between actual and expected	286,574	-	286,574
Contributions - employer	-	700,000	(700,000)
Contributions - employee	-	-	-
Net investment income	-	278,504	(278,504)
Benefit payments	(792,018)	(792,018)	-
Administrative expenses	-	(24,171)	24,171
Net changes	616,138	162,315	453,823
Balances as 6/30/2016	$ 14,133,742	$ 12,248,006	$ 1,885,736

	Table 2B - Increase (Decrease)		
	Total pension liability (TPL) (a)	Plan fiduciary net position (b)	Net pension liability (NPL) (a)-(b)
Balances as 6/30/2014	$ 12,909,265	$ 11,733,450	$ 1,175,815
Changes for the year:			
Service cost	222,187	-	222,187
Interest	892,701	-	892,701
Difference between actual and expected	192,372	-	192,372
Contributions - employer	-	648,000	(648,000)
Contributions - employee	-	-	-
Net investment income	-	426,629	(426,629)
Benefit payments	(698,921)	(698,921)	-
Administrative expenses	-	(23,467)	23,467
Net changes	608,339	352,241	256,098
Balances as 6/30/2015	$ 13,517,604	$ 12,085,691	$ 1,431,913

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 of each measurement date presented, 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:

	June 30, 2017		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	$ 16,441,916	$ 14,506,576	$ 12,897,193
Plan fiduciary net position	13,513,878	13,513,877	13,513,878
Net pension liability (asset)	$ 2,928,038	$ 992,699	$ (616,685)

	June 30, 2016		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	$ 16,027,032	$ 14,133,742	$ 12,562,122
Plan fiduciary net position	12,248,006	12,248,006	12,248,006
Net pension liability (asset)	$ 3,779,026	$ 1,885,736	$ 314,116

	June 30, 2015		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	$ 15,333,820	$ 13,517,604	$ 12,013,368
Plan fiduciary net position	12,085,691	12,085,691	12,085,691
Net pension liability (asset)	$ 3,248,129	$ 1,431,913	$ (72,323)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2017 and 2016, the System recognized pension expense of $336,736 and $220,585. At June 30, 2017 and 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 434,997	$ 128,999
Change of assumptions	-	-
Pension contributions subsequent to the measurement date of June 30, 2016	720,000	-
Difference between projected and actual earnings on pension plan investments	685,607	359,618
Total	$ 1,840,604	$ 488,617

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 180,001	$ 149,379
Change of assumptions	-	-
Pension contributions subsequent to the measurement date of June 30, 2016	700,000	-
Difference between projected and actual earnings on pension plan investments	313,514	719,234
Total	$ 1,193,515	$ 868,613

The amounts shown above for "System contributions subsequent to the measurement date of June 30, 2016 and 2015" will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending June 30, 2017:

Year ending June 30,	Amortized
2018	32,576
2019	32,576
2020	212,384
2021	134,006
2022	21,388
Thereafter	199,057

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending June 30, 2016:

Year ending June 30,	Amortized
2017	(99,249)
2018	(99,249)
2019	(99,249)
2020	(99,249)
2021	2,181
Thereafter	19,717

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

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Payment of Benefits. Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2017 and 2016 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2017 and 2016 administrative expenses paid were $24,496 and $24,171 respectively.

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.

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 of the most recent actuarial dated July 1, 2014.

Components of Net OPEB Obligation

Components of Net OPEB Obligation		
Annual required contribution	$ 60,438	
Amortization of OPEB Obligation	7,102	
Annual OPEB Cost (expense)	67,540	
Interest on Net OPEB Obligation	4,301	
Amortization of OPEB Obligation	(7,102)	
Contributions and subsidy	(41,739)	
Change in obligation	23,000	
Net OPEB Obligation (BOY)	190,224	
Net OPEB (Asset) Obligation (EOY)	$ 213,224	*

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, 2016, and 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	OPEB Cost Contributed	Net OPEB Obligation	
June 30, 2017	$ 67,540	$ 41,739	61.80%	$ 213,224	*
June 30, 2016	67,540	41,739	61.80%	190,224	*
June 30, 2015	65,590	41,739	63.64%	167,224	

*The net OPEB liability (asset) and related figures for the fiscal year ended June 30, 2017 and 2016, were calculated based off of an estimate using the most recent actuarial valuation date July 1, 2014.

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 6.0% initially, starting in 2013 and 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 August 30, 2017, the date in which the financial statements were available to be issued.

E. Segment Reporting

CONDENSED STATEMENT OF NET POSITION

	Electric Division		Broadband Division	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Current assets	$ 13,173,689	$ 13,004,923	$ 1,169,739	$ 1,239,418
Noncurrent assets - restricted	1,974,713	1,280,885	231,715	230,525
Other assets	225,398	228,895	-	-
Capital assets	56,210,489	55,011,649	1,404,293	1,422,562
Total assets	71,584,289	69,526,352	2,805,747	2,892,505
Deferred outflows of resources	1,874,408	1,369,421	77,008	18,216
Current liabilities	7,129,317	7,122,022	214,299	242,133
Current liabilities payable from restricted assets	1,677,067	1,600,560	289,797	264,231
Noncurrent liabilities	12,744,760	13,302,470	2,405,423	2,586,607
Total liabilities	21,551,144	22,025,052	2,909,519	3,092,971
Deferred inflows of resources	115,946	498,921	13,053	56,178
Net position:				
Net investment in capital assets	44,234,653	42,218,148	(1,025,800)	(1,278,789)
Restricted for debt service	1,152,982	484,402	228,265	225,948
Unrestricted	6,403,972	5,669,250	757,718	814,413
Total net position	$ 51,791,607	$ 48,371,800	$ (39,817)	$ (238,428)

