# OFFICIAL STATEMENT

NEW ISSUE Rating: Moody's "Aa3"
Book-Entry Only

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Series 2020 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2020 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2020 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2020 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).*

# $4,985,000
# CITY OF PULASKI, TENNESSEE
## Electric System Revenue Refunding Bonds, Series 2020
## (Bank Qualified)

Dated: July 9, 2020 Due: June 1, as shown below

The City of Pulaski, Tennessee (the "Municipality") will issue its Electric System Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds") as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2020 Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2020. Principal of and interest on the Series 2020 Bonds will be payable at the corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as Paying Agent and Registration Agent, provided that interest may be paid by check or draft mailed by the Registration Agent to each registered owner as of the record date.

The Series 2020 Bonds are limited obligations of the Municipality, payable solely from and secured by a first and senior lien upon and pledge of certain revenues of the Municipality's electric distribution system (the "System"), which is owned and operated on behalf of the Municipality through its board of public utilities, operating as PES Energize. The Series 2020 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the Municipality, nor is the State of Tennessee, or any of its political subdivisions, other than the Municipality, liable for the payment of the principal of or interest on the Series 2020 Bonds. The Resolution does not grant to owners of the Series 2020 Bonds any mortgage on or security interest in any real or personal property of the Municipality other than the lien on the revenues of the System. Neither the full faith and credit nor any taxing power of the Municipality is pledged to secure payment of the Series 2020 Bonds.

The Series 2020 Bonds are subject to optional redemption on June 1, 2029 and thereafter at a price of par, as set forth herein. The Series 2020 Bonds are payable on June 1 of each year as follows:

| Maturity Date | Amount | Rate | Yield | CUSIP |
|---|---|---|---|---|
| 2021 | $380,000 | 5.000% | 0.300% | 745621 EC2 |
| 2022 | 370,000 | 5.000% | 0.350% | 745621 ED0 |
| 2023 | 400,000 | 5.000% | 0.400% | 745621 EE8 |
| 2024 | 395,000 | 5.000% | 0.500% | 745621 EF5 |
| 2025 | 440,000 | 5.000% | 0.600% | 745621 EG3 |
| 2026 | 445,000 | 5.000% | 0.750% | 745621 EH1 |
| 2027 | 475,000 | 4.000% | 0.850% | 745621 EJ7 |
| 2028 | 490,000 | 4.000% | 1.000% | 745621 EK4 |
| 2029 | 510,000 | 4.000% | 1.050% | 745621 EL2 |
| 2030 | 535,000 | 2.000% | 1.150%[C] | 745621 EM0 |
| 2031 | 545,000 | 2.000% | 1.250%[C] | 745621 EN8 |

[C] Yield to June 1, 2029 Call Date

The Series 2020 Bonds will be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

*The Series 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the Municipality by Andy Hoover, Esq., Pulaski, Tennessee, Counsel to the Municipality. Stephens Inc. is serving as municipal advisor to PES Energize. It is expected that the Series 2020 Bonds in book-entry form will be available for delivery through The Depository Trust Company on or about July 9, 2020.*

June 24, 2020

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the City of Pulaski, Tennessee (the "Municipality"), is an Official Statement with respect to the Series 2020 Bonds described herein that is deemed final by the Municipality as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2020 Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Municipality or by Stephens Inc. (the "Municipal Advisor") to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Municipality or the Series 2020 Bonds must not be relied upon as having been authorized by the Municipality or the Municipal Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Municipality since the date as of which information is given in this Official Statement.

**In making an investment decision investors must rely on their own examination of the Municipality and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2020 Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2020 Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.**

Any CUSIP numbers presented herein have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the Municipality is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2020 Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

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Pat Ford, Mayor

### BOARD OF MAYOR AND ALDERMEN

Pat Miles, Vice-Mayor and Alderman
Vicky Harwell, Alderman
Jerry Bryan, Alderman
Randy Massey, Alderman
Ricky Keith, Alderman
Hardin Franklin, Alderman

### CITY RECORDER

Terry Harrison

### PES ENERGIZE

Richard Kelley, Chief Executive Officer
Bobby Jones, Chief Financial Officer
Marcus Houston, Board Chair

