PES ENERGIZE
CITY OF PULASKI, TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

PES ENERGIZE
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For the Years Ended June 30, 2018 and 2017

INTRODUCTORY SECTION

PES ENERGIZE
DIRECTORY
June 30, 2018

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
Bobby Jones– Director of Accounting
Kirby Parr – Director of Operations
Denise Grisham – Director of Customer Support

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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, schedule of changes in the net OPEB liability and related ratios, and schedule of notes to OPEB required supplementary information on pages 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements. The introductory section and supplementary and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and supplementary and other information section, which has been marked “unaudited,” has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated September 14, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the Systems 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.

Jackson, Tennessee
September 14, 2018

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, 2018 and June 30, 2017. 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 $78.22 million and exceeded liabilities and deferred inflows of resources in the amount of $54.70 million (i.e. net position).
- Net position increased $3.73 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position increased by $3.60 million due to a decrease in cost of sales and service during the fiscal year 2018.
- During fiscal year 2018, the System delivered 447 million kWh compared to 453 million kWh during the fiscal year 2017.
- Operating revenues were $50.35 million, a decrease from 2017 in the amount of $86 thousand or 0.17%.
- Total operating expenses were $45.09 million, a decrease from 2017 in the amount of $148 thousand or 0.00%.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 $3.73 million for the fiscal year ended June 30, 2018. 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, 2018	June 30, 2017	Increase (Decrease) Amount	Percent
Current and other assets	$ 18,885,115	$ 16,775,254	$ 2,109,861	12.58%
Capital assets	57,777,544	57,614,782	162,762	0.28%
Total assets	76,662,659	74,390,036	2,272,623	3.06%
Deferred outflows of resources	1,556,643	1,951,416	(394,773)	-20.23%
Long-term liabilities	13,773,069	16,143,150	(2,370,081)	-14.68%
Other liabilities	9,282,962	9,097,256	185,706	2.04%
Total liabilities	23,056,031	25,240,406	(2,184,375)	-8.65%
Deferred inflows of resources	461,815	128,999	332,816	258.00%
Net position:				
Net investment in capital assets	44,538,683	43,208,853	1,329,830	3.08%
Restricted for debt service	176,906	1,381,247	(1,204,341)	-87.19%
Unrestricted	9,985,867	6,381,947	3,603,920	56.47%
Total net position	$ 54,701,456	$ 50,972,047	$ 3,729,409	7.32%

Table 1B

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	16,143,150	15,889,077	254,073	1.60%
Other liabilities	9,097,256	9,228,946	(131,690)	-1.43%
Total liabilities	25,240,406	25,118,023	122,383	0.49%
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	6,381,947	6,483,663	(101,716)	-1.57%
Total net position	$ 50,972,047	$ 48,133,372	$ 2,838,675	5.90%

The increase in current and other assets over the period was due current year activity. 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, 2018	June 30, 2017	Increase (Decrease) Amount	Percent
Operating revenues	$ 50,346,880	$ 50,433,068	$ (86,188)	-0.17%
Non-operating revenues	12,278	6,446	5,832	90.47%
Total revenues	50,359,158	50,439,514	(80,356)	-0.16%
Cost of sales and service	34,965,640	35,244,867	(279,227)	-0.79%
Operations and maintenance expense	6,522,784	6,523,195	(411)	-0.01%
Depreciation expense	3,599,736	3,468,326	131,410	3.79%
Non-operating expenses	368,151	436,645	(68,494)	-15.69%
Total expenses	45,456,311	45,673,033	(216,722)	-0.47%
Transfer	(1,173,438)	(1,148,063)	(25,375)	2.21%
Change in net position	3,729,409	3,618,418	110,991	3.07%
Total net position - beginning	50,972,047	48,133,372	2,838,675	5.90%
Restatement - GASB 75 implementation	-	(779,743)	779,743	-100.00%
Total net position - beginning (restated)	50,972,047	47,353,629	3,618,418	7.64%
Ending net position	$ 54,701,456	$ 50,972,047	$ 3,729,409	7.32%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	June 30, 2017	June 30, 2016	Increase (Decrease) Amount	Increase (Decrease) Percent
Operating revenues	$ 50,433,068	$ 48,382,163	$ 2,050,905	4.24%
Non-operating revenues	6,446	5,652	794	14.05%
Total revenues	50,439,514	48,387,815	2,051,699	4.24%
Cost of sales and service	35,244,867	33,857,498	1,387,369	4.10%
Operations and maintenance expense	6,523,195	6,247,595	275,600	4.41%
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	45,673,033	43,968,663	1,704,370	3.88%
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%
Restatement - GASB 68 and 71 implement	(779,743)	-	(779,743)	
Total net position - beginning (restated)	47,353,629	44,813,719	2,539,910	5.67%
Ending net position	$ 50,972,047	$ 48,133,372	$ 2,838,675	5.90%

Ending net position showed a 7.32% 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 2018, the System had $57.79 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 $171 thousand or 0.30% above the fiscal year 2017.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2018 and June 30, 2017. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2018	June 30, 2017	Increase (Decrease) Amount	Increase (Decrease) Percent
Distribution plant	$ 37,885,253	$ 37,012,331	$ 872,922	2.36%
General plant	15,504,187	14,604,198	899,989	6.16%
Broadband	1,339,981	1,401,123	(61,142)	-4.36%
Work in process	3,056,821	4,597,130	(1,540,309)	-33.51%
Total capital assets	$ 57,786,242	$ 57,614,782	$ 171,460	0.30%

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
	June 30, 2017	June 30, 2016	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%

The major portion of the additions took place in distribution and general plant which represents various projects that the System has completed. The System plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

Debt Administration

At the end of fiscal year 2018, PES had total outstanding long-term debt of $11.11 million in the electric division and $2.13 million in the broadband division. The $11.11 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 $1.17 million and interest payments totaling approximately $325 thousand are also due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage decreased by 1.23% in fiscal year ending June 30, 2018. The PES service territory experienced a significantly mild winter than in the recent past resulting in decreased energy sales of 0.02%.

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, 2018 and 2017

	Electric Fund	
Assets	2018	2017
Current assets		
Cash on hand	$ 1,850	$ 960
Cash and cash equivalents - general	13,155,043	9,972,625
Accounts receivable - trade (net of allowance for uncollectibles electric $150,000 and $166,879 and broadband $25,000 and $43,507 for 2018 and 2017, respectively)	3,200,182	3,080,590
Accounts receivable - CSA	25,296	23,755
Accounts receivable - other	260,749	364,656
Materials and supplies	776,226	708,459
Due from City	(1,119)	2,835
Prepayments and other current assets	169,039	189,548
Total current assets	17,587,266	14,343,428
Noncurrent assets		
Restricted:		
Cash and cash equivalents	1,067,869	2,206,428
Other assets		
Unamortized debt expense	59,030	63,281
Accounts receivable TVA - Home Insulation Program	-	201
Other future charges	170,950	161,916
Total other assets	229,980	225,398
Capital assets, not being depreciated		
Distribution plant	178,766	178,766
General plant	190,597	190,597
Construction in progress	3,048,123	4,597,130
Total capital assets, not being depreciated	3,417,486	4,966,493
Capital assets, net of accumulated depreciation		
Distribution plant	37,706,487	36,833,565
General plant	16,653,571	15,814,724
Total capital assets (net of accumulated depreciation)	57,777,544	57,614,782
Total noncurrent assets	59,075,393	60,046,608
Total assets	**76,662,659**	**74,390,036**
Deferred outflows of resources		
Deferred outflows related to pensions	1,123,419	1,480,986
Loss on defeasance	433,224	470,430
Total deferred outflows of resources	**$ 1,556,643**	**$ 1,951,416**

