

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2022 AND JUNE 30, 2021**

PES ENERGIZE
TABLE OF CONTENTS
For the Years Ended June 30, 2022 and 2021

Introductory Section

Directory	1
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Financial Section

Independent Auditor’s Report	2
Management’s Discussion and Analysis.....	5
Financial Statements:	
Statements of Net Position.....	11
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position.....	17
Notes to Financial Statements	18
Required Supplementary Information Section	
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	45
Schedule of Contributions Based on Participation in the Single Employer Defined Benefit Pension Plan	46
Schedule of Investment Returns in the Single Employer Defined Benefit Pension Plan	47
Schedule of Notes to Pension Required Supplementary Information	48
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	49
Schedule of Notes to OPEB Required Supplementary Information	50

Supplementary and Other Information Section

Combining Schedules of Net Position.....	51
Combining Schedules of Revenues, Expenses, and Changes in Net Position.....	53
Combining Schedules of Cash Flows	54
Schedules of Operating Revenues and Expenses – Electric Division	56
Schedules of Operating Revenues and Expenses – Broadband Division	58
Schedule of Electric Rates in Force	60
Schedule of Broadband Rates in Force	61
Schedule of Long-term Debt	63
Schedule of Changes in Long-term Debt by Individual Issue	64
Schedule of Historical Information – Electric Division – Unaudited	65
Schedule of Historical Information – Broadband Division – Unaudited.....	66

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 <i>Government Auditing Standards</i>	67
Schedule of Findings and Responses – Current Year	69
Schedule of Findings and Responses – Prior Year	71

INTRODUCTORY SECTION

**PES ENERGIZE
DIRECTORY**
June 30, 2022

BOARD MEMBERS

Marcus Houston – Chairman
Pat Ford
Neal Bass
J.B. Smith, III
Sara Reese

MANAGEMENT TEAM

Scott Newton – President & Chief Executive Officer
Bobby Jones– Chief Financial Officer
Kirby Parr – Chief Operations Officer
Samantha Williams – Human Resources Manager
Garret Laarman – Chief Information Officer
Tamieka Russell – Chief Customer Services Officers

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

Opinions

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the System, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 information and do not purport to, and do not, present fairly the financial position of the City of Pulaski, Tennessee, as of June 30, 2022 and 2021, 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 and the pension and OPEB related schedules on pages 45-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing

the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplementary and other information as listed in the table of contents, except that which is marked "unaudited" is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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, supplementary and other information as listed in the table of contents, except that which is marked "unaudited" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedules of historical information as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 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
October 20, 2022

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, 2022 and June 30, 2021. 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 June 30, 2022 were \$88.71 million and exceeded liabilities and deferred inflows of resources in the amount of \$68.65 million (i.e. net position).
- Net position increased \$4.48 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position increased by \$1.66 million due to a current year net income.
- During fiscal year 2022, the System delivered 429 million kWh compared to 412 million kWh during the fiscal year 2021.
- Operating revenues were \$52.15 million, an increase from 2021 in the amount of \$5.54 million or 11.89%.
- Total operating expenses were \$46.60 million, an increase from 2021 in the amount of \$5.22 million or 12.61%.

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 \$4.48 million for the fiscal year ended June 30, 2022. 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, 2022	June 30, 2021	Increase (Decrease)	
			Amount	Percent
Current and other assets	\$ 26,924,119	\$ 21,139,429	\$ 5,784,690	27.36%
Capital assets	58,914,858	58,846,254	68,604	0.12%
Total assets	<u>85,838,977</u>	<u>79,985,683</u>	<u>5,853,294</u>	7.32%
Deferred outflows of resources	<u>2,875,850</u>	<u>3,835,452</u>	<u>(959,602)</u>	-25.02%
Long-term liabilities	7,777,693	10,942,916	(3,165,223)	-28.92%
Other liabilities	9,197,944	7,641,015	1,556,929	20.38%
Total liabilities	<u>16,975,637</u>	<u>18,583,931</u>	<u>(1,608,294)</u>	-8.65%
Deferred inflows of resources	<u>3,087,281</u>	<u>1,060,392</u>	<u>2,026,889</u>	191.15%
Net position:				
Net investment in capital assets	52,140,383	50,907,371	1,233,012	2.42%
Restricted for debt service	1,899,001	320,562	1,578,439	492.40%
Unrestricted	14,612,525	12,948,879	1,663,646	12.85%
Total net position	<u>\$ 68,651,909</u>	<u>\$ 64,176,812</u>	<u>\$ 4,475,097</u>	6.97%

Table 1B
CONDENSED STATEMENT OF NET POSITION

	June 30, 2021	June 30, 2020	Increase (Decrease)	
			Amount	Percent
Current and other assets	\$ 21,139,429	\$ 17,649,822	\$ 3,489,607	19.77%
Capital assets	58,846,254	58,525,464	320,790	0.55%
Total assets	<u>79,985,683</u>	<u>76,175,286</u>	<u>3,810,397</u>	5.00%
Deferred outflows of resources	<u>3,835,452</u>	<u>2,581,917</u>	<u>1,253,535</u>	48.55%
Long-term liabilities	10,942,916	10,958,064	(15,148)	-0.14%
Other liabilities	7,641,015	6,896,719	744,296	10.79%
Total liabilities	<u>18,583,931</u>	<u>17,854,783</u>	<u>729,148</u>	4.08%
Deferred inflows of resources	<u>1,060,392</u>	<u>696,765</u>	<u>363,627</u>	52.19%
Net position:				
Net investment in capital assets	50,907,371	49,495,939	1,411,432	2.85%
Restricted for debt service	320,562	74,425	246,137	330.72%
Unrestricted	12,948,879	10,635,291	2,313,588	21.75%
Total net position	<u>\$ 64,176,812</u>	<u>\$ 60,205,655</u>	<u>\$ 3,971,157</u>	6.60%

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in current and other assets over the period was due to cash increases from current year activity. The increase in other liabilities is due to increases in pension and OPEB obligations. Changes in the System's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the year.

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	June 30, 2022	June 30, 2021	Increase (Decrease)	
			Amount	Percent
Operating revenues	\$ 52,151,012	\$ 46,607,492	\$ 5,543,520	11.89%
Non-operating revenues	113,824	16,476	97,348	590.85%
Total revenues	<u>52,264,836</u>	<u>46,623,968</u>	<u>5,640,868</u>	12.10%
Cost of sales and service	35,153,519	30,264,328	4,889,191	16.15%
Operations and maintenance expense	7,329,766	7,143,929	185,837	2.60%
Depreciation expense	4,113,620	3,972,509	141,111	3.55%
Non-operating expenses	173,093	164,631	8,462	5.14%
Total expenses	<u>46,769,998</u>	<u>41,545,397</u>	<u>5,224,601</u>	12.58%
Transfer	<u>(1,019,741)</u>	<u>(1,107,414)</u>	<u>87,673</u>	-7.92%
Change in net position	4,475,097	3,971,157	503,940	12.69%
Total net position - beginning	64,176,812	60,205,655	3,971,157	6.60%
Ending net position	<u>\$ 68,651,909</u>	<u>\$ 64,176,812</u>	<u>\$ 4,475,097</u>	6.97%

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
	June 30, 2021	June 30, 2020	Increase (Decrease)	
			Amount	Percent
Operating revenues	\$ 46,607,492	\$ 46,495,281	\$ 112,211	0.24%
Non-operating revenues	16,476	327,895	(311,419)	-94.98%
Total revenues	<u>46,623,968</u>	<u>46,823,176</u>	<u>(199,208)</u>	-0.43%
Cost of sales and service	30,264,328	31,354,037	(1,089,709)	-3.48%
Operations and maintenance expense	7,143,929	7,209,172	(65,243)	-0.90%
Depreciation expense	3,972,509	4,043,059	(70,550)	-1.74%
Non-operating expenses	164,631	342,407	(177,776)	-51.92%
Total expenses	<u>41,545,397</u>	<u>42,948,675</u>	<u>(1,403,278)</u>	-3.27%
Transfer	<u>(1,107,414)</u>	<u>(1,119,959)</u>	<u>12,545</u>	-1.12%
Change in net position	3,971,157	2,754,542	1,216,615	44.17%
Total net position - beginning	60,205,655	57,451,113	2,754,542	4.79%
Ending net position	<u>\$ 64,176,812</u>	<u>\$ 60,205,655</u>	<u>\$ 3,971,157</u>	6.60%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ending net position showed a 6.97% increase as a result of an operating profit for the current year. Operating revenues increased 12.16% during the three years with cost of sales and service increasing 12.12% during this same time due from increased usage and rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the System had \$58.91 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 increase (net of increases and decreases) of \$68 thousand or 0.12% above the fiscal year 2021.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2022 and June 30, 2021. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	June 30, 2022	June 30, 2021	Increase (Decrease)	
			Amount	Percent
Distribution plant	\$ 44,674,584	\$ 44,015,907	\$ 658,677	1.50%
General plant	13,220,720	13,778,114	(557,394)	-4.05%
Broadband	447,223	667,266	(220,043)	-32.98%
Work in process	572,330	384,967	187,363	48.67%
Total capital assets	\$ 58,914,857	\$ 58,846,254	\$ 68,603	0.12%

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	June 30, 2021	June 30, 2020	Increase (Decrease)	
			Amount	Percent
Distribution plant	\$ 44,015,907	\$ 42,015,909	\$ 1,999,998	4.76%
General plant	13,778,114	14,792,507	(1,014,393)	-6.86%
Broadband	667,266	942,096	(274,830)	-29.17%
Work in process	384,967	774,952	(389,985)	-50.32%
Total capital assets	\$ 58,846,254	\$ 58,525,464	\$ 320,790	0.55%

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 2022, PES had total outstanding long-term debt of \$5.33 million in the electric division and \$932 thousand in the broadband division. The \$5.33 million in the electric division is composed of Electric Revenue Bonds and Revenue and Tax Bonds. The broadband division debt is

MANAGEMENT'S DISCUSSION AND ANALYSIS

composed of Revenue and Tax Bonds. Principal payments are due in the upcoming fiscal year in the amount of \$1.08 million and interest payments totaling approximately \$197 thousand are also due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage increased by 4.24% in fiscal year ending June 30, 2022. The PES service territory warmer year than in the recent past resulting in increased energy sales of 11.89%.