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Electric Division		Broadband Division	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Operating revenues				
Charges for sales and service	$ 45,426,376	$ 43,648,755	$ 3,675,525	$ 3,378,556
Other operating revenues	1,218,515	1,227,643	80,888	127,209
Total operating revenues	46,644,891	44,876,398	3,756,413	3,505,765
Operating expenses				
Provision for depreciation expense	3,128,310	2,928,719	340,016	339,373
Other operating expenses	38,573,807	37,153,380	3,162,491	2,951,713
Total operating expenses	41,702,117	40,082,099	3,502,507	3,291,086
Operating income (loss)	4,942,774	4,794,299	253,906	214,679
Nonoperating revenues (expenses)				
Interest expense	(374,774)	(425,901)	(56,685)	(88,277)
Other nonoperating revenues (expenses)	(130)	(42,893)	1,390	(32,755)
Total nonoperating revenues (expenses)	(374,904)	(468,794)	(55,295)	(121,032)
Income (loss) before transfers	4,567,870	4,325,505	198,611	93,647
Transfers in (out)	(1,148,063)	(1,099,499)	-	-
Change in net position	3,419,807	3,226,006	198,611	93,647
Total net position - beginning	48,371,800	45,145,794	(238,428)	(332,075)
Ending net position	$ 51,791,607	$ 48,371,800	$ (39,817)	$ (238,428)

CONDENSED STATEMENT OF CASH FLOWS

	Electric Division		Broadband Division	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net cash provided (used) by operating activities	$ 7,515,509	$ 7,536,329	$ 394,366	$ 586,912
Net cash provided (used) by non-capital and related financing activities	(1,148,063)	(1,099,499)	-	-
Net cash provided (used) by capital and related financing activities	(5,489,949)	(6,109,093)	(649,690)	(431,830)
Net cash provided (used) by investing activities	(18,662)	3,068	1,390	770
Net increase (decrease) in cash and cash equivalents	858,835	330,805	(253,934)	155,852
Cash and cash equivalents - beginning	10,317,766	9,986,961	1,257,346	1,101,494
Cash and cash equivalents - ending	$ 11,176,601	$ 10,317,766	$ 1,003,412	$ 1,257,346

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 Years Ended June 30,

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 195,442	$ 191,944	$ 222,187	$ 229,718
Interest	972,881	929,638	892,701	874,572
Differences between actual & expected experience	-	286,574	192,372	(159,569)
Benefit payments, including refunds of member's contributions	(795,489)	(792,018)	(698,921)	(653,720)
Net change in total pension liability	372,834	616,138	608,339	291,001
Total pension liability - beginning	14,133,742	13,517,604	12,909,265	12,618,264
Total pension liability - ending (a)	$ 14,506,576	$ 14,133,742	$ 13,517,604	$ 12,909,265
Plan fiduciary net position				
Contributions - employer	720,000	700,000	648,000	648,000
Net investment income	1,365,856	278,504	426,629	1,608,611
Benefit payments, including refunds of member's contributions	(795,489)	(792,018)	(698,921)	(653,720)
Administrative expense	(24,496)	(24,171)	(23,467)	(20,175)
Net change in plan fiduciary net position	1,265,871	162,315	352,241	1,582,716
Plan fiduciary net position - beginning	12,248,006	12,085,691	11,733,450	10,150,734
Plan fiduciary net position - ending (b)	13,513,877	12,248,006	12,085,691	11,733,450
Net Pension Liability (Asset) - ending (a) - (b)	992,699	1,885,736	1,431,913	1,175,815
Plan fiduciary net position as a percentage of total pension liability	93.16%	86.66%	89.41%	90.89%
Covered payroll	$ 2,962,214	$ 2,955,030	$ 2,894,615	$ 3,150,560
Net pension liability (asset) as a percentage of covered payroll	33.51%	63.81%	49.47%	37.32%

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

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

For the Years Ended June 30,

	2017	2016	2015	2014
Actuarially determined contribution	$ 521,791	$ 435,728	$ 489,938	$ 467,172
Contributions in relation to the actuarially determined contribution	720,000	700,000	648,000	648,000
Net change in total pension liability	$ (198,209)	$ (264,272)	$ (158,062)	$ (180,828)
Covered payroll	$ 2,962,214	$ 2,955,030	$ 2,894,615	$ 3,150,560
Contributions as a percentage of covered payroll	24.31%	23.69%	22.39%	20.57%

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

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
IN THE SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Years Ended June 30,

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	11.20%	2.32%	3.65%	15.87%

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

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, 2017

Notes to Pension Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2016 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 later of attainment of age 65 or completion of their term.
Mortality:	Active Participants and Non-Disabled Participants: Male - SOA - RP 2000 Mortality Table for males with blue collar adjustment Female - SOA - RP 2000 Mortality Table for females with blue collar adjustment Disabled Participants: Male - 1965 Railroad Board Disability Annuity Mortality Female - 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
Changes since prior year:	There have been no method or assumption changes since the prior valuation as of July 1, 2015.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2017

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%

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. The information is presented using the most recent information available.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2017 and 2016