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	Electric Fund	
Liabilities	2018	2017
Current liabilities		
Accounts payable	$ 6,092,692	$ 5,816,043
Other accrued expense	464,639	643,142
Total current liabilities	6,557,331	6,459,185
Current liabilities payable from restricted assets		
Customers' deposits	869,255	803,473
Accrued interest	21,708	21,708
Current maturities of:		
Bonds payable	1,172,966	1,141,683
Total current liabilities payable from restricted assets	2,063,929	1,966,864
Noncurrent liabilities		
Compensated absences	661,702	671,207
Net pension liability	885,230	1,885,736
OPEB liability	821,944	992,967
Bonds payable (less current maturities)	12,065,895	13,264,246
Advances from TVA -		
Home insulation program	-	201
Total noncurrent liabilities	14,434,771	16,814,357
Total liabilities	**23,056,031**	**25,240,406**
Deferred inflows of resources		
Deferred inflows related to pensions	289,947	128,999
Deferred inflows related to OPEB	171,868	-
Total deferred inflows of resources	**461,815**	**128,999**
Net Position		
Net investment in capital assets	44,538,683	43,208,853
Restricted for debt service	176,906	1,381,247
Unrestricted	9,985,867	6,381,947
Total net position	**$ 54,701,456**	**$ 50,972,047**

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, 2018 and 2017

	Electric Fund	
Operating revenues	2018	2017
Charges for sales and service	$ 49,104,967	$ 49,101,901
Other operating revenue	1,241,913	1,331,167
Total operating revenues	50,346,880	50,433,068
Operating expenses		
Cost of sales and services	34,965,640	35,244,867
Distribution expenses	646,086	769,289
Customer accounts expenses	460,799	417,461
Customer service and information expenses	658,057	596,688
Administrative and general expenses	2,534,096	2,675,682
Maintenance expenses	2,223,746	2,064,075
Provision for depreciation expense	3,599,736	3,468,326
Total operating expenses	45,088,160	45,236,388
Operating income (loss)	5,258,720	5,196,680
Nonoperating revenues (expenses)		
Interest and other income	12,278	6,446
Amortization expense	(5,984)	(5,186)
Interest and other expense	(362,167)	(431,459)
Total nonoperating revenues (expenses)	(355,873)	(430,199)
Income (loss) before transfers	4,902,847	4,766,481
Transfers		
Transfers out - in lieu of tax payments to City	(1,173,438)	(1,148,063)
Change in net position	**3,729,409**	**3,618,418**
Total net position - beginning	50,972,047	48,133,372
Restatement - GASB 75 implementation	-	(779,743)
Total net position - beginning (restated)	50,972,047	47,353,629
Total net position - ending	$ 54,701,456	$ 50,972,047

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, 2018 and 2017

	Electric Fund	
Cash flows from operating activities	2018	2017
Cash received from consumers	$ 50,331,195	$ 50,173,061
Cash paid to suppliers	(40,308,912)	(40,771,507)
Cash paid to employees	(1,624,711)	(1,514,882)
Customer deposits received	233,488	186,401
Customer deposits refunded	(167,706)	(160,834)
Amounts received from (paid to) other funds	3,954	(2,364)
Net cash provided (used) by operating activities	8,467,308	7,909,875
Cash flows from non-capital and related financing activities		
Transfers	(1,173,438)	(1,148,063)
Net cash provided (used) by non-capital and related financing activities	(1,173,438)	(1,148,063)
Cash flows from capital and related financing activities		
Principal paid on debt	(1,167,819)	(1,088,923)
Unamortized debt expense	36,271	36,272
Purchase of property, plant and equipment	(3,746,629)	(4,643,403)
Plant removal cost	(16,782)	(15,237)
Materials salvaged from retirements	913	9,743
Interest paid on bonds, notes and leases	(367,353)	(438,091)
Net cash provided (used) by capital and related financing activities	(5,261,399)	(6,139,639)
Cash flows from investing activities		
Interest and unrealized change in investments	12,278	6,446
Conservation loans (made) paid	-	(23,718)
Net cash provided (used) by investing activities	12,278	(17,272)
Net increase (decrease) in cash and cash equivalents	**2,044,749**	**604,901**
Cash and cash equivalents - beginning	12,180,013	11,575,112
Cash and cash equivalents - ending	$ 14,224,762	$ 12,180,013
Cash and cash equivalents		
Unrestricted cash on hand	$ 1,850	$ 960
Unrestricted cash and cash equivalents on deposit	13,155,043	9,972,625
Restricted cash and cash equivalents on deposit	1,067,869	2,206,428
Total cash and cash equivalents	$ 14,224,762	$ 12,180,013

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, 2018 and 2017

	Electric Fund	
Reconciliation of operating income	2018	2017
to net cash provided (used)		
by operating activities		
Operating income	$ 5,258,720	$ 5,196,680
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	3,605,720	3,473,512
Change in pension related deferred outflows and inflows of resources	690,383	(1,027,085)
Change in opeb related deferred outflows and inflows of resources	(171,868)	-
Changes in assets and liabilities:		
Accounts receivable	(17,226)	(228,243)
Materials and supplies	(67,767)	46,297
Due (to) from City	3,954	(2,364)
Prepayments and other current assets	20,509	(4,894)
Other future charges	(9,034)	(2,879)
Accounts payable and accrued expenses	98,146	22,637
Accrued leave	(9,505)	(43,176)
Customer deposits	65,782	25,567
Net pension liability	(1,000,506)	453,823
Net cash provided (used) by operating activities:	$ 8,467,308	$ 7,909,875

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 252,410	$ 147,080
Accrued income	22,555	17,282
Investments	-	
Equity investments	9,143,749	8,580,924
Fixed income investments	5,013,397	4,768,591
Total investments	14,157,146	13,349,515
Net position available for benefits	**14,432,111**	**13,513,877**
Liabilities	-	-
Net position restricted for pensions	**$ 14,432,111**	**$ 13,513,877**

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, 2018 and 2017

	2018	2017
Additions		
Employer contributions	$ 720,000	$ 720,000
Investment income		
Interest income	21,011	20,349
Dividend income	196,491	180,789
Realized gains and losses	753,179	253,053
Net depreciation in fair value of investments	58,598	911,665
Total investment income	1,029,279	1,365,856
Total additions	1,749,279	2,085,856
Deductions		
Benefit payments	744,758	795,489
Administrative and other expenses	86,287	24,496
Total deductions	831,045	819,985
Net increase in fiduciary net position	**918,234**	**1,265,871**
Net position restricted for pensions		
Beginning of year	13,513,877	12,248,006
End of year	$ 14,432,111	$ 13,513,877

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

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 $3,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is 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, OPEB-related 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 June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 , Accounting *and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57 , OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74 , Fin*ancial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. Management is currently evaluating the impact of this statement on the Utility's financial statements and has not yet implemented this statement 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, 2018 and 2017:

	June 30, 2018		June 30, 2017	
	Market Value	Percentage of Total	Market Value	Percentage of Total
Cash and cash equivalents	$ 274,965	1.90%	$ 164,362	1.21%
Equities	9,143,749	63.36%	8,580,924	63.50%
Fixed income investments	5,013,397	34.74%	4,768,591	35.29%
Total	$ 14,432,111	100.00%	$ 13,513,877	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, 2018	June 30, 2017
Federated strategic value dividend	$ 327,027	$ 702,387
Fidelity small cap discovery	604,987	816,024
Fidelity contrafund #22	1,668,588	1,443,322
Vanguard primecap core	1,274,836	1,172,456

For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.43 and 11.20 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, 2018:

		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	$ 4,687	$ 4,687	$ -	$ -
Corporate bonds	1,215,175	1,215,175	-	-
Total debt securities	1,219,862	1,219,862	-	-
Equity securities				
Mutual funds	11,933,710	11,933,710	-	-
Common stocks	1,003,575	1,003,575	-	-
Total equity securities	12,937,285	12,937,285	-	-
Total investments measured at fair value	$ 14,157,147	$ 14,157,147	$ -	$ -

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	$ -	$ -

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, 2018 and 2017, all of the System's deposits were fully collateralized.