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 fifteenth 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, 2022 and 2021

Assets	Electric Fund	
	2022	2021
Current assets		
Cash on hand	\$ 1,850	\$ 1,850
Cash and cash equivalents - general	19,074,064	15,501,836
Accounts receivable - trade (net of allowance for uncollectibles Electric \$50,000 and \$50,000 and broadband \$10,000 and \$10,000 for 2022 and 2021, respectively)	3,340,277	2,767,335
Accounts receivable - CSA	21,115	21,813
Accounts receivable - other	406,592	361,178
Materials and supplies	969,372	796,339
Due from City	151	151
Prepayments and other current assets	188,879	179,359
Total current assets	24,002,300	19,629,861
Noncurrent assets		
Restricted:		
Cash and cash equivalents	1,577,584	1,311,994
Net Pension Asset	1,324,157	-
	2,901,741	1,311,994
Other assets		
Unamortized debt expense	20,078	22,329
Other future charges	-	175,245
Total other assets	20,078	197,574
Capital assets, not being depreciated		
Distribution plant	178,766	178,766
General plant	190,597	190,597
Construction in progress	572,331	384,967
Total capital assets, not being depreciated	941,694	754,330
Capital assets, net of accumulated depreciation		
Distribution plant	44,495,818	43,837,141
General plant	13,477,346	14,254,783
Total capital assets (net of accumulated depreciation)	58,914,858	58,846,254
Total noncurrent assets	61,836,677	60,355,822
Total assets	85,838,977	79,985,683
Deferred outflows of resources		
Deferred outflows related to pensions	2,355,113	3,232,630
Deferred outflows related to OPEB	184,673	226,357
Loss on defeasance	336,064	376,465
Total deferred outflows of resources	\$ 2,875,850	\$ 3,835,452

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

Liabilities	Electric Fund	
	2022	2021
Current liabilities		
Accounts payable	\$ 6,600,403	\$ 5,152,937
Other accrued expense	356,032	322,315
Retention Bonus	25,003	-
Current maturities of:		
Compensated absences	8,234	10,924
Bonds payable (plus premium of \$125,348 and \$125,348 for the years ended June 30, 2022 and 2021)	1,205,532	1,163,407
Total current liabilities	8,195,204	6,649,583
Current liabilities payable from restricted assets		
Customers' deposits	998,414	986,619
Accrued interest	4,326	4,813
Total current liabilities payable from restricted assets	1,002,740	991,432
Noncurrent liabilities		
Compensated absences	579,938	769,396
Retention Bonus	191,845	-
Net pension liability	-	1,688,221
OPEB liability	1,436,967	1,709,823
Bonds payable (less current maturities plus premium of \$390,556 and \$577,126 for the years ended June 30, 2022 and 2021)	5,568,943	6,775,476
Total noncurrent liabilities	7,777,693	10,942,916
Total liabilities	16,975,637	18,583,931
Deferred inflows of resources		
Deferred inflows related to pensions	2,446,205	603,964
Deferred inflows related to OPEB	641,076	456,428
Total deferred inflows of resources	3,087,281	1,060,392
Net Position		
Net investment in capital assets	52,140,383	50,907,371
Restricted for debt service	1,899,001	320,562
Unrestricted	14,612,525	12,948,879
Total net position	\$ 68,651,909	\$ 64,176,812

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, 2022 and 2021

	Electric Fund	
	2022	2021
Operating revenues		
Charges for sales and service	\$ 50,774,924	\$ 45,307,272
Other operating revenue	1,376,086	1,300,220
Total operating revenues	52,151,010	46,607,492
Operating expenses		
Cost of sales and services	35,153,519	30,264,328
Distribution expenses	661,029	625,744
Customer accounts expenses	409,437	515,318
Customer service and information expenses	465,851	388,637
Administrative and general expenses	2,953,233	2,864,250
Maintenance expenses	2,840,214	2,749,980
Provision for depreciation expense	4,113,620	3,972,509
Total operating expenses	46,596,903	41,380,766
Operating income (loss)	5,554,107	5,226,726
Nonoperating revenues (expenses)		
Interest and other income	113,824	16,476
Amortization expense	(43,451)	(44,952)
Interest and other expense	(129,642)	(119,679)
Total nonoperating revenues (expenses)	(59,269)	(148,155)
Income (loss) before transfers	5,494,838	5,078,571
Transfers		
Transfers out - in lieu of tax payments to City	(1,019,741)	(1,107,414)
Change in net position	4,475,097	3,971,157
Total net position - beginning	64,176,812	60,205,655
Total net position - ending	\$ 68,651,909	\$ 64,176,812

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, 2022 and 2021

	Electric Fund	
	2022	2021
Cash flows from operating activities		
Cash received from consumers	\$ 51,533,352	\$ 46,249,804
Cash paid to suppliers	(39,489,688)	(34,869,254)
Cash paid to employees	(1,792,309)	(1,681,060)
Customer deposits received	151,430	209,402
Customer deposits refunded	(139,635)	(131,311)
Amounts received from (paid to) other funds	-	1
Net cash provided (used) by operating activities	<u>10,263,150</u>	<u>9,777,582</u>
Cash flows from non-capital and related financing activities		
Transfers	(1,019,741)	(1,107,414)
Net cash provided (used) by non-capital and related financing activities	<u>(1,019,741)</u>	<u>(1,107,414)</u>
Cash flows from capital and related financing activities		
Proceeds from long-term debt	-	4,985,000
Principal paid on debt	(1,164,408)	(6,075,642)
Unamortized debt expense	(1)	(49,333)
Purchase of property, plant and equipment	(4,545,620)	(4,835,388)
Plant removal cost	(515,859)	(290,532)
Materials salvaged from retirements	879,255	832,621
Interest paid on bonds, notes and leases	(172,782)	(172,750)
Net cash provided (used) by capital and related financing activities	<u>(5,519,415)</u>	<u>(5,606,024)</u>
Cash flows from investing activities		
Interest and unrealized change in investments	113,824	16,476
Net cash provided (used) by investing activities	<u>113,824</u>	<u>16,476</u>
Net increase (decrease) in cash and cash equivalents	3,837,818	3,080,620
Cash and cash equivalents - beginning	<u>16,815,680</u>	<u>13,735,060</u>
Cash and cash equivalents - ending	<u>\$ 20,653,498</u>	<u>\$ 16,815,680</u>
Cash and cash equivalents		
Unrestricted cash on hand	\$ 1,850	\$ 1,850
Unrestricted cash and cash equivalents on deposit	19,074,064	15,501,836
Restricted cash and cash equivalents on deposit	<u>1,577,584</u>	<u>1,311,994</u>
Total cash and cash equivalents	<u>\$ 20,653,498</u>	<u>\$ 16,815,680</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, 2022 and 2021

Reconciliation of operating income to net cash provided (used) by operating activities	Electric Fund	
	2022	2021
Operating income	\$ 5,554,107	\$ 5,226,726
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,155,475	4,015,865
Change in pension related deferred outflows and inflows of resources	2,719,758	(789,989)
Change in OPEB related deferred outflows and inflows of resources	226,332	(90,987)
Changes in assets and liabilities:		
Accounts receivable	(617,658)	(357,688)
Materials and supplies	(173,033)	(72,262)
Due (to) from City	-	1
Prepayments and other current assets	(9,520)	22,456
Other future charges	175,245	(5,247)
Accounts payable and accrued expenses	1,698,031	617,685
Accrued leave	(192,148)	12,895
Customer deposits	11,795	78,091
Net pension liability	(3,012,378)	578,623
OPEB liability	(272,856)	541,413
Net cash provided (used) by operating activities:	\$ 10,263,150	\$ 9,777,582

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

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
STATEMENTS OF FIDUCIARY NET POSITION
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 149,027	\$ 272,603
Accrued income	25,033	18,238
Investments		
Equity investments	11,077,767	13,131,503
Fixed income investments	5,341,570	6,087,076
Total investments	16,419,337	19,218,579
Net position available for benefits	16,593,397	19,509,420
Liabilities	-	-
Net position restricted for pensions	\$ 16,593,397	\$ 19,509,420

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, 2022 and 2021

	2022	2021
Additions		
Employer contributions	\$ 400,000	\$ 840,000
Investment income		
Interest income	5,118	8,012
Dividend income	248,033	218,221
Realized gains and losses	945,541	758,847
Net appreciation (depreciation) in fair value of investments	<u>(3,604,626)</u>	<u>2,974,686</u>
Total investment income (loss)	<u>(2,405,934)</u>	<u>3,959,766</u>
Total additions (losses)	<u>(2,005,934)</u>	<u>4,799,766</u>
 Deductions		
Benefit payments	797,926	770,369
Administrative and other expenses	<u>112,163</u>	<u>97,861</u>
Total deductions	<u>910,089</u>	<u>868,230</u>
Net increase (decrease) in fiduciary net position	(2,916,023)	3,931,536
 Net position restricted for pensions		
Beginning of year	<u>19,509,420</u>	<u>15,577,884</u>
End of year	<u>\$ 16,593,397</u>	<u>\$ 19,509,420</u>

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

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021**

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, 2022 and 2021**

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
June 30, 2022 and 2021**

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.

Impact of Recently Issued Accounting Pronouncements

In June of 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87 Leases. This Statement improves accounting and financial reporting by state and local governments for leases and is effective for fiscal years beginning after June 15, 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This implementation resulted in no impact on the current year or prior year financial statements.

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

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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.

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(Fiduciary Funds)

The following is the asset allocation as of June 30, 2022 and 2021:

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	Market Value	Percentage of Total	Market Value	Percentage of Total
Cash and cash equivalents	\$ 174,060	1.04%	\$ 290,841	1.48%
Equities	11,077,767	66.76%	13,131,503	67.31%
Fixed income investments	5,341,570	32.20%	6,087,076	31.21%
Total	<u>\$ 16,593,397</u>	<u>100.00%</u>	<u>\$ 19,509,420</u>	<u>100.00%</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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, 2022</u>	<u>June 30, 2021</u>
Fidelity contrafund #22	920,340	1,298,164
Vanguard primecap core	1,315,975	1,617,971
Vanguard Short Term Investment	831,621	-

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -12.44 and 25.46 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, 2022:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
US agencies	\$ 174,060	\$ 174,060	\$ -	\$ -
Corporate bonds	5,341,570	5,341,570	-	-
Total debt securities	<u>5,515,630</u>	<u>5,515,630</u>	<u>-</u>	<u>-</u>
Equity securities				
Mutual funds	10,267,130	10,267,130	-	-
Common stocks	810,637	810,637	-	-
Total equity securities	<u>11,077,767</u>	<u>11,077,767</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 16,593,397</u>	<u>\$ 16,593,397</u>	<u>\$ -</u>	<u>\$ -</u>

The Plan has the following recurring fair value measurements as of June 30, 2021:

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
US agencies	\$ 290,841	\$ 290,841	\$ -	\$ -
Corporate bonds	6,087,076	6,087,076	-	-
Total debt securities	<u>6,377,917</u>	<u>6,377,917</u>	<u>-</u>	<u>-</u>
Equity securities				
Mutual funds	12,206,931	12,206,931	-	-
Common stocks	924,572	924,572	-	-
Total equity securities	<u>13,131,503</u>	<u>13,131,503</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 19,509,420</u>	<u>\$ 19,509,420</u>	<u>\$ -</u>	<u>\$ -</u>

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

Custodial Credit Risk

The System's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the System's agent in the System's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the System to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2022 and 2021, all of the System's deposits were fully collateralized.