### CITY ATTORNEY

Andy Hoover, Esq.
Pulaski, Tennessee

### AUDITOR

Alexander Thompson Arnold PLLC
Jackson, Tennessee

### BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

### REGISTRATION AND PAYING AGENT

U.S. Bank National Association
Nashville, Tennessee

### MUNICIPAL ADVISOR

Stephens Inc.
Nashville, Tennessee

### UNDERWRITER

Raymond James & Associates, Inc.
Memphis, Tennessee

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## Summary Statement

*This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.*

| | |
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| **ISSUER**………………………………. | City of Pulaski, Tennessee (the "Municipality"). |
| **ISSUE**….. ........................................... | $4,985,000 Electric System Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds"). |
| **PURPOSE** .......................................... | Refund the Municipality's Electric System Revenue Refunding Bond, Series 2014 for debt service savings; and pay costs incident to the issuance and sale of the Series 2020 Bonds. |
| **DATED DATE**.................................... | July 9, 2020. |
| **INTEREST DUE** ................................ | Each June 1 and December 1, commencing December 1, 2020. |
| **PRINCIPAL DUE** .............................. | June 1, 2021 through June 1, 2031, as set forth on the cover. |
| **OPTIONAL REDEMPTION** ........... | The Series 2020 Bonds shall be subject to redemption at the option of the Municipality on and after June 1, 2029 at the price of par. |
| **SECURITY** ......................................... | The Series 2020 Bonds are limited obligations of the Municipality, payable solely from and secured by a first and senior lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein). The Resolution does not grant to owners of the Series 2020 Bonds any mortgage on or security interest in any real or personal property of the Municipality. Neither the full faith and credit nor any taxing power of the Municipality is pledged to secure payment of the Series 2020 Bonds. |
| **RATING**.............................................. | "Aa3" by Moody's Investors Service. Inc. ("Moody's") based on documents and other information provided by the Municipality. The rating reflects only the view of Moody's and neither the Municipality, the Municipal Advisor nor the Underwriter make any representations as to the appropriateness of such rating.<br><br>There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2020 Bonds. Any explanation of the significance of the rating may be obtained from Moody's. See "Rating" herein. |

| | |
|---|---|
| **TAX MATTERS**................................. | In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Series 2020 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2020 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2020 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2020 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein). |
| **BANK QUALIFICATION** ................ | The Series 2020 Bonds will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. |
| **REGISTRATION AND PAYING AGENT**................................................ | U.S. Bank National Association, Nashville, Tennessee. |
| **MUNICIPAL ADVISOR** ................... | Stephens Inc., Nashville, Tennessee. |
| **UNDERWRITER** ............................... | Raymond James & Associates, Inc., Memphis, Tennessee |

**$4,985,000**

**City of Pulaski, Tennessee**

**Electric System Revenue Refunding Bonds, Series 2020**

## INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by City of Pulaski, Tennessee (the "Municipality") of $4,985,000 in aggregate principal amount of its Electric System Revenue Refunding Bonds, Series 2020 (the "Series 2020 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A - Summary of Certain Provisions of the Resolution.)

*This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2020 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.*

The Municipality, the issuer of the Series 2020 Bonds, is a political subdivision of the State of Tennessee and, through its board of public utilities known as PES Energize, owns and operates an electrical power transmission and distribution system (the "System"). See Appendix B.

The Series 2020 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, and pursuant to a resolution of the Board of Mayor and Alderman (the "Governing Body") of the Municipality adopted on May 12, 2020 (the "Resolution"). A summary of certain provisions of the resolution is attached hereto as Appendix A.

Audited financial statements for the System's fiscal year ended June 30, 2019 are attached hereto as Appendix C and certain statistical and demographic information regarding the System is attached hereto as Appendix B.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, the Series 2020 Bonds, and the security and sources of payment for the Series 2020 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2020 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request, from the Mayor, City of Pulaski, Tennessee, 203 South First Street, Pulaski, Tennessee 38478.

## PLAN OF FINANCING

The Series 2020 Bonds are being issued for the purpose of (i) refunding the Municipality's Electric System Revenue Refunding Bond, Series 2014 (the "Series 2014 Bond") to achieve debt service savings; and (ii) paying the costs of issuing the Series 2020 Bonds.

The portion of the proceeds of the Series 2020 Bonds used to refund the Series 2014 Bond will be immediately paid to the financial institution holding the Series 2014 Bond in full retirement thereof. The balance of the proceeds of the Series 2020 Bonds will be used to pay the costs of issuing the Series 2020 Bonds.

### Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2020 Bonds are estimated below.

| | |
|---|---|
| Sources of Funds: | |
| Par Amount of Series 2020 Bonds | $4,985,000.00 |
| Original Issue Premium | 783,208.10 |
| Total Sources of Funds | $5,768,208.10 |
| Uses of Funds: | |
| Refunding of Series 2014 Bond | $5,695,961.78 |
| Costs of Issuance[1] | 67,539.38 |
| Rounding Amount | 4,706.94 |
| Total Uses of Funds | $5,768,208.10 |

[1] Includes legal and accounting fees, underwriter's fees, municipal advisory fees, rating agency fees, printing, and other costs of issuance.

## DESCRIPTION OF THE SERIES 2020 BONDS

### General

The Series 2020 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2020 Bonds is payable on each June 1 and December 1, commencing December 1, 2020.

Payment of the principal of and interest on the Series 2020 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2020 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2020 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the Municipality maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2020 Bonds will be paid upon the presentation and surrender of the Series 2020 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2020 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the Municipality to the persons in whose names the Series 2020 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which date will be fixed in the following manner: the Municipality will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2020 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the Municipality of such Special Record Date, and in the manner and at the expense of the Municipality, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

**Denominations, Registration, Transfers and Exchanges**

The Series 2020 Bonds will be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof. The Series 2020 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2020 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2020 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent will cause to be authenticated and delivered a new Series 2020 Bond or Series 2020 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2020 Bonds surrendered for such transfer. When not in book-entry form, the Series 2020 Bonds may be exchanged for a like principal amount of Series 2020 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2020 Bonds.

**Optional Redemption**

The Series 2020 Bonds are subject to redemption prior to maturity at the option of the Municipality on or after June 1, 2029, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

If less than all the Series 2020 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Mayor of the Municipality in his discretion. If less than all of the Series 2020 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Series 2020 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2020 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Series 2020 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2020 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

**Notice of Redemption**

Notice of call for redemption shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2020 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Series 2020 Bonds for which proper notice was given. An optional redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2020 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2020 Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Series 2020 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution. In the case of a Conditional Redemption, the failure of the Municipality to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

**Book-Entry Only System**

Except as otherwise provided in the Detailed Notice of Sale, the Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Bond certificate will be issued for each maturity of the Series 2020 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Municipality or Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Municipality may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Municipality believes to be reliable, but the Municipality takes no responsibility for the accuracy thereof.

**THE CITY AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY**

**PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.**

## SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2020 BONDS

Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including the Municipality, is pledged to the payment of the Series 2020 Bonds. The Series 2020 Bonds are limited obligations of the Municipality and are payable solely from the Net Revenues (as described below and as defined in Appendix A hereto) of the System. The Series 2020 Bonds do not constitute a charge, lien or encumbrance upon any other property of the Municipality.

The Municipality, through PES Energize, also owns and operates a broadband system through which PES Energize provides video, data and telecommunications services (the “Broadband System”). The Broadband System is separate from the System and its revenues are not pledged to or available for the payment of the Series 2020 Bonds.

### Pledge of Net Revenues

Under the terms of the Resolution, the Series 2020 Bonds are secured by a first and senior pledge of and lien on the Net Revenues. Generally, Net Revenues means all revenues of the System, from whatever source, minus System operating expenses other than depreciation, amortization and interest expense. See Appendix A for a more detailed definition of Net Revenues. See Appendix B for information regarding the System, and "DEBT SERVICE SCHEDULE" for information regarding the Municipality's debt service obligations.

### Flow of Funds

Pursuant to the Resolution, the Municipality has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

- First, to pay operating expenses
- Next, to pay debt service on the Series 2020 Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Series 2020 Bonds and any Parity Bonds, if applicable (the Municipality has not established a debt service reserve for the Series 2020 Bonds)
- Last, to pay debt service on Subordinate Lien Bonds and to pay any other legal purpose

See Appendix A for a more detailed description of the flow of funds.

### Rate Covenant

Under the terms of the Resolution, prior to the commencement of each Fiscal Year, the Governing Body must estimate the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.20 times the debt service payable during the upcoming Fiscal Year on the Series 2020 Bonds and any Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by the Municipality pursuant to the Resolution and the resolutions authorizing any Subordinate Lien Bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, (iii) sufficient to pay debt service on any Subordinate Lien Bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Series 2020 Bonds, Parity Bonds or any Subordinate Lien Bonds.

### Bond Fund and Reserve Fund

The Resolution establishes a Bond Fund for the Series 2020 Bonds and any Parity Bonds. The Resolution requires the Municipality to make monthly deposits to the Bond Fund sufficient to accumulate funds necessary to pay scheduled debt service on the Series 2020 Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2020 Bonds and any Parity Bonds as the same become due.

The Resolution does not require that the Municipality fund a Reserve Fund for the Series 2020 Bonds.

### Parity Bonds

The Municipality may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2020 Bonds. See Appendix A for the conditions under which such Parity Bonds may be issued. The Municipality may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2020 Bonds.

### Subordinate Lien Bonds

The Municipality may, from time to time, issue Subordinate Lien Bonds under the terms of the Resolution. Subordinate Lien Bonds will either (i) have a lien on the Net Revenues of the System subordinate to the lien on the Net Revenues of the System securing the Series 2020 Bonds, or (ii) be payable from, but not have a lien on the Net Revenues of the System. The Municipality's Revenue and Tax Refunding Bond, Series 2015 (the "Series 2015 Bond") was issued to refinance certain telecommunications fiber infrastructure for the Broadband System. The System uses a portion of these fiber assets, and a commensurate portion of the Series 2015 Bond is payable from, but not secured by any pledge of or lien on, the revenues of the System.

### Additional Borrowing Plans

PES Energize annually reviews and prepares a five-year capital improvements plan for the System. Over the past five years, approximately $23.9 million in capital investments have been made in the System. All of these capital investments were funded with operating earnings. Over the next five years, it is projected that approximately $5 million per year in additional capital improvements will be made to the System. PES Energize management projects that all of these capital improvements will be funded with operating earnings. There are currently no plans for additional debt in the System.

## LEGAL MATTERS

### Pending Litigation

The Municipality, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Municipality, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the Municipality or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Municipality.

There is no litigation now pending or, to the knowledge of the Municipality, threatened which restrains or enjoins the issuance or delivery of the Series 2020 Bonds, the use of Net Revenues for the payment of the Series 2020 Bonds, or the use of the proceeds of the Series 2020 Bonds or which questions or contests the validity of the Series 2020 Bonds or the proceedings and Municipality under which they are to be issued. Neither the creation, organization, or existence of the Municipality, nor the title of the present members or other officials of the Municipality to their respective offices, is being contested or questioned.