B. Receivables

Receivables as of the fiscal years ended June 30, 2018 and 2017 were made up of the following:

	June 30, 2018	June 30, 2017
Billed services for utility customers	$ 3,375,182	$ 3,290,976
Receivable from CSA	25,296	23,755
Other receivables for utility services	260,749	364,656
Allowance for doubtful accounts	(175,000)	(210,386)
Total	$ 3,486,227	$ 3,469,001

C. Restricted Assets

Restricted assets as of the fiscal years ended June 30, 2018 and 2017 were made up of the following:

C. Restricted Assets

	June 30, 2018	June 30, 2017
The restricted assets consist of the following:		
Cash and cash equivalents - Sinking funds	$ 15,015	$ 216,845
Cash and cash equivalents - Construction fund	1,052,854	$ 1,989,583
	$ 1,067,869	$ 2,206,428
The total of these funds is represented by:		
Certificates of deposit and bank accounts	$ 1,067,869	$ 2,206,428

D. Plant in Service

Changes to the System's plant in service during the fiscal years ended June 30, 2018 and 2017 are summarized as follows:

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Electric Division:

Description	Balance at June 30, 2017	Additions	Disposals	Reclass	Balance at June 30, 2018
Capital assets, not being depreciated:					
Distribution plant	$ 178,766	$ -	$ -	$ -	$ 178,766
General plant	190,597	-	-	-	190,597
Construction in progress	4,593,960	3,468,862	5,015,867	-	3,046,955
Total capital assets, not being depreciated	4,963,323	3,468,862	5,015,867	-	3,416,318
Capital assets, being depreciated:					
Distribution plant	62,984,364	4,057,952	572,957	(982,730)	65,486,629
General plant	25,410,684	2,549,329	528,734	-	27,431,279
Total capital assets, being depreciated	88,395,048	6,607,281	1,101,691	(982,730)	92,917,908
Less accumulated depreciation for:					
Distribution plant	26,150,799	2,115,578	486,235	-	27,780,142
General plant	10,997,083	1,572,223	451,617	-	12,117,689
Total accumulated depreciation	37,147,882	3,687,801	937,852	-	39,897,831
Total capital assets, being depreciated, net	51,247,166	2,919,480	163,839	(982,730)	53,020,077
Total capital assets, net	$ 56,210,489	$ 6,388,342	$ 5,179,706	$ (982,730)	$ 56,436,395

Description	Balance at June 30, 2016	Additions	Disposals	Reclass	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

Broadband Division: Description	Balance at June 30, 2017	Additions	Disposals	Reclass	Balance at June 30, 2018
Capital assets, not being depreciated:					
Construction in progress	$ 3,170	$ 483,690	$ 485,692	$ -	$ 1,168
Capital assets, being depreciated:					
General plant	$ 4,038,649	$ 359,205	$ 701,689	$ 456,062	$ 4,152,227
Less: accumulated depreciation for:					
General plant	2,637,526	364,372	189,652	-	2,812,246
Total capital assets, being depreciated, net	1,401,123	(5,167)	512,037	456,062	1,339,981
Total capital assets, net	$ 1,404,293	$ 478,523	$ 997,729	$ 456,062	$ 1,341,149

Description	Balance at June 30, 2016	Additions	Disposals	Reclass	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

Depreciation expense amounted to $3,255,235 and $3,128,310 in the electric division and $340,016 and $340,016 in the Broadband division for the fiscal years ended June 30, 2018 and 2017. Amounts charged to transportation expense in the electric division were $344,501 and $324,761 for the electric division and $19,871 and $0 for the broadband division for the years ended June 30, 2018 and 2017.

E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2018 and 2017 is as follows:

	Due from: (Receivable) Electric	Broadband	Eliminated	Total
Due to:(Payable)				
Broadband	$ -	$ -	$ -	$ -
Electric	-	18,092	(18,092)	-
City Hall	(1,119)	-	-	(1,119)
	$ (1,119)	$ 18,092	$ (18,092)	$ (1,119)

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

During the years ended June 30, 2018 and 2017, the System also transferred out an amount of $1,173,438 and $1,148,063, 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, 2018 and June 30, 2017 are as follows:

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Current Portion
Revenue Bonds - 2013 - Electric	$ 2,160,000	$ -	$ (105,000)	$ 2,055,000	$ 110,000
Revenue Bonds - 2014 - Electric	6,970,000	-	(415,000)	6,555,000	430,000
Revenue and Tax Bonds - 2015 - Electric	2,845,836	-	(349,028)	2,496,808	341,422
Revenue and Tax Bonds - 2015 - Broadband	2,430,093	-	(298,040)	2,132,053	291,544
Compensated absences	671,207	-	(9,505)	661,702	9,505
Total	$ 15,077,136	$ -	$ (1,176,573)	$ 13,900,563	$ 1,182,471

	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
Compensated absences	714,383	-	(43,176)	671,207	24,000
Total	$ 16,209,235	$ -	$ (1,132,099)	$ 15,077,136	$ 1,165,683

Long-term debt consisted of the following at June 30, 2018 and 2017:

	2018	2017
Electric Division revenue bonds - Series 2013, due through June 1, 2033, with an interest rate of 3.38%	$ 2,055,000	$ 2,160,000
Electric Division revenue bonds - Series 2014, due through June 1, 2031, with an interest rate of 2.69%	6,555,000	6,970,000
Electric Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	2,496,808	2,845,836
Broadband Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	2,132,053	2,430,093
	$ 13,238,861	$ 14,405,929

A summary of future debt service amounts are as follows:

Fiscal Year	Principal	Interest	Total
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	1,290,184	214,200	1,504,384
2024-2028	4,587,049	674,061	5,261,110
2029-2033	2,520,000	176,288	2,696,288
Total	$ 13,238,861	$ 2,200,812	$ 15,439,673

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, 2018 and June 30, 2017 is as follows:

	2018	2017
Net investments in capital assets		
Net property, plant and equipment in service	$ 57,777,544	$ 57,614,782
Less: Debt disclosed in Note 3F	(13,238,861)	(14,405,929)
	44,538,683	43,208,853
Restricted for debt service		
Restricted cash and cash equivalents	1,067,869	2,206,428
Less: Current liabilities payable from restricted assets	(890,963)	(825,181)
	176,906	1,381,247
Unrestricted	9,985,867	6,381,947
Total net position	$ 54,701,456	$ 50,972,047

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 May 1, 1984	$10.00
On or after May 1, 1984 but before July 1, 1986	$15.00
On or after July 1, 1986	$25.00

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

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

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

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

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

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

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

At July 1, 2018 and 2017, the following employees were covered by the Plan:

	July 1, 2017	July 1, 2016
Active participants (employees)	45	48
Retired participants and beneficiaries	44	42
Vested terminated participants	18	17
Total employees covered by the Plan	107	107

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, 2018 and 2017 of $720,000 and $720,000 were made in accordance with actuarially determined requirements computed through the actuarial valuations performed as of July 1, 2017 and 2016.

Funded status and funding progress. As of June 30, 2017 the actuarial accrued liability for benefits was $14,399,108 and the net pension liability was $885,230. Total covered payroll was $2,862,672 and the ratio of net pension liability to covered payroll was 30.92%. 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%.

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

The July 1, 2017 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, 2017 and 2016 for reporting purposes for the fiscal years ended June 30, 2018 and 2017.