B. Receivables

Receivables as of the fiscal years ended June 30, 2022 and 2021 were made up of the following:

	June 30, 2022	June 30, 2021
Billed services for utility customers	\$ 3,400,277	\$ 2,827,335
Receivable from CSA	21,115	21,813
Other receivables for utility services	406,592	361,178
Allowance for doubtful accounts	<u>(60,000)</u>	<u>(60,000)</u>
Total	<u>\$ 3,767,984</u>	<u>\$ 3,150,326</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

C. Restricted Assets

Restricted assets as of the fiscal years ended June 30, 2022 and 2021 were made up of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
The restricted assets consist of the following:		
Cash and cash equivalents - Construction fund	1,577,584	1,311,994
Net pension asset	<u>1,324,157</u>	<u>-</u>
	<u>\$ 2,901,741</u>	<u>\$ 1,311,994</u>
The cash and cash equivalents - Construction fund: is represented by:		
Certificates of deposit and bank accounts	<u>\$ 1,577,584</u>	<u>\$ 1,311,994</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Broadband Division:	Balance at			Balance at
Description	June 30, 2021	Additions	Disposals	June 30, 2022
Capital assets, not being depreciated:				
Construction in progress	\$ 7,104	\$ 713	\$ -	\$ 7,817
Capital assets, being depreciated:				
General plant	\$ 4,319,677	\$ 236,371	\$ 48,278	\$ 4,507,770
Less: accumulated depreciation for:				
General plant	3,652,411	448,907	40,771	4,060,547
Total capital assets, being depreciated, net	667,266	(212,536)	7,507	447,223
Total capital assets, net	<u>\$ 674,370</u>	<u>\$ (211,823)</u>	<u>\$ 7,507</u>	<u>\$ 455,040</u>
	Balance at			Balance at
Description	June 30, 2020	Additions	Disposals	June 30, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ 1,753	\$ 5,351	\$ -	\$ 7,104
Capital assets, being depreciated:				
General plant	\$ 4,260,514	\$ 61,530	\$ 2,367	\$ 4,319,677
Less: accumulated depreciation for:				
General plant	3,318,418	342,996	9,003	3,652,411
Total capital assets, being depreciated, net	942,096	(281,466)	(6,636)	667,266
Total capital assets, net	<u>\$ 943,849</u>	<u>\$ (276,115)</u>	<u>\$ (6,636)</u>	<u>\$ 674,370</u>

Depreciation expense amounted to \$3,664,713 and \$3,629,693 in the electric division and \$448,907 and \$342,996 in the Broadband division for the fiscal years ended June 30, 2022 and 2021. Amounts charged to transportation expense in the electric division were \$506,104 and \$469,204 for the electric division and \$0 and \$0 for the broadband division for the years ended June 30, 2022 and 2021.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2022 and 2021 is as follows:

	2022			
	Due from: (Receivable)			Total
	Electric	Broadband	Eliminated	
Due to:(Payable)				
Electric	-	16,777	(16,777)	-
City Hall	151	-	-	151
	<u>\$ 151</u>	<u>\$ 16,777</u>	<u>\$ (16,777)</u>	<u>\$ 151</u>

	2021			
	Due from: (Receivable)			Total
	Electric	Broadband	Eliminated	
Due to:(Payable)				
Electric	-	39,182	(39,182)	-
City Hall	151	-	-	151
	<u>\$ 151</u>	<u>\$ 39,182</u>	<u>\$ (39,182)</u>	<u>\$ 151</u>

During the years ended June 30, 2022 and 2021, the System also transferred out an amount of \$1,019,741 and \$1,107,414, 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, 2021 and June 30, 2020 are as follows:

	Balance			Balance	Current
	June 30, 2021	Additions	Payments		
Revenue Bonds - 2020 - Electric	\$ 4,605,000	\$ -	\$ (370,000)	\$ 4,235,000	\$ 400,000
Revenue Bonds - 2014 - Electric	-	-	-	-	-
Revenue and Tax Bonds - 2015 - Electric	1,452,406	-	(360,892)	1,091,514	366,891
Revenue and Tax Bonds - 2015 - Broadband	1,240,226	-	(308,169)	932,057	313,293
Premium	641,251	-	(125,347)	515,904	125,348
Retention bonuses	-	216,848	-	216,848	25,003
Compensated absences	780,320	-	(192,148)	588,172	8,234
Total	<u>\$ 8,719,203</u>	<u>\$ 216,848</u>	<u>\$ (1,356,556)</u>	<u>\$ 7,579,495</u>	<u>\$ 1,238,769</u>

	Balance			Balance	Current
	June 30, 2020	Additions	Payments		
Revenue Bonds - 2020 - Electric	\$ -	\$ 4,985,000	\$ (380,000)	\$ 4,605,000	\$ 370,000
Revenue Bonds - 2014 - Electric	5,680,000	-	(5,680,000)	-	-
Revenue and Tax Bonds - 2015 - Electric	1,806,734	-	(354,328)	1,452,406	360,351
Revenue and Tax Bonds - 2015 - Broadband	1,542,791	-	(302,565)	1,240,226	307,708
Premium	765,002	-	(123,751)	641,251	125,348
Compensated absences	767,425	12,895	-	780,320	10,924
Total	<u>\$ 10,561,952</u>	<u>\$ 4,997,895</u>	<u>\$ (6,840,644)</u>	<u>\$ 8,719,203</u>	<u>\$ 1,174,331</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Long-term debt consisted of the following at June 30, 2022 and 2021:

	2022	2021
Electric Division revenue bonds - Series 2020, due through June 1, 2031, with an interest rate of 2.00%	\$ 4,235,000	\$ 4,605,000
Electric Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	1,091,514	1,452,406
Broadband Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80%	932,057	1,240,226
	\$ 6,258,571	\$ 7,297,632

A summary of future debt service amounts are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 1,080,184	\$ 197,407	\$ 1,277,591
2024	1,087,529	164,062	1,251,591
2025	1,090,858	132,743	1,223,601
2026	445,000	102,850	547,850
2027	475,000	80,600	555,600
2028-2031	2,080,000	136,100	2,216,100
Total	\$ 6,258,571	\$ 813,762	\$ 7,072,333

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, 2022 and June 30, 2021 is as follows:

	2022	2021
Net investments in capital assets		
Net property, plant and equipment in service	\$ 58,914,858	\$ 58,846,254
Less: Debt disclosed in Note 3F	(6,774,475)	(7,938,883)
	52,140,383	50,907,371
Restricted for debt service and investments		
Restricted cash and cash equivalents	1,577,584	1,311,994
Less: Current liabilities payable from restricted assets	(1,002,740)	(991,432)
	574,844	320,562
Restricted net pension asset	1,324,157	-
Unrestricted	14,612,525	12,948,879
Total net position	\$ 68,651,909	\$ 64,176,812

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

NOTE 4 - OTHER INFORMATION

A. Pension Plan

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

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

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

Normal retirement benefit. The amount of retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be equal to the Participant's Accrued Benefit (herein called the Participant's Normal Retirement Benefit). For Eligible Employees, a Participant's Accrued Benefit is based on a retirement benefit formula equal to 2.5% of such Participant's Average Compensation multiplied by the Participant's Period of Service, computed to the nearest dollar. For Members of the Board, a Participant's Accrued Benefit is equal to a monthly benefit in an amount determined based on the applicable dollar amount specified below multiplied by the number of years of service as a Member of the Board:

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

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

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

Supplemental Benefit – Each Participant, other than a Member of the Board, whose employment terminates after December 31, 2000 and who is eligible for a benefit under the Normal Retirement, Delayed Retirement or Early Retirement provisions of the Plan and who has attained age 65 shall receive a Supplemental Benefit of \$100 commencing on the first day of the month following the date

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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, 2021 and 2020, the following employees were covered by the Plan:

	<u>July 1, 2021</u>	<u>July 1, 2020</u>
Active participants (employees)	34	37
Retired participants and beneficiaries	44	43
Vested terminated participants	<u>24</u>	<u>23</u>
Total employees covered by the Plan	<u>102</u>	<u>103</u>

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

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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, 2022 and 2021 of \$400,000 and \$840,000 were made in accordance with actuarially determined requirements computed through the actuarial valuations performed as of July 1, 2021 and 2020.

Funded status and funding progress. As of June 30, 2021 the actuarial accrued liability for benefits was \$18,185,263 and the net pension asset was \$1,324,157. Total covered payroll was \$2,526,716 and the ratio of net pension liability to covered payroll was -52.41%. As of June 30, 2020 the actuarial accrued liability for benefits was \$17,266,105 and the net pension liability was \$1,688,221. Total covered payroll was \$2,575,734 and the ratio of net pension liability to covered payroll was 66.54%.

Net Pension Liability. The System's net pension liability was measured as of June 30, 2021 and 2020 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, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The July 1, 2021 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method:	Individual Entry-Age Normal
Asset valuation:	Market value of assets as of measurement date, June 30, 2021.
Investment Rate of Return:	6.40% net of pension plan investment expense, including inflation.
Municipal Bond Rate:	2.18% as of June 30, 2021(source S&P Municipal Bond 20 Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	7.00% per annum
Inflation:	2.75% as of June 30, 2020 and future periods
Salary Increases:	3.00%, including inflation
Cost of Living Adjustment	3.00% annually
Healthy Mortality:	RP-2014 Blue Collar Mortality Table adjusted to 2006 projected generationally with scale MP-2018.
Disabled Mortality:	RP-2014 Blue Collar Mortality Table adjusted to 2006 projected generationally with scale MP-2018.

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

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

The Electric fund uses the measurement date of June 30, 2021 and 2020 for reporting purposes for the fiscal years ended June 30, 2022 and 2021.

The actuarial assumptions used in the July 1, 2021 and 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021 and July 1, 2019 through June 30, 2020. In addition, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 projected generationally with scale MP-2018 for Males or Females, as appropriate, with adjustments for blue collars.

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

Changes in System's Net Pension Liability. Changes in the System's net pension liability measured at June 30, 2021 and 2020 are detailed in the following tables. Table 2A and Table 2B show the net pension liability as of June 30, 2021 and 2020, 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, 2021 in order to be in compliance with GASB Statement No. 67.

	Table 1A - Increase (Decrease)		
	Total pension liability (TPL)	Plan fiduciary net position	Net pension liability (NPL)
	(a)	(b)	(a)-(b)
Balances as 6/30/2020	\$ 17,266,105	15,577,884	1,688,221
Changes for the year:			
Service cost	152,695	-	152,695
Interest	1,190,780	-	1,190,780
Difference between actual and expected experience	405,020	-	405,020
Change of assumptions	-	-	-
Contributions - employer	-	840,000	(840,000)
Contributions - employee	-	-	-
Net investment income	-	3,959,818	(3,959,818)
Benefit payments	(829,337)	(829,337)	-
Administrative expenses	-	(38,945)	38,945
Net changes	919,158	3,931,536	(3,012,378)
Balances as 6/30/2021	\$ 18,185,263	\$ 19,509,420	\$ (1,324,157)

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Table 2A - Increase (Decrease)

	Total pension liability (TPL) (a)	Plan fiduciary net position (b)	Net pension liability (NPL) (a)-(b)
Balances as 6/30/2019	\$ 16,143,997	15,034,399	\$ 1,109,598
Changes for the year:			
Service cost	199,934	-	199,934
Interest	1,117,879	-	1,117,879
Difference between actual and expected	(393,521)	-	(393,521)
Change of assumptions	959,158	-	959,158
Contributions - employer	-	840,000	(840,000)
Contributions - employee	-	-	-
Net investment income	-	558,414	(558,414)
Benefit payments	(761,342)	(761,342)	-
Administrative expenses	-	(93,587)	93,587
Net changes	<u>1,122,108</u>	<u>543,485</u>	<u>578,623</u>
Balances as 6/30/2020	<u>\$ 17,266,105</u>	<u>\$ 15,577,884</u>	<u>\$ 1,688,221</u>