	Electric Fund					
	Electric Division		Broadband Division		Total	
Assets	2017	2016	2017	2016	2017	2016
Current assets						
Cash on hand	$ 360	$ 1,800	$ 600	$ 600	$ 960	$ 2,400
Cash and cash equivalents - general	9,201,528	9,035,081	771,097	1,026,221	9,972,625	10,061,302
Accounts receivable - trade (net of allowance for uncollectibles electric $166,879 and $113,333 and broadband $43,507 and $60,255 for 2017 and 2016, respectively)	2,876,861	2,775,137	203,729	168,922	3,080,590	2,944,059
Accounts receivable - CSA	23,755	23,755	-	-	23,755	23,755
Accounts receivable - other	346,506	257,386	18,150	15,558	364,656	272,944
Materials and supplies	641,173	728,147	67,286	26,609	708,459	754,756
Due from City	2,835	471	-	-	2,835	471
Due from (to) other division	(108,877)	(1,508)	108,877	1,508	-	-
Prepayments and other current assets	189,548	184,654	-	-	189,548	184,654
Total current assets	13,173,689	13,004,923	1,169,739	1,239,418	14,343,428	14,244,341
Noncurrent assets						
Restricted:						
Cash and cash equivalents	1,974,713	1,280,885	231,715	230,525	2,206,428	1,511,410
Other assets						
Unamortized debt expense	63,281	67,533	-	-	63,281	67,533
Accounts receivable TVA - Home Insulation Program	201	2,325	-	-	201	2,325
Other future charges	161,916	159,037	-	-	161,916	159,037
Total other assets	225,398	228,895	-	-	225,398	228,895
Capital assets, not being depreciated						
Distribution plant	178,766	178,766	-	-	178,766	178,766
General plant	190,597	190,597	-	-	190,597	190,597
Construction in progress	4,593,960	4,267,087	3,170	204,790	4,597,130	4,471,877
Total capital assets, not being depreciated	4,963,323	4,636,450	3,170	204,790	4,966,493	4,841,240
Capital assets, net of accumulated depreciation						
Distribution plant	36,833,565	35,909,250	-	-	36,833,565	35,909,250
General plant	14,413,601	14,465,949	1,401,123	1,217,772	15,814,724	15,683,721
Total capital assets (net of accumulated depreciation)	56,210,489	55,011,649	1,404,293	1,422,562	57,614,782	56,434,211
Total noncurrent assets	58,410,600	56,521,429	1,636,008	1,653,087	60,046,608	58,174,516
Total assets	**71,584,289**	**69,526,352**	**2,805,747**	**2,892,505**	**74,390,036**	**72,418,857**
Deferred outflows of resources						
Net difference between projected and actual earnings on pension plan investments	293,001	-	32,988	-	325,989	-
Differences between expected and actual experienc	390,977	161,785	44,020	18,216	434,997	180,001
Pension contributions subsequent to the measurement date of June 30, 2016 and 2015	720,000	700,000	-	-	720,000	700,000
Loss on defeasance	470,430	507,636	-	-	470,430	507,636
Total deferred outflows of resources	**$ 1,874,408**	**$ 1,369,421**	**$ 77,008**	**$ 18,216**	**$ 1,951,416**	**$ 1,387,637**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2017 and 2016