The actuarial assumptions used in the July 1, 2017 and 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017 and July 1, 2015 through June 30, 2016. 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 and 2016 are detailed in the following tables. Table 2A and Table 2B show the net pension liability as of June 30, 2017 and 2016, 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	(107,468)	-	(107,468)
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	-	(24,495)	24,495
Net changes	265,366	1,265,872	(1,000,506)
Balances as 6/30/2017	$ 14,399,108	$ 13,513,878	$ 885,230

	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

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	$ 16,081,396	$ 14,399,108	$ 12,612,152
Plan fiduciary net position	13,513,878	13,513,878	13,513,878
Net pension liability (asset)	$ 2,567,518	$ 885,230	$ (901,726)

	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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2018 and 2017, the System recognized pension expense of $238,310 and $336,736. At June 30, 2018 and 2017, 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	$ 403,419	$ 219,560
Change of assumptions	-	-
Pension contributions subsequent to the measurement date of June 30, 2017	720,000	-
Difference between projected and actual earnings on pension plan investments	-	70,387
Total	$ 1,123,419	$ 289,947

	June 30, 2016	
	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	325,989	-
Total	$ 1,480,986	$ 128,999

The amounts shown above for "System contributions subsequent to the measurement date of June 30, 2017 and 2016" 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, 2018:

Year ending June 30,	Amortized
2019	(70,438)
2020	109,370
2021	30,992
2022	(81,626)
2023	14,671
Thereafter	110,503

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

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, 2018 and 2017 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2018 and 2017 administrative expenses paid were $24,495 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. Other Post-Employment Benefits (OPEB)

Plan Description

The System sponsors a single-employer defined benefit post-retirement medical plan known as the PES Energize Post-Employment Benefits Plan. The plan provides medical benefits to all eligible retirees. Eligibility is attained at age 55 with 20 years. The System pays 75% of the employee premium until Medicare eligible. Retirees under 65 are covered in the same plan as active employees until single retiree is Medicare eligible or married the youngest spouse is eligible for Medicare.

Annual OPEB Cost and Net OPEB Obligation

Changes in System's Net OPEB Liability. Changes in the System's net OPEB liability measured at June 30, 2018 and 2017 are detailed in the following tables. Table 1A shows the net OPEB liability as of June 30, 2018, which is what is reported in the financial statements in accordance with GASB Statement No. 75. Total OPEB Liability was rolled forward to June 30, 2018 in order to be in compliance with GASB Statement No. 75.

Table 1A

	(a) Total OPEB Liability (TOL)	(b) Plan Fiduciary Net Position	OPEB Liability
Total OPEB Liability (TOL) July 1, 2017	$ 992,967	$ -	$ 992,967
Service Cost	37,664	-	37,664
Interest	30,919	-	30,919
Difference Between Actual and Expected	(184,144)	-	(184,144)
Net Investment Income	-	-	-
Actual System Contributions	(55,462)	-	(55,462)
Administrative Expense	-	-	-
Net Changes	(171,023)	-	(171,023)
Total OPEB Liability(TOL) July 1, 2018	$ 821,944	$ -	$ 821,944

Actuarial Methods and Assumptions

The valuation was based on information provided by Pulaski Electric System as of July 1, 2018 and 2017 and only those not frozen in the defined benefit plan.

Plan Membership

Number of Participants	
Actives (with medical coverage)	51
Actives (without medical coverage)	0
Retirees (with medical coverage)	8
Total Participants	59

Benefits Provided
Eligibility is attained at age 55 with 20 years. The System pays 75% of the employee premium until Medicare eligible. Retirees under 65 are covered in the same plan as active employees until single retire is Medicare eligible or married the youngest spouse is eligible for medicate.

Actuarial assumptions
The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.0% percent, average, including inflation
Health Trend	Health Trend rate is 7.0% starting in 2017 reduced each year by .25% until 2.5% is reached.
Age Related Health Trend	Based on discussion with they System retirees' claims do not increase the premiums; therefore no implicit active subsidy of retire premiums.
Coverage Assumptions	80% new retirees will select Employee/Spouse Coverage while 20% will select Single Coverage. No new retirees will elect the Medicare gap insurance.

Mortality rates were based on the RP-2000 annuity for healthy males and RP-2000 annuity for healthy females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period ending July 1, 2018.

Discount rate
The discount rate used to measure the total OPEB liability was 3.0 percent. The projection of cash flows used to determine the discount rate assumed that the System’s contributions will made at rates equal to the actuarially determined contribution rates.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1-percentage point higher than the assumed trend rate:

	1% Decrease 6.0% decreasing to .25% until 1.5% is reached		Current 7.0% decreasing to .25% until 2.50% is reached		1% Increase 8.0% decreasing to .25% until 3.50% is reached	
Total OPEB Liability	$	734,286	$	821,944	$	925,335
Plan Fiduciary Net Positon		-		-		-
Net OBEB Liability		734,286		821,944		925,335

Sensitivity of Net OPEB Liability to Changes in the Discount Rate
The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 2.00%		Current 3.00%		1% increase 4.00%	
Net OPEB Liability	$	894,762	$	821,944	$	755,092
Plan Fiduciary Net Positon		-		-		-
Net OPEB Liability		894,762		821,944		755,092

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources
For the year ended June 30, 2018, the System recognized OPEB expense of $56,307. At June 30, 2018, the System reported deferred outflows of related to OPEB liability from the following sources:

	June 30, 2018			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	171,868
Change of assumptions		-		-
Total	$	-	$	171,868

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, 2018:

Year ending June 30,	Amortized
2018	(12,276)
2019	(12,276)
2020	(12,276)
2021	(12,276)
2022	(12,276)
Thereafter	(110,488)

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

Payment of Benefits. Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2018 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2018 administrative expenses paid were $0.

D. Subsequent Events

Management has evaluated subsequent events through September 14, 2018, the date in which the financial statements were available to be issued.

E. Restatement of Beginning Net Position – GASB 75 Implementation

As of July 1, 2016 a restatement of beginning net position was made for net OPEB liability due to the System implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions— an amendment of GASB Statement No. 45*. The implementation of GASB Statement No. 75 resulted in the System restating net position by ($779,773). The net effect of this restatement of beginning net position resulted in a decrease in the July 1, 2016 net position in the amount of ($779,743).

E. Segment Reporting

CONDENSED STATEMENT OF NET POSITION

	Electric Division		Broadband Division	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current assets	$ 15,966,073	$ 13,173,689	$ 1,621,193	$ 1,169,739
Noncurrent assets - restricted	1,067,869	1,974,713	-	231,715
Other assets	229,980	225,398	-	-
Capital assets	56,436,395	56,210,489	1,341,149	1,404,293
Total assets	73,700,317	71,584,289	2,962,342	2,805,747
Deferred outflows of resources	1,515,817	1,874,408	40,826	77,008
Current liabilities	6,996,954	6,916,093	222,079	214,299
Current liabilities payable from restricted assets	1,768,785	1,677,067	295,144	289,797
Noncurrent liabilities	11,772,135	13,737,727	2,000,934	2,405,423
Total liabilities	20,537,874	22,330,887	2,518,157	2,909,519
Deferred inflows of resources	432,473	115,946	29,342	13,053
Net position:				
Net investment in capital assets	45,329,587	44,234,653	(790,904)	(1,025,800)
Restricted for debt service	180,506	1,152,982	(3,600)	228,265
Unrestricted	8,735,694	5,624,229	1,250,173	757,718
Total net position	$ 54,245,787	$ 51,011,864	$ 455,669	$ (39,817)

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Electric Division		Broadband Division	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Operating revenues				
Charges for sales and service	$ 45,418,116	$ 45,426,376	$ 3,686,851	$ 3,675,525
Other operating revenues	1,124,627	1,250,279	117,286	80,888
Total operating revenues	46,542,743	46,676,655	3,804,137	3,756,413
Operating expenses				
Provision for depreciation expense	3,255,235	3,128,310	344,501	340,016
Other operating expenses	38,550,203	38,605,571	2,938,221	3,162,491
Total operating expenses	41,805,438	41,733,881	3,282,722	3,502,507
Operating income (loss)	4,737,305	4,942,774	521,415	253,906
Nonoperating revenues (expenses)				
Interest expense	(332,263)	(374,774)	(29,904)	(56,685)
Other nonoperating revenues (expenses)	2,319	(130)	3,975	1,390
Total nonoperating revenues (expenses)	(329,944)	(374,904)	(25,929)	(55,295)
Income (loss) before transfers	4,407,361	4,567,870	495,486	198,611
Transfers in (out)	(1,173,438)	(1,148,063)	-	-
Change in net position	3,233,923	3,419,807	495,486	198,611
Total net position - beginning	51,011,864	48,371,800	(39,817)	(238,428)
Restatement - GASB 75 implementation	-	(779,743)	-	-
Total net position - beginning (restated)	51,011,864	47,592,057	(39,817)	(238,428)
Ending net position	$ 54,245,787	$ 51,011,864	$ 455,669	$ (39,817)