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, 2022		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	\$ 20,717,152	\$ 18,185,263	\$ 16,105,616
Plan fiduciary net position	<u>19,509,420</u>	<u>19,509,420</u>	<u>19,509,420</u>
Net pension liability (asset)	<u>\$ 1,207,732</u>	<u>\$ (1,324,157)</u>	<u>\$ (3,403,804)</u>
	June 30, 2021		
	1% Decrease	Current Rate	1% Increase
Interest rate	6.00%	7.00%	8.00%
Total pension liability	\$ 19,625,632	\$ 17,266,105	\$ 15,320,010
Plan fiduciary net position	<u>15,577,884</u>	<u>15,577,884</u>	<u>15,577,884</u>
Net pension liability (asset)	<u>\$ 4,047,748</u>	<u>\$ 1,688,221</u>	<u>\$ (257,874)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. For the year ended June 30, 2022 and 2021, the System recognized pension expense of \$67,223 and

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

\$628,824. At June 30, 2022 and 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 799,093	\$ 498,073
Change of assumptions	1,156,020	-
Pension contributions subsequent to the measurement date of June 30, 2021	400,000	-
Net Difference between projected and actual earnings on pension plan investments	-	1,948,132
Total	<u>\$ 2,355,113</u>	<u>\$ 2,446,205</u>

	<u>June 30, 2021</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 500,336	\$ 603,964
Change of assumptions	1,403,725	-
Pension contributions subsequent to the measurement date of June 30, 2020	840,000	-
Net difference between projected and actual earnings on pension plan investments	488,569	-
Total	<u>\$ 3,232,630</u>	<u>\$ 603,964</u>

The amounts shown above for "System contributions subsequent to the measurement date of June 30, 2021 and 2020" 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, 2022:

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Year ending June 30,	Amortized
2023	(195,098)
2024	(182,996)
2025	(230,574)
2026	(460,287)
2027	134,949
Thereafter	442,914

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, 2022 and 2021 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2022 and 2021 administrative expenses paid were \$38,945 and \$93,587 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 Utility currently does not have a trust for the 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.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

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, 2022 and 2021 are detailed in the following tables. Table 1A and Table 2A show the net OPEB liability as of June 30, 2022 and 2021, 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, 2022 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, 2021	\$ 1,709,823	\$ -	\$ 1,709,823
Service Cost	45,357	-	45,357
Interest	38,968	-	38,968
Change in benefit terms	-	-	-
Changes in assumptions	(310,367)	-	(310,367)
Difference Between Actual and Expected Experience	-	-	-
Net Investment Income	-	-	-
Actual System Contributions	(46,814)	-	(46,814)
Administrative Expense	-	-	-
Net Changes	<u>(272,856)</u>	<u>-</u>	<u>(272,856)</u>
Total OPEB Liability(TOL) July 1, 2022	<u>\$ 1,436,967</u>	<u>\$ -</u>	<u>\$ 1,436,967</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS**
June 30, 2022 and 2021

Table 2A

	<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, 2020	\$ 1,168,410	\$ -	\$ 1,168,410
Service Cost	51,118	-	51,118
Interest	35,844	-	35,844
Change in benefit terms	452,973	-	452,973
Changes in assumptions	208,672	-	208,672
Difference Between Actual and Expected			
Experience	(157,382)	-	(157,382)
Net Investment Income	-	-	-
Actual System Contributions	(49,812)	-	(49,812)
Administrative Expense	-	-	-
Net Changes	<u>541,413</u>	<u>-</u>	<u>541,413</u>
Total OPEB Liability(TOL) July 1, 2021	<u>\$ 1,709,823</u>	<u>\$ -</u>	<u>\$ 1,709,823</u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Pulaski Electric System as of July 1, 2022 and 2021 and only those not frozen in the defined benefit plan.

Plan Membership

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Number of Participants		
Actives (with medical coverage)	55	55
Actives (without medical coverage)	0	0
Retirees (with medical coverage)	12	12
Total Participants	<u>67</u>	<u>67</u>
Annual Projected Payroll	\$ 3,741,525	\$ 3,632,549
Average Projected Earnings	\$ 68,028	\$ 66,046

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 medicare.

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, 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 mortality table for blue collar healthy annuitants projected generationally with scale MP 2016 for males and females, set forward 1 year.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period ending July 1, 2022.

Discount rate

The discount rate used to measure the total OPEB liability was 4.09 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:

2022	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
Total OPEB Liability	\$ 1,252,499	\$ 1,436,967	\$ 1,660,003
Plan Fiduciary Net Positon	-	-	-
Net OBEB Liability	<u>1,252,499</u>	<u>1,436,967</u>	<u>1,660,003</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

2021	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
Total OPEB Liability	\$ 1,475,449	\$ 1,709,823	\$ 1,998,017
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>1,475,449</u>	<u>1,709,823</u>	<u>1,998,017</u>

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:

2022	1% Decrease 3.09%	Current 4.09%	1% increase 5.09%
Net OPEB Liability	\$ 1,616,214	\$ 1,436,967	\$ 1,281,866
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>1,616,214</u>	<u>1,436,967</u>	<u>1,281,866</u>

2021	1% Decrease 1.25%	Current 2.25%	1% increase 3.25%
Net OPEB Liability	\$ 1,952,378	\$ 1,709,823	\$ 1,506,319
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>1,952,378</u>	<u>1,709,823</u>	<u>1,506,319</u>

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

For the year ended June 30, 2022 and June 30, 2021, the System recognized OPEB expense of \$290 and \$47,265. At June 30, 2022 and June 30, 2021, the System reported deferred outflows of related to OPEB liability from the following sources:

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS**
June 30, 2022 and 2021

	<u>June 30, 2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	
Differences between expected and actual experience	\$ 35,621	\$ 235,180
Change of assumptions	<u>149,052</u>	<u>405,896</u>
Total	<u>\$ 184,673</u>	<u>\$ 641,076</u>

	<u>June 30, 2021</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	
Differences between expected and actual experience	\$ 47,495	\$ 269,939
Change of assumptions	<u>178,862</u>	<u>186,489</u>
Total	<u>\$ 226,357</u>	<u>\$ 456,428</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, 2022:

<u>Year ending June 30,</u>	<u>Amortized</u>
2023	(84,035)
2024	(84,035)
2025	(84,037)
2026	(49,287)
2027	(49,286)
Thereafter	(105,723)

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, 2022 and June 30, 2021 no benefits were payable and not paid.

Administrative Expenses. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2022 and June 30, 2021 administrative expenses paid were \$0.

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

D. Deferred Compensation Plan

The System offers a deferred compensation plan (Pulaski Electric System 457 Plan) that is administered by Mission Square. 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, 2022.

E. Investigative Report Released August 9, 2022 – State of Tennessee Comptroller of the Treasury

An investigative report by the State of Tennessee Comptroller of the Treasury for the period of January 2019 through February 2020 revealed the following misappropriation: the former Customer Service Representative's misappropriated at least \$37,846 from the PES Energize. The employee perpetrated her misappropriation by collecting cash payments from PES customers, entering their payments into the accounting system, reversing those same payments in the accounting system, withholding cash from deposits, and taking the cash from her cash drawer for her personal use. This cash was retained for her personal use. The following deficiencies were noted: 1) management failed to act on a reported cash drawer shortage, 2) management failed to segregate incompatible duties, 3) management failed to reconcile and count backup cash drawers, 4) management failed to monitor reversed and void payment reports for unexplained payment reversals, 5) management failed to act on a discrepancy in deposits, and 6) management failed to adequately document a cash count of the employees cash drawer. For further details, see the investigative report released August 9, 2022. The report can be accessed at the state of Tennessee website, <http://www.comptroller.tn.gov/ia>.

F. Subsequent Events

The System plans to start an 8,200,000 million dollar project in the next fiscal year that will be funded from current cash resources in the Electric Department. The System was also awarded a \$23,161,639 Tennessee Emergency Broadband Fund – American Rescue Plan. The grant will be 70% cost share. The System will be responsible for \$9,926,416 in the upcoming years. Management has evaluated subsequent events through October 20, 2022, the date through which the financial statements were available to be issued.

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

G. Segment Reporting

CONDENSED STATEMENT OF NET POSITION

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current assets	\$ 21,158,586	\$ 17,383,339	\$ 2,843,714	\$ 2,246,522
Noncurrent assets - restricted	2,767,736	1,311,994	134,005	-
Other assets	20,078	197,574	-	-
Capital assets	<u>58,459,818</u>	<u>58,171,884</u>	<u>455,040</u>	<u>674,370</u>
Total assets	<u>82,406,218</u>	<u>77,064,791</u>	<u>3,432,759</u>	<u>2,920,892</u>
Deferred outflows of resources	<u>2,659,304</u>	<u>3,570,411</u>	<u>216,546</u>	<u>265,041</u>
Current liabilities	7,837,240	6,292,736	357,964	356,847
Current liabilities payable from restricted assets	993,590	982,332	9,150	9,100
Noncurrent liabilities	<u>7,013,508</u>	<u>9,666,516</u>	<u>764,185</u>	<u>1,276,400</u>
Total liabilities	<u>15,844,338</u>	<u>16,941,584</u>	<u>1,131,299</u>	<u>1,642,347</u>
Deferred inflows of resources	<u>2,774,848</u>	<u>953,080</u>	<u>312,433</u>	<u>107,312</u>
Net position:				
Net investment in capital assets	52,617,400	51,473,227	(477,017)	(565,856)
Restricted for debt service	1,774,146	329,662	124,855	(9,100)
Unrestricted	<u>12,054,790</u>	<u>10,937,649</u>	<u>2,557,735</u>	<u>2,011,230</u>
Total net position	<u>\$ 66,446,336</u>	<u>\$ 62,740,538</u>	<u>\$ 2,205,573</u>	<u>\$ 1,436,274</u>

**PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021**

CONDENSED STATEMENT OF NET POSITION

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Current assets	\$ 21,158,587	\$ 17,383,339	\$ 2,843,714	\$ 2,246,522
Noncurrent assets - restricted	1,577,584	1,311,994	-	-
Other assets	20,078	197,574	-	-
Capital assets	<u>58,459,817</u>	<u>58,171,884</u>	<u>455,040</u>	<u>674,370</u>
Total assets	<u>81,216,066</u>	<u>77,064,791</u>	<u>3,298,754</u>	<u>2,920,892</u>
Deferred outflows of resources	<u>2,659,304</u>	<u>3,570,411</u>	<u>216,546</u>	<u>265,041</u>
Current liabilities	7,837,240	6,292,736	357,964	356,847
Current liabilities payable from restricted assets	993,590	982,332	9,150	9,100
Noncurrent liabilities	<u>5,823,356</u>	<u>9,666,516</u>	<u>630,180</u>	<u>1,276,400</u>
Total liabilities	<u>14,654,186</u>	<u>16,941,584</u>	<u>997,294</u>	<u>1,642,347</u>
Deferred inflows of resources	<u>2,774,848</u>	<u>953,080</u>	<u>312,433</u>	<u>107,312</u>
Net position:				
Net investment in capital assets	52,617,399	51,473,227	(477,017)	(565,856)
Restricted for debt service	583,994	329,662	(9,150)	(9,100)
Unrestricted	<u>13,244,943</u>	<u>10,937,649</u>	<u>2,691,740</u>	<u>2,011,230</u>
Total net position	<u>\$ 66,446,336</u>	<u>\$ 62,740,538</u>	<u>\$ 2,205,573</u>	<u>\$ 1,436,274</u>