**Opinions of Bond Counsel**

Legal matters incident to the authorization, validity, and issuance of the Series 2020 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix D. Copies of the opinion will be available at the time of the initial delivery of the Series 2020 Bonds. Certain legal matters will be passed upon for the Municipality by Andy Hoover, Esq., counsel to the Municipality.

## TAX MATTERS

### Federal

**General**. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2020 Bonds. Their opinion under existing law, relying on certain statements by the Municipality and assuming compliance by the Municipality with certain covenants, is that interest on the Series 2020 Bonds:

- is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and

- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Series 2020 Bonds that the Municipality must continue to meet after the Series 2020 Bonds are issued. These requirements generally involve the way that the Series 2020 Bond proceeds must be invested and ultimately used. If the Municipality does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2020 Bonds in its federal gross income on a retroactive basis to the date of issue. The Municipality has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder or who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2020 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2020 Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2020 Bonds or affect the market price of the Series 2020 Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2020 Bonds, or under State, local or foreign tax law.

**Bond Premium**. If a bondholder purchases a Series 2020 Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Series 2020 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Series 2020 Bond will be reduced. The holder of a Series 2020 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2020 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2020 Bond with bond premium, even though the Series 2020 Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2020 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

**Original Issue Discount**. A Series 2020 Bond will have "original issue discount" if the price paid by the original purchaser of such Series 2020 Bond is less than the principal amount of such Series 2020 Bond. Bond Counsel's opinion is that any original issue discount on these Series 2020 Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2020 Bonds will be increased. If a bondholder owns one of these Series 2020 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

**Information Reporting and Backup Withholding**. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2020 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2020 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2020 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

**State Taxes**

Under existing law, the Series 2020 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2020 Bonds during the period the Series 2020 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2020 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

**Qualified Tax-Exempt Obligations**

Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Municipality as to the Series 2020 Bonds, Bond Counsel has determined that the Series 2020 Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

**Changes in Federal and State Tax Law**

From time to time, there are presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2020 Bonds or otherwise prevent holders of the Series 2020 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2020 Bonds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Series 2020 Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2020 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020 Bonds would be impacted. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2020 Bonds should consult their own tax advisors regarding the foregoing matters.

## CONTINUING DISCLOSURE

The Municipality and PES Energize will at the time the Series 2020 Bonds are delivered execute a Continuing Disclosure Agreement under which they will covenant for the benefit of holders and beneficial owners of the Series 2020 Bonds to provide certain financial information and operating data relating to the Municipality and the System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2020 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. All continuing disclosure filings will be made with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and any State Information Depository ("SID"). If the Municipality and PES Energize are unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix E. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

In the past five years, neither the Municipality nor PES Energize has been party to any active undertakings with regard to the Rule.

## RATING

Moody's Investors Service, Inc. (the "Rating Agency") has assigned the Series 2020 Bonds a rating of "Aa3". An explanation of the significance of such rating may be obtained from the Rating Agency. This rating is not a recommendation to buy, sell or hold the Series 2020 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2020 Bonds. Neither the Municipality, the Municipal Advisor nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

## MUNICIPAL ADVISOR

Stephens Inc. is serving as Municipal Advisor to PES Energize in connection with the issuance of the Series 2020 Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Series 2020 Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein has been obtained from the Municipality and other sources believed to be reliable, but has not been independently verified by Municipal Advisor.

The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2020 Bonds is contingent upon the issuance and delivery of the Series 2020 Bonds.

The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Municipality and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

## UNDERWRITING

The Series 2020 Bonds were offered for competitive public sale on June 24, 2020. Raymond James & Associates, Inc. was the successful bidder and, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2020 Bonds for an aggregate purchase price of $5,750,001.97, which is par, less $18,206.13 underwriter's discount, plus original issue premium of $783,208.10.

The Underwriter may offer and sell the Series 2020 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2020 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

## INDEPENDENT AUDITORS

The financial statements of the Municipality as of June 30, 2019 and for the year then ended, attached hereto as Appendix C, have been audited by Alexander Thompson Arnold PLLC, Jackson, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the Municipality of such firm as independent auditors.

## MISCELLANEOUS

Use of the words "shall" or "will" in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2020 Bonds.

**AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT**

The Official Statement has been authorized by the Mayor of the Municipality and the Chairman of the Board of PES Energize. Concurrently with the delivery of the Series 2020 Bonds, the undersigned will furnish an Agreement to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2020 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

/s/ Pat Ford
Pat Ford, Mayor

/s/ Marcus Houston
Marcus Houston, Chairman, PES Energize

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# APPENDIX A

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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## SUMMARY OF RESOLUTION

The following information is a brief summary of certain provisions of the Resolution, as hereinafter defined, copies of which are available at the offices of the Municipality. This summary is not to be considered a complete statement of the Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

### Definitions of Certain Terms

The following are definitions of certain terms used in the Resolution and in this Official Statement.

"Acquired System" shall mean any electrical power generation, transmission and/or distribution system acquired by the Municipality or PES and/or any such facilities hereafter constructed or otherwise established by the Municipality or PES pursuant to the Act.

"Act" shall mean Sections 7-34-101 et seq., Tennessee Code Annotated.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period.

"Board" means the Board of Directors of PES.

"Bond Fund" shall mean the Series 2020 Principal and Interest Sinking Fund established by the Resolution.

"Bonds" means the Series 2020 Bonds and any Parity Bonds.

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality or PES provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or PES or any paying agent for the Bonds or other obligations of the Municipality or PES payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of PES, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of PES, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Debt Service Requirement for purposes of the resolution unless the Municipality or PES has a written commitment from a bank, underwriting firm or other financial institution to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

"Financial Adviser" means an investment banking or financial/municipal advisory firm, commercial bank, or any other person who or which is retained by the Municipality or PES for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of PES, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

"Governing Body" means the Board of Mayor and Alderman of the Municipality.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Board, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Loan Agreement" shall mean any agreement or contract entered into by the Municipality or PES whereby a third party agrees to advance funds to the Municipality or PES and the Municipality or PES agrees to repay those funds with interest from all or a portion of Gross Earnings.

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year.

"Moody's" means Moody's Investors Service, Inc.

"Municipality" means the City of Pulaski, Tennessee.

"Net Revenues" shall mean (i) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to, non-cash contributions in aid of construction, less (ii) Operating Expenses.

"Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board, any payments made by PES during any Fiscal Year to purchase electrical power for distribution and sale during or after the end of that Fiscal Year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by PES during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include payments in lieu of taxes to the Municipality or other governmental jurisdictions, depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of PES or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board.

"Parity Bonds" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality or PES on a parity with the Series 2020 Bonds herein authorized in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

"PES" means PES Energize, a board of public utilities formed pursuant to T.C.A. § 7-52-101 et seq.

"Rate Covenant Requirement" means an amount of Net Revenues which is equal to the sum of: (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year plus (b) 100% of (i) the amounts, if any, required by the Resolution to be deposited by the Issuer into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the Municipality or other governmental entities.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Moody's and S&P, or any successors thereto and any other nationally recognized credit rating agency.

"Registration Agent" means U.S. Bank National Association, or any successor designated by the Governing Body.

"Reserve Fund" shall mean the Debt Service Reserve Fund established in the Resolution.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility that is, at the time such Reserve Fund Credit Facility is procured by the Issuer, assigned a financial strength rating of at least "AA-" by S&P or "Aa3" by Moody's.

"Reserve Fund Requirement" means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant, which shall be set forth in the supplemental resolution authorizing such Bonds. With respect to the Series 2020 Bonds authorized herein, the Reserve Fund Requirement shall be $0.

"Revenue Fund" shall mean the Revenue Fund established in the Resolution;

"Series 2020 Bonds" means the Municipality's $4,985,000 Electric System Revenue Refunding Bonds, Series 2020.

"Short-Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Municipality or PES as Parity Bonds in accordance with the restrictive provisions of the Resolution.

"State" means the State of Tennessee.

"System" means the electrical power distribution system operated by PES, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by PES while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Board, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Board, not become a part of the System but be operated as a separate and independent system by PES with the continuing right, upon the election of the Board, to incorporate such separately Acquired System within the System.

"S&P" means S&P Global Ratings.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

**Source of Payment and Security**

The Bonds shall be payable solely from and secured by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bonds do not constitute a debt of the State of Tennessee or the City of Pulaski (other than with respect to the Net Revenues).

**Application of Revenues**

*Application of Revenues.* From and after the delivery of any of the Series 2020 Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by PES to the Revenue Fund established by the Resolution, administered and controlled by the Board. The funds so deposited in the Revenue Fund created under this Series 2020 Resolution shall be used only as follows:

Operating Expenses. The money in the Revenue Fund shall be used first from month to month for the payment of Operating Expenses.

Bond Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Series 2020 Principal and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of PES and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the Resolution, beginning in the month next following delivery of the Series 2020 Bonds.

For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts.

For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts.

No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality or PES as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

Repayment of Reserve Fund Credit Facility Issuers. The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

Reserve Fund. To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Municipality, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made thereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible purposes.

At the option of the Municipality, the Municipality may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the Municipality for legally permissible purposes. At any time during the term hereof, the Municipality shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of the Resolution with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Municipality shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, from Revenues after payment of Current Expenses and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything herein to the contrary, the Municipality may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

Surplus Funds. The next available money in the Revenue Fund shall be used (i) to make payments in lieu of taxes to the Municipality and other governmental jurisdictions, (ii) for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and (iii) for any legally permissible purpose, as the Board shall determine.

*Investments and Maintenance of Funds.* Money on deposit in the Funds described in this Section may be invested by PES in such investments as shall be permitted by applicable law, as determined by an authorized representative of PES, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. PES is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by PES and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

**Covenants Regarding the Operation of System**

*Charges for Services Supplied by the System.* While the Bonds remain outstanding and unpaid, PES covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

PES covenants that the System will be operated on a fully metered basis and that PES will bill customers of the System on a monthly basis and will establish and maintain policies and procedures for discontinuing service to customers with delinquent bills.

*Insurance.* The Municipality or PES (as applicable) shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality and PES shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

*Books and Accounts; Audits.* PES will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited in accordance with GAAP at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of PES as certified by such accountant or accountants.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Operating Expenses. PES further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. If PES fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of PES.

*Rate Covenant.* PES shall, through the Board, establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the Issuer which, together with other income, are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The Issuer agrees that should the annual financial statement made in accordance with the provisions of the Resolution disclose that during the period covered by such financial statement the Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall revise the schedule of rates, charges and fees insofar as is practicable and further revise Operating Expenses so as to produce the necessary Net Revenues as herein required. The Issuer shall revise the schedules of rates, charges and fees as provided in the preceding sentence within 120 days after the filing of the financial statements pursuant to the Resolution.

*Sale or Disposal of System.* The Municipality and PES will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Municipality and PES are in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(b) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(c) (i) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality or PES shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as PES is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Notwithstanding anything elsewhere provided in this resolution, and without being subject to any of the foregoing restrictions, with the approval of PES, the Municipality shall have the right to sell, lease, transfer, or otherwise dispose of the System, as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation, or governmental agency (each of which shall be included within the term "Transferee" as herein used), provided the Transferee thus acquiring the System from the Municipality will assume the performance of and be bound by all of the obligations of the Municipality and PES to the holders of the Bonds under the covenants and provisions of the Resolution.

*Budgets.* Prior to the beginning of each Fiscal Year, the Board shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant requirement set forth in the Resolution, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request.

*Franchises.* Neither the Municipality nor PES will construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality or PES by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as PES is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

*Control of System.* That for the purpose of assuring the efficient, impartial and nonpolitical operation of said system for the benefit of the Municipality and the Bondholders of the Bonds from time to time outstanding, the complete and independent control and operation of the system shall be vested in the Board, subject, however, to the obligation and duty on the part of said Board to carry out and perform faithfully all of the covenants and agreements contained in the Resolution. Notwithstanding anything herein to the contrary, all obligations of the Municipality hereunder with respect to the Bonds and the System shall be exercised and fulfilled by PES, on behalf of the Municipality. Nothing herein is intended to limit the ability of the Municipality to dispose of the System in the manner described in the Resolution.

**Remedies of Bond Owners**

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon PES or the Municipality by the provisions of this resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of PES or the Municipality with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

**Prohibition of Prior Lien; Parity Bonds**

*Prohibition of Prior Liens.* Neither the Municipality nor PES will issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

*Parity Bonds*. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) PES shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with PES a report by a Financial Adviser or a certificate by the Chairman of the Board, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Municipality or PES has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the Municipality or PES has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) PES shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the Chairman of the Board, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to pre-purchase supplies of electrical power, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Chairman of the Board shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that PES is in compliance with all requirements of this resolution.

(c) Upon the determination of PES to combine an Acquired System into the System, all outstanding Bonds and any bonds, notes and other obligations of the Acquired System outstanding upon such combination may, at the election of PES, be payable from Net Revenues of the combined System on a parity and equality of lien with each other, provided that there shall be filed with PES:

(i) a report by a Financial Adviser or a certificate by the Chairman of the Board, or his designee the Net Revenues of such combined System for a period of 12 consecutive months of the most recent 18 consecutive months prior to such combination were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds and any bonds, notes and other obligations of the Acquired System which will be outstanding immediately after the combination, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the combination and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of the combination and not fully reflected in the historical related Net Revenues actually received during such historical period used; and (y) if the Municipality or PES has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) A certificate of the Chairman of the Board, as of the date of the combination, that PES is in compliance with all requirements of this resolution.

*Applicability of Resolution to Parity Bonds.* All the provisions and covenants of this resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Article IX in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

**Discharge and Satisfaction of Bonds**

If the Municipality or PES shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality or PES shall also pay or cause to be paid all other sums payable hereunder by the Municipality or PES with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality and PES to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality or PES shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to PES, as received by the Registration Agent.

**Modification of Resolution**

*Amendment Without Bondholder Consent.* The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

*Other Amendments.* In addition to the amendments to the Resolution without the consent of registered owners as referred to in the Resolution, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

(a) Make any change in the maturities or redemption dates of the Bonds;

(b) Make any change in the rates of interest borne by the Bonds;

(c) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

(d) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;

(e) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or

(f) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

*Procedure for Modification.* Whenever the Municipality shall propose to amend or modify the Resolution under the provisions of the Resolution, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Notwithstanding the foregoing, if any Bonds are insured by a bond insurance policy, the bond insurer issuing such bond insurance policy shall be entitled to consent to any modifications to this Resolution on behalf of the owners of the Bonds insured by such bond insurer, provided that no bond insurer shall be entitled to consent to any modifications to this Resolution that require the unanimous consent of the owners of the Bonds as described above.

# APPENDIX B

## STATISTICAL AND DEMOGRAPHIC INFORMATION
## REGARDING THE SYSTEM

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## THE SYSTEM

The Pulaski Electric System (the "System") is Tennessee's oldest electric system and the first in the state to receive power from the Tennessee Valley Authority. The System, which now operates as PES Energize ("PES") was created in 1893 and is operated and maintained by an independent Board of Directors (the "Board") as an enterprise fund of the City of Pulaski, Tennessee. The five-member Board has general supervision and control of the System with one member serving from the City Council. Each member is appointed by the Mayor and confirmed by the City Council to staggered four-year terms of office. The Board appoints a chief executive officer of the System. Set forth below are the members of the board and the expiration of their terms of office.

| Member | Expiration of Term |
|---|---|
| Marcus Houston – Chairman | July 2021 |
| Timothy S. Newton – Vice Chair | December 2022 |
| Neal Bass - Director | July 2020 |
| James B. Smith, III | July 2021 |
| Patrick L. Ford, Mayor | November 2022 |

The Chief Executive Officer of the System is Richard Kelley who joined the staff in 2003 as a part time engineering aide and full time as a staking engineer. During his tenure, he has worked in a variety of positions throughout PES Energize, including the direction of Engineering, Dispatch, Energy Services and Linemen.

### Service Area

The System serves over 14,500 customers located throughout Giles County, Tennessee. Areas served include Pulaski, Tennessee and the communities of Lynnville, Elkton, Minor Hill, Goodspring, Prospect and Ardmore. The System operates nine substations and over 1,200 miles of primary electric line throughout Giles County. Approximately 32% of the customers are inside the Pulaski city limits (4,415 residential meters and 156 commercial meters).

Tennessee law (TCA Section 7-34-104) authorizes municipalities to operate electric systems within and outside the municipality's corporate boundaries. Tennessee municipalities may operate electric systems within the corporate boundaries of other municipalities, with those municipalities' consent. If another municipality annexes a previously unincorporated area in which a municipality provides electric service, Tennessee law provides that the annexing municipality has the right to acquire the local assets of the municipal electric provider at a price agreed upon by the parties or if the parties are unable to agree, the fair market value (TCA Section 6-51-111).

### Source of Electric Power

The System does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority ("TVA") pursuant to a power contract dated as of July 1, 1987 (the "Power Contract"). Under the Power Contract, the City agrees to purchase all of its electric power from TVA.

On August 28, 2019 Pulaski Electric System signed a long-term supply agreement with TVA. The initial term of this agreement is for 20 years with an annual evergreen provision. The benefit to the local power company is a 3.1% credit on the distributor's monthly power invoice. As of March 2020, approximately 138 of TVA's 154 municipal and cooperative customers, including four of their five largest customers, signed a similar long-term contract with TVA.

The cost and availability of power to the System may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as future legislation regulating the mining of coal, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers, including the City. The power sold to the City is supplied from the entire TVA system and not one specific generating facility.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power when and to the extent needed by the City. Neither TVA nor the City is liable for breach of contact if the availability or use of power is interrupted or curtailed or if either party is prevented from performing under the Power Contract by circumstances beyond its control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA's generating and transmission facilities.

The Power Contract specifies the wholesale purchase rates and monthly resale rates to be adhered to by the City, which may be revised periodically by TVA, through the publication of an Adjustment Addendum, to cover increased costs to TVA. See "Electric Rates".

**The Tennessee Valley Authority**

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933, as amended. The Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region. All powers of TVA are vested in its nine-member board appointed by the President of the United States and confirmed by the United States Senate for five-year terms.

**Capital Improvement Plans**

Management annually reviews and prepares a five-year capital improvements plan for the System. Over the past five years, approximately $23.9 million in capital investments have been made in the System. All of these capital investments were funded with operating earnings. Over the next five years, it is projected that approximately $5 million per year in additional capital improvements will be made to the System. Management projects that all of these capital improvements will be funded with operating earnings. There are currently no plans for additional debt in the Electric System.

**Electric Rates**

The City obtains power for the System through the Power Contract. Pursuant to the Power Contract, the City has agreed to adhere to the resale rates set forth in certain schedules established by TVA. The schedules include the provision that the customer billings will be adjusted in accordance with the Adjustment Addenda published by TVA. The System is not otherwise subject to rate regulation under existing law, and the City is not aware of any pending legislation to make its electric rates subject to regulation. The Power Contract provides further that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of the system on a self-supporting, financially sound basis, including debt service, the City and TVA shall agree to changes in rates to provide increased revenues. In like manner, if the rates and charges produce excess revenues, the parties shall agree to rate reductions. Since the dates of the Power Contract, the wholesale and resale rates have been adjusted from time to time through TVA's publication of Adjustment Addenda.

The System routinely passes along any increases in the TVA wholesale rates to the customers of the System. The last local rate adjustment was implemented in October 2015. The local adjustment amount was 1.5%.

The System has a policy for handling accounts in a non-payment status. The customer has approximately 14 days after their due date to make a payment. A late payment fee does apply. If payment has not been made at that time, the customer's service will be disconnected. If no payments have been made towards the account on the fifth business day after disconnection of service, the account will be closed, the electric deposit will be applied to the outstanding balance, and a final bill generated.

As a result of the COVID-19 pandemic, the System discontinued disconnections on April 1, 2020. The System plans to resume disconnections of past due accounts as of June 15, 2020. A special policy has been prepared to allow past due customers the option of a payment arrangement on their past due balance. The delinquent account balance will be equally divided into 5 monthly payments. If the customer defaults on this payment arrangement, the account will be disconnected and the full balance along with disconnect fees and late payment penalty will be due.

The residential, commercial and industrial rates for the fiscal year ended June 30, 2019 are as follows:

## Residential, Commercial, and Industrial Electric Rates
## For Fiscal Year Ended June 30, 2019

| | | | | |
|---|---|---|---|---|
| **Residential Rate Schedule RS** | | | | |
| Customer charge - per delivery point per month | $ 22.42 | | | |
| Energy charge - cents per kWh | 0.10181 | | | |
| **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 | 0.10727 | | | |
| 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 | 16.71 | | | |
| Energy charge - cents per kWh | | | | |
| First 15,000 kWh per month | 0.11075 | | | |
| Additional kWh per month | 0.06244 | | | |
| **Industrial Rate:** | | | | |
| Demand from 1,001 to 5,000 kW - Schedule GSA3 | | | | |
| Customer charge per delivery point per month | $ 532.85 | | | |
| Demand charges - per kW per month | | | | |
| First 1,000 kW | 19.56 | | | |
| Excess over 1,000 kW | 13.87 | | | |
| Energy charge - cents per kWh | 0.06616 | | | |
| Demand from 5,001 to 15,000 kW - Schedule MSB | | | | |
| Customer charge per delivery point per month | $ 1,500.00 | | | |
| Energy charge - cents per kWh for up to 620 hours | 0.49380 | | | |
| Per kWh for all additional kWh per month | 0.49380 | | | |
| Demand charges - per kW per month | 17.50 | | | |
| Manufacturing (MSB- TOU) | | | | |
| Demand Charge | | | | |
| Base Customer Charge | $ 1,500.00 | | | |
| Onpeak | 10.24 | | | |
| Maximum | 3.05 | | | |
| Excess Over Contract | 10.24 | | | |
| Energy Charge | | | | |
| Onpeak | 0.74500 | | | |
| Offpeak First 200 Hours | 0.04950 | | | |
| Offpeak Next 200 Hours | 0.01981 | | | |
| Offpeak Additional kWh | 0.01726 | | | |
| Demand for Street Outdoor Lighting - Schedule OL | | LED Equivalent | | |
| Per kWh per month | $ 0.06897 | | | |
| 150W HPS Security | 8.59 | 71W LED | $ | 9.73 |
| 175W MPI Security | 7.54 | 136W LED | | 13.94 |
| 250W HPS Security | 12.11 | 150W LED | | 16.69 |
| 400W MH Security | 17.16 | 218W LED | | 20.16 |
| 400W MVI Security | 14.75 | | | |
| 400W HPS Security | 17.16 | | | |
| 1000W MH Security | 39.24 | | | |

Source: Annual Financial Report prepared by Alexander Thompson Arnold, PLLC, for fiscal year ending June 30, 2019.

## Substation, Transmission and Distribution Systems

The System is connected to the TVA transmission grid at three delivery points with a total infeed base capacity of 240 MVA. The current peak system demand is 93 MVA. During Fiscal Year 2019, the System average load factor was 60%, and the System losses were 4.39%. The System operates nine substations and over 1,200 miles of primary electric line throughout Giles County.

## Customers and Usage

The System has a relatively stable customer base. Set forth below are the number of customers for the last ten years and the power usage for the last ten years. On the following page are the top ten customers for Fiscal Year 2019.

**Number of Customers**

| Fiscal Year | Residential | Comercial | Industrial | Street, Athletic and Outdoor Lighting | Total |
|---|---|---|---|---|---|
| 2010 | 11,596 | 2,139 | 214 | 133 | 14,082 |
| 2011 | 11,564 | 2,175 | 214 | 133 | 14,086 |
| 2012 | 11,697 | 2,176 | 205 | 128 | 14,206 |
| 2013 | 11,698 | 2,177 | 213 | 128 | 14,216 |
| 2014 | 11,661 | 2,180 | 205 | 138 | 14,184 |
| 2015 | 11,679 | 2,177 | 198 | 136 | 14,190 |
| 2016 | 11,679 | 2,177 | 198 | 136 | 14,190 |
| 2017 | 11,940 | 2,184 | 212 | 124 | 14,460 |
| 2018 | 11,962 | 2,201 | 203 | 121 | 14,487 |
| 2019 | 12,018 | 2,242 | 197 | 130 | 14,587 |

Source: Annual Financial Reports prepared by Alexander Thompson Arnold, PLLC, for fiscal years ending June 30, 2010 to 2019.

**Power Usage kWh**

| Fiscal Year | Residential | Comercial | Industrial