

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2020 AND JUNE 30, 2019**

PES ENERGIZE
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For the Years Ended June 30, 2020 and 2019

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INTRODUCTORY SECTION

**PES ENERGIZE
DIRECTORY**
June 30, 2020

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– Chief Financial Officer
Kirby Parr – Chief Operations Officer

COUNSEL

M. Andrew Hoover
Pulaski, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



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, 2020 and 2019, 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.

Opinions

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, 2020 and 2019, 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, 2020 and 2019, 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.

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 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary and other information section, except that which is marked "unaudited," is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the supplementary and other information section, except that which is marked "unaudited," is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2020 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 to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 28, 2020

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, 2020 and June 30, 2019. 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 \$78.76 million and exceeded liabilities and deferred inflows of resources in the amount of \$60.21 million (i.e. net position).
- Net position increased \$2.75 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position increased by \$1.27 million due to a current year net income.
- During fiscal year 2020, the System delivered 397 million kWh compared to 435 million kWh during the fiscal year 2019.
- Operating revenues were \$46.50 million, a decrease from 2019 in the amount of \$3.60 million or 7.19%.
- Total operating expenses were \$42.61 million, a decrease from 2019 in the amount of \$2.89 million or 6.34%.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

REQUIRED FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

or financial position of the System. Over time, increases or decreases in the System's net position is an indicator of whether its financial health is improving or deteriorating. However, you will also need to consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates. The System's total net position increased by \$2.75 million for the fiscal year ended June 30, 2020. 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, 2020	June 30, 2019	Increase (Decrease)	
			Amount	Percent
Current and other assets	\$ 17,649,822	\$ 18,964,670	\$ (1,314,848)	-6.93%
Capital assets	58,525,464	59,507,751	(982,287)	-1.65%
Total assets	<u>76,175,286</u>	<u>78,472,421</u>	<u>(2,297,135)</u>	-2.93%
Deferred outflows of resources	<u>2,581,917</u>	<u>2,540,340</u>	<u>41,577</u>	1.64%
Long-term liabilities	10,958,064	14,120,808	(3,162,744)	-22.40%
Other liabilities	6,896,719	8,765,159	(1,868,440)	-21.32%
Total liabilities	<u>17,854,783</u>	<u>22,885,967</u>	<u>(5,031,184)</u>	-21.98%
Deferred inflows of resources	<u>696,765</u>	<u>675,681</u>	<u>21,084</u>	3.12%
Net position:				
Net investment in capital assets	49,495,939	47,442,805	2,053,134	4.33%
Restricted for debt service	74,425	640,170	(565,745)	-88.37%
Unrestricted	10,635,291	9,368,138	1,267,153	13.53%
Total net position	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>	<u>\$ 2,754,542</u>	4.79%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1B

CONDENSED STATEMENT OF NET POSITION

			Increase (Decrease)	
	June 30, 2019	June 30, 2018	Amount	Percent
Current and other assets	\$ 18,964,670	\$ 18,885,115	\$ 79,555	0.42%
Capital assets	59,507,751	57,777,544	1,730,207	2.99%
Total assets	<u>78,472,421</u>	<u>76,662,659</u>	<u>1,809,762</u>	2.36%
Deferred outflows of resources	<u>2,540,340</u>	<u>1,556,643</u>	<u>983,697</u>	63.19%
Long-term liabilities	14,120,808	14,959,073	(838,265)	-5.60%
Other liabilities	8,765,159	8,621,260	143,899	1.67%
Total liabilities	<u>22,885,967</u>	<u>23,580,333</u>	<u>(694,366)</u>	-2.94%
Deferred inflows of resources	<u>675,681</u>	<u>461,815</u>	<u>213,866</u>	46.31%
Net position:				
Net investment in capital assets	47,442,805	44,538,683	2,904,122	6.52%
Restricted for debt service	640,170	176,906	463,264	261.87%
Unrestricted	9,368,138	9,461,565	(93,427)	-0.99%
Total net position	<u>\$ 57,451,113</u>	<u>\$ 54,177,154</u>	<u>\$ 3,273,959</u>	6.04%

The decrease in current and other assets over the period was due to debt payments and 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

			Increase (Decrease)	
	June 30, 2020	June 30, 2019	Amount	Percent
Operating revenues	\$ 46,495,281	\$ 50,098,618	\$ (3,603,337)	-7.19%
Non-operating revenues	327,895	203,142	124,753	61.41%
Total revenues	<u>46,823,176</u>	<u>50,301,760</u>	<u>(3,478,584)</u>	-6.92%
Cost of sales and service	31,354,037	34,692,733	(3,338,696)	-9.62%
Operations and maintenance expense	7,209,172	7,038,896	170,276	2.42%
Depreciation expense	4,043,059	3,759,879	283,180	7.53%
Non-operating expenses	342,407	349,931	(7,524)	-2.15%
Total expenses	<u>42,948,675</u>	<u>45,841,439</u>	<u>(2,892,764)</u>	-6.31%
Transfer	<u>(1,119,959)</u>	<u>(1,186,362)</u>	<u>66,403</u>	-5.60%
Change in net position	2,754,542	3,273,959	(519,417)	-15.87%
Total net position - beginning	57,451,113	54,177,154	3,273,959	6.04%
Ending net position	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>	<u>\$ 2,754,542</u>	4.79%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

			Increase (Decrease)	
	June 30, 2019	June 30, 2018	Amount	Percent
Operating revenues	\$ 50,098,618	\$ 50,346,880	\$ (248,262)	-0.49%
Non-operating revenues	203,142	12,278	190,864	1554.52%
Total revenues	<u>50,301,760</u>	<u>50,359,158</u>	<u>(57,398)</u>	-0.11%
Cost of sales and service	34,692,733	34,965,640	(272,907)	-0.78%
Operations and maintenance expense	7,038,896	6,522,784	516,112	7.91%
Depreciation expense	3,759,879	3,599,736	160,143	4.45%
Non-operating expenses	349,931	368,151	(18,220)	-4.95%
Total expenses	<u>45,841,439</u>	<u>45,456,311</u>	<u>385,128</u>	0.85%
Transfer	<u>(1,186,362)</u>	<u>(1,173,438)</u>	<u>(12,924)</u>	1.10%
Change in net position	3,273,959	3,729,409	(455,450)	-12.21%
Total net position - beginning	54,177,154	50,972,047	3,205,107	6.29%
Restatement - GASB 75 implementation	-	(524,302)	524,302	
Total net position - beginning (restated)	<u>54,177,154</u>	<u>50,447,745</u>	<u>3,729,409</u>	7.39%
Ending net position	<u>\$ 57,451,113</u>	<u>\$ 54,177,154</u>	<u>\$ 3,273,959</u>	6.04%

Ending net position showed a 4.79% increase as a result of an operating profit for the current year. Operating revenues decreased 7.65% during the three years with cost of sales and service decreasing 10.33% during this same time due from cooler weather.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the System had \$58.53 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 construction in process. This change represents an overall decrease (net of increases and decreases) of \$982 thousand or 1.65% above the fiscal year 2019.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2020 and June 30, 2019. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

			Increase (Decrease)	
	June 30, 2020	June 30, 2019	Amount	Percent
Distribution plant	\$ 42,015,909	\$ 42,184,208	\$ (168,299)	-0.40%
General plant	14,792,507	15,695,077	(902,570)	-5.75%
Broadband	942,096	1,108,223	(166,127)	-14.99%
Work in process	<u>774,952</u>	<u>520,243</u>	<u>254,709</u>	48.96%
Total capital assets	<u>\$ 58,525,464</u>	<u>\$ 59,507,751</u>	<u>\$ (982,287)</u>	-1.65%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2019	June 30, 2018	Increase (Decrease)	
			Amount	Percent
Distribution plant	\$ 42,184,208	\$ 37,885,253	\$ 4,298,955	11.35%
General plant	15,695,077	15,504,187	190,890	1.23%
Broadband	1,108,223	1,339,981	(231,758)	-17.30%
Work in process	520,243	3,048,123	(2,527,880)	-82.93%
Total capital assets	<u>\$ 59,507,751</u>	<u>\$ 57,777,544</u>	<u>\$ 1,730,207</u>	2.99%

The major portion of the additions took place in distribution and distribution 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 2020, PES had total outstanding long-term debt of \$7.49 million in the electric division and \$1.54 million in the broadband division. The \$7.49 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 \$1.11 million and interest payments totaling approximately \$209 thousand are also due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage decreased by 8.68% in fiscal year ending June 30, 2020. The PES service territory experienced a significantly mild spring than in the recent past resulting in decreased energy sales of 7.45%.

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 Chief Financial Officer of PES Energize, 128 South First Street, Pulaski, TN 38478.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

Assets	Electric Fund	
	2020	2019
Current assets		
Cash on hand	\$ 1,850	\$ 1,850
Cash and cash equivalents - general	12,736,527	12,658,648
Accounts receivable - trade (net of allowance for uncollectibles electric \$100,000 and \$100,000 and broadband \$15,000 and \$15,000 for 2020 and 2019, respectively)	2,456,210	3,016,261
Accounts receivable - CSA	24,624	25,296
Accounts receivable - other	311,804	572,394
Materials and supplies	724,077	723,650
Due to City	152	-
Prepayments and other current assets	201,815	189,288
Total current assets	16,457,059	17,187,387
Noncurrent assets		
Restricted:		
Cash and cash equivalents	996,683	1,549,861
Other assets		
Unamortized debt expense	26,082	54,833
Other future charges	169,998	172,589
Total other assets	196,080	227,422
Capital assets, not being depreciated		
Distribution plant	178,766	178,766
General plant	190,597	190,597
Construction in progress	774,952	520,243
Total capital assets, not being depreciated	1,144,315	889,606
Capital assets, net of accumulated depreciation		
Distribution plant	41,837,143	42,005,442
General plant	15,544,006	16,612,703
Total capital assets (net of accumulated depreciation)	58,525,464	59,507,751
Total noncurrent assets	59,718,227	61,285,034
Total assets	76,175,286	78,472,421
Deferred outflows of resources		
Deferred outflows related to pensions	2,155,015	2,065,274
Deferred outflows related to OPEB	59,369	71,243
Loss on defeasance	367,533	403,823
Total deferred outflows of resources	\$ 2,581,917	\$ 2,540,340