CONDENSED STATEMENT OF CASH FLOWS

	<u>Electric Division</u>		<u>Broadband Division</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Net cash provided (used) by operating activities	\$ 9,215,818	\$ 9,045,608	\$ 1,047,332	\$ 731,974
Net cash provided (used) by non-capital and related financing activities	(1,019,741)	(1,107,414)	-	-
Net cash provided (used) by capital and related financing activities	(4,961,894)	(5,204,744)	(557,520)	(401,280)
Net cash provided (used) by investing activities	<u>26,897</u>	<u>14,625</u>	<u>86,927</u>	<u>1,851</u>
Net increase (decrease) in cash and cash equivalents	3,261,080	2,748,075	576,739	332,545
Cash and cash equivalents - beginning	<u>14,844,776</u>	<u>12,096,701</u>	<u>1,970,904</u>	<u>1,638,359</u>
Cash and cash equivalents - ending	<u>\$ 18,105,856</u>	<u>\$ 14,844,776</u>	<u>\$ 2,547,643</u>	<u>\$ 1,970,904</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,

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 152,695	\$ 199,934	\$ 184,153	\$ 179,952	\$ 195,442	\$ 191,944	\$ 222,187	\$ 229,718
Interest	1,190,780	1,117,879	1,090,785	990,049	972,881	929,638	892,701	874,572
Differences between actual & expected experience	405,020	(393,521)	(140,863)	242,126	(107,468)	286,574	192,372	(159,569)
Change of assumptions	-	959,158	-	850,488	-	-	-	-
Benefit payments, including refunds of member's contributions	(829,337)	(761,342)	(847,783)	(804,018)	(795,489)	(792,018)	(698,921)	(653,720)
Net change in total pension liability	919,158	1,122,108	286,292	1,458,597	265,366	616,138	608,339	291,001
Total pension liability - beginning	<u>17,266,105</u>	<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>	<u>12,618,264</u>
Total pension liability - ending (a)	<u>\$ 18,185,263</u>	<u>\$ 17,266,105</u>	<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	840,000	840,000	720,000	720,000	720,000	700,000	648,000	648,000
Net investment income	3,959,818	558,414	766,150	1,029,280	1,365,856	278,504	426,629	1,608,611
Benefit payments, including refunds of member's contributions	(829,337)	(761,342)	(847,783)	(804,018)	(795,489)	(792,018)	(698,921)	(653,720)
Administrative expense	(38,945)	(93,587)	(36,079)	(27,029)	(24,495)	(24,171)	(23,467)	(20,175)
Net change in plan fiduciary net position	3,931,536	543,485	602,288	918,233	1,265,872	162,315	352,241	1,582,716
Plan fiduciary net position - beginning	<u>15,577,884</u>	<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>	<u>10,150,734</u>
Plan fiduciary net position - ending (b)	<u>19,509,420</u>	<u>15,577,884</u>	<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)	(1,324,157)	1,688,221	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	107.28%	90.22%	93.13%	91.01%	93.85%	86.66%	89.41%	90.89%
Covered payroll	\$ 2,526,716	\$ 2,575,734	\$ 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	-52.41%	65.54%	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,**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 130,907	\$ 152,695	\$ 600,449	\$ 551,540	\$ 449,625	\$ 521,791	\$ 435,728	\$ 489,938	\$ 467,172
Contributions in relation to the actuarially determined contribution	<u>400,000</u>	<u>840,000</u>	<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>
Contributions deficiency (excess)	<u>\$ (269,093)</u>	<u>\$ (687,305)</u>	<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	\$ 2,124,703	\$ 2,526,716	\$ 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	18.83%	33.24%	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.

See independent auditor's report.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-12.44%	25.46%	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.

See independent auditor's report.

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF NOTES TO PENSION REQUIRED SUPPLEMENTARY
INFORMATION
For the Year Ended June 30, 2022**

Notes to Pension Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2021 were calculated based on the July 1, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Individual Entry-Age Normal
Asset valuation:	Market value of assets as of measurement date, June 30, 2021.
Investment Rate of Return:	6.40% net of pension plan investment expense, including inflation.
Municipal Bond Rate:	2.18% as of June 30, 2021(source S&P Municipal Bond 20 Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	7.00% per annum
Inflation:	2.75% as of June 30, 2020 and future periods
Salary Increases:	3.00%, including inflation
Cost of Living Adjustment	3.00% annually
Healthy Mortality:	RP-2014 Blue Collar Mortality Table adjusted to 2006 projected generationally with scale MP-2018.
Disabled Mortality:	RP-2014 Blue Collar Mortality Table adjusted to 2006 projected generationally with scale MP-2018.
Changes in Assumptions:	
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	2022	2021	2020	2019	2018
Service cost	\$ 45,357	\$ 51,118	\$ 49,894	\$ 47,997	\$ 37,664
Interest	38,968	35,844	34,806	41,001	30,919
Changes of benefit terms	-	452,973	-	-	-
Differences between expected and actual experience	(310,367)	(157,382)	-	83,117	(184,144)
Changes of assumptions	-	208,672	-	(326,355)	-
Benefits Payments and Refunds	(46,814)	(49,812)	(52,834)	(55,462)	(55,462)
Net Change in Total OPEB Liability	(272,856)	541,413	31,866	(209,702)	(171,023)
Total OPEB Liability - beginning	1,709,823	1,168,410	1,136,544	821,944	992,967
Restatement for changes in assumptions	-	-	-	524,302	-
Total OPEB Liability - beginning	1,709,823	1,168,410	1,136,544	1,346,246	-
Total OPEB Liability - ending (a)	\$ 1,436,967	\$ 1,709,823	\$ 1,168,410	\$ 1,136,544	\$ 821,944
Covered Employee Payroll	\$ 3,632,549	\$ 3,632,549	\$ 2,646,418	\$ 2,681,470	\$ 2,862,672
Net OPEB Liability as a % of covered-employee payroll	39.56%	47.07%	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, 2022**

Notes to OPEB Required Supplementary Information

Valuation Date : Actuarially determined contribution rates for 2022 were calculated based on the July 1, 2020 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, 2022
Investment Rate of Return	NA
Municipal Bond Rate	4.09% as of June 30, 2022(source: S&P Municipal Bond 20-Year High Grade Index - S
Single Equivalent Discount Rate	4.09%, net of OPEB plan investment expense, including inflation.
Inflation	2.50% as of June 30, 2022 and for future periods
Salary Increase:	3.0% per year
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generat with scale MP 2016 for males and females, set forward 1 year.
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generat with scale MP 2016 for males and females, set forward 1 year.
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generat with scale MP 2016 for males and females, set forward 1 year.

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
COMBINING SCHEDULES OF NET POSITION
June 30, 2022 and 2021

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets						
Cash on hand	\$ 1,325	\$ 1,325	\$ 525	\$ 525	\$ 1,850	\$ 1,850
Cash and cash equivalents - general	16,526,946	13,531,457	2,547,118	1,970,379	19,074,064	15,501,836
Accounts receivable - trade (net of allowance for uncollectibles Electric \$50,000 and \$50,000 and broadband \$10,000 and \$10,000 for 2022 and 2021, respectively)	3,129,437	2,580,700	210,840	186,635	3,340,277	2,767,335
Accounts receivable - CSA	21,115	21,813	-	-	21,115	21,813
Accounts receivable - other	372,696	346,655	33,896	14,523	406,592	361,178
Materials and supplies	934,814	761,061	34,558	35,278	969,372	796,339
Due to City	151	151	-	-	151	151
Due from (to) other division	(16,777)	(39,182)	16,777	39,182	-	-
Prepayments and other current assets	188,879	179,359	-	-	188,879	179,359
Total current assets	<u>21,158,586</u>	<u>17,383,339</u>	<u>2,843,714</u>	<u>2,246,522</u>	<u>24,002,300</u>	<u>19,629,861</u>
Noncurrent assets						
Restricted:						
Cash and cash equivalents	1,577,584	1,311,994	-	-	1,577,584	1,311,994
Net Pension Asset	1,190,152	-	134,005	-	1,324,157	-
Total noncurrent assets	<u>2,767,736</u>	<u>1,311,994</u>	<u>134,005</u>	<u>-</u>	<u>2,901,741</u>	<u>1,311,994</u>
Other assets						
Unamortized debt expense	20,078	22,329	-	-	20,078	22,329
Other future charges	-	175,245	-	-	-	175,245
Total other assets	<u>20,078</u>	<u>197,574</u>	<u>-</u>	<u>-</u>	<u>20,078</u>	<u>197,574</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	564,514	377,863	7,817	7,104	572,331	384,967
Total capital assets, not being depreciated	<u>933,877</u>	<u>747,226</u>	<u>7,817</u>	<u>7,104</u>	<u>941,694</u>	<u>754,330</u>
Capital assets, net of accumulated depreciation						
Distribution plant	44,495,818	43,837,141	-	-	44,495,818	43,837,141
General plant	13,030,123	13,587,517	447,223	667,266	13,477,346	14,254,783
Total capital assets (net of accumulated depreciation)	<u>58,459,818</u>	<u>58,171,884</u>	<u>455,040</u>	<u>674,370</u>	<u>58,914,858</u>	<u>58,846,254</u>
Total noncurrent assets	<u>61,247,632</u>	<u>59,681,452</u>	<u>589,045</u>	<u>674,370</u>	<u>61,836,677</u>	<u>60,355,822</u>
Total assets	<u>82,406,218</u>	<u>77,064,791</u>	<u>3,432,759</u>	<u>2,920,892</u>	<u>85,838,977</u>	<u>79,985,683</u>
Deferred outflows of resources						
Deferred outflows related to pensions	2,157,256	2,990,496	197,857	242,134	2,355,113	3,232,630
Deferred outflows related to OPEB	165,984	203,450	18,689	22,907	184,673	226,357
Loss on defeasance	336,064	376,465	-	-	336,064	376,465
Total deferred outflows of resources	<u>\$ 2,659,304</u>	<u>\$ 3,570,411</u>	<u>\$ 216,546</u>	<u>\$ 265,041</u>	<u>\$ 2,875,850</u>	<u>\$ 3,835,452</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, 2022 and 2021