	Electric Fund					
	Electric Division		Broadband Division		Total	
Liabilities	2017	2016	2017	2016	2017	2016
Current liabilities						
Accounts payable	$ 5,810,679	$ 5,904,391	$ 5,364	$ 26,170	$ 5,816,043	$ 5,930,561
Accrued leave	671,207	714,383	-	-	671,207	714,383
Other accrued expense	647,431	503,248	208,935	215,963	856,366	719,211
Total current liabilities	7,129,317	7,122,022	214,299	242,133	7,343,616	7,364,155
Current liabilities payable from restricted assets						
Customers' deposits	800,023	773,329	3,450	4,577	803,473	777,906
Accrued interest	21,708	23,154	-	-	21,708	23,154
Current maturities of:						
Bonds payable	855,336	804,077	286,347	259,654	1,141,683	1,063,731
Total current liabilities payable from restricted assets	1,677,067	1,600,560	289,797	264,231	1,966,864	1,864,791
Noncurrent liabilities						
Net pension liability	1,624,059	1,287,003	261,677	144,910	1,885,736	1,431,913
Bonds payable (less current maturities)	11,120,500	11,989,424	2,143,746	2,441,697	13,264,246	14,431,121
Advances from TVA -						
Home insulation program	201	26,043	-	-	201	26,043
Total noncurrent liabilities	12,744,760	13,302,470	2,405,423	2,586,607	15,150,183	15,889,077
Total liabilities	**21,551,144**	**22,025,052**	**2,909,519**	**3,092,971**	**24,460,663**	**25,118,023**
Deferred inflows of resources						
Net difference between projected and actual earnings on pension plan investments	-	364,659	-	41,061	-	405,720
Differences between expected and actual experience	115,946	134,262	13,053	15,117	128,999	149,379
Total deferred inflows of resources	**115,946**	**498,921**	**13,053**	**56,178**	**128,999**	**555,099**
Net Position						
Net investment in capital assets	44,234,653	42,218,148	(1,025,800)	(1,278,789)	43,208,853	40,939,359
Restricted for debt service	1,152,982	484,402	228,265	225,948	1,381,247	710,350
Unrestricted	6,403,972	5,669,250	757,718	814,413	7,161,690	6,483,663
Total net position	**$ 51,791,607**	**$ 48,371,800**	**$ (39,817)**	**$ (238,428)**	**$ 51,751,790**	**$ 48,133,372**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	Electric Fund					
	Electric Division		Broadband Division		Total	
Operating revenues	2017	2016	2017	2016	2017	2016
Charges for sales and service	$ 45,426,376	$ 43,648,755	$ 3,675,525	$ 3,378,556	$ 49,101,901	$ 47,027,311
Other operating revenue	1,218,515	1,227,643	80,888	127,209	1,299,403	1,354,852
Total operating revenues	46,644,891	44,876,398	3,756,413	3,505,765	50,401,304	48,382,163
Operating expenses						
Cost of sales and services	33,120,096	31,834,397	2,124,771	2,023,101	35,244,867	33,857,498
Distribution expenses	495,074	514,114	242,451	261,407	737,525	775,521
Customer accounts expenses	372,518	484,967	44,943	45,353	417,461	530,320
Customer service and information expenses	253,213	197,075	343,475	229,870	596,688	426,945
Administrative and general expenses	2,287,084	1,983,918	388,598	386,540	2,675,682	2,370,458
Maintenance expenses	2,045,822	2,138,909	18,253	5,442	2,064,075	2,144,351
Provision for depreciation expense	3,128,310	2,928,719	340,016	339,373	3,468,326	3,268,092
Total operating expenses	41,702,117	40,082,099	3,502,507	3,291,086	45,204,624	43,373,185
Operating income (loss)	4,942,774	4,794,299	253,906	214,679	5,196,680	5,008,978
Nonoperating revenues (expenses)						
Interest and other income	5,056	4,882	1,390	770	6,446	5,652
Amortization expense	(5,186)	(47,775)	-	(33,525)	(5,186)	(81,300)
Interest and other expense	(374,774)	(425,901)	(56,685)	(88,277)	(431,459)	(514,178)
Total nonoperating revenues (expenses)	(374,904)	(468,794)	(55,295)	(121,032)	(430,199)	(589,826)
Income (loss) before transfers	4,567,870	4,325,505	198,611	93,647	4,766,481	4,419,152
Transfers						
Transfers out - in lieu of tax payments to City	(1,148,063)	(1,099,499)	-	-	(1,148,063)	(1,099,499)
Change in net position	**3,419,807**	**3,226,006**	**198,611**	**93,647**	**3,618,418**	**3,319,653**
Total net position - beginning	48,371,800	45,145,794	(238,428)	(332,075)	48,133,372	44,813,719
Total net position - ending	$ 51,791,607	$ 48,371,800	$ (39,817)	$ (238,428)	$ 51,751,790	$ 48,133,372

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	Electric Fund					
	Electric Division		Broadband Division		Total	
Cash flows from operating activities	2017	2016	2017	2016	2017	2016
Cash received from consumers	$ 46,454,047	$ 44,895,807	$ 3,719,014	$ 3,526,830	$ 50,173,061	$ 48,422,637
Cash paid to suppliers	(37,741,783)	(35,989,950)	(3,029,724)	(2,851,181)	(40,771,507)	(38,841,131)
Cash paid to employees	(1,328,454)	(1,318,177)	(186,428)	(142,438)	(1,514,882)	(1,460,615)
Customer deposits received	185,801	173,380	600	1,250	186,401	174,630
Customer deposits refunded	(159,107)	(169,841)	(1,727)	(2,285)	(160,834)	(172,126)
Amounts received from (paid to) other funds	105,005	(54,890)	(107,369)	54,736	(2,364)	(154)
Net cash provided (used) by operating activities	7,515,509	7,536,329	394,366	586,912	7,909,875	8,123,241
Cash flows from non-capital and related financing activities						
Transfers	(1,148,063)	(1,099,499)	-	-	(1,148,063)	(1,099,499)
Net cash provided (used) by non-capital and related financing activities	(1,148,063)	(1,099,499)	-	-	(1,148,063)	(1,099,499)
Cash flows from capital and related financing activities						
Proceeds from long-term debt	-	3,383,168	-	2,888,927	-	6,272,095
Principal paid on debt	(817,665)	(4,200,043)	(271,258)	(3,177,200)	(1,088,923)	(7,377,243)
Unamortized debt expense	36,272	73,749	-	27,376	36,272	101,125
Purchase of property, plant and equipment	(4,321,656)	(4,812,426)	(321,747)	(72,850)	(4,643,403)	(4,885,276)
Plant removal cost	(15,237)	(154,157)	-	-	(15,237)	(154,157)
Materials salvaged from retirements	9,743	38,887	-	-	9,743	38,887
Interest paid on bonds, notes and leases	(381,406)	(438,271)	(56,685)	(98,083)	(438,091)	(536,354)
Net cash provided (used) by capital and related financing activities	(5,489,949)	(6,109,093)	(649,690)	(431,830)	(6,139,639)	(6,540,923)
Cash flows from investing activities						
Interest and unrealized change in investments	5,056	4,882	1,390	770	6,446	5,652
Conservation loans (made) paid	(23,718)	(1,814)	-	-	(23,718)	(1,814)
Net cash provided (used) by investing activities	(18,662)	3,068	1,390	770	(17,272)	3,838
Net increase (decrease) in cash and cash equivalents	**858,835**	**330,805**	**(253,934)**	**155,852**	**604,901**	**486,657**
Cash and cash equivalents - beginning	10,317,766	9,986,961	1,257,346	1,101,494	11,575,112	11,088,455
Cash and cash equivalents - ending	$ 11,176,601	$ 10,317,766	$ 1,003,412	$ 1,257,346	$ 12,180,013	$ 11,575,112
Cash and cash equivalents						
Unrestricted cash on hand	$ 360	$ 1,800	$ 600	$ 600	$ 960	$ 2,400
Unrestricted cash and cash equivalents on deposit	9,201,528	9,035,081	771,097	1,026,221	9,972,625	10,061,302
Restricted cash and cash equivalents on deposit	1,974,713	1,280,885	231,715	230,525	2,206,428	1,511,410
Total cash and cash equivalents	$ 11,176,601	$ 10,317,766	$ 1,003,412	$ 1,257,346	$ 12,180,013	$ 11,575,112