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

	Electric Division		Broadband Division	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net cash provided (used) by operating activities	$ 7,522,091	$ 7,515,509	$ 945,217	$ 394,366
Net cash provided (used) by non-capital and related financing activities	(1,173,438)	(1,148,063)	-	-
Net cash provided (used) by capital and related financing activities	(4,650,502)	(5,489,949)	(610,897)	(649,690)
Net cash provided (used) by investing activities	7,505	(18,662)	4,773	1,390
Net increase (decrease) in cash and cash equivalents	1,705,656	858,835	339,093	(253,934)
Cash and cash equivalents - beginning	11,176,601	10,317,766	1,003,412	1,257,346
Cash and cash equivalents - ending	$ 12,882,257	$ 11,176,601	$ 1,342,505	$ 1,003,412

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	$ 195,441	$ 191,944	$ 222,187	$ 229,718
Interest	$ 972,881	929,638	892,701	874,572
Differences between actual & expected experience	$ (107,468)	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	$ 265,365	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)	$ 14,399,107	$ 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)	885,230	1,885,736	1,431,913	1,175,815
Plan fiduciary net position as a percentage of total pension liability	93.85%	86.66%	89.41%	90.89%
Covered payroll	$ 2,862,672	$ 2,955,030	$ 2,894,615	$ 3,150,560
Net pension liability (asset) as a percentage of covered payroll	30.92%	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,

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 449,625	$ 521,791	$ 435,728	$ 489,938	$ 467,172
Contributions in relation to the actuarially determined contribution	720,000	720,000	700,000	648,000	648,000
Net change in total pension liability	$ (270,375)	$ (198,209)	$ (264,272)	$ (158,062)	$ (180,828)
Covered payroll	$ 3,745,782	$ 2,962,214	$ 2,955,030	$ 2,894,615	$ 3,150,560
Contributions as a percentage of covered payroll	19.22%	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.

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

Annual money-weighted rate	2018	2017	2016	2015	2014
of return, net of investment expense	7.43%	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.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

Total OPEB Liability	**2018**
Service cost	$ 37,664
Interest	30,919
Changes of benefit terms	-
Differences between expected and actual experience	(184,144)
Changes of assumptions	-
Benefits Payments and Refunds	(55,462)
Net Change in Total OPEB Liability	(171,023)
Total OPEB Liability - beginning	**992,967**
Total OPEB Liability - ending (a)	**$ 821,944**

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Notes to OPEB Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2018 were calculated based on the July 1, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Costs.
Interest:	Rate if trust fund is not established - 3.0% per yearm compounded annually, net of expenses.
Salary Increase:	2.0% per year
Health Trend	Health Trend rate is 7.0% starting in 2017 reducred each year by .25% until 2.5% is reached
Age Related Health Trend	Based on discussion with the System, retirees' claims do not increase the premiu therefore no implicit active subsidy of retiree premiums
Coverage Assumption	80% new retirees will select Employee/Spouse Coverage while 20% will select Si Coverage. No new retirees will elect the Medicare gap insurance.
Mortality	Active Participants and Non-Disabled Pensioners Males - RP 2000 Annuity for Healthy Males Females - RP 2000 Annuity for Healthy Females

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2018 and 2017

	Electric Fund					
	Electric Division		Broadband Division		Total	
Assets	2018	2017	2018	2017	2018	2017
Current assets						
Cash on hand	$ 1,325	$ 360	$ 525	$ 600	$ 1,850	$ 960
Cash and cash equivalents - general	11,813,063	9,201,528	1,341,980	771,097	13,155,043	9,972,625
Accounts receivable - trade (net of allowance for uncollectibles electric $150,000 and $166,879 and broadband $25,000 and $43,507 for 2018 and 2017, respectively)	3,007,006	2,876,861	193,176	203,729	3,200,182	3,080,590
Accounts receivable - CSA	25,296	23,755	-	-	25,296	23,755
Accounts receivable - other	260,749	346,506	-	18,150	260,749	364,656
Materials and supplies	708,806	641,173	67,420	67,286	776,226	708,459
Due from City	(1,119)	2,835	-	-	(1,119)	2,835
Due from (to) other division	(18,092)	(108,877)	18,092	108,877	-	-
Prepayments and other current assets	169,039	189,548	-	-	169,039	189,548
Total current assets	15,966,073	13,173,689	1,621,193	1,169,739	17,587,266	14,343,428
Noncurrent assets						
Restricted:						
Cash and cash equivalents	1,067,869	1,974,713	-	231,715	1,067,869	2,206,428
Other assets						
Unamortized debt expense	59,030	63,281	-	-	59,030	63,281
Accounts receivable TVA - Home Insulation Program	-	201	-	-	-	201
Other future charges	170,950	161,916	-	-	170,950	161,916
Total other assets	229,980	225,398	-	-	229,980	225,398
Capital assets, not being depreciated						
Distribution plant	178,766	178,766	-	-	178,766	178,766
General plant	190,597	190,597	-	-	190,597	190,597
Construction in progress	3,046,955	4,593,960	1,168	3,170	3,048,123	4,597,130
Total capital assets, not being depreciated	3,416,318	4,963,323	1,168	3,170	3,417,486	4,966,493
Capital assets, net of accumulated depreciation						
Distribution plant	37,706,487	36,833,565	-	-	37,706,487	36,833,565
General plant	15,313,590	14,413,601	1,339,981	1,401,123	16,653,571	15,814,724
Total capital assets (net of accumulated depreciation)	56,436,395	56,210,489	1,341,149	1,404,293	57,777,544	57,614,782
Total noncurrent assets	57,734,244	58,410,600	1,341,149	1,636,008	59,075,393	60,046,608
Total assets	**73,700,317**	**71,584,289**	**2,962,342**	**2,805,747**	**76,662,659**	**74,390,036**
Deferred outflows of resources						
Deferred outflows related to pensions	1,082,593	1,403,978	40,826	77,008	1,123,419	1,480,986
Loss on defeasance	433,224	470,430	-	-	433,224	470,430
Total deferred outflows of resources	**$ 1,515,817**	**$ 1,874,408**	**$ 40,826**	**$ 77,008**	**$ 1,556,643**	**$ 1,951,416**

See independent auditor's report and accompanying notes to financial statements.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2018 and 2017