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2022	2021	2022	2021	2022	2021
Liabilities						
Current liabilities						
Accounts payable	\$ 6,600,403	\$ 5,149,084	\$ -	\$ 3,853	\$ 6,600,403	\$ 5,152,937
Other accrued expense	311,361	277,029	44,671	45,286	356,032	322,315
Retention bonus	25,003	-	-	-	25,003	-
Current liabilities payable from restricted assets:						
Compensated absences	8,234	10,924	-	-	8,234	10,924
Bonds payable (plus premium of \$125,348 and \$125,348 for the years ended June 30, 2022 and 2021)	892,239	855,699	313,293	307,708	1,205,532	1,163,407
Total current liabilities	<u>7,837,240</u>	<u>6,292,736</u>	<u>357,964</u>	<u>356,847</u>	<u>8,195,204</u>	<u>6,649,583</u>
Current liabilities payable from restricted assets						
Customers' deposits	989,264	977,519	9,150	9,100	998,414	986,619
Accrued interest	4,326	4,813	-	-	4,326	4,813
Total current liabilities payable from restricted assets	<u>993,590</u>	<u>982,332</u>	<u>9,150</u>	<u>9,100</u>	<u>1,002,740</u>	<u>991,432</u>
Noncurrent liabilities						
Compensated absences	579,938	769,396	-	-	579,938	769,396
Retention bonus	191,845	-	-	-	191,845	-
Net pension liability	-	1,517,373	-	170,848	-	1,688,221
OPEB liability	1,291,546	1,536,789	145,421	173,034	1,436,967	1,709,823
Bonds payable (less current maturities plus premium of \$390,556 and \$577,126 for the years ended June 30, 2022 and 2021)	4,950,179	5,842,958	618,764	932,518	5,568,943	6,775,476
Total noncurrent liabilities	<u>7,013,508</u>	<u>9,666,516</u>	<u>764,185</u>	<u>1,276,400</u>	<u>7,777,693</u>	<u>10,942,916</u>
Total liabilities	<u>15,844,338</u>	<u>16,941,584</u>	<u>1,131,299</u>	<u>1,642,347</u>	<u>16,975,637</u>	<u>18,583,931</u>
Deferred inflows of resources						
Deferred inflows related to pensions	2,198,649	542,843	247,556	61,121	2,446,205	603,964
Deferred inflows related to OPEB	576,199	410,237	64,877	46,191	641,076	456,428
Total deferred inflows of resources	<u>2,774,848</u>	<u>953,080</u>	<u>312,433</u>	<u>107,312</u>	<u>3,087,281</u>	<u>1,060,392</u>
Net Position						
Net investment in capital assets	52,617,400	51,473,227	(477,017)	(565,856)	52,140,383	50,907,371
Restricted	1,774,146	329,662	124,855	(9,100)	1,899,001	320,562
Unrestricted	<u>12,054,790</u>	<u>10,937,649</u>	<u>2,557,735</u>	<u>2,011,230</u>	<u>14,612,525</u>	<u>12,948,879</u>
Total net position	<u>\$ 66,446,336</u>	<u>\$ 62,740,538</u>	<u>\$ 2,205,573</u>	<u>\$ 1,436,274</u>	<u>\$ 68,651,909</u>	<u>\$ 64,176,812</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, 2022 and 2021

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2022	2021	2022	2021	2022	2021
Operating revenues						
Charges for sales and service	\$ 46,749,349	\$ 41,638,079	\$ 4,025,575	\$ 3,669,193	\$ 50,774,924	\$ 45,307,272
Other operating revenue	1,266,148	1,192,019	109,938	108,201	1,376,086	1,300,220
Total operating revenues	<u>48,015,497</u>	<u>42,830,098</u>	<u>4,135,513</u>	<u>3,777,394</u>	<u>52,151,010</u>	<u>46,607,492</u>
Operating expenses						
Cost of sales and services	33,426,768	28,454,871	1,726,751	1,809,457	35,153,519	30,264,328
Distribution expenses	540,160	507,096	120,869	118,648	661,029	625,744
Customer accounts expenses	317,152	408,972	92,285	106,346	409,437	515,318
Customer service and information expenses	271,801	167,083	194,050	221,554	465,851	388,637
Administrative and general expenses	2,337,034	2,283,723	616,199	580,527	2,953,233	2,864,250
Maintenance expenses	2,606,706	2,521,104	233,508	228,876	2,840,214	2,749,980
Provision for depreciation expense	3,664,713	3,629,693	448,907	342,816	4,113,620	3,972,509
Total operating expenses	<u>43,164,334</u>	<u>37,972,542</u>	<u>3,432,569</u>	<u>3,408,224</u>	<u>46,596,903</u>	<u>41,380,766</u>
Operating income (loss)	<u>4,851,163</u>	<u>4,857,556</u>	<u>702,944</u>	<u>369,170</u>	<u>5,554,107</u>	<u>5,226,726</u>
Nonoperating revenues (expenses)						
Interest and other income	26,897	14,625	86,927	1,851	113,824	16,476
Amortization expense	(42,653)	(44,154)	(798)	(798)	(43,451)	(44,952)
Interest and other expense	(109,868)	(94,301)	(19,774)	(25,378)	(129,642)	(119,679)
Total nonoperating revenues (expenses)	<u>(125,624)</u>	<u>(123,830)</u>	<u>66,355</u>	<u>(24,325)</u>	<u>(59,269)</u>	<u>(148,155)</u>
Income (loss) before transfers	<u>4,725,539</u>	<u>4,733,726</u>	<u>769,299</u>	<u>344,845</u>	<u>5,494,838</u>	<u>5,078,571</u>
Transfers						
Transfers out - in lieu of tax payments to City	<u>(1,019,741)</u>	<u>(1,107,414)</u>	<u>-</u>	<u>-</u>	<u>(1,019,741)</u>	<u>(1,107,414)</u>
Change in net position	3,705,798	3,626,312	769,299	344,845	4,475,097	3,971,157
Total net position - beginning	<u>62,740,538</u>	<u>59,114,226</u>	<u>1,436,274</u>	<u>1,091,429</u>	<u>64,176,812</u>	<u>60,205,655</u>
Total net position - ending	<u>\$ 66,446,336</u>	<u>\$ 62,740,538</u>	<u>\$ 2,205,573</u>	<u>\$ 1,436,274</u>	<u>\$ 68,651,909</u>	<u>\$ 64,176,812</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, 2022 and 2021

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2022	2021	2022	2021	2022	2021
Cash flows from operating activities						
Cash received from consumers	\$ 47,441,417	\$ 42,493,107	\$ 4,091,935	\$ 3,756,697	\$ 51,533,352	\$ 46,249,804
Cash paid to suppliers	(36,858,494)	(32,163,362)	(2,631,194)	(2,705,892)	(39,489,688)	(34,869,254)
Cash paid to employees	(1,378,850)	(1,359,179)	(413,459)	(321,881)	(1,792,309)	(1,681,060)
Customer deposits received	146,880	204,702	4,550	4,700	151,430	209,402
Customer deposits refunded	(135,135)	(129,661)	(4,500)	(1,650)	(139,635)	(131,311)
Amounts received from (paid to) other funds	-	1	-	-	-	1
Net cash provided (used) by operating activities	<u>9,215,818</u>	<u>9,045,608</u>	<u>1,047,332</u>	<u>731,974</u>	<u>10,263,150</u>	<u>9,777,582</u>
Cash flows from non-capital and related financing activities						
Transfers	(1,019,741)	(1,107,414)	-	-	(1,019,741)	(1,107,414)
Net cash provided (used) by non-capital and related financing activities	<u>(1,019,741)</u>	<u>(1,107,414)</u>	<u>-</u>	<u>-</u>	<u>(1,019,741)</u>	<u>(1,107,414)</u>
Cash flows from capital and related financing activities						
Proceeds from long-term debt	-	4,985,000	-	-	-	4,985,000
Principal paid on debt	(856,239)	(5,773,077)	(308,169)	(302,565)	(1,164,408)	(6,075,642)
Unamortized debt expense	(1)	(49,333)	-	-	(1)	(49,333)
Purchase of property, plant and equipment	(4,316,043)	(4,753,101)	(229,577)	(82,287)	(4,545,620)	(4,835,388)
Plant removal cost	(515,859)	(290,532)	-	-	(515,859)	(290,532)
Materials salvaged from retirements	879,255	823,671	-	8,950	879,255	832,621
Interest paid on bonds, notes and leases	(153,008)	(147,372)	(19,774)	(25,378)	(172,782)	(172,750)
Net cash provided (used) by capital and related financing activities	<u>(4,961,895)</u>	<u>(5,204,744)</u>	<u>(557,520)</u>	<u>(401,280)</u>	<u>(5,519,415)</u>	<u>(5,606,024)</u>
Cash flows from investing activities						
Interest and unrealized change in investments	26,897	14,625	86,927	1,851	113,824	16,476
Net cash provided (used) by investing activities	<u>26,897</u>	<u>14,625</u>	<u>86,927</u>	<u>1,851</u>	<u>113,824</u>	<u>16,476</u>
Net increase (decrease) in cash and cash equivalents	3,261,079	2,748,075	576,739	332,545	3,837,818	3,080,620
Cash and cash equivalents - beginning	<u>14,844,776</u>	<u>12,096,701</u>	<u>1,970,904</u>	<u>1,638,359</u>	<u>16,815,680</u>	<u>13,735,060</u>
Cash and cash equivalents - ending	<u>\$ 18,105,855</u>	<u>\$ 14,844,776</u>	<u>\$ 2,547,643</u>	<u>\$ 1,970,904</u>	<u>\$ 20,653,498</u>	<u>\$ 16,815,680</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	16,526,946	13,531,457	2,547,118	1,970,379	19,074,064	15,501,836
Restricted cash and cash equivalents on deposit	<u>1,577,584</u>	<u>1,311,994</u>	<u>-</u>	<u>-</u>	<u>1,577,584</u>	<u>1,311,994</u>
Total cash and cash equivalents	<u>\$ 18,105,855</u>	<u>\$ 14,844,776</u>	<u>\$ 2,547,643</u>	<u>\$ 1,970,904</u>	<u>\$ 20,653,498</u>	<u>\$ 16,815,680</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, 2022 and 2021

	Electric Fund					
	Electric Division		Broadband Division		Total	
	2022	2021	2022	2021	2022	2021
Reconciliation of operating income (loss) to net cash provided (used)						
by operating activities						
Operating income (loss)	\$ 4,851,163	\$ 4,857,556	\$ 702,944	\$ 369,170	\$ 5,554,107	\$ 5,226,726
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	3,707,366	3,673,847	448,109	342,018	4,155,475	4,015,865
Change in pension related deferred outflows and inflows of resources	2,489,046	(702,551)	230,712	(87,438)	2,719,758	(789,989)
Change in opeb related deferred outflows and inflows of resources	203,428	(89,271)	22,904	(1,716)	226,332	(90,987)
Changes in assets and liabilities:						
Accounts receivable	(574,080)	(336,991)	(43,578)	(20,697)	(617,658)	(357,688)
Materials and supplies	(173,753)	(85,290)	720	13,028	(173,033)	(72,262)
Due (to) from City	-	1	-	-	-	1
Due from/to other division	(22,405)	6,000	22,405	(6,000)	-	-
Prepayments and other current assets	(9,520)	22,456	-	-	(9,520)	22,456
Other future charges	175,245	(5,247)	-	-	175,245	(5,247)
Accounts payable and accrued expenses	1,702,499	610,474	(4,468)	7,211	1,698,031	617,685
Accrued leave	(192,148)	12,895	-	-	(192,148)	12,895
Customer deposits	11,745	75,041	50	3,050	11,795	78,091
Net pension liability	(2,707,525)	520,066	(304,853)	58,557	(3,012,378)	578,623
OPEB liability	(245,243)	486,622	(27,613)	54,791	(272,856)	541,413
Net cash provided (used) by operating activities:	\$ 9,215,818	\$ 9,045,608	\$ 1,047,332	\$ 731,974	\$ 10,263,150	\$ 9,777,582