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	Electric Fund					
	Electric Division		Broadband Division		Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2017	2016	2017	2016	2017	2016
Operating income (loss)	$ 4,942,774	$ 4,794,299	$ 253,906	$ 214,679	$ 5,196,680	$ 5,008,978
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,133,496	2,880,944	340,016	305,848	3,473,512	3,186,792
Change in pension related deferred outflows and inflows of resources	(925,168)	(731,920)	(101,917)	(3,592)	(1,027,085)	(735,512)
Changes in assets and liabilities:						
Accounts receivable	(190,844)	19,411	(37,399)	21,063	(228,243)	40,474
Materials and supplies	86,974	42,705	(40,677)	18,390	46,297	61,095
Due (to) from City	(2,364)	(154)	-	-	(2,364)	(154)
Due from/to other division	107,369	(54,736)	(107,369)	54,736	-	-
Prepayments and other current asset	(4,894)	(5,103)	-	-	(4,894)	(5,103)
Other future charges	(2,879)	(1,083)	-	-	(2,879)	(1,083)
Accounts payable and accrued expenses	50,471	302,820	(27,834)	(49,095)	22,637	253,725
Accrued leave	(43,176)	55,427	-	-	(43,176)	55,427
Customer deposits	26,694	3,539	(1,127)	(1,035)	25,567	2,504
Net pension liability	337,056	230,180	116,767	25,918	453,823	256,098
Net cash provided (used) by operating activities:	$ 7,515,509	$ 7,536,329	$ 394,366	$ 586,912	$ 7,909,875	$ 8,123,241

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
ELECTRIC DIVISION
For the Years Ended June 30, 2017 and 2016

	2017		2016	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Residential sales	$ 19,979,464	42.84	$ 18,994,687	42.33
Small lighting and power sales	3,626,536	7.77	3,401,840	7.58
Large lighting and power sales	14,315,664	30.69	14,458,109	32.22
Industrial sales	7,027,928	15.07	6,023,972	13.42
Street and athletic lighting sales	423,985	0.91	413,732	0.92
Outdoor lighting sales	36,542	0.08	344,080	0.77
Other sales	16,257	0.03	12,333	0.03
Total charges for sales and services	45,426,376	97.39	43,648,753	97.27
Other revenues:				
Forfeited discounts	223,958	0.48	262,435	0.58
Service charge revenue	145,936	0.31	166,965	0.37
Miscellaneous service revenue	4,040	0.01	4,260	0.01
Rent from property	816,796	1.75	763,136	1.70
Other electric revenue	27,785	0.06	30,847	0.07
Total other revenues	1,218,515	2.61	1,227,643	2.73
Total operating revenue	**$ 46,644,891**	**100.00**	**$ 44,876,396**	**100.00**
Operating expenses				
Cost of sales and services				
Purchased power	$ 33,120,096	71.00	31,834,397	70.94
Total cost of sales and services	33,120,096	71.00	31,834,397	70.94
Distribution expenses				
Station expense	2,212	-	-	-
Overhead line expense	(31,764)	(0.07)	(43,690)	(0.10)
Underground line expense	2,115	-	1,621	-
Substation expense	75,289	0.16	58,100	0.13
Street lighting and signal system	15,259	0.03	27,386	0.06
Meter expense	172,335	0.37	196,637	0.44
Installation expense	104,495	0.22	98,577	0.22
Rents	28,518	0.06	24,806	0.06
Miscellaneous	126,615	0.27	150,677	0.34
Total distribution expenses	$ 495,074	1.04	$ 514,114	1.15