	Electric Fund					
	Electric Division		Broadband Division		Total	
Liabilities	2018	2017	2018	2017	2018	2017
Current liabilities						
Accounts payable	$ 6,092,567	$ 5,810,679	$ 125	$ 5,364	$ 6,092,692	$ 5,816,043
Other accrued expense	242,685	434,207	221,954	208,935	464,639	643,142
Total current liabilities	6,335,252	6,244,886	222,079	214,299	6,557,331	6,459,185
Current liabilities payable from restricted assets						
Customers' deposits	865,655	800,023	3,600	3,450	869,255	803,473
Accrued interest	21,708	21,708	-	-	21,708	21,708
Current maturities of:						
Bonds payable	881,422	855,336	291,544	286,347	1,172,966	1,141,683
Total current liabilities payable from restricted assets	1,768,785	1,677,067	295,144	289,797	2,063,929	1,966,864
Noncurrent liabilities						
Compensated absences	661,702	671,207	-	-	661,702	671,207
Net pension liability	724,805	1,624,059	160,425	261,677	885,230	1,885,736
OPEB liability	821,944	992,967	-	-	821,944	992,967
Bonds payable (less current maturities)	10,225,386	11,120,500	1,840,509	2,143,746	12,065,895	13,264,246
Advances from TVA -						
Home insulation program	-	201	-	-	-	201
Total noncurrent liabilities	12,433,837	14,408,934	2,000,934	2,405,423	14,434,771	16,814,357
Total liabilities	**20,537,874**	**22,330,887**	**2,518,157**	**2,909,519**	**23,056,031**	**25,240,406**
Deferred inflows of resources						
Deferred inflows related to pensions	260,605	115,946	29,342	13,053	289,947	128,999
Deferred inflows related to OPEB	171,868	-	-	-	171,868	-
Total deferred inflows of resources	**432,473**	**115,946**	**29,342**	**13,053**	**461,815**	**128,999**
Net Position						
Net investment in capital assets	45,329,587	44,234,653	(790,904)	(1,025,800)	44,538,683	43,208,853
Restricted for debt service	180,506	1,152,982	(3,600)	228,265	176,906	1,381,247
Unrestricted	8,735,694	5,624,229	1,250,173	757,718	9,985,867	6,381,947
Total net position	**$ 54,245,787**	**$ 51,011,864**	**$ 455,669**	**$ (39,817)**	**$ 54,701,456**	**$ 50,972,047**

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	Electric Fund					
	Electric Division		Broadband Division		Total	
Operating revenues	2018	2017	2018	2017	2018	2017
Charges for sales and service	$ 45,418,116	$ 45,426,376	$ 3,686,851	$ 3,675,525	$ 49,104,967	$ 49,101,901
Other operating revenue	1,124,627	1,250,279	117,286	80,888	1,241,913	1,331,167
Total operating revenues	46,542,743	46,676,655	3,804,137	3,756,413	50,346,880	50,433,068
Operating expenses						
Cost of sales and services	32,879,202	33,120,096	2,086,438	2,124,771	34,965,640	35,244,867
Distribution expenses	521,322	526,838	124,764	242,451	646,086	769,289
Customer accounts expenses	418,893	372,518	41,906	44,943	460,799	417,461
Customer service and information expenses	309,495	253,213	348,562	343,475	658,057	596,688
Administrative and general expenses	2,197,545	2,287,084	336,551	388,598	2,534,096	2,675,682
Maintenance expenses	2,223,746	2,045,822	-	18,253	2,223,746	2,064,075
Provision for depreciation expense	3,255,235	3,128,310	344,501	340,016	3,599,736	3,468,326
Total operating expenses	41,805,438	41,733,881	3,282,722	3,502,507	45,088,160	45,236,388
Operating income (loss)	4,737,305	4,942,774	521,415	253,906	5,258,720	5,196,680
Nonoperating revenues (expenses)						
Interest and other income	7,505	5,056	4,773	1,390	12,278	6,446
Amortization expense	(5,186)	(5,186)	(798)	-	(5,984)	(5,186)
Interest and other expense	(332,263)	(374,774)	(29,904)	(56,685)	(362,167)	(431,459)
Total nonoperating revenues (expenses)	(329,944)	(374,904)	(25,929)	(55,295)	(355,873)	(430,199)
Income (loss) before transfers	4,407,361	4,567,870	495,486	198,611	4,902,847	4,766,481
Transfers						
Transfers out - in lieu of tax payments to City	(1,173,438)	(1,148,063)	-	-	(1,173,438)	(1,148,063)
Change in net position	**3,233,923**	**3,419,807**	**495,486**	**198,611**	**3,729,409**	**3,618,418**
Total net position - beginning	51,011,864	48,371,800	(39,817)	(238,428)	50,972,047	48,133,372
Restatement - GASB 75 implementation	-	(779,743)	-	-	-	(779,743)
Total net position - beginning (restated)	51,011,864	47,592,057	(39,817)	(238,428)	50,972,047	47,353,629
Total net position - ending	$ 54,245,787	$ 51,011,864	$ 455,669	$ (39,817)	$ 54,701,456	$ 50,972,047

See independent auditor's report and accompanying notes to financial statements.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	Electric Fund					
	Electric Division		Broadband Division		Total	
Cash flows from operating activities	2018	2017	2018	2017	2018	2017
Cash received from consumers	$ 46,498,355	$ 46,454,047	$ 3,832,840	$ 3,719,014	$ 50,331,195	$ 50,173,061
Cash paid to suppliers	(37,504,095)	(37,741,783)	(2,804,817)	(3,029,724)	(40,308,912)	(40,771,507)
Cash paid to employees	(1,450,970)	(1,328,454)	(173,741)	(186,428)	(1,624,711)	(1,514,882)
Customer deposits received	232,488	185,801	1,000	600	233,488	186,401
Customer deposits refunded	(166,856)	(159,107)	(850)	(1,727)	(167,706)	(160,834)
Amounts received from (paid to) other funds	(86,831)	105,005	90,785	(107,369)	3,954	(2,364)
Net cash provided (used) by operating activities	7,522,091	7,515,509	945,217	394,366	8,467,308	7,909,875
Cash flows from non-capital and related financing activities						
Transfers	(1,173,438)	(1,148,063)	-	-	(1,173,438)	(1,148,063)
Net cash provided (used) by non-capital and related financing activities	(1,173,438)	(1,148,063)	-	-	(1,173,438)	(1,148,063)
Cash flows from capital and related financing activities						
Principal paid on debt	(868,183)	(817,665)	(299,636)	(271,258)	(1,167,819)	(1,088,923)
Unamortized debt expense	36,271	36,272	-	-	36,271	36,272
Purchase of property, plant and equipment	(3,465,272)	(4,321,656)	(281,357)	(321,747)	(3,746,629)	(4,643,403)
Plant removal cost	(16,782)	(15,237)	-	-	(16,782)	(15,237)
Materials salvaged from retirements	913	9,743	-	-	913	9,743
Interest paid on bonds, notes and leases	(337,449)	(381,406)	(29,904)	(56,685)	(367,353)	(438,091)
Net cash provided (used) by capital and related financing activities	(4,650,502)	(5,489,949)	(610,897)	(649,690)	(5,261,399)	(6,139,639)
Cash flows from investing activities						
Interest and unrealized change in investments	7,505	5,056	4,773	1,390	12,278	6,446
Conservation loans (made) paid	-	(23,718)	-	-	-	(23,718)
Net cash provided (used) by investing activities	7,505	(18,662)	4,773	1,390	12,278	(17,272)
Net increase (decrease) in cash and cash equivalents	**1,705,656**	**858,835**	**339,093**	**(253,934)**	**2,044,749**	**604,901**
Cash and cash equivalents - beginning	11,176,601	10,317,766	1,003,412	1,257,346	12,180,013	11,575,112
Cash and cash equivalents - ending	$ 12,882,257	$ 11,176,601	$ 1,342,505	$ 1,003,412	$ 14,224,762	$ 12,180,013
Cash and cash equivalents						
Unrestricted cash on hand	$ 1,325	$ 360	$ 525	$ 600	$ 1,850	$ 960
Unrestricted cash and cash equivalents on deposit	11,813,063	9,201,528	1,341,980	771,097	13,155,043	9,972,625
Restricted cash and cash equivalents on deposit	1,067,869	1,974,713	-	231,715	1,067,869	2,206,428
Total cash and cash equivalents	$ 12,882,257	$ 11,176,601	$ 1,342,505	$ 1,003,412	$ 14,224,762	$ 12,180,013