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, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Residential sales	\$ 21,718,111	45.23	\$ 20,694,881	48.32
Small lighting and power sales	4,390,197	9.14	3,966,284	9.26
Large lighting and power sales	13,797,906	28.74	12,520,457	29.23
Industrial sales	6,151,290	12.81	3,935,994	9.19
Street and athletic lighting sales	301,945	0.63	277,958	0.65
Outdoor lighting sales	375,863	0.78	355,928	0.83
Other sales	14,037	0.03	(113,423)	(0.26)
Total charges for sales and services	<u>46,749,349</u>	<u>97.36</u>	<u>41,638,079</u>	<u>97.22</u>
Other revenues:				
Forfeited discounts	200,318	0.42	187,288	0.44
Service charge revenue	157,300	0.33	145,930	0.34
Miscellaneous service revenue	4,520	0.01	3,140	0.01
Rent from property	795,828	1.66	761,201	1.78
Other electric revenue	<u>108,182</u>	<u>0.22</u>	<u>94,460</u>	<u>0.21</u>
Total other revenues	<u>1,266,148</u>	<u>2.64</u>	<u>1,192,019</u>	<u>2.78</u>
Total operating revenue	<u>\$ 48,015,497</u>	<u>100.00</u>	<u>\$ 42,830,098</u>	<u>100.00</u>
Operating expenses				
Cost of sales and services				
Purchased power	\$ 33,426,768	69.62	28,454,871	66.44
Total cost of sales and services	<u>33,426,768</u>	<u>69.62</u>	<u>28,454,871</u>	<u>66.44</u>
Distribution expenses				
Supervision and engineering	-	-	-	-
Underground line expense	2,239	-	2,091	-
Substation expense	343,209	0.71	269,620	0.63
Street lighting and signal system	(123)	-	4,653	0.01
Meter expense	83,301	0.17	104,464	0.24
Installation expense	(5,013)	(0.01)	4,708	0.01
Rents	32,794	0.07	34,188	0.08
Miscellaneous	<u>83,753</u>	<u>0.17</u>	<u>87,372</u>	<u>0.20</u>
Total distribution expenses	<u>\$ 540,160</u>	<u>1.11</u>	<u>\$ 507,096</u>	<u>1.17</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, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	Amount	Percent	Amount	Percent
Customer accounts expenses				
Customer records and collection expenses	\$ 317,152	0.66	\$ 408,972	0.95
Total customer accounts expense:	<u>317,152</u>	<u>0.66</u>	<u>408,972</u>	<u>0.95</u>
Customer service and information expenses				
Supervision customer service	35,590	0.07	3,504	0.01
Customer assistance expense	150,716	0.31	114,982	0.27
Information and advertising expense	56,624	0.12	35,126	0.08
Demonstrating and selling	<u>25,766</u>	<u>0.05</u>	<u>13,221</u>	<u>0.03</u>
Total customer service and information expense	<u>271,801</u>	<u>0.56</u>	<u>167,083</u>	<u>0.39</u>
Administrative expenses				
Salaries	795,451	1.66	886,855	2.07
Board members pay	13,944	0.03	14,193	0.03
Safety coordinator	41,199	0.09	72,563	0.17
Office supplies and expense	251,411	0.52	251,708	0.59
Outside services employed	589,882	1.23	422,056	0.99
Insurance	176,915	0.37	187,990	0.44
Duplicate charge credit	(114,978)	(0.24)	(111,989)	(0.26)
Travel expense	93,586	0.19	56,502	0.13
Property taxes	307,200	0.64	334,484	0.78
Donations	1,203	-	10,143	0.02
Miscellaneous	<u>181,221</u>	<u>0.38</u>	<u>159,218</u>	<u>0.37</u>
Total administrative expenses	<u>\$ 2,337,034</u>	<u>4.87</u>	<u>\$ 2,283,723</u>	<u>5.33</u>
Maintenance expenses				
Substation expense	\$ 86,775	0.18	\$ 83,119	0.19
Overhead lines	1,963,293	4.09	1,874,996	4.38
Street lights and signal system	1,340	-	21	-
Meters	138,022	0.29	134,151	0.31
Outdoor lighting	3,317	0.01	5,011	0.01
Maintenance - general	<u>413,959</u>	<u>0.86</u>	<u>423,806</u>	<u>0.99</u>
Total maintenance expenses	<u>2,606,706</u>	<u>5.43</u>	<u>2,521,104</u>	<u>5.88</u>
Provision for depreciation	<u>3,664,713</u>	<u>7.63</u>	<u>3,629,693</u>	<u>8.47</u>
Total operating expenses	<u>\$ 43,164,334</u>	<u>89.90</u>	<u>\$ 37,972,542</u>	<u>88.66</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, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	Amount	Percent	Amount	Percent
Operating revenues				
Charges for sales and services				
Video	\$ 1,418,039	34.30	\$ 1,360,751	36.02
STB channel	52,427	1.27	50,778	1.34
Data	1,909,758	46.18	1,578,740	41.79
Other data services	182,870	4.42	182,053	4.82
Collection and data storage	29,730	0.72	29,730	0.79
Telephone	429,871	10.39	466,896	12.36
Other sales	2,880	0.07	245	0.02
Total charges for sales and services:	<u>4,025,575</u>	<u>97.35</u>	<u>3,669,193</u>	<u>97.14</u>
Other revenues				
Service charge revenue	63,676	1.54	60,864	1.61
Duplicate MIS charges	13,143	0.32	13,004	0.34
Advertising	5,668	0.14	7,554	0.20
Late payment fee	27,451	0.65	26,779	0.71
Total other revenues:	<u>109,938</u>	<u>2.65</u>	<u>108,201</u>	<u>2.86</u>
Total operating revenue	<u>\$ 4,135,513</u>	<u>100.00</u>	<u>\$ 3,777,394</u>	<u>100.00</u>
Operating expenses				
Cost of sales and services				
Internet cogs	\$ 219,727	5.31	\$ 269,234	7.13
Telephone cogs	108,500	2.62	108,813	2.88
Programming fee	1,398,524	33.82	1,431,410	37.89
Total cost of sales and services:	<u>1,726,751</u>	<u>41.75</u>	<u>1,809,457</u>	<u>47.90</u>
Distribution expense:				
Sub-station expense	105,763	2.56	105,763	2.80
Miscellaneous	15,106	0.37	12,885	0.34
Total distribution expense:	<u>120,869</u>	<u>2.93</u>	<u>118,648</u>	<u>3.14</u>
Customer accounts expense:				
Customer records and collection expense:	<u>92,285</u>	<u>2.23</u>	<u>106,346</u>	<u>2.82</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, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Customer service and information expenses				
Supervision customer service	\$ 10,589	0.26	\$ -	-
Customer assistance expense	167,803	4.06	210,917	5.58
Information and advertising expenses	<u>15,658</u>	<u>0.38</u>	<u>10,637</u>	<u>0.28</u>
Total customer service and information expense	<u>194,050</u>	<u>4.70</u>	<u>221,554</u>	<u>5.86</u>
Administrative and general expenses				
Salaries	310,585	7.51	215,535	5.71
Board members pay	2,856	0.01	2,907	0.01
Office supplies and expense	51,365	1.24	51,789	1.37
Outside services employed	156,338	3.78	119,205	3.16
Insurance	7,808	0.19	11,177	0.30
Employee pension and benefits	(78,850)	(1.91)	24,194	0.64
Rents	81,556	1.97	81,556	2.16
Property taxes	26,006	0.63	23,643	0.63
Business taxes	10,579	0.26	10,189	0.27
Travel expense	4,517	0.11	9,373	0.25
Miscellaneous	<u>43,439</u>	<u>1.05</u>	<u>30,959</u>	<u>0.82</u>
Total administrative and general expense	<u>616,199</u>	<u>14.84</u>	<u>580,527</u>	<u>15.32</u>
Maintenance expenses				
Outside maintenance	186,035	5.42	187,683	5.51
Inside maintenance	31,779	0.93	28,576	0.84
General maintenance	<u>15,594</u>	<u>0.45</u>	<u>12,617</u>	<u>0.37</u>
Total maintenance expenses	<u>233,508</u>	<u>6.80</u>	<u>228,876</u>	<u>6.72</u>
Provision for depreciation	<u>448,907</u>	<u>10.85</u>	<u>342,816</u>	<u>9.08</u>
Total operating expenses	<u>\$ 3,432,569</u>	<u>83.00</u>	<u>\$ 3,408,224</u>	<u>90.23</u>

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
For the Year Ended June 30, 2022

Residential Rate Schedule RS

Customer charge - per delivery point per month	\$	22.42
Energy charge - cents per kWh		0.11244

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		0.11774

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		0.12122
Additional kWh per month		0.07261

Industrial Rate:

General Service (GSA, part 3, 1001 kW to 5000kW) Rate 54, 55

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		0.07634

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		0.08483
Offpeak First 200 Hours		0.05983
Offpeak Next 200 Hours		0.03014
Offpeak Additional kWh		0.02759

Demand for Street Outdoor Lighting - Schedule OL

Per kWh per month	\$	0.07952		
150W HPS Security		9.25	71W LED	\$ 10.01
175W MPI Security		8.28	136W LED	14.47
250W HPS Security		13.22	150W LED	17.27
400W MH Security		18.90	194W LED	20.29
400W MVI Security		16.39	218W LED	21.00
400W HPS Security		18.90		
1000W MH Security		43.31		

See independent auditor's report.

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF BROADBAND RATES IN FORCE
For the Year Ended June 30, 2022**

Residential Rates

Bundles

Energize Lite \$ 41.95
20 Digital Channels, 1 HD box included

Energize Lite -DVR \$ 46.95
20 Digital Channels, 1 DVR box included

IPTV Basic \$ 108.95
81 Channels, 1 HD box included

IPTV Silver \$ 149.95
190 Channels + 2 premium packages

IPTV Plus \$ 119.95
190 Channels, 1 HD box included

IPTV Bronze \$ 134.95
190 Channels + 1 premium packages

IPTV Gold \$ 171.95
190 Channels + 4 premium packages

Digital Tiers

Family tier Free
Sports tier 5.50
High definition basic Free
High definition tier 5.00

Optional Services

PPV movie (standard) Varies
PPV event Varies

High Speed Internet

Data Lite \$ 26.95
Bronze internet 54.95
Silver internet 74.95
Gold internet 104.95
Static IP 10.95

Telephone Services

Local and nationwide long distance service
(with 10 calling features) \$ 34.95
Additional number 16.00

Misc. Phone Charges

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, 2022

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	190.00
Unreturned digital HD/DVR box	355.00

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
Wall fish	64.95
Amplifier install	50.00
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

High Speed Internet

Small commercial tier 50M/50M, static IP	\$ 54.95
Bronze tier - 100M/100M, static IP, custom email	84.95
Silver tier - 500M/500M, static IP, custom email	254.95
Gold tier - 1000M/1000M, static IP, custom email	504.95
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, 2022

Year Ended June 30,	Electric Revenue Refunding Bonds		Revenue and Tax Refunding Bond - Electric		Revenue and Tax Refunding Bond - Broadband		Total Requirements		
	Series 2020		Series 2015		Series 2015		Principal	Interest	Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest			
2023	400,000	165,600	366,891	17,157	313,293	14,650	\$ 1,080,184	\$ 197,407	\$ 1,277,591
2024	395,000	144,600	373,550	10,498	318,979	8,964	1,087,529	164,062	1,251,591
2025	440,000	125,850	351,073	3,718	299,785	3,175	1,090,858	132,743	1,223,601
2026	445,000	102,850	-	-	-	-	445,000	102,850	547,850
2027	475,000	80,600	-	-	-	-	475,000	80,600	555,600
2028	490,000	61,600	-	-	-	-	490,000	61,600	551,600
2029	510,000	42,000	-	-	-	-	510,000	42,000	552,000
2030	535,000	21,600	-	-	-	-	535,000	21,600	556,600
2031	545,000	10,900	-	-	-	-	545,000	10,900	555,900
	<u>\$ 4,235,000</u>	<u>\$ 755,600</u>	<u>\$ 1,091,514</u>	<u>\$ 31,373</u>	<u>\$ 932,057</u>	<u>\$ 26,789</u>	<u>\$ 6,258,571</u>	<u>\$ 813,762</u>	<u>\$ 7,072,333</u>

See independent auditor's report.