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
ELECTRIC DIVISION

For the Years Ended June 30, 2017 and 2016

	2017		2016	
	Amount	Percent	Amount	Percent
Customer accounts expenses				
Customer records and collection expense	$ 372,518	0.80	$ 484,967	1.08
Total customer accounts expenses	372,518	0.80	484,967	1.08
Customer service and information expenses				
Supervision customer service	76,811	0.16	71,242	0.16
Customer assistance expense	130,338	0.28	88,938	0.20
Information and advertising expense	31,990	0.07	22,826	0.05
Demonstrating and selling	12,514	0.03	12,509	0.03
Miscellaneous	1,560	-	1,560	-
Total customer service and information expenses	253,213	0.54	197,075	0.44
Administrative expenses				
Salaries	698,707	1.50	695,882	1.55
Board members pay	13,800	0.03	8,400	0.02
Safety coordinator	137,242	0.29	121,513	0.27
Office supplies and expense	569,628	1.22	352,132	0.78
Outside services employed	357,631	0.77	322,504	0.72
Insurance	186,960	0.40	182,746	0.41
Duplicate charge credit	(131,999)	(0.28)	(132,159)	(0.29)
Property taxes	356,702	0.76	342,846	0.76
Donations	2,115	-	(1,603)	-
Miscellaneous	96,298	0.21	91,657	0.20
Total administrative expenses	$ 2,287,084	4.90	$ 1,983,918	4.42
Maintenance expenses				
Substation expense	$ 121,518	0.26	$ 132,041	0.29
Overhead lines	1,689,891	3.62	1,726,109	3.85
Line transformers	1,175	-	12,420	0.03
Street lights and signal system	125	-	996	-
Meters	54,149	0.12	80,642	0.18
Outdoor lighting	26,567	0.06	23,930	0.05
Maintenance - general	152,397	0.33	162,771	0.36
Total maintenance expenses	2,045,822	4.39	2,138,909	4.76
Provision for depreciation	3,128,310	6.71	2,928,719	6.53
Total operating expenses	**$ 41,702,117**	**89.40**	**$40,082,099**	**89.32**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
BROADBAND DIVISION
For the Years Ended June 30, 2017 and 2016

	2017		2016	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Video	$ 1,502,441	40.00	$ 1,472,131	41.99
Pay per view	89	-	1,423	0.04
STB channel	72,051	1.92	72,211	2.06
Data	1,290,549	34.36	1,071,325	30.56
Other data services	160,127	4.26	138,979	3.96
Collection and data storage	36,821	0.98	47,807	1.36
Telephone	607,512	16.17	627,765	17.91
Other sales	5,935	0.16	(53,083)	(1.51)
Total charges for sales and services	3,675,525	97.85	3,378,558	96.37
Other revenues				
Service charge revenue	35,263	0.94	82,089	2.34
Advertising	11,281	0.30	5,930	0.17
Late payment fee	34,344	0.91	39,190	1.12
Total other revenues	80,888	2.15	127,209	3.63
Total operating revenue	**$ 3,756,413**	**100.00**	**$ 3,505,767**	**100.00**
Operating expenses				
Cost of sales and services				
Internet cogs	$ 286,906	7.64	$ 306,898	8.75
Telephone cogs	221,476	5.90	219,488	6.26
Programming fee	1,616,389	43.03	1,496,715	42.69
Total cost of sales and services	2,124,771	56.57	2,023,101	58
Distribution expenses				
Sub-station expense	232,194	6.18	243,504	6.95
Miscellaneous	10,257	0.27	17,903	0.51
Total distribution expenses	242,451	6.45	261,407	7.46
Customer accounts expenses				
Customer records and collection expense	44,943	1.20	45,353	1.29

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULES OF OPERATING REVENUES AND EXPENSES
BROADBAND DIVISION
For the Years Ended June 30, 2017 and 2016

	2017		2016	
	Amount	Percent	Amount	Percent
Customer service and information expenses				
Supervision customer service	$ 11,805	0.31	$ 7,271	0.21
Customer assistance expense	293,201	7.81	191,855	5.47
Information and advertising expense	38,469	1.02	30,744	0.88
Total customer service and information expenses	343,475	9.14	229,870	6.56
Administrative and general expenses				
Salaries	129,680	3.45	89,814	2.56
Office supplies and expense	33,977	0.90	30,867	0.88
Outside services employed	49,975	1.33	38,995	1.11
Employee pension and benefits	14,850	0.40	22,323	0.64
Rents	122,756	3.27	124,236	3.54
Property taxes	12,628	0.34	19,765	0.56
Business taxes	10,527	0.28	9,315	0.27
Miscellaneous	14,205	0.38	51,225	1.46
Total administrative and general expenses	388,598	10.35	386,540	11.02
Maintenance expenses				
Outside maintenance	9,635	0.28	1,007	0.03
Inside maintenance	8,618	0.25	4,435	0.13
Total maintenance expenses	18,253	0.53	5,442	0.16
Provision for depreciation	340,016	9.05	339,373	9.68
Total operating expenses	**$ 3,502,507**	**93.24**	**$ 3,291,086**	**93.88**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
For the Year Ended June 30, 2017

Residential Rate Schedule RS		
Customer charge - per delivery point per month	$	22.42
Energy charge - cents per kWh		0.10142
Commercial Rate:		
Demand from 0 to 50 KW - Schedule GSA1		
Customer charge - per delivery point per month	$	35.52
Each kWh - cents per kWh not to exceed 15,000 kWh		0.10616
Demand from 51 to 1,000 kW - Schedule GSA2		
Customer charge per delivery point per month	$	152.24
Demand charges - per kW per month over 50 kW		16.13
Energy charge - cents per kWh		
First 15,000 kWh per month		0.10966
Additional kWh per month		0.06304
Industrial Rate:		
Demand from 1,001 to 5,000 kW - Schedule GSA3		
Customer charge per delivery point per month	$	532.85
Demand charges - per kW per month		
First 1,000 kW		19.00
Excess over 1,000 kW		13.31
Energy charge - cents per kWh		0.06659
Demand from 5,001 to 15,000 kW - Schedule MSB		
Customer charge per delivery point per month	$	1,500.00
Energy charge - cents per kWh for up to 620 hours		0.04038
Per kWh for all additional kWh per month		0.04038
Demand charges - per kW per month		17.50
Manufacturing (MSB- TOU)		
Demand Charge		
Base Customer Charge	$	1,500.00
Onpeak		9.74
Maximum		2.95
Excess Over Contract		9.74
Energy Charge		
Onpeak		0.07412
Offpeak First 200 Hours		0.05034
Offpeak Next 200 Hours		0.02209
Offpeak Additional kWh		0.01966
Demand for Street Outdoor Lighting - Schedule OL		
Per kWh per month	$	0.06986
150W HPS Security		8.64
175W MPI Security		7.60
250W HPS Security		12.21
400W MH Security		17.31
400W MVI Security		14.89
400W HPS Security		17.31
1000W MVI Security		33.39
1000W HPS Security		36.14
1000W MH Security		39.59