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

Liabilities	Electric Fund	
	2020	2019
Current liabilities		
Accounts payable	\$ 4,502,444	\$ 6,181,392
Other accrued expense	355,123	474,623
Total current liabilities	4,857,567	6,656,015
Current liabilities payable from restricted assets		
Customers' deposits	908,528	890,483
Accrued interest	13,730	19,208
Current maturities of:		
Compensated absences	10,744	-
Bonds payable	1,106,150	1,199,453
Total current liabilities payable from restricted assets	2,039,152	2,109,144
Noncurrent liabilities		
Compensated absences	756,681	693,177
Net pension liability	1,109,598	1,425,594
OPEB liability	1,168,410	1,136,544
Bonds payable (less current maturities)	7,923,375	10,865,493
Total noncurrent liabilities	10,958,064	14,120,808
Total liabilities	17,854,783	22,885,967
Deferred inflows of resources		
Deferred inflows related to pensions	316,338	236,356
Deferred inflows related to OPEB	380,427	439,325
Total deferred inflows of resources	696,765	675,681
Net Position		
Net investment in capital assets	49,495,939	47,442,805
Restricted for debt service	74,425	640,170
Unrestricted	10,635,291	9,368,138
Total net position	\$ 60,205,655	\$ 57,451,113

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, 2020 and 2019

	<u>Electric Fund</u>	
	2020	2019
Operating revenues		
Charges for sales and service	\$ 45,264,754	\$ 48,706,343
Other operating revenue	<u>1,230,527</u>	<u>1,392,275</u>
Total operating revenues	<u>46,495,281</u>	<u>50,098,618</u>
Operating expenses		
Cost of sales and services	31,354,037	34,692,733
Distribution expenses	522,927	442,483
Customer accounts expenses	585,166	572,395
Customer service and information expenses	530,963	586,225
Administrative and general expenses	2,876,674	2,810,446
Maintenance expenses	2,693,442	2,627,347
Provision for depreciation expense	<u>4,043,059</u>	<u>3,759,879</u>
Total operating expenses	<u>42,606,268</u>	<u>45,491,508</u>
Operating income (loss)	<u>3,889,013</u>	<u>4,607,110</u>
Nonoperating revenues (expenses)		
Interest and other income	327,895	203,142
Amortization expense	(40,235)	5,571
Interest and other expense	<u>(302,172)</u>	<u>(355,502)</u>
Total nonoperating revenues (expenses)	<u>(14,512)</u>	<u>(146,789)</u>
Income (loss) before transfers	<u>3,874,501</u>	<u>4,460,321</u>
Transfers		
Transfers out - in lieu of tax payments to City	<u>(1,119,959)</u>	<u>(1,186,362)</u>
Change in net position	2,754,542	3,273,959
Total net position - beginning	<u>57,451,113</u>	<u>54,177,154</u>
Total net position - ending	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>

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, 2020 and 2019

	Electric Fund	
	2020	2019
Cash flows from operating activities		
Cash received from consumers	\$ 47,316,594	\$ 49,970,894
Cash paid to suppliers	(38,918,367)	(40,365,457)
Cash paid to employees	(1,681,679)	(1,679,466)
Customer deposits received	179,150	182,960
Customer deposits refunded	(161,105)	(161,732)
Amounts received from (paid to) other funds	(152)	(1,119)
Net cash provided (used) by operating activities	6,734,441	7,946,080
Cash flows from non-capital and related financing activities		
Transfers	(1,119,959)	(1,186,362)
Net cash provided (used) by non-capital and related financing activities	(1,119,959)	(1,186,362)
Cash flows from capital and related financing activities		
Principal paid on debt	(3,035,421)	(1,173,915)
Unamortized debt expense	25,604	33,650
Purchase of property, plant and equipment	(3,602,861)	(5,490,086)
Plant removal cost	(290,532)	11,038
Materials salvaged from retirements	832,621	-
Interest paid on bonds, notes and leases	(347,087)	(357,950)
Net cash provided (used) by capital and related financing activities	(6,417,676)	(6,977,263)
Cash flows from investing activities		
Interest and unrealized change in investments	327,895	203,142
Net cash provided (used) by investing activities	327,895	203,142
Net increase (decrease) in cash and cash equivalents	(475,299)	(14,403)
Cash and cash equivalents - beginning	14,210,359	14,224,762
Cash and cash equivalents - ending	\$ 13,735,060	\$ 14,210,359
Cash and cash equivalents		
Unrestricted cash on hand	\$ 1,850	\$ 1,850
Unrestricted cash and cash equivalents on deposit	12,736,527	12,658,648
Restricted cash and cash equivalents on deposit	996,683	1,549,861
Total cash and cash equivalents	\$ 13,735,060	\$ 14,210,359

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, 2020 and 2019

	Electric Fund	
	<u>2020</u>	<u>2019</u>
Reconciliation of operating income		
to net cash provided (used)		
by operating activities		
Operating income	\$ 3,889,013	\$ 4,607,110
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,081,698	3,754,308
Change in pension related deferred outflows and inflows of resources	(9,759)	(995,446)
Change in OPEB related deferred outflows and inflows of resources	(47,024)	196,214
Changes in assets and liabilities:		
Accounts receivable	821,313	(127,724)
Materials and supplies	(427)	52,576
Due (to) from City	(152)	(1,119)
Prepayments and other current assets	(12,527)	(20,249)
Other future charges	2,591	(1,639)
Accounts payable and accrued expenses	(1,798,448)	98,684
Accrued leave	74,248	31,475
Customer deposits	18,045	21,228
Net pension liability	(315,996)	540,364
OPEB liability	31,866	(209,702)
Net cash provided (used) by operating activities:	<u>\$ 6,734,441</u>	<u>\$ 7,946,080</u>

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 295,339	\$ 483,831
Accrued income	14,540	22,609
Investments		
Equity investments	9,378,023	9,286,953
Fixed income investments	5,889,981	5,241,006
Total investments	15,268,004	14,527,959
Net position available for benefits	15,577,883	15,034,399
Liabilities	-	-
Net position restricted for pensions	\$ 15,577,883	\$ 15,034,399

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, 2020 and 2019

	2020	2019
Additions		
Employer contributions	\$ 840,169	\$ 720,000
Investment income		
Interest income	(459)	15,731
Dividend income	268,965	244,307
Realized gains and losses	490,909	1,020,356
Net depreciation in fair value of investments	<u>(201,054)</u>	<u>(511,931)</u>
Total investment income	<u>558,361</u>	<u>768,463</u>
Total additions	<u>1,398,530</u>	<u>1,488,463</u>
 Deductions		
Benefit payments	761,342	789,868
Administrative and other expenses	<u>93,704</u>	<u>96,307</u>
Total deductions	<u>855,046</u>	<u>886,175</u>
Net increase in fiduciary net position	543,484	602,288
 Net position restricted for pensions		
Beginning of year	<u>15,034,399</u>	<u>14,432,111</u>
End of year	<u>\$ 15,577,883</u>	<u>\$ 15,034,399</u>

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

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

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.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

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 through 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 publicly 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

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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.

Other Post-Employment Benefits

Information about the System's participation in their single employer post-employment benefits plan and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the other post-employment benefits plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the other post-employment benefits plan.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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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 and OPEB-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.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

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, 2020 and 2019:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	Market Value	Percentage of Total	Market Value	Percentage of Total
Cash and cash equivalents	\$ 309,879	1.98%	\$ 506,441	3.36%
Equities	9,378,023	60.20%	9,286,953	61.77%
Fixed income investments	5,889,981	37.82%	5,241,006	34.87%
Total	<u>\$ 15,577,883</u>	<u>100.00%</u>	<u>\$ 15,034,400</u>	<u>100.00%</u>

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Federated Total Return Govt. Bond #647	\$ 1,051,897	\$ 978,033
Federated Total Return Bond Fund IS	907,567	566,373
Dodge & Cox Income Fund #147	808,642	774,137
Fidelity contrafund #22	1,032,442	912,036
Vanguard primecap core	1,172,924	1,247,722

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.65 and 5.08 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, 2020:

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	Total	Fair Value Measurements Using		
		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	\$ 295,339	\$ 295,339	\$ -	\$ -
Corporate bonds	5,904,521	5,904,521	-	-
Total debt securities	6,199,860	6,199,860	-	-
Equity securities				
Mutual funds	8,698,656	8,698,656	-	-
Common stocks	679,367	679,367	-	-
Total equity securities	9,378,023	9,378,023	-	-
Total investments measured at fair value	\$ 15,577,883	\$ 15,577,883	\$ -	\$ -

The Plan has the following recurring fair value measurements as of June 30, 2019:

	Total	Fair Value Measurements Using		
		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	\$ 3,673	\$ 3,673	\$ -	\$ -
Corporate bonds	5,743,774	5,743,774	-	-
Total debt securities	5,747,447	5,747,447	-	-
Equity securities				
Mutual funds	8,404,786	8,404,786	-	-
Common stocks	882,167	882,167	-	-
Total equity securities	9,286,953	9,286,953	-	-
Total investments measured at fair value	\$ 15,034,400	\$ 15,034,400	\$ -	\$ -

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

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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, 2020 and 2019, all of the System's deposits were fully collateralized.

B. Receivables

Receivables as of the fiscal years ended June 30, 2020 and 2019 were made up of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Billed services for utility customers	\$ 2,571,210	\$ 3,131,261
Receivable from CSA	24,624	25,296
Other receivables for utility services	311,804	572,394
Allowance for doubtful accounts	<u>(115,000)</u>	<u>(115,000)</u>
Total	<u>\$ 2,792,638</u>	<u>\$ 3,613,951</u>

C. Restricted Assets

Restricted assets as of the fiscal years ended June 30, 2020 and 2019 were made up of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
The restricted assets consist of the following:		
Cash and cash equivalents - Sinking funds	\$ -	\$ 14,922
Cash and cash equivalents - Construction fund	996,683	1,534,939
Investments	<u>6,980</u>	<u>-</u>
	<u>\$ 1,003,663</u>	<u>\$ 1,549,861</u>
The total of these funds is represented by:		
Certificates of deposit and bank accounts	<u>\$ 1,003,663</u>	<u>\$ 1,549,861</u>

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PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

D. Plant in Service

Changes to the System's plant in service during the fiscal years ended June 30, 2020 and 2019 are summarized as follows:

Electric Division:	Balance at			Balance at
Description	June 30, 2019	Additions	Disposals	June 30, 2020
Capital assets, not being depreciated:				
Distribution plant	\$ 178,766	\$ -	\$ -	\$ 178,766
General plant	190,597	-	-	190,597
Construction in progress	472,785	4,121,003	3,820,589	773,199
Total capital assets, not being depreciated	<u>842,148</u>	<u>4,121,003</u>	<u>3,820,589</u>	<u>1,142,562</u>
Capital assets, being depreciated:				
Distribution plant	71,453,545	2,835,839	1,112,121	73,177,263
General plant	27,098,563	736,276	298,077	27,536,762
Total capital assets, being depreciated	<u>98,552,108</u>	<u>3,572,115</u>	<u>1,410,198</u>	<u>100,714,025</u>
Less accumulated depreciation for:				
Distribution plant	29,448,103	2,521,994	629,977	31,340,120
General plant	11,594,083	1,572,507	231,738	12,934,852
Total accumulated depreciation	<u>41,042,186</u>	<u>4,094,501</u>	<u>861,715</u>	<u>44,274,972</u>
Total capital assets, being depreciated, net	<u>57,509,922</u>	<u>(522,386)</u>	<u>548,483</u>	<u>56,439,053</u>
Total capital assets, net	<u>\$ 58,352,070</u>	<u>\$ 3,598,617</u>	<u>\$ 4,369,072</u>	<u>\$ 57,581,615</u>
	Balance at			Balance at
Description	June 30, 2018	Additions	Disposals	June 30, 2019
Capital assets, not being depreciated:				
Distribution plant	\$ 178,766	\$ -	\$ -	\$ 178,766
General plant	190,597	-	-	190,597
Construction in progress	3,046,955	5,488,477	8,062,647	472,785
Total capital assets, not being depreciated	<u>3,416,318</u>	<u>5,488,477</u>	<u>8,062,647</u>	<u>842,148</u>
Capital assets, being depreciated:				
Distribution plant	65,486,629	6,847,751	880,835	71,453,545
General plant	27,431,279	1,723,807	2,056,523	27,098,563
Total capital assets, being depreciated	<u>92,917,908</u>	<u>8,571,558</u>	<u>2,937,358</u>	<u>98,552,108</u>
Less accumulated depreciation for:				
Distribution plant	27,780,142	2,332,153	664,192	29,448,103
General plant	12,117,689	1,493,599	2,017,205	11,594,083
Total accumulated depreciation	<u>39,897,831</u>	<u>3,825,752</u>	<u>2,681,397</u>	<u>41,042,186</u>
Total capital assets, being depreciated, net	<u>53,020,077</u>	<u>4,745,806</u>	<u>255,961</u>	<u>57,509,922</u>
Total capital assets, net	<u>\$ 56,436,395</u>	<u>\$ 10,234,283</u>	<u>\$ 8,318,608</u>	<u>\$ 58,352,070</u>

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Broadband Division:	Balance at			Balance at
Description	June 30, 2019	Additions	Disposals	June 30, 2020
Capital assets, not being depreciated:				
Construction in progress	\$ 47,458	\$ 609,399	\$ 655,104	\$ 1,753
Capital assets, being depreciated:				
General plant	\$ 4,278,374	\$ 248,059	\$ 265,919	\$ 4,260,514
Less: accumulated depreciation for:				
General plant	3,170,151	404,902	256,635	3,318,418
Total capital assets, being depreciated, net	1,108,223	(156,843)	9,284	942,096
Total capital assets, net	<u>\$ 1,155,681</u>	<u>\$ 452,556</u>	<u>\$ 664,388</u>	<u>\$ 943,849</u>
Description	Balance at	Additions	Disposals	Balance at
	June 30, 2018			June 30, 2019
Capital assets, not being depreciated:				
Construction in progress	\$ 1,168	\$ 585,971	\$ 539,681	\$ 47,458
Capital assets, being depreciated:				
General plant	\$ 4,152,227	\$ 170,068	\$ 43,921	\$ 4,278,374
Less: accumulated depreciation for:				
General plant	2,812,246	393,796	35,891	3,170,151
Total capital assets, being depreciated, net	1,339,981	(223,728)	8,030	1,108,223
Total capital assets, net	<u>\$ 1,341,149</u>	<u>\$ 362,243</u>	<u>\$ 547,711</u>	<u>\$ 1,155,681</u>

Depreciation expense amounted to \$3,638,157 and \$3,366,083 in the electric division and \$404,902 and \$393,796 in the Broadband division for the fiscal years ended June 30, 2020 and 2019. Amounts charged to transportation expense in the electric division were \$456,344 and \$459,669 for the electric division and \$0 and \$0 for the broadband division for the years ended June 30, 2020 and 2019.

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E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2020 and 2019 is as follows:

2020	Due from: (Receivable)			
	Electric	Broadband	Eliminated	Total
Due to:(Payable)				
Electric	-	33,182	(33,182)	-
City Hall	152	-	-	152
	<u>\$ 152</u>	<u>\$ 33,182</u>	<u>\$ (33,182)</u>	<u>\$ 152</u>
2019	Due from: (Receivable)			
	Electric	Broadband	Eliminated	Total
Due to:(Payable)				
Electric	-	(33,756)	33,756	-
	<u>\$ -</u>	<u>\$ (33,756)</u>	<u>\$ 33,756</u>	<u>\$ -</u>

During the years ended June 30, 2020 and 2019, the System also transferred out an amount of \$1,119,959 and \$1,186,362, 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, 2020 and June 30, 2019 are as follows:

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Current Portion
Revenue Bonds - 2013 - Electric	\$ 1,945,000	\$ -	\$ (1,945,000)	\$ -	\$ -
Revenue Bonds - 2014 - Electric	6,125,000	-	(445,000)	5,680,000	450,000
Revenue and Tax Bonds - 2015 - Electric	2,154,874	-	(348,140)	1,806,734	353,927
Revenue and Tax Bonds - 2015 - Broadband	1,840,072	-	(297,281)	1,542,791	302,223
Compensated absences	693,177	74,248	-	767,425	10,744
Total	<u>\$ 12,758,123</u>	<u>\$ 74,248</u>	<u>\$ (3,035,421)</u>	<u>\$ 9,796,950</u>	<u>\$ 1,116,894</u>
	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Current Portion
Revenue Bonds - 2013 - Electric	\$ 2,055,000	\$ -	\$ (110,000)	\$ 1,945,000	\$ 110,000
Revenue Bonds - 2014 - Electric	6,555,000	-	(430,000)	6,125,000	445,000
Revenue and Tax Bonds - 2015 - Electric	2,496,808	-	(341,934)	2,154,874	347,618
Revenue and Tax Bonds - 2015 - Broadband	2,132,053	-	(291,981)	1,840,072	296,835
Compensated absences	661,702	31,475	-	693,177	9,505
Total	<u>\$ 13,900,563</u>	<u>\$ 31,475</u>	<u>\$ (1,173,915)</u>	<u>\$ 12,758,123</u>	<u>\$ 1,208,958</u>

Long-term debt consisted of the following at June 30, 2020 and 2019:

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	<u>2020</u>	<u>2019</u>
Electric Division revenue bonds - Series 2013, due through June 1, 2033, with an interest rate of 3.38%	\$ -	\$ 1,945,000
Electric Division revenue bonds - Series 2014, due through June 1, 2031, with an interest rate of 2.69%	5,680,000	6,125,000
Electric Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	1,806,734	2,154,874
Broadband Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	<u>1,542,791</u>	<u>1,840,072</u>
	<u>\$ 9,029,525</u>	<u>\$ 12,064,946</u>

A summary of future debt service amounts are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,106,150	\$ 208,632	\$ 1,314,782
2022	1,128,059	184,619	1,312,678
2023	1,165,184	160,120	1,325,304
2024	1,167,529	134,729	1,302,258
2025	1,162,603	109,382	1,271,985
2026-2030	2,710,000	302,221	3,012,221
2031	590,000	15,872	605,872
Total	<u>\$ 9,029,525</u>	<u>\$ 1,115,575</u>	<u>\$ 10,145,100</u>

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, 2020 and June 30, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Net investments in capital assets		
Net property, plant and equipment in service	\$ 58,525,464	\$ 59,507,751
Less: Debt disclosed in Note 3F	<u>(9,029,525)</u>	<u>(12,064,946)</u>
	<u>49,495,939</u>	<u>47,442,805</u>
Restricted for debt service and investments		
Restricted cash and cash equivalents	996,683	1,549,861
Less: Current liabilities payable from restricted assets	<u>(922,258)</u>	<u>(909,691)</u>
	<u>74,425</u>	<u>640,170</u>
Unrestricted	<u>10,635,291</u>	<u>9,368,138</u>
Total net position	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>

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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

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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, 2019 and 2018, the following employees were covered by the Plan:

	<u>July 1, 2019</u>	<u>July 1, 2018</u>
Active participants (employees)	40	42
Retired participants and beneficiaries	44	46
Vested terminated participants	<u>21</u>	<u>19</u>
Total employees covered by the Plan	<u>105</u>	<u>107</u>

Contributions. Required contributions are determined by First Farmers Trust and Financial Management based on actuarial calculations performed by an independent actuary. The actuarially

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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, 2020 and 2019 of \$840,000 and \$720,000 were made in accordance with actuarially determined requirements computed through the actuarial valuations performed as of July 1, 2019 and 2018.

Funded status and funding progress. As of June 30, 2019 the actuarial accrued liability for benefits was \$16,143,997 and the net pension liability was \$1,109,598. Total covered payroll was \$2,646,418 and the ratio of net pension liability to covered payroll was 41.93%. As of June 30, 2018 the actuarial accrued liability for benefits was \$15,857,706 and the net pension liability was \$1,425,594. Total covered payroll was \$2,681,470 and the ratio of net pension liability to covered payroll was 53.16%.

Net Pension Liability. The System's net pension liability was measured as of June 30, 2019 and 2018 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, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The July 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

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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 2014 Mortality Table for males with blue collar adjustment Female - SOA - RP 2014 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:	None

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

The Electric fund uses the measurement date of June 30, 2019 and 2018 for reporting purposes for the fiscal years ended June 30, 2020 and 2019.

The actuarial assumptions used in the July 1, 2019 and 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019 and July 1, 2017 through June 30, 2018. In addition, mortality rates were based on the RP-2014 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.