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2022

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2021	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2022
Bonds Payable									
Electric and Broadband Revenue and Tax Refunding Bond - Series 2015	6,268,500	1.80%	November 19, 2015	June 1, 2025	2,692,632	-	669,061	-	2,023,571
Electric Revenue Refunding Bonds - Series 2020	<u>4,985,000</u>	5.00%	July 9, 2020	June 1, 2031	<u>4,605,000</u>	-	<u>370,000</u>	-	<u>4,235,000</u>
Total Bonds Payable	<u>\$ 11,253,500</u>				<u>\$ 7,297,632</u>	<u>\$ -</u>	<u>\$ 1,039,061</u>	<u>\$ -</u>	<u>\$ 6,258,571</u>

See independent auditor's report.

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

	Electric Division				
	2022	2021	2020	2019	2018
Revenue					
Residential	\$ 21,718,111	\$ 20,694,881	\$ 20,262,607	\$ 20,947,414	\$ 20,802,200
Small lighting and power sales	4,390,197	3,966,284	3,813,419	3,961,978	3,706,011
Large lighting and power sales	13,797,906	12,520,457	12,370,924	13,954,984	14,047,605
Industrial sales	6,151,290	3,935,994	4,618,868	5,582,680	6,035,392
Street, athletic and outdoor lighting sales	677,808	633,886	625,783	627,615	604,998
Other sales	14,037	(113,423)	23,423	-	221,910
Interest and other revenue	1,293,045	1,206,644	1,263,739	1,296,743	1,132,132
	<u>48,042,394</u>	<u>42,844,723</u>	<u>42,978,763</u>	<u>46,371,414</u>	<u>46,550,248</u>
Expense					
Cost of sales and services	33,426,768	28,454,871	29,553,897	32,973,590	32,879,202
Distribution expenses	540,160	507,096	400,360	318,409	521,322
Customer accounts expenses	317,152	408,972	460,518	452,435	418,893
Customer service and information expenses	271,801	167,083	289,184	301,810	309,495
Administrative and general expenses	2,337,034	2,283,723	2,301,850	2,202,408	2,197,545
Maintenance expenses	2,606,706	2,521,104	2,451,050	2,447,169	2,223,746
Provision for depreciation expense	3,664,713	3,629,693	3,638,157	3,366,083	3,255,235
Amortization expense	42,653	44,154	39,437	(52)	5,186
Interest and other expense	109,868	94,301	271,510	319,540	332,263
Transfers out - in lieu of tax payments to city	1,019,741	1,107,414	1,119,959	1,186,362	1,173,438
	<u>44,336,596</u>	<u>39,218,411</u>	<u>40,525,922</u>	<u>43,567,754</u>	<u>43,316,325</u>
Net income (loss)	<u>\$ 3,705,798</u>	<u>\$ 3,626,312</u>	<u>\$ 2,452,841</u>	<u>\$ 2,803,660</u>	<u>\$ 3,233,923</u>
Financial					
Plant in service (at original cost)	<u>\$ 108,936,265</u>	<u>\$ 105,758,958</u>	<u>\$ 100,714,025</u>	<u>\$ 98,552,108</u>	<u>\$ 92,917,908</u>
Power in use - KWH					
Residential	174,974,032	175,649,021	170,734,553	174,939,272	174,558,859
Commercial	34,082,915	32,763,873	30,979,281	32,156,356	30,300,009
Industrial	215,606,264	198,371,610	189,901,005	222,200,992	238,776,285
Other customers	4,617,955	5,024,501	5,438,541	5,510,029	3,373,820
Total	<u>429,281,166</u>	<u>411,809,005</u>	<u>397,053,380</u>	<u>434,806,649</u>	<u>447,008,973</u>
Peak KW demand	<u>100,014</u>	<u>102,201</u>	<u>97,367</u>	<u>92,499</u>	<u>112,285</u>
Number of customers					
Residential	12,234	12,137	12,007	12,018	11,962
Commercial	2,453	2,397	2,321	2,242	2,201
Industrial	180	177	185	197	203
Street and athletic	68	68	68	67	58
Outdoor lighting	63	63	63	63	63
	<u>14,998</u>	<u>14,842</u>	<u>14,644</u>	<u>14,587</u>	<u>14,487</u>
Line Loss	<u>5.30%</u>	<u>5.30%</u>	<u>4.83%</u>	<u>4.86%</u>	<u>4.01%</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				
	2022	2021	2020	2019	2018
Revenue					
Video	\$ 1,418,039	\$ 1,360,751	\$ 1,365,177	\$ 1,432,096	\$ 1,464,525
STB Channel	52,427	50,778	55,978	63,752	69,343
Data and related services	2,092,628	1,760,793	1,607,292	1,562,074	1,535,663
Collection and data storage	29,730	29,730	29,730	29,730	29,730
Telephone	429,871	466,896	494,933	541,690	588,273
Other sales	2,880	245	(3,380)	2,330	(683)
Interest and other revenue	196,865	110,052	294,683	298,674	122,059
	<u>4,222,440</u>	<u>3,779,245</u>	<u>3,844,413</u>	<u>3,930,346</u>	<u>3,808,910</u>
Expense					
Cost of sales and services	1,726,751	1,809,457	1,800,140	1,719,143	2,086,438
Distribution expenses	120,869	118,648	122,567	124,074	124,764
Customer accounts expenses	92,285	106,346	124,648	119,960	41,906
Customer service and information expenses	194,050	221,554	241,779	284,415	348,562
Administrative and general expenses	616,199	580,527	574,824	608,038	336,551
Maintenance expenses	233,508	228,876	242,392	180,178	-
Provision for depreciation expense	448,907	342,816	404,902	393,796	344,501
Amortization expense	798	798	798	(5,519)	798
Interest and other expenses	19,774	25,378	30,662	35,962	29,904
	<u>3,453,141</u>	<u>3,434,400</u>	<u>3,542,712</u>	<u>3,460,047</u>	<u>3,313,424</u>
Net income (loss)	<u>\$ 769,299</u>	<u>\$ 344,845</u>	<u>\$ 301,701</u>	<u>\$ 470,299</u>	<u>\$ 495,486</u>
Financial					
Plant in service (at original cost)	<u>\$ 4,515,587</u>	<u>\$ 4,326,781</u>	<u>\$ 4,260,517</u>	<u>\$ 4,278,374</u>	<u>\$ 3,792,149</u>
Number of customers					
Residential	2,672	2,623	2,440	2,333	2,216
Commercial	389	360	347	360	325
	<u>3,061</u>	<u>2,983</u>	<u>2,787</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.

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, 2022, 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 October 20, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

Our consideration of internal control 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and it is described as item 2022-001.

The System's Response to Findings

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

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 20, 2022

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
June 30, 2022 and 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

**2022-001 Investigative Report – State of Tennessee Comptroller of the Treasury –
Released August 9, 2022 (Significant Deficiency and Noncompliance)**

The full investigative report by the State of Tennessee Comptroller of the Treasury released August, 9 2022, including additional details related to the conditions, recommendations, and responses can be accessed at the State of Tennessee website, <http://www.comptroller.tn.gov/IA>.

Condition: The State of Tennessee Comptroller of the Treasury performed an investigative audit of the customer service office of PES Energize, specifically related to the former employee's activity for the period of March 2019 through February 2020. The investigative report revealed the following findings:

1. Management failed to act on a reported cash drawer shortage. Management should document reported internal control issues and deficiencies and evaluate each for corrective action. The employee's deposit was short at least \$1,000 on a particular day in January 2020. The shortage was reported to the CSR supervisor by another employee who reconciled the deposit that day. The supervisor failed to take any corrective action and failed to report the issue to a higher level of management.
2. Management failed to segregate incompatible duties. PES assigned the same manager to supervise both the billing and CSR departments. The CSR department collected payments and the billing department made the bank deposits. When the employees cash drawer was short at least \$1,000 in January 2020, the same person had the responsibility of correcting the cash drawer issue and completing the daily deposit. If there had been a segregation of duties, it would have reduced the likelihood of the employee's cash drawer shortage not being reported. Responsibility for each step of cash handling and recording should be clearly established. Segregation of duties reduced the risk that errors or intentional misappropriations will remain undetected.
3. Management failed to reconcile and count backup cash drawers. According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should identify, analyze, and respond to risks to ensure that the entity's resources are adequately safeguarded. Management informed investigators that PES had two backup cash drawers for a supervisor to use in case there was a staff shortage. Each drawer contained \$150. After the employee's employment was terminated, management reconciled those cash drawers and determined \$171.44 was missing. PES deducted this amount from the employee's final paycheck. Management failed to restrict access to, regularly verify, or reconcile these backup cash drawers. Therefore, it is not possible to determine when or exactly how the cash went missing. Investigators excluded this amount from the misappropriation noted above.
4. Management failed to monitor reversed and void payment reports for unexplained payment reversals. According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should monitor internal controls through built in monitoring activities and periodic evaluations and document the results. Management had reversed and voided payment reports but did not monitor those reports. Management informed investigators that the employee's reversal and

PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR
June 30, 2022 and 2021

void payment reports for her final six months of employment were over 60 pages while other CSRs' reversal and void payment reports for the same time frame were three to four pages each. Management failed to review these reports that would have revealed a pattern of unexplained payment reversals.

5. Management failed to act on a discrepancy in deposits. According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should document reported internal control issues and deficiencies and evaluate each for corrective action. Investigators found one instance in August 2019 where the employee's cash drawer amount, per a report generated by the PES accounting system (the cash register report), was lower than the total cash needed for deposit, according to another report generated by the PES accounting system (the cash register deposit summary). After conversations with management, investigators determined that these amounts should always be the same. After this occurred, management failed to take action to resolve this issue or to increase the monitoring of the employee's cashing activities.
6. Management failed to adequately document a cash count of the employees cash drawer. According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, "Management should consider the potential for fraud when identifying, analyzing and responding to risks." PES failed to adequately document a cash count of the employee's cash drawer after her misappropriation scheme was detected. PES included the shortage in the employee's cash drawer in the total amount deducted from the employee's final paycheck. However, investigators could not recalculate that amount because of inadequate documentation of the cash remaining in the employee's cash drawer at the time her employment was terminated.

Criteria: The *Internal Control and Compliance Manual for Tennessee Municipalities* as noted in the State of Tennessee Comptroller of the Treasury investigative report.

Effect: The lack of policies and procedures and management oversight allowed for the opportunity for and the act of fraudulent activities to occur.

Recommendation: We recommend that PES Energize, and specifically the Recorder's office, comply with all of the recommendations that were noted in the investigative report. Proper policies and procedures should be established as outlined in the *Internal Control and Compliance Manual for Tennessee Municipalities*. All funds should promptly receipted and deposited in accordance with State statutes. It is also imperative the management provide adequate oversight of the collection process.

Response: Management is making every effort to implement necessary controls to be in compliance.

**PES ENERGIZE
CITY OF PULASKI, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2022 and 2021**

There are no financial statement findings to report in the prior year.