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF BROADBAND RATES IN FORCE
For the Year Ended June 30, 2017

Residential Rates		
Bundles		
Economizer 1	$	89.20
Analog basic TV		
Local phone		
Economizer 2	$	91.20
Analog basic TV		
Internet		
Energize TriplePlay	$	128.85
Analog basic		
Bronze internet		
Unlimited phone package		
TriplePlay Plus	$	140.95
Digital plus		
Bronze internet		
Unlimited phone package		
TriplePlay Extreme	$	148.95
Digital plus with HD/DVR		
Bronze internet		
Unlimited phone package		
Video Services		
Analog basic	$	69.25
Digital plus		81.35
Digital bronze (1 premium)		94.55
Digital silver (2 premiums)		103.35
Digital gold (4 premiums)		108.85
Digital Tiers		
Family tier		Free
Sports tier		5.50
High definition basic		Free
High definition tier		4.40
Optional Services		
PPV movie (standard)		Varies
PPV event		Varies
High Speed Internet		
Bronze internet	$	39.55
Silver internet		83.55
Gold internet		110.00
Static IP		10.95
Telephone Services		
Local and nationwide long distance service (with 10 calling features)	$	34.95
Additional number		16.00
Misc. Phone Charges		
Long distance calls - per min	$	0.06
Phone directory assistance		1.25
Subscriber line charge		3.50

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF BROADBAND RATES IN FORCE
For the Year Ended June 30, 2017

Residential Rates		
Additional Charges		
Equipment		
Standard digital box - primary		Included
Standard digital box - additional		6.95
Digital HD box - primary		Included
Digital HD box - secondary		6.95
Digital HD/DVR box - primary		8.00
Digital HD/DVR box - secondary		11.95
Remote control		Included
Cable card		3.95
Unreturned remote control		10.00
Unreturned cable card		50.00
Unreturned digital box		200.00
Unreturned digital HD box		250.00
Unreturned digital HD/DVR box		550.00
Installation, Repair, and Other		
Standard install - prewired 1	$	39.95
Standard install - unwired 1		49.95
Custom install hourly rate		39.95
Change of service - technician		29.95
Change of service - electronic		Free
Additional outlet - at initial install		14.95
Additional outlet - separate trip		34.95
Relocate outlet - at initial install		14.95
Relocate outlet - separate trip		34.95
Cable card install		29.95
Wall fish		64.95
Standard underground install		50.00
Amplifier install		50.00
Wireless router setup		34.95
NSF check fee		20.00
Late fee		5.00%
Disconnect fee/non-pay fee		35.00
Inside wire maintenance (all services)		4.95
Commercial Rates		
Video Services		
Analog basic	$	69.25
Digital plus		81.35
High Speed Internet		
Small commercial tier 15M/10M, static IP	$	45.05
Bronze tier - 50M/10M, static IP, custom email		83.55
Silver tier - 80M/15M, static IP, custom email		144.05
Gold tier - 100M/20M, static IP, custom email		226.55
Dedicated/QOS circuit		Varies
Telephone Services		
Primary line w/features and unlimited LD	$	39.95
Additional line		21.95

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
June 30, 2017

	Electric Revenue Bonds		**Electric Revenue Refunding Bonds**		**Revenue and Tax Refunding Bond - Electric**		**Revenue and Tax Refunding Bond - Broadband**		**Total Requirements**		
Year Ended	Series 2013		Series 2014		Series 2015		Series 2015				
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2018	$ 105,000	$ 73,008	$ 415,000	$ 187,493	$ 335,336	$ 48,712	$ 286,347	$ 41,596	$ 1,141,683	$ 350,809	$ 1,492,492
2019	110,000	69,459	430,000	176,329	341,422	42,626	291,544	36,399	1,172,966	324,813	1,497,779
2020	110,000	65,741	445,000	164,762	347,618	36,429	296,835	31,108	1,199,453	298,040	1,497,493
2021	115,000	62,023	450,000	152,792	353,927	30,120	302,223	25,720	1,221,150	270,655	1,491,805
2022	120,000	58,136	460,000	140,687	360,351	23,697	307,708	20,235	1,248,059	242,755	1,490,814
2023	125,000	54,080	485,000	128,313	366,891	17,157	313,293	14,650	1,290,184	214,200	1,504,384
2024	125,000	49,855	475,000	115,267	373,550	10,498	318,979	8,964	1,292,529	184,584	1,477,113
2025	130,000	45,630	510,000	102,489	366,741	3,718	313,164	3,175	1,319,905	155,012	1,474,917
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
	$ 2,160,000	$ 670,592	$ 6,970,000	$ 1,486,225	$ 2,845,836	$ 212,957	$ 2,430,093	$ 181,847	$ 14,405,929	$ 2,551,621	$ 16,957,550

See independent auditor's report.