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	Electric Fund					
	Electric Division		Broadband Division		Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	2018	2017	2018	2017	2018	2017
Operating income (loss)	$ 4,737,305	$ 4,942,774	$ 521,415	$ 253,906	$ 5,258,720	$ 5,196,680
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,260,421	3,133,496	345,299	340,016	3,605,720	3,473,512
Change in pension related deferred outflows and inflows of resources	637,912	(925,168)	52,471	(101,917)	690,383	(1,027,085)
Change in opeb related deferred outflows and inflows of resources	(171,868)	-	-	-	(171,868)	-
Changes in assets and liabilities:						
Accounts receivable	(45,929)	(190,844)	28,703	(37,399)	(17,226)	(228,243)
Materials and supplies	(67,633)	86,974	(134)	(40,677)	(67,767)	46,297
Due (to) from City	3,954	(2,364)	-	-	3,954	(2,364)
Due from/to other division	(90,785)	107,369	90,785	(107,369)	-	-
Prepayments and other current assets	20,509	(4,894)	-	-	20,509	(4,894)
Other future charges	(9,034)	(2,879)	-	-	(9,034)	(2,879)
Accounts payable and accrued expenses	90,366	50,471	7,780	(27,834)	98,146	22,637
Accrued leave	(9,505)	(43,176)	-	-	(9,505)	(43,176)
Customer deposits	65,632	26,694	150	(1,127)	65,782	25,567
Net pension liability	(899,254)	337,056	(101,252)	116,767	(1,000,506)	453,823
Net cash provided (used) by operating activities:	$ 7,522,091	$ 7,515,509	$ 945,217	$ 394,366	$ 8,467,308	$ 7,909,875

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

For the Years Ended June 30, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Residential sales	$ 20,802,200	44.69	$ 19,979,464	42.80
Small lighting and power sales	3,706,011	7.96	3,626,536	7.77
Large lighting and power sales	14,047,605	30.18	14,315,664	30.67
Industrial sales	6,035,392	12.97	7,027,928	15.06
Street and athletic lighting sales	411,861	0.88	423,985	0.91
Outdoor lighting sales	193,137	0.41	36,542	0.08
Other sales	221,910	0.48	16,257	0.03
Total charges for sales and services	45,418,116	97.57	45,426,376	97.32
Other revenues:				
Forfeited discounts	245,234	0.53	223,958	0.48
Service charge revenue	171,040	0.37	145,936	0.31
Miscellaneous service revenue	3,780	0.01	4,040	0.01
Credit card service revenue	-	-	-	-
Rent from property	646,213	1.39	816,796	1.75
Other electric revenue	58,360	0.13	59,549	0.13
Total other revenues	1,124,627	2.43	1,250,279	2.68
Total operating revenue	**$ 46,542,743**	**100.00**	**$ 46,676,655**	**100.00**
Operating expenses				
Cost of sales and services				
Purchased power	$ 32,879,202	70.64	33,120,096	70.96
Total cost of sales and services	32,879,202	70.64	33,120,096	70.96
Distribution expenses				
Station expense	-	-	2,212	-
Underground line expense	2,302	-	2,115	-
Substation expense	173,146	0.37	75,289	0.16
Street lighting and signal system	16,824	0.04	15,259	0.03
Meter expense	95,915	0.21	172,335	0.37
Installation expense	103,993	0.22	104,495	0.22
Rents	29,434	0.06	28,518	0.06
Miscellaneous	99,708	0.21	126,615	0.27
Total distribution expenses	$ 521,322	1.11	$ 526,838	1.11

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, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Customer accounts expenses				
Customer records and collection expense	$ 418,893	0.90	$ 372,518	0.80
Total customer accounts expenses	418,893	0.90	372,518	0.80
Customer service and information expenses				
Supervision customer service	97,357	0.21	76,811	0.16
Customer assistance expense	160,062	0.34	130,338	0.28
Information and advertising expense	37,435	0.08	31,990	0.07
Demonstrating and selling	13,081	0.03	12,514	0.03
Sales	-	-	-	-
Miscellaneous	1,560	-	1,560	-
Total customer service and information expense	309,495	0.66	253,213	0.54
Administrative expenses				
Salaries	770,229	1.65	698,707	1.50
Board members pay	7,357	0.02	13,800	0.03
Safety coordinator	154,986	0.33	137,242	0.29
Office supplies and expense	403,700	0.87	569,628	1.22
Outside services employed	315,942	0.68	357,631	0.77
Insurance	191,009	0.41	186,960	0.40
Duplicate charge credit	(136,391)	(0.29)	(131,999)	(0.28)
Property taxes	352,624	0.76	356,702	0.76
Donations	2,398	0.01	2,115	-
Miscellaneous	135,691	0.29	96,298	0.21
Total administrative expenses	$ 2,197,545	4.73	$ 2,287,084	4.90
Maintenance expenses				
Substation expense	$ 213,767	0.46	$ 121,518	0.26
Overhead lines	1,783,335	3.83	1,689,891	3.62
Line transformers	-	-	1,175	-
Street lights and signal system	(50)	-	125	-
Meters	41,083	0.09	54,149	0.12
Outdoor lighting	33,058	0.07	26,567	0.06
Maintenance - general	152,553	0.33	152,397	0.33
Total maintenance expenses	2,223,746	4.78	2,045,822	4.39
Provision for depreciation	3,255,235	6.99	3,128,310	6.70
Total operating expenses	**$ 41,805,438**	**89.82**	**$ 41,733,881**	**89.41**

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, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Video	$ 1,464,525	38.51	$ 1,502,441	40.00
Pay per view	-	-	89	-
STB channel	69,343	1.82	72,051	1.92
Data	1,341,240	35.26	1,290,549	34.36
Other data services	194,423	5.11	160,127	4.26
Collection and data storage	29,730	0.78	36,821	0.98
Telephone	588,273	15.46	607,512	16.17
Other sales	(683)	(0.02)	5,935	0.16
Total charges for sales and services	3,686,851	96.92	3,675,525	97.85
Other revenues				
Service charge revenue	74,205	1.95	35,263	0.94
Advertising	6,847	0.18	11,281	0.30
Late payment fee	36,234	0.95	34,344	0.91
Total other revenues	117,286	3.08	80,888	2.15
Total operating revenue	**$ 3,804,137**	**100.00**	**$ 3,756,413**	**100.00**
Operating expenses				
Cost of sales and services				
Internet cogs	$ 224,567	5.90	$ 286,906	7.64
Telephone cogs	179,537	4.72	221,476	5.90
Programming fee	1,682,334	44.22	1,616,389	43.03
Total cost of sales and services	2,086,438	54.84	2,124,771	57
Distribution expenses				
Sub-station expense	100,018	2.63	232,194	6.18
Miscellaneous	24,746	0.65	10,257	0.27
Total distribution expenses	124,764	3.28	242,451	6.45
Customer accounts expenses				
Customer records and collection expense	41,906	1.10	44,943	1.20

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, 2018 and 2017

	2018		2017	
	Amount	Percent	Amount	Percent
Customer service and information expenses				
Supervision customer service	$ 11,784	0.31	$ 11,805	0.31
Customer assistance expense	312,380	8.21	293,201	7.81
Information and advertising expense	24,398	0.64	38,469	1.02
Total customer service and information expense	348,562	9.16	343,475	9.14
Administrative and general expenses				
Salaries	120,051	3.16	129,680	3.45
Office supplies and expense	29,936	0.79	33,977	0.90
Outside services employed	73,057	1.92	49,975	1.33
Insurance	-	-	-	-
Employee pension and benefits	(48,777)	(1.28)	14,850	0.40
Rents	89,513	2.35	122,756	3.27
Property taxes	32,184	0.85	12,628	0.34
Business taxes	10,231	0.27	10,527	0.28
Miscellaneous	30,356	0.80	14,205	0.38
Total administrative and general expense	336,551	8.86	388,598	10.35
Maintenance expenses				
Outside maintenance	-	-	9,635	0.28
Inside maintenance	-	-	8,618	0.25
Total maintenance expenses	-	-	18,253	0.53
Provision for depreciation	344,501	9.06	340,016	9.05
Total operating expenses	**$ 3,282,722**	**86.29**	**$ 3,502,507**	**93.24**

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
For the Year Ended June 30, 2018

Residential Rate Schedule RS		
Customer charge - per delivery point per month	$	24.02
Energy charge - cents per kWh		0.10145
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		0.10632
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		16.40
Energy charge - cents per kWh		
First 15,000 kWh per month		0.10981
Additional kWh per month		0.06241
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		19.26
Excess over 1,000 kW		13.57
Energy charge - cents per kWh		0.06604
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		0.49380
Per kWh for all additional kWh per month		0.49380
Demand charges - per kW per month		17.50
Manufacturing (MSB- TOU)		
Demand Charge		
Base Customer Charge	$	1,500.00
Onpeak		9.97
Maximum		2.97
Excess Over Contract		9.97
Energy Charge		
Onpeak		0.07372
Offpeak First 200 Hours		0.04938
Offpeak Next 200 Hours		0.02046
Offpeak Additional kWh		0.01798
Demand for Street Outdoor Lighting - Schedule OL		
Per kWh per month	$	0.06910
150W HPS Security		8.59
175W MPI Security		7.55
250W HPS Security		12.13
400W MH Security		17.18
400W MVI Security		14.77
400W HPS Security		17.18
1000W MH Security		39.29

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF BROADBAND RATES IN FORCE
For the Year Ended June 30, 2018

Residential Rates		
Bundles		
Economizer 1	$	99.70
Analog basic TV		
Local phone		
Economizer 2	$	101.70
Analog basic TV		
Internet		
Energize TriplePlay	$	128.85
Analog basic		
Bronze internet		
Unlimited phone package		
TriplePlay Plus	$	151.45
Digital plus		
Bronze internet		
Unlimited phone package		
TriplePlay Extreme	$	159.45
Digital plus with HD/DVR		
Bronze internet		
Unlimited phone package		
Video Services		
Analog basic	$	79.75
Digital plus		91.95
Digital bronze (1 premium)		105.05
Digital silver (2 premiums)		113.85
Digital gold (4 premiums)		122.15
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 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		0.05
Disconnect fee/non-pay fee		35.00
Inside wire maintenance (all services)		4.95
Commercial Rates		
Video Services		
Analog basic	$	79.75
Digital plus		91.95
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, 2018

	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
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	353,049	3,718	301,471	3,175	1,294,520	155,012	1,449,532
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
	$ 2,055,000	$ 597,584	$ 6,555,000	$ 1,298,732	$ 2,496,808	$ 164,245	$ 2,132,053	$ 140,251	$ 13,238,861	$ 2,200,812	$ 15,439,673

See independent auditor's report.

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

Electric Division	2018	2017	2016	2015	2014
Revenue					
Residential	$ 20,802,200	$ 19,979,464	$ 18,994,689	$ 20,095,872	$ 20,316,934
Small lighting and power sales	3,706,011	3,626,536	3,401,840	3,516,140	3,458,872
Large lighting and power sales	14,047,605	14,315,664	14,458,109	15,092,823	14,949,782
Industrial sales	6,035,392	7,027,928	6,023,972	5,448,672	5,154,008
Street, athletic and outdoor lighting sales	604,998	460,527	757,812	784,426	760,329
Other sales	221,910	16,257	12,333	502	20,844
Interest and other revenue	1,132,132	1,255,335	1,232,525	1,242,040	1,155,903
	46,550,248	46,681,711	44,881,280	46,180,475	45,816,672
Expense					
Cost of sales and services	32,879,202	33,120,096	31,834,397	32,860,321	33,219,577
Distribution expenses	521,322	526,838	514,114	573,998	543,347
Customer accounts expenses	418,893	372,518	484,967	479,057	413,853
Customer service and information expenses	309,495	253,213	197,075	217,213	293,106
Administrative and general expenses	2,197,545	2,287,084	1,983,918	2,070,518	2,029,370
Maintenance expenses	2,223,746	2,045,822	2,138,909	2,144,331	2,183,188
Provision for depreciation expense	3,255,235	3,128,310	2,928,719	2,852,092	2,952,163
Amortization expense	5,186	5,186	47,775	133,919	12,573
Interest and other expense	332,263	374,774	425,901	486,640	595,500
Transfers out - in lieu of tax payments to city	1,173,438	1,148,063	1,099,499	1,058,805	1,031,943
	43,316,325	43,261,904	41,655,274	42,876,894	43,274,620
Net income (loss)	$ 3,233,923	$ 3,419,807	$ 3,226,006	$ 3,303,581	$ 2,542,052
Financial					
Plant in service (at original cost)	$ 88,764,411	$ 88,764,411	$ 85,336,293	$ 82,127,304	$ 79,990,687
Power in use - KWH					
Residential	174,558,859	165,623,374	164,186,503	176,786,706	180,262,551
Commercial	30,300,009	28,948,573	28,839,031	30,704,273	30,296,769
Industrial	238,776,285	251,951,004	248,014,146	241,374,448	227,146,735
Other customers	3,373,820	6,074,825	6,054,988	6,219,663	6,042,191
Total	447,008,973	452,597,776	447,094,668	455,085,090	443,748,246
Peak KW demand	112,285	103,735	101,320	110,681	101,796
Number of customers					
Residential	11,962	11,940	11,679	11,679	11,661
Commercial	2,201	2,184	2,177	2,177	2,180
Industrial	203	212	198	198	205
Street and athletic	58	58	58	58	58
Outdoor lighting	63	66	78	78	80
	14,487	14,460	14,190	14,190	14,184
Line Loss	4.01%	4.36%	3.05%	3.02%	4.64%

*** GASB 68, 71 and 75 were implemented as of June 30, 2015 and June 30, 2018. Therefore, some balances are not comparable.**

See independent auditor's report.

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

	Broadband Division				
	2018	2017	2016	2015	2014
Revenue					
Video	$ 1,464,525	$ 1,502,441	$ 1,472,129	$ 1,385,656	$ 1,251,237
Pay per view	-	89	1,423	3,619	5,009
STB Channel	69,343	72,051	72,211	82,793	78,330
Data and related services	1,535,663	1,450,676	1,210,304	1,117,900	1,028,750
Collection and data storage	29,730	36,821	47,807	51,925	52,384
Telephone	588,273	607,512	627,765	643,739	638,755
Other sales	(683)	5,935	(53,083)	(57,347)	(40,190)
Interest and other revenue	122,059	82,278	127,979	153,335	143,738
	3,808,910	3,757,803	3,506,535	3,381,620	3,158,013
Expense					
Cost of sales and services	2,086,438	2,124,771	2,023,101	1,891,590	1,659,393
Distribution expenses	124,764	242,451	261,407	209,114	225,188
Customer accounts expenses	41,906	44,943	45,353	43,468	73,417
Customer service and information expenses	348,562	343,475	229,870	203,111	215,543
Administrative and general expenses	336,551	388,598	386,540	338,422	250,790
Maintenance expenses	-	18,253	5,442	-	-
Provision for depreciation expense	344,501	340,016	339,373	339,509	320,646
Amortization expense	798	-	33,525	3,103	3,103
Interest and other expense	29,904	56,685	88,277	126,459	135,701
	3,313,424	3,559,192	3,412,888	3,154,776	2,883,781
Net income (loss)	$ 495,486	$ 198,611	$ 93,647	$ 226,844	$ 274,232
Financial					
Plant in service (at original cost	$ 3,792,149	$ 4,038,649	$ 3,547,110	$ 3,551,730	$ 3,409,120
Number of customers					
Residential	2,216	2,663	2,087	1,887	1,789
Commercia	325	383	330	305	284
	2,541	3,046	2,417	2,192	2,073

*** GASB 68, 71 and 75 were implemented as of June 30, 2015 and June 30, 2018. Therefore, some balances are not comparable.**

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Directors
PES Energize
City of Pulaski, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, 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 September 14, 2018.

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 September 14, 2018.

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.

Jackson, Tennessee
September 14, 2018

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
June 30, 2018 and 2017

There were no current year findings reported.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2018 and 2017

There were no prior year findings reported.