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Changes in System's Net Pension Liability. Changes in the System's net pension liability measured at June 30, 2019 and 2018 are detailed in the following tables. Table 2A and Table 2B show the net pension liability as of June 30, 2018 and 2017, 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, 2019 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 6/30/2018	\$ 15,857,706	14,432,112	1,425,594
Changes for the year:			
Service cost	184,152	-	184,152
Interest	1,090,785	-	1,090,785
Difference between actual and expected	(140,863)	-	(140,863)
Change of assumptions	-	-	-
Contributions - employer	-	720,000	(720,000)
Contributions - employee	-	-	-
Net investment income	-	766,150	(766,150)
Benefit payments	(847,783)	(847,783)	-
Administrative expenses	-	(36,080)	36,080
Net changes	286,291	602,287	(315,996)
Balances as 6/30/2019	\$ 16,143,997	\$ 15,034,399	\$ 1,109,598

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	Table 2A - Increase (Decrease)		
	Total pension liability (TPL)	Plan fiduciary net position	Net pension liability (NPL)
	(a)	(b)	(a)-(b)
Balances as 6/30/2017	\$ 14,399,108	\$ 13,513,878	\$ 885,230
Changes for the year:			
Service cost	179,952	-	179,952
Interest	990,049	-	990,049
Difference between actual and expected	242,126	-	242,126
Change of assumptions	850,488	-	850,488
Contributions - employer	-	720,000	(720,000)
Contributions - employee	-	-	-
Net investment income	-	1,029,280	(1,029,280)
Benefit payments	(804,018)	(804,018)	-
Administrative expenses	-	(27,029)	27,029
Net changes	1,458,597	918,233	540,364
Balances as 6/30/2018	\$ 15,857,705	\$ 14,432,111	\$ 1,425,594

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, 2019		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	\$ 18,343,211	\$ 16,143,997	\$ 14,321,965
Plan fiduciary net position	15,034,399	15,034,399	15,034,399
Net pension liability (asset)	\$ 3,308,812	\$ 1,109,598	\$ (712,434)
	June 30, 2018		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	\$ 18,020,760	\$ 15,857,705	\$ 14,069,541
Plan fiduciary net position	14,432,111	14,432,111	14,432,111
Net pension liability (asset)	\$ 3,588,649	\$ 1,425,594	\$ (362,570)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2020 and 2019, the System recognized pension expense of \$358,416 and

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\$218,425. At June 30, 2020 and 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 548,728	\$ 316,338
Change of assumptions	692,266	-
Pension contributions subsequent to the measurement date of June 30, 2019	840,000	-
Net Difference between projected and actual earnings on pension plan investments	<u>74,021</u>	<u>-</u>
Total	<u>\$ 2,155,015</u>	<u>\$ 316,338</u>

	<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 597,135	\$ 202,663
Change of assumptions	748,139	-
Pension contributions subsequent to the measurement date of June 30, 2017	720,000	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>33,693</u>
Total	<u>\$ 2,065,274</u>	<u>\$ 236,356</u>

The amounts shown above for "System contributions subsequent to the measurement date of June 30, 2019 and 2018" 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, 2020:

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Year ending June 30,	Amortized
2021	128,882
2022	16,264
2023	112,561
2024	124,665
2025	77,088
Thereafter	539,217

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, 2020 and 2019 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2020 and 2019 administrative expenses paid were \$36,080 and \$27,028 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.

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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, 2020 and 2019 are detailed in the following tables. Table 1A and Table 2A show the net OPEB liability as of June 30, 2020 and 2019, 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, 2020 in order to be in compliance with GASB Statement No. 75.

	<u>Table 1A</u>		
	<u>(a) Total OPEB Liability (TOL)</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>(a) - (b) Net OPEB Liability</u>
Total OPEB Liability (TOL) July 1, 2019	\$ 1,136,544	\$ -	\$ 1,136,544
Service Cost	49,894	-	49,894
Interest	34,806	-	34,806
Changes in assumptions	-	-	-
Difference Between Actual and Expected	-	-	-
Net Investment Income	-	-	-
Actual System Contributions	(52,834)	-	(52,834)
Administrative Expense	-	-	-
Net Changes	<u>31,866</u>	<u>-</u>	<u>31,866</u>
Total OPEB Liability(TOL) July 1, 2020	<u>\$ 1,168,410</u>	<u>\$ -</u>	<u>\$ 1,168,410</u>

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	<u>Table 2A</u>		
	<u>(a) Total OPEB Liability (TOL)</u>	<u>(b) Plan Fiduciary Net Position</u>	<u>OPEB Liability</u>
Total OPEB Liability (TOL) July 1, 2018	\$ 821,944	\$ -	\$ 821,944
Prior period adjustment	524,302	-	524,302
Balance as of July 1, 2018	<u>1,346,246</u>	<u>-</u>	<u>1,346,246</u>
Service Cost	47,997	-	47,997
Interest	41,001	-	41,001
Changes in assumptions	(326,355)	-	(326,355)
Difference Between Actual and Expected	83,117	-	83,117
Net Investment Income	-	-	-
Actual System Contributions	(55,462)	-	(55,462)
Administrative Expense	-	-	-
Net Changes	<u>(209,702)</u>	<u>-</u>	<u>(209,702)</u>
Total OPEB Liability(TOL) July 1, 2019	<u>\$ 1,136,544</u>	<u>\$ -</u>	<u>\$ 1,136,544</u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Pulaski Electric System as of July 1, 2020 and 2019 and only those not frozen in the defined benefit plan.

Plan Membership

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Number of Participants		
Actives (with medical coverage)	64	64
Actives (without medical coverage)	0	0
Retirees (with medical coverage)	8	8
Total Participants	<u>72</u>	<u>72</u>
Annual Projected Payroll	\$ 3,592,220	\$ 3,592,220
Average Projected Earnings	\$ 56,128	\$ 56,128

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.

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Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.0% percent, average, including inflation
Health Trend	Health Trend rate is 6.5% starting in 2020 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-2014 annuity for healthy males and RP-2014 annuity for healthy females.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period ending July 1, 2020.

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 5.5% decreasing to .25% until 1.5% is reached	Current 6.5% decreasing to .25% until 2.50% is reached	1% Increase 7.5% decreasing to .25% until 3.50% is reached
2020			
Total OPEB Liability	\$ 1,024,661	\$ 1,168,410	\$ 1,339,826
Plan Fiduciary Net Positon	-	-	-
Net OBEB Liability	<u>1,024,661</u>	<u>1,168,410</u>	<u>1,339,826</u>
	1% Decrease 5.5% decreasing to .25% until 1.5% is reached	Current 6.5% decreasing to .25% until 2.50% is reached	1% Increase 7.5% decreasing to .25% until 3.50% is reached
2019			
Total OPEB Liability	\$ 996,716	\$ 1,136,544	\$ 1,303,285
Plan Fiduciary Net Positon	-	-	-
Net OBEB Liability	<u>996,716</u>	<u>1,136,544</u>	<u>1,303,285</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

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%
2020			
Net OPEB Liability	\$ 1,286,610	\$ 1,168,410	\$ 1,060,408
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>1,286,610</u>	<u>1,168,410</u>	<u>1,060,408</u>
2019			
Net OPEB Liability	\$ 1,251,520	\$ 1,136,544	\$ 1,031,487
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>1,251,520</u>	<u>1,136,544</u>	<u>1,031,487</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2020 and June 30, 2019, the System recognized OPEB expense of \$56,307 and \$41,974. At June 30, 2020 and June 30, 2019, the System reported deferred outflows of related to OPEB liability from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,369	\$ 147,316
Change of assumptions	-	233,111
Total	<u>\$ 59,369</u>	<u>\$ 380,427</u>
	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,243	\$ 159,592
Change of assumptions	-	279,733
Total	<u>\$ 71,243</u>	<u>\$ 439,325</u>

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, 2020:

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

Year ending June 30,	Amortized
2020	(47,024)
2021	(47,024)
2022	(47,024)
2023	(47,024)
2024	(47,024)
Thereafter	(85,938)

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, 2020 and June 30, 2019 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2020 and June 30, 2019 administrative expenses paid were \$0.

D. Deferred Compensation Plan

The System offers a deferred compensation plan (Pulaski Electric System 457 Plan) that is administered by ICMA-RC. The contribution rates for this plan are determined by the employee while the System does not match any contributions. The employee can change contributions rates at any time while on the plan. The amount of pension expense recognized by the System in the current period was \$0. The amount of forfeitures reflected in pension expense were \$0 during the current period, and there will never be forfeitures due to the fact that the employee is 100% vested at the time of contribution. The System did not have a liability at June 30, 2020.

E. Subsequent Events

In July of 2020 the System refunded the 2014 Electric Bonds with the Series 2020 Electric System Revenue Bonds. The par amount of the 2020 bonds are \$4,985,000.

The full impact of the COVID-19 outbreak continues to evolve as of the August 28, 2020. As such, it is uncertain as to the full magnitude that the pandemic will have on the Utility's financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. Management has evaluated subsequent events through August 28, 2020, the date in which the financial statements were available to be issued.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

F. Segment Reporting

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating revenues				
Charges for sales and service	\$ 41,715,024	\$ 45,074,671	\$ 3,549,730	\$ 3,631,672
Other operating revenues	<u>1,124,976</u>	<u>1,128,971</u>	<u>105,551</u>	<u>263,304</u>
Total operating revenues	<u>42,840,000</u>	<u>46,203,642</u>	<u>3,655,281</u>	<u>3,894,976</u>
Operating expenses				
Provision for depreciation expense	3,638,157	3,366,083	404,902	393,796
Other operating expenses	<u>35,456,859</u>	<u>38,695,821</u>	<u>3,106,350</u>	<u>3,035,808</u>
Total operating expenses	<u>39,095,016</u>	<u>42,061,904</u>	<u>3,511,252</u>	<u>3,429,604</u>
Operating income (loss)	<u>3,744,984</u>	<u>4,141,738</u>	<u>144,029</u>	<u>465,372</u>
Nonoperating revenues (expenses)				
Interest expense	(271,510)	(319,540)	(30,662)	(35,962)
Other nonoperating revenues (expenses)	<u>99,326</u>	<u>167,824</u>	<u>188,334</u>	<u>40,889</u>
Total nonoperating revenues (expenses)	<u>(172,184)</u>	<u>(151,716)</u>	<u>157,672</u>	<u>4,927</u>
Income (loss) before transfers	<u>3,572,800</u>	<u>3,990,022</u>	<u>301,701</u>	<u>470,299</u>
Transfers in (out)	<u>(1,119,959)</u>	<u>(1,186,362)</u>	-	-
Change in net position	2,452,841	2,803,660	301,701	470,299
Total net position - beginning	<u>56,661,385</u>	<u>53,857,725</u>	<u>789,728</u>	<u>319,429</u>
Ending net position	<u>\$ 59,114,226</u>	<u>\$ 56,661,385</u>	<u>\$ 1,091,429</u>	<u>\$ 789,728</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019**

CONDENSED STATEMENT OF NET POSITION

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current assets	\$ 14,549,771	\$ 15,329,424	\$ 1,900,308	\$ 1,857,963
Noncurrent assets - restricted	1,003,663	1,549,861	-	-
Other assets	196,080	227,422	-	-
Capital assets	<u>57,581,615</u>	<u>58,352,070</u>	<u>943,849</u>	<u>1,155,681</u>
Total assets	<u>73,331,129</u>	<u>75,458,777</u>	<u>2,844,157</u>	<u>3,013,644</u>
Deferred outflows of resources	<u>2,442,830</u>	<u>2,396,988</u>	<u>139,087</u>	<u>143,352</u>
Current liabilities	4,815,639	6,460,536	41,928	195,479
Current liabilities payable from restricted assets	1,720,135	1,808,259	308,273	300,885
Noncurrent liabilities	<u>9,497,706</u>	<u>12,318,283</u>	<u>1,471,102</u>	<u>1,802,525</u>
Total liabilities	<u>16,033,480</u>	<u>20,587,078</u>	<u>1,821,303</u>	<u>2,298,889</u>
Deferred inflows of resources	<u>626,253</u>	<u>607,302</u>	<u>70,512</u>	<u>68,379</u>
Net position:				
Net investment in capital assets	50,094,881	48,127,196	(598,942)	(684,391)
Restricted for debt service	94,435	644,220	(6,050)	(4,050)
Unrestricted	<u>8,924,910</u>	<u>7,889,969</u>	<u>1,696,421</u>	<u>1,478,169</u>
Total net position	<u>\$ 59,114,226</u>	<u>\$ 56,661,385</u>	<u>\$ 1,091,429</u>	<u>\$ 789,728</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Net cash provided (used) by operating activities	\$ 6,106,653	\$ 7,463,250	\$ 634,768	\$ 482,830
Net cash provided (used) by non-capital and related financing activities	(1,119,959)	(1,186,362)	-	-
Net cash provided (used) by capital and related financing activities	(5,896,663)	(6,452,030)	(521,013)	(525,233)
Net cash provided (used) by investing activities	<u>138,763</u>	<u>167,772</u>	<u>189,132</u>	<u>35,370</u>
Net increase (decrease) in cash and cash equivalents	(771,206)	(7,370)	302,887	(7,033)
Cash and cash equivalents - beginning	<u>12,874,887</u>	<u>12,882,257</u>	<u>1,335,472</u>	<u>1,342,505</u>
Cash and cash equivalents - ending	<u>\$ 12,103,681</u>	<u>\$ 12,874,887</u>	<u>\$ 1,638,359</u>	<u>\$ 1,335,472</u>

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,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 184,153	\$ 179,952	\$ 195,442	\$ 191,944	\$ 222,187	\$ 229,718
Interest	1,090,785	990,049	972,881	929,638	892,701	874,572
Differences between actual & expected experience	(140,863)	242,126	(107,468)	286,574	192,372	(159,569)
Change of assumptions	-	850,488	-	-	-	-
Benefit payments, including refunds of member's contributions	<u>(847,783)</u>	<u>(804,018)</u>	<u>(795,489)</u>	<u>(792,018)</u>	<u>(698,921)</u>	<u>(653,720)</u>
Net change in total pension liability	286,292	1,458,597	265,366	616,138	608,339	291,001
Total pension liability - beginning	<u>15,857,705</u>	<u>14,399,108</u>	<u>14,133,742</u>	<u>13,517,604</u>	<u>12,909,265</u>	<u>12,618,264</u>
Total pension liability - ending (a)	<u>\$ 16,143,997</u>	<u>\$ 15,857,705</u>	<u>\$ 14,399,108</u>	<u>\$ 14,133,742</u>	<u>\$ 13,517,604</u>	<u>\$ 12,909,265</u>
Plan fiduciary net position						
Contributions - employer	720,000	720,000	720,000	700,000	648,000	648,000
Net investment income	766,150	1,029,280	1,365,856	278,504	426,629	1,608,611
Benefit payments, including refunds of member's contributions	(847,783)	(804,018)	(795,489)	(792,018)	(698,921)	(653,720)
Administrative expense	<u>(36,079)</u>	<u>(27,029)</u>	<u>(24,495)</u>	<u>(24,171)</u>	<u>(23,467)</u>	<u>(20,175)</u>
Net change in plan fiduciary net position	602,288	918,233	1,265,872	162,315	352,241	1,582,716
Plan fiduciary net position - beginning	<u>14,432,111</u>	<u>13,513,878</u>	<u>12,248,006</u>	<u>12,085,691</u>	<u>11,733,450</u>	<u>10,150,734</u>
Plan fiduciary net position - ending (b)	<u>15,034,399</u>	<u>14,432,111</u>	<u>13,513,878</u>	<u>12,248,006</u>	<u>12,085,691</u>	<u>11,733,450</u>
Net Pension Liability (Asset) - ending (a) - (b)	1,109,598	1,425,594	885,230	1,885,736	1,431,913	1,175,815
Plan fiduciary net position as a percentage of total pension liability	93.13%	91.01%	93.85%	86.66%	89.41%	90.89%
Covered payroll	\$ 2,646,418	\$ 2,681,470	\$ 2,862,672	\$ 2,955,030	\$ 2,894,615	\$ 3,150,560
Net pension liability (asset) as a percentage of covered payroll	41.93%	53.16%	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.

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 600,449	\$ 551,540	\$ 449,625	\$ 521,791	\$ 435,728	\$ 489,938	\$ 467,172
Contributions in relation to the actuarially determined contribution	<u>840,000</u>	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>700,000</u>	<u>648,000</u>	<u>648,000</u>
Net change in total pension liability	<u>\$ (239,551)</u>	<u>\$ (168,460)</u>	<u>\$ (270,375)</u>	<u>\$ (198,209)</u>	<u>\$ (264,272)</u>	<u>\$ (158,062)</u>	<u>\$ (180,828)</u>
Covered payroll	\$ 2,575,734	\$ 2,646,418	\$ 2,681,470	\$ 2,862,672	\$ 2,955,030	\$ 2,894,615	\$ 3,150,560
Contributions as a percentage of covered payroll	32.61%	27.21%	26.85%	25.15%	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,

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	3.65%	5.08%	7.44%	10.99%	2.11%	3.44%	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, 2020**

Notes to Pension Required Supplementary Information

Valuation Date: Actuarially determined contribution rates for 2019 were calculated based on the July 1, 2018 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 2014 Mortality Table for males with blue collar adjustment Female - SOA - RP 2014 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:	None

See independent auditor's report.

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	2020	2019	2018
Service cost	\$ 49,894	\$ 47,997	\$ 37,664
Interest	34,806	41,001	30,919
Differences between expected and actual experience	-	83,117	(184,144)
Changes of assumptions	-	(326,355)	-
Benefits Payments and Refunds	(52,834)	(55,462)	(55,462)
Net Change in Total OPEB Liability	31,866	(209,702)	(171,023)
Total OPEB Liability - beginning	1,136,544	821,944	992,967
Restatement for changes in assumptions	-	524,302	-
Total OPEB Liability - beginning (after restatement)	1,136,544	1,346,246	-
Total OPEB Liability - ending (a)	\$ 1,168,410	\$ 1,136,544	\$ 821,944
Covered Employee Payroll	\$ 2,646,418	\$ 2,681,470	\$ 2,862,672
Net OPEB Liability as a % of covered-employee payroll	44.15%	42.39%	28.71%

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

See independent auditor's report.

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY
INFORMATION**

For the Year Ended June 30, 2020

Notes to OPEB Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2019 were calculated based on the July 1, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Individual Entry Age Normal
Asset-Valuation Method	Market Value of Assets as of the Measurement Date, June 30, 2019
Investment Rate of Return	6.50% net of OPEB plan investment expense, including inflation.
Municipal Bond Rate	3.05% as of May 31, 2019
Single Equivalent Discount Rate	3.00%, net of OPEB plan investment expense, including inflation.
Inflation	2.75% as of June 30, 2019 and for future periods
Salary Increase:	3.0% per year
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality	RP-2014 Employees Mortality Table set back to 2006 projected generationally with scale MP 2018 for males and females.
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table set back to 2006 projected generationally with scale MP 2018 for males and females.
Disabled Mortality	RP-2014 Disabled Annuitant Mortality Table set back to 2006 projected generationally with scale MP 2018 for males and females.

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2020 and 2019

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets						
Cash on hand	\$ 1,325	\$ 1,325	\$ 525	\$ 525	\$ 1,850	\$ 1,850
Cash and cash equivalents - general	11,098,693	11,323,701	1,637,834	1,334,947	12,736,527	12,658,648
Accounts receivable - trade (net of allowance for uncollectibles electric \$100,000 and \$100,000 and broadband \$15,000 and \$15,000 for 2020 and 2019, respectively)	2,276,060	2,820,168	180,150	196,093	2,456,210	3,016,261
Accounts receivable - CSA	24,624	25,296	-	-	24,624	25,296
Accounts receivable - other	311,493	257,894	311	314,500	311,804	572,394
Materials and supplies	675,771	677,996	48,306	45,654	724,077	723,650
Due to City	152	-	-	-	152	-
Due from (to) other division	(33,182)	33,756	33,182	(33,756)	-	-
Prepayments and other current assets	201,815	189,288	-	-	201,815	189,288
Total current assets	<u>14,556,751</u>	<u>15,329,424</u>	<u>1,900,308</u>	<u>1,857,963</u>	<u>16,457,059</u>	<u>17,187,387</u>
Noncurrent assets						
Restricted:						
Cash and cash equivalents	996,683	1,549,861	-	-	996,683	1,549,861
Other assets						
Unamortized debt expense	26,082	54,833	-	-	26,082	54,833
Other future charges	169,998	172,589	-	-	169,998	172,589
Total other assets	<u>196,080</u>	<u>227,422</u>	<u>-</u>	<u>-</u>	<u>196,080</u>	<u>227,422</u>
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	773,199	472,785	1,753	47,458	774,952	520,243
Total capital assets, not being depreciated	<u>1,142,562</u>	<u>842,148</u>	<u>1,753</u>	<u>47,458</u>	<u>1,144,315</u>	<u>889,606</u>
Capital assets, net of accumulated depreciation						
Distribution plant	41,837,143	42,005,442	-	-	41,837,143	42,005,442
General plant	14,601,910	15,504,480	942,096	1,108,223	15,544,006	16,612,703
Total capital assets (net of accumulated depreciation)	<u>57,581,615</u>	<u>58,352,070</u>	<u>943,849</u>	<u>1,155,681</u>	<u>58,525,464</u>	<u>59,507,751</u>
Total noncurrent assets	<u>58,774,378</u>	<u>60,129,353</u>	<u>943,849</u>	<u>1,155,681</u>	<u>59,718,227</u>	<u>61,285,034</u>
Total assets	<u>73,331,129</u>	<u>75,458,777</u>	<u>2,844,157</u>	<u>3,013,644</u>	<u>76,175,286</u>	<u>78,472,421</u>
Deferred outflows of resources						
Deferred outflows related to pensions	2,021,936	1,929,132	133,079	136,142	2,155,015	2,065,274
Deferred outflows related to OPEB	53,361	64,033	6,008	7,210	59,369	71,243
Loss on defeasance	367,533	403,823	-	-	367,533	403,823
Total deferred outflows of resources	<u>\$ 2,442,830</u>	<u>\$ 2,396,988</u>	<u>\$ 139,087</u>	<u>\$ 143,352</u>	<u>\$ 2,581,917</u>	<u>\$ 2,540,340</u>

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2020 and 2019

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2020	2019	2020	2019	2020	2019
Liabilities						
Current liabilities						
Accounts payable	\$ 4,502,444	\$ 6,181,392	\$ -	\$ -	\$ 4,502,444	\$ 6,181,392
Other accrued expense	313,195	279,144	41,928	195,479	355,123	474,623
Total current liabilities	<u>4,815,639</u>	<u>6,460,536</u>	<u>41,928</u>	<u>195,479</u>	<u>4,857,567</u>	<u>6,656,015</u>
Current liabilities payable from restricted assets						
Customers' deposits	902,478	886,433	6,050	4,050	908,528	890,483
Accrued interest	13,730	19,208	-	-	13,730	19,208
Current maturities of:						
Compensated absences	10,744	-	-	-	10,744	-
Bonds payable	803,927	902,618	302,223	296,835	1,106,150	1,199,453
Total current liabilities payable from restricted assets	<u>1,730,879</u>	<u>1,808,259</u>	<u>308,273</u>	<u>300,885</u>	<u>2,039,152</u>	<u>2,109,144</u>
Noncurrent liabilities						
Compensated absences	756,681	693,177	-	-	756,681	693,177
Net pension liability	997,307	1,281,324	112,291	144,270	1,109,598	1,425,594
OPEB liability	1,050,167	1,021,526	118,243	115,018	1,168,410	1,136,544
Bonds payable (less current maturities)	6,682,807	9,322,256	1,240,568	1,543,237	7,923,375	10,865,493
Total noncurrent liabilities	<u>9,486,962</u>	<u>12,318,283</u>	<u>1,471,102</u>	<u>1,802,525</u>	<u>10,958,064</u>	<u>14,120,808</u>
Total liabilities	<u>16,033,480</u>	<u>20,587,078</u>	<u>1,821,303</u>	<u>2,298,889</u>	<u>17,854,783</u>	<u>22,885,967</u>
Deferred inflows of resources						
Deferred inflows related to pensions	284,325	212,437	32,013	23,919	316,338	236,356
Deferred inflows related to OPEB	341,928	394,865	38,499	44,460	380,427	439,325
Total deferred inflows of resources	<u>626,253</u>	<u>607,302</u>	<u>70,512</u>	<u>68,379</u>	<u>696,765</u>	<u>675,681</u>
Net Position						
Net investment in capital assets	50,094,881	48,127,196	(598,942)	(684,391)	49,495,939	47,442,805
Restricted	80,475	644,220	(6,050)	(4,050)	74,425	640,170
Unrestricted	8,938,870	7,889,969	1,696,421	1,478,169	10,635,291	9,368,138
Total net position	<u>\$ 59,114,226</u>	<u>\$ 56,661,385</u>	<u>\$ 1,091,429</u>	<u>\$ 789,728</u>	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2020	2019	2020	2019	2020	2019
Operating revenues						
Charges for sales and service	\$ 41,715,024	\$ 45,074,671	\$ 3,549,730	\$ 3,631,672	\$ 45,264,754	\$ 48,706,343
Other operating revenue	1,124,976	1,128,971	105,551	263,304	1,230,527	1,392,275
Total operating revenues	<u>42,840,000</u>	<u>46,203,642</u>	<u>3,655,281</u>	<u>3,894,976</u>	<u>46,495,281</u>	<u>50,098,618</u>
Operating expenses						
Cost of sales and services	29,553,897	32,973,590	1,800,140	1,719,143	31,354,037	34,692,733
Distribution expenses	400,360	318,409	122,567	124,074	522,927	442,483
Customer accounts expenses	460,518	452,435	124,648	119,960	585,166	572,395
Customer service and information expenses	289,184	301,810	241,779	284,415	530,963	586,225
Administrative and general expenses	2,301,850	2,202,408	574,824	608,038	2,876,674	2,810,446
Maintenance expenses	2,451,050	2,447,169	242,392	180,178	2,693,442	2,627,347
Provision for depreciation expense	3,638,157	3,366,083	404,902	393,796	4,043,059	3,759,879
Total operating expenses	<u>39,095,016</u>	<u>42,061,904</u>	<u>3,511,252</u>	<u>3,429,604</u>	<u>42,606,268</u>	<u>45,491,508</u>
Operating income (loss)	<u>3,744,984</u>	<u>4,141,738</u>	<u>144,029</u>	<u>465,372</u>	<u>3,889,013</u>	<u>4,607,110</u>
Nonoperating revenues (expenses)						
Interest and other income	138,763	167,772	189,132	35,370	327,895	203,142
Amortization expense	(39,437)	52	(798)	5,519	(40,235)	5,571
Interest and other expense	(271,510)	(319,540)	(30,662)	(35,962)	(302,172)	(355,502)
Total nonoperating revenues (expenses)	<u>(172,184)</u>	<u>(151,716)</u>	<u>157,672</u>	<u>4,927</u>	<u>(14,512)</u>	<u>(146,789)</u>
Income (loss) before transfers	<u>3,572,800</u>	<u>3,990,022</u>	<u>301,701</u>	<u>470,299</u>	<u>3,874,501</u>	<u>4,460,321</u>
Transfers						
Transfers out - in lieu of tax payments to City	<u>(1,119,959)</u>	<u>(1,186,362)</u>	-	-	<u>(1,119,959)</u>	<u>(1,186,362)</u>
Change in net position	2,452,841	2,803,660	301,701	470,299	2,754,542	3,273,959
Total net position - beginning	<u>56,661,385</u>	<u>53,857,725</u>	<u>789,728</u>	<u>319,429</u>	<u>57,451,113</u>	<u>54,177,154</u>
Total net position - ending	<u>\$ 59,114,226</u>	<u>\$ 56,661,385</u>	<u>\$ 1,091,429</u>	<u>\$ 789,728</u>	<u>\$ 60,205,655</u>	<u>\$ 57,451,113</u>

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, 2020 and 2019

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2020	2019	2020	2019	2020	2019
Cash flows from operating activities						
Cash received from consumers	\$ 43,331,181	\$ 46,393,335	\$ 3,985,413	\$ 3,577,559	\$ 47,316,594	\$ 49,970,894
Cash paid to suppliers	(35,959,422)	(37,529,558)	(2,958,945)	(2,835,899)	(38,918,367)	(40,365,457)
Cash paid to employees	(1,354,917)	(1,368,338)	(326,762)	(311,128)	(1,681,679)	(1,679,466)
Customer deposits received	176,350	180,810	2,800	2,150	179,150	182,960
Customer deposits refunded	(160,305)	(160,032)	(800)	(1,700)	(161,105)	(161,732)
Amounts received from (paid to) other funds	66,786	(52,967)	(66,938)	51,848	(152)	(1,119)
Net cash provided (used) by operating activities	<u>6,099,673</u>	<u>7,463,250</u>	<u>634,768</u>	<u>482,830</u>	<u>6,734,441</u>	<u>7,946,080</u>
Cash flows from non-capital and related financing activities						
Transfers	(1,119,959)	(1,186,362)	-	-	(1,119,959)	(1,186,362)
Net cash provided (used) by non-capital and related financing activities	<u>(1,119,959)</u>	<u>(1,186,362)</u>	<u>-</u>	<u>-</u>	<u>(1,119,959)</u>	<u>(1,186,362)</u>
Cash flows from capital and related financing activities						
Principal paid on debt	(2,738,140)	(881,934)	(297,281)	(291,981)	(3,035,421)	(1,173,915)
Unamortized debt expense	25,604	33,650	-	-	25,604	33,650
Purchase of property, plant and equipment	(3,400,841)	(5,281,758)	(202,020)	(208,328)	(3,602,861)	(5,490,086)
Plant removal cost	(290,532)	-	-	11,038	(290,532)	11,038
Materials salvaged from retirements	823,671	-	8,950	-	832,621	-
Interest paid on bonds, notes and leases	(316,425)	(321,988)	(30,662)	(35,962)	(347,087)	(357,950)
Net cash provided (used) by capital and related financing activities	<u>(5,896,663)</u>	<u>(6,452,030)</u>	<u>(521,013)</u>	<u>(525,233)</u>	<u>(6,417,676)</u>	<u>(6,977,263)</u>
Cash flows from investing activities						
Interest and unrealized change in investments	138,763	167,772	189,132	35,370	327,895	203,142
Net cash provided (used) by investing activities	<u>138,763</u>	<u>167,772</u>	<u>189,132</u>	<u>35,370</u>	<u>327,895</u>	<u>203,142</u>
Net increase (decrease) in cash and cash equivalents	(778,186)	(7,370)	302,887	(7,033)	(475,299)	(14,403)
Cash and cash equivalents - beginning	<u>12,874,887</u>	<u>12,882,257</u>	<u>1,335,472</u>	<u>1,342,505</u>	<u>14,210,359</u>	<u>14,224,762</u>
Cash and cash equivalents - ending	<u>\$ 12,096,701</u>	<u>\$ 12,874,887</u>	<u>\$ 1,638,359</u>	<u>\$ 1,335,472</u>	<u>\$ 13,735,060</u>	<u>\$ 14,210,359</u>
Cash and cash equivalents						
Unrestricted cash on hand	\$ 1,325	\$ 1,325	\$ 525	\$ 525	\$ 1,850	\$ 1,850
Unrestricted cash and cash equivalents on deposit	11,098,693	11,323,701	1,637,834	1,334,947	12,736,527	12,658,648
Restricted cash and cash equivalents on deposit	996,683	1,549,861	-	-	996,683	1,549,861
Total cash and cash equivalents	<u>\$ 12,096,701</u>	<u>\$ 12,874,887</u>	<u>\$ 1,638,359</u>	<u>\$ 1,335,472</u>	<u>\$ 13,735,060</u>	<u>\$ 14,210,359</u>

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, 2020 and 2019

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2020	2019	2020	2019	2020	2019
Reconciliation of operating income (loss) to net cash provided (used)						
by operating activities						
Operating income (loss)	\$ 3,744,984	\$ 4,141,738	\$ 144,029	\$ 465,372	\$ 3,889,013	\$ 4,607,110
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,677,594	3,366,031	404,104	388,277	4,081,698	3,754,308
Change in pension related deferred outflows and inflows of resources	(20,916)	(894,707)	11,157	(100,739)	(9,759)	(995,446)
Change in opeb related deferred outflows and inflows of resources	(42,265)	158,964	(4,759)	37,250	(47,024)	196,214
Changes in assets and liabilities:						
Accounts receivable	491,181	189,693	330,132	(317,417)	821,313	(127,724)
Materials and supplies	2,225	30,810	(2,652)	21,766	(427)	52,576
Due (to) from City	(152)	(1,119)	-	-	(152)	(1,119)
Due from/to other division	66,938	(51,848)	(66,938)	51,848	-	-
Investments	-	-	-	-	-	-
Prepayments and other current assets	(12,527)	(20,249)	-	-	(12,527)	(20,249)
Other future charges	2,591	(1,639)	-	-	2,591	(1,639)
Accounts payable and accrued expenses	(1,644,897)	125,284	(153,551)	(26,600)	(1,798,448)	98,684
Accrued leave	74,248	31,475	-	-	74,248	31,475
Customer deposits	16,045	20,778	2,000	450	18,045	21,228
Net pension liability	(284,017)	556,519	(31,979)	(16,155)	(315,996)	540,364
OPEB liability	28,641	(188,480)	3,225	(21,222)	31,866	(209,702)
Net cash provided (used) by operating activities:	<u>\$ 6,099,673</u>	<u>\$ 7,463,250</u>	<u>\$ 634,768</u>	<u>\$ 482,830</u>	<u>\$ 6,734,441</u>	<u>\$ 7,946,080</u>

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

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

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Residential sales	\$ 20,262,607	47.30	\$ 20,947,414	45.34
Small lighting and power sales	3,813,419	8.90	3,961,978	8.58
Large lighting and power sales	12,370,924	28.88	13,954,984	30.20
Industrial sales	4,618,868	10.78	5,582,680	12.08
Street and athletic lighting sales	280,686	0.66	276,692	0.60
Outdoor lighting sales	345,097	0.81	350,923	0.76
Other sales	23,423	0.05	-	-
Total charges for sales and services	<u>41,715,024</u>	<u>97.38</u>	<u>45,074,671</u>	<u>97.56</u>
Other revenues:				
Forfeited discounts	194,038	0.45	235,020	0.51
Service charge revenue	142,630	0.33	170,470	0.37
Miscellaneous service revenue	3,320	0.01	4,100	0.01
Rent from property	720,357	1.68	643,316	1.39
Other electric revenue	<u>64,631</u>	<u>0.15</u>	<u>76,065</u>	<u>0.16</u>
Total other revenues	<u>1,124,976</u>	<u>2.62</u>	<u>1,128,971</u>	<u>2.44</u>
Total operating revenue	<u>\$ 42,840,000</u>	<u>100.00</u>	<u>\$ 46,203,642</u>	<u>100.00</u>
Operating expenses				
Cost of sales and services				
Purchased power	\$ 29,553,897	68.99	32,973,590	71.37
Total cost of sales and services	<u>29,553,897</u>	<u>68.99</u>	<u>32,973,590</u>	<u>71.37</u>
Distribution expenses				
Supervision and engineering	-	-	24	-
Underground line expense	1,722	-	2,074	-
Substation expense	217,939	0.51	93,798	0.20
Street lighting and signal system	6,567	0.02	7,562	0.02
Meter expense	83,591	0.20	75,304	0.16
Installation expense	(6,312)	(0.01)	4,535	0.01
Rents	30,444	0.07	28,987	0.06
Miscellaneous	<u>66,409</u>	<u>0.16</u>	<u>106,125</u>	<u>0.23</u>
Total distribution expenses	<u>\$ 400,360</u>	<u>0.95</u>	<u>\$ 318,409</u>	<u>0.68</u>

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, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	Amount	Percent	Amount	Percent
Customer accounts expenses				
Customer records and collection expenses	\$ 460,518	1.07	\$ 452,435	0.98
Total customer accounts expense:	<u>460,518</u>	<u>1.07</u>	<u>452,435</u>	<u>0.98</u>
Customer service and information expenses				
Supervision customer service	52,242	0.12	80,036	0.17
Customer assistance expense	180,176	0.42	173,868	0.38
Information and advertising expense	43,595	0.10	34,751	0.08
Demonstrating and selling	<u>13,171</u>	<u>0.03</u>	<u>13,155</u>	<u>0.03</u>
Total customer service and information expense	<u>289,184</u>	<u>0.67</u>	<u>301,810</u>	<u>0.66</u>
Administrative expenses				
Salaries	766,619	1.79	734,190	1.59
Board members pay	15,156	0.04	10,301	0.02
Safety coordinator	139,042	0.32	133,128	0.29
Office supplies and expense	272,224	0.64	290,013	0.63
Outside services employed	507,614	1.18	335,277	0.73
Insurance	197,111	0.46	175,363	0.38
Duplicate charge credit	(123,063)	(0.29)	(129,830)	(0.28)
Travel expense	54,646	0.13	99,967	0.22
Property taxes	338,170	0.79	359,349	0.78
Donations	9,450	0.02	4,583	0.01
Miscellaneous	<u>124,881</u>	<u>0.29</u>	<u>190,067</u>	<u>0.41</u>
Total administrative expenses	<u>\$ 2,301,850</u>	<u>5.37</u>	<u>\$ 2,202,408</u>	<u>4.78</u>
Maintenance expenses				
Substation expense	\$ 63,064	0.15	\$ 169,682	0.37
Overhead lines	1,858,103	4.34	1,805,451	3.91
Street lights and signal system	(32)	-	(34)	-
Meters	126,432	0.30	113,164	0.24
Outdoor lighting	3,424	0.01	23,336	0.05
Maintenance - general	<u>400,059</u>	<u>0.93</u>	<u>335,570</u>	<u>0.73</u>
Total maintenance expenses	<u>2,451,050</u>	<u>5.73</u>	<u>2,447,169</u>	<u>5.30</u>
Provision for depreciation	<u>3,638,157</u>	<u>8.49</u>	<u>3,366,083</u>	<u>7.29</u>
Total operating expenses	<u>\$ 39,095,016</u>	<u>91.26</u>	<u>\$ 42,061,904</u>	<u>91.04</u>

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, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Video	\$ 1,365,177	37.36	\$ 1,432,096	36.77
STB channel	55,978	1.53	63,752	1.64
Data	1,425,893	39.01	1,358,213	34.87
Other data services	181,399	4.96	203,861	5.23
Collection and data storage	29,730	0.81	29,730	0.76
Telephone	494,933	13.54	541,690	13.91
Other sales	(3,380)	(0.09)	2,330	0.07
Total charges for sales and services:	<u>3,549,730</u>	<u>97.12</u>	<u>3,631,672</u>	<u>93.25</u>
Other revenues				
Service charge revenue	58,919	1.61	76,433	1.96
Duplicate MIS charges	14,332	0.39	132,048	3.39
Advertising	5,062	0.14	21,137	0.54
Late payment fee	27,238	0.74	33,686	0.86
Total other revenues:	<u>105,551</u>	<u>2.88</u>	<u>263,304</u>	<u>6.75</u>
Total operating revenue	<u>\$ 3,655,281</u>	<u>100.00</u>	<u>\$ 3,894,976</u>	<u>100.00</u>
Operating expenses				
Cost of sales and services				
Internet cogs	\$ 271,891	7.44	\$ 262,888	6.75
Telephone cogs	113,221	3.10	167,941	4.31
Programming fee	1,415,028	38.71	1,288,314	33.08
Total cost of sales and services:	<u>1,800,140</u>	<u>49.25</u>	<u>1,719,143</u>	<u>44.14</u>
Distribution expense:				
Sub-station expense	101,065	2.76	101,065	2.59
Miscellaneous	21,502	0.59	23,009	0.59
Total distribution expense:	<u>122,567</u>	<u>3.35</u>	<u>124,074</u>	<u>3.18</u>
Customer accounts expense:				
Customer records and collection expense:	<u>124,648</u>	<u>3.41</u>	<u>119,960</u>	<u>3.08</u>

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, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	Amount	Percent	Amount	Percent
Customer service and information expenses				
Supervision customer service	\$ 15,264	0.42	\$ 20,755	0.53
Customer assistance expense	209,021	5.72	237,459	6.10
Information and advertising expenses	<u>17,494</u>	<u>0.48</u>	<u>26,201</u>	<u>0.67</u>
Total customer service and information expense	<u>241,779</u>	<u>6.62</u>	<u>284,415</u>	<u>7.30</u>
Administrative and general expenses				
Salaries	186,850	5.11	170,413	4.38
Board members pay	3,104	0.01	2,142	-
Office supplies and expense	56,899	1.56	60,766	1.56
Outside services employed	151,549	4.15	189,108	4.86
Insurance	18,044	0.49	21,029	0.54
Employee pension and benefits	(22,356)	(0.61)	16,028	0.41
Rents	81,556	2.23	81,556	2.09
Property taxes	46,903	1.28	32,519	0.83
Business taxes	10,574	0.29	10,494	0.27
Travel expense	9,526	0.26	6,618	0.17
Miscellaneous	<u>32,175</u>	<u>0.88</u>	<u>17,365</u>	<u>0.45</u>
Total administrative and general expense	<u>574,824</u>	<u>15.65</u>	<u>608,038</u>	<u>15.56</u>
Maintenance expenses				
Outside maintenance	205,588	5.86	153,700	4.48
Inside maintenance	27,803	0.79	19,679	0.57
General maintenance	<u>9,001</u>	<u>0.26</u>	<u>6,799</u>	<u>0.20</u>
Total maintenance expenses	<u>242,392</u>	<u>6.91</u>	<u>180,178</u>	<u>5.25</u>
Provision for depreciation	<u>404,902</u>	<u>11.08</u>	<u>393,796</u>	<u>10.11</u>
Total operating expenses	<u>\$ 3,511,252</u>	<u>96.06</u>	<u>\$ 3,429,604</u>	<u>88.05</u>

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
For the Year Ended June 30, 2020

Residential Rate Schedule RS

Customer charge - per delivery point per month	\$ 22.42
Energy charge - cents per kWh	0.09854

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	0.10408

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	16.74
Energy charge - cents per kWh	
First 15,000 kWh per month	0.10756
Additional kWh per month	0.05921

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	19.59
Excess over 1,000 kW	13.90
Energy charge - cents per kWh	0.06294

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	10.24
Maximum	3.05
Excess Over Contract	10.24
Energy Charge	
Onpeak	0.07016
Offpeak First 200 Hours	0.04516
Offpeak Next 200 Hours	0.01547
Offpeak Additional kWh	0.01292

Demand for Street Outdoor Lighting - Schedule OL

Per kWh per month	\$ 0.06562		
150W HPS Security	8.37	71W LED	\$ 9.65
175W MPI Security	7.30	136W LED	13.77
250W HPS Security	11.76	150W LED	16.51
400W MH Security	16.61	218W LED	19.89
400W MVI Security	14.23		
400W HPS Security	16.61		
1000W MH Security	37.95		

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF BROADBAND RATES IN FORCE
For the Year Ended June 30, 2020

Residential Rates	
Bundles	
<u>Economizer 1</u>	\$ 106.70
Analog basic TV	
Local phone	
<u>Economizer 2</u>	\$ 101.70
Analog basic TV	
Internet	
<u>Energize TriplePlay</u>	\$ 141.25
Analog basic	
Bronze internet	
Unlimited phone package	
<u>TriplePlay Bronze</u>	\$ 176.55
Digital plus	
Bronze internet	
Unlimited phone package	
<u>TriplePlay Gold</u>	\$ 206.65
Digital plus with HD/DVR	
Bronze internet	
Unlimited phone package	
Video Services	
Analog basic	\$ 81.75
Digital plus	97.95
Digital bronze (1 premium)	112.05
Digital silver (2 premiums)	125.85
Digital gold (4 premiums)	142.15
<u>Digital Tiers</u>	
Family tier	Free
Sports tier	5.50
High definition basic	Free
High definition tier	5.00
<u>Optional Services</u>	
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
<u>Misc. Phone Charges</u>	
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, 2020**

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		100.00
Amplifier install		50.00
Wireless router setup		34.95
NSF check fee		20.00
Late fee		5.00%
Disconnect fee/non-pay fee		35.00
Inside wire maintenance (all services)		4.95

Commercial Rates

Video Services

Analog basic	\$	89.75
Digital plus		101.95

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, 2020

Year Ended June 30,	Electric Revenue Refunding Bonds		Revenue and Tax Refunding Bond - Electric		Revenue and Tax Refunding Bond - Broadband		Total Requirements		
	Series 2014		Series 2015		Series 2015		Principal	Interest	Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest			
2021	\$ 450,000	\$ 152,792	\$ 353,927	\$ 30,120	\$ 302,223	\$ 25,720	\$ 1,106,150	\$ 208,632	\$ 1,314,782
2022	460,000	140,687	360,351	23,697	307,708	20,235	1,128,059	184,619	1,312,678
2023	485,000	128,313	366,891	17,157	313,293	14,650	1,165,184	160,120	1,325,304
2024	475,000	115,267	373,550	10,498	318,979	8,964	1,167,529	134,729	1,302,258
2025	510,000	102,489	352,015	3,718	300,588	3,175	1,162,603	109,382	1,271,985
2026	510,000	88,770	-	-	-	-	510,000	88,770	598,770
2027	530,000	75,051	-	-	-	-	530,000	75,051	605,051
2028	540,000	60,794	-	-	-	-	540,000	60,794	600,794
2029	555,000	46,268	-	-	-	-	555,000	46,268	601,268
2030	575,000	31,338	-	-	-	-	575,000	31,338	606,338
2031	590,000	15,872	-	-	-	-	590,000	15,872	605,872
	<u>\$ 5,680,000</u>	<u>\$ 957,641</u>	<u>\$ 1,806,734</u>	<u>\$ 85,190</u>	<u>\$ 1,542,791</u>	<u>\$ 72,744</u>	<u>\$ 9,029,525</u>	<u>\$ 1,115,575</u>	<u>\$ 10,145,100</u>

See independent auditor's report.

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2020**

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2018	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2019
Bonds Payable									
Electric Revenue Bonds - Series 2013	\$ 2,540,000	3.38%	November 22, 2013	June 1, 2033	\$ 1,945,000	\$ -	\$ 1,945,000	\$ -	\$ -
Electric Revenue Refunding Bonds - Series 2014	8,115,000	2.69%	October 29, 2014	June 1, 2031	6,125,000	-	445,000	-	5,680,000
Electric and Broadband Revenue and Tax Refunding Bond - Series 2015	<u>6,268,500</u>	1.80%	November 19, 2015	June 1, 2025	<u>3,994,946</u>	<u>-</u>	<u>645,421</u>	<u>-</u>	<u>3,349,525</u>
Total Bonds Payable	<u>\$ 16,923,500</u>				<u>\$12,064,946</u>	<u>\$ -</u>	<u>\$ 3,035,421</u>	<u>\$ -</u>	<u>\$ 9,029,525</u>

See independent auditor's report.

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

	Electric Division				
	2020	2019	2018	2017	2016
Revenue					
Residential	\$ 20,262,607	\$ 20,947,414	\$ 20,802,200	\$ 19,979,464	\$ 18,994,689
Small lighting and power sales	3,813,419	3,961,978	3,706,011	3,626,536	3,401,840
Large lighting and power sales	12,370,924	13,954,984	14,047,605	14,315,664	14,458,109
Industrial sales	4,618,868	5,582,680	6,035,392	7,027,928	6,023,972
Street, athletic and outdoor lighting sales	625,783	627,615	604,998	460,527	757,812
Other sales	23,423	-	221,910	16,257	12,333
Interest and other revenue	1,263,739	1,296,743	1,132,132	1,223,571	1,232,525
	<u>42,978,763</u>	<u>46,371,414</u>	<u>46,550,248</u>	<u>46,649,947</u>	<u>44,881,280</u>
Expense					
Cost of sales and services	29,553,897	32,973,590	32,879,202	33,120,096	31,834,397
Distribution expenses	400,360	318,409	521,322	495,074	514,114
Customer accounts expenses	460,518	452,435	418,893	372,518	484,967
Customer service and information expenses	289,184	301,810	309,495	253,213	197,075
Administrative and general expenses	2,301,850	2,202,408	2,197,545	2,287,084	1,983,918
Maintenance expenses	2,451,050	2,447,169	2,223,746	2,045,822	2,138,909
Provision for depreciation expense	3,638,157	3,366,083	3,255,235	3,128,310	2,928,719
Amortization expense	39,437	(52)	5,186	5,186	47,775
Interest and other expense	271,510	319,540	332,263	374,774	425,901
Transfers out - in lieu of tax payments to city	1,119,959	1,186,362	1,173,438	1,148,063	1,099,499
	<u>40,525,922</u>	<u>43,567,754</u>	<u>43,316,325</u>	<u>43,230,140</u>	<u>41,655,274</u>
Net income (loss)	<u>\$ 2,452,841</u>	<u>\$ 2,803,660</u>	<u>\$ 3,233,923</u>	<u>\$ 3,419,807</u>	<u>\$ 3,226,006</u>
Financial					
Plant in service (at original cost)	<u>\$ 100,714,025</u>	<u>\$ 98,552,108</u>	<u>\$ 92,917,908</u>	<u>\$ 88,764,411</u>	<u>\$ 85,336,293</u>
Power in use - KWH					
Residential	170,734,553	174,939,272	174,558,859	165,623,374	164,186,503
Commercial	30,979,281	32,156,356	30,300,009	28,948,573	28,839,031
Industrial	189,901,005	222,200,992	238,776,285	251,951,004	248,014,146
Other customers	5,438,541	5,510,029	3,373,820	6,074,825	6,054,988
Total	<u>397,053,380</u>	<u>434,806,649</u>	<u>447,008,973</u>	<u>455,085,090</u>	<u>443,748,246</u>
Peak KW demand	<u>97,367</u>	<u>92,499</u>	<u>112,285</u>	<u>103,735</u>	<u>101,320</u>
Number of customers					
Residential	12,007	12,018	11,962	11,940	11,679
Commercial	2,321	2,242	2,201	2,184	2,177
Industrial	185	197	203	212	198
Street and athletic	68	67	58	58	58
Outdoor lighting	63	63	63	66	78
	<u>14,644</u>	<u>14,587</u>	<u>14,487</u>	<u>14,460</u>	<u>14,190</u>
Line Loss	<u>4.83%</u>	<u>4.86%</u>	<u>4.01%</u>	<u>4.36%</u>	<u>3.05%</u>

* GASB 75 were implemented as of 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				
	2020	2019	2018	2017	2016
Revenue					
Video	\$ 1,365,177	\$ 1,432,096	\$ 1,464,525	\$ 1,502,441	\$ 1,472,129
Pay per view	-	-	-	89	1,423
STB Channel	55,978	63,752	69,343	72,051	72,211
Data and related services	1,607,292	1,562,074	1,535,663	1,450,676	1,210,304
Collection and data storage	29,730	29,730	29,730	36,821	47,807
Telephone	494,933	541,690	588,273	607,512	627,765
Other sales	(3,380)	2,330	(683)	5,935	(53,083)
Interest and other revenue	294,683	298,674	122,059	82,278	127,979
	<u>3,844,413</u>	<u>3,930,346</u>	<u>3,808,910</u>	<u>3,381,620</u>	<u>3,158,013</u>
Expense					
Cost of sales and services	1,800,140	1,719,143	2,086,438	2,124,771	1,891,590
Distribution expenses	122,567	124,074	124,764	242,451	209,114
Customer accounts expenses	124,648	119,960	41,906	44,943	43,468
Customer service and information expenses	241,779	284,415	348,562	343,475	203,111
Administrative and general expenses	574,824	608,038	336,551	388,598	338,422
Maintenance expenses	242,392	180,178	-	18,253	-
Provision for depreciation expense	404,902	393,796	344,501	340,016	339,509
Amortization expense	798	(5,519)	798	-	3,103
Interest and other expenses	30,662	35,962	29,904	56,685	126,459
	<u>3,542,712</u>	<u>3,460,047</u>	<u>3,313,424</u>	<u>3,559,192</u>	<u>3,154,776</u>
Net income (loss)	<u>\$ 301,701</u>	<u>\$ 470,299</u>	<u>\$ 495,486</u>	<u>\$ (177,572)</u>	<u>\$ 3,237</u>
Financial					
Plant in service (at original cost)	<u>\$ 4,260,517</u>	<u>\$ 4,278,374</u>	<u>\$ 3,792,149</u>	<u>\$ 4,038,649</u>	<u>\$ 3,551,730</u>
Number of customers					
Residential	2,440	2,333	2,216	2,663	2,087
Commercial	347	360	325	383	330
	<u>2,787</u>	<u>2,693</u>	<u>2,541</u>	<u>2,192</u>	<u>2,073</u>

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

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Ending Balance</u>
Federal Grantor/PassThrough Grantor						
U.S. Department of Homeland Security/ Federal Emergency Management Agency Passed through Tennessee Department of Military, Tennessee Emergency Management Agency Disaster- Grants - Public Assistance						
	97.036	FEMA-4427-DR-TN	\$ -	\$ 3,680	\$ 3,680	\$ -
Total Federal Awards			<u>\$ -</u>	<u>\$ 3,680</u>	<u>\$ 3,680</u>	<u>\$ -</u>

Note 1: The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Utility under the programs of the Federal government for the year ended June 30, 2020. The Schedule is presented using the modified accrual basis of accounting.

Note 2: Indirect Cost Rate: PES Energize has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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, 2020, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements, as listed in the table of contents, and have issued our report dated August 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the System’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be material weaknesses: 2020-001.

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.

PES Energizes Response to Finding

PES Energizes response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. PES Energize response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 28, 2020

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
June 30, 2020 and 2019

2020-001 Cash payments being refunded contributing to a cash shortage (Significant Deficiency)
Condition: Cash payments being refunded on a daily basis contributed to the cash shortage during the year.

Criteria: Collections from cash receipts should be monitored on a weekly basis.

Effect: Contributed to cash shortages and thefts issue during the year.

Recommendation: Recommend having all cash refunds reviewed on a weekly basis.

Response: See Management's Corrective Action Plan

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2020 and 2019**

There were no prior year findings reported.



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PES Energize Pulaski, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2020

The findings from the June 30, 2020, *Schedule of Findings and Responses* are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

**2020-001 2020-001 Cash payments being refunded contributing to a cash shortage
(Significant Deficiency)**

Person Responsible for Implementing the Correction Plan: Bobby Jones, Chief Financial Officer

Anticipated Completion Date: February 17, 2020

Repeat Finding: No

Planned Corrective Action: We have added additional internal controls to review cash refunds on a weekly basis and hired new staff responsible for these functions.

Signature: _____

Title: _____