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

Electric Division	2017	2016	2015	2014	2013
Revenue					
Residential	$ 19,979,464	$ 18,994,689	$ 20,095,872	$ 20,316,934	$ 18,909,186
Small lighting and power sales	3,626,536	3,401,840	3,516,140	3,458,872	3,225,854
Large lighting and power sales	14,315,664	14,458,109	15,092,823	14,949,782	14,736,167
Industrial sales	7,027,928	6,023,972	5,448,672	5,154,008	4,233,130
Street, athletic and outdoor lighting sales	460,527	757,812	784,426	760,329	753,134
Other sales	16,257	12,333	502	20,844	18,232
Interest and other revenue	1,223,571	1,232,525	1,242,040	1,155,903	1,102,155
	46,649,947	44,881,280	46,180,475	45,816,672	42,977,858
Expense					
Cost of sales and services	33,120,096	31,834,397	32,860,321	33,219,577	31,525,793
Distribution expenses	495,074	514,114	573,998	543,347	539,686
Customer accounts expenses	372,518	484,967	479,057	413,853	406,691
Customer service and information expenses	253,213	197,075	217,213	293,106	378,800
Administrative and general expenses	2,287,084	1,983,918	2,070,518	2,029,370	1,980,495
Maintenance expenses	2,045,822	2,138,909	2,144,331	2,183,188	2,090,893
Provision for depreciation expense	3,128,310	2,928,719	2,852,092	2,952,163	2,854,396
Amortization expense	5,186	47,775	133,919	12,573	14,488
Interest and other expense	374,774	425,901	486,640	595,500	587,954
Transfers out - in lieu of tax payments to city	1,148,063	1,099,499	1,058,805	1,031,943	1,017,607
	43,230,140	41,655,274	42,876,894	43,274,620	41,396,803
Net income (loss)	$ 3,419,807	$ 3,226,006	$ 3,303,581	$ 2,542,052	$ 1,581,055
Financial					
Plant in service (at original cost)	$ 88,764,411	$ 85,336,293	$ 82,127,304	$ 79,990,687	$ 77,774,916
Power in use - KWH					
Residential	165,623,374	164,186,503	176,786,706	180,262,551	172,404,997
Commercial	28,948,573	28,839,031	30,704,273	30,296,769	28,899,469
Industrial	251,951,004	248,014,146	241,374,448	227,146,735	217,877,543
Other customers	6,074,825	6,054,988	6,219,663	6,042,191	6,029,997
Total	452,597,776	447,094,668	455,085,090	443,748,246	425,212,006
Peak KW demand	103,735	101,320	110,681	101,796	78,767
Number of customers					
Residential	11,940	11,812	11,679	11,661	11,698
Commercial	2,184	2,174	2,177	2,180	2,177
Industrial	212	215	198	205	213
Street and athletic	58	58	58	58	55
Outdoor lighting	66	82	78	80	73
	14,460	14,341	14,190	14,184	14,216
Line Loss	4.36%	3.05%	3.02%	4.64%	4.16%

*** GASB 68 and 71 was implemented as of June 30, 2015. Therefore, some balances are not comparable.**

See independent auditor's report.

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

	Broadband Division				
	2017	2016	2015	2014	2013
Revenue					
Video	$ 1,502,441	$ 1,472,129	$ 1,385,656	$ 1,251,237	$ 1,139,549
Pay per view	89	1,423	3,619	5,009	4,938
STB Channel	72,051	72,211	82,793	78,330	72,224
Data and related services	1,450,676	1,210,304	1,117,900	1,028,750	951,805
Collection and data storage	36,821	47,807	51,925	52,384	51,467
Telephone	607,512	627,765	643,739	638,755	593,079
Other sales	5,935	(53,083)	(57,347)	(40,190)	(44,023)
Interest and other revenue	82,278	127,979	153,335	143,738	122,843
	3,757,803	3,506,535	3,381,620	3,158,013	2,891,882
Expense					
Cost of sales and services	2,124,771	2,023,101	1,891,590	1,659,393	1,526,374
Distribution expenses	242,451	261,407	209,114	225,188	213,833
Customer accounts expenses	44,943	45,353	43,468	73,417	66,138
Customer service and information expenses	343,475	229,870	203,111	215,543	210,704
Administrative and general expenses	388,598	386,540	338,422	250,790	254,093
Maintenance expenses	18,253	5,442	-	-	842
Provision for depreciation expense	340,016	339,373	339,509	320,646	307,667
Amortization expense	-	33,525	3,103	3,103	3,103
Interest and other expense	56,685	88,277	126,459	135,701	142,380
	3,559,192	3,412,888	3,154,776	2,883,781	2,725,134
Net income (loss)	$ 198,611	$ 93,647	$ 226,844	$ 274,232	$ 166,748
Financial					
Plant in service (at original cost)	$ 4,038,649	$ 3,547,110	$ 3,551,730	$ 3,409,120	$ 3,239,653
Number of customers					
Residential	2,663	2,087	1,887	1,789	1,652
Commercial	383	330	305	284	275
	3,046	2,417	2,192	2,073	1,927

*** GASB 68 and 71 was implemented as of June 30, 2015. Therefore, some balances are not comparable.**

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Directors
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 business-type activities and the aggregate remaining fund information of PES Energize (the System) funds of the City of Pulaski, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents, and have issued our report dated August 30, 2017.

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 System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 August 30, 2017.

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 System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 30, 2017

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
June 30, 2017 and 2016

There were no current year findings reported.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2017 and 2016

There were no prior year findings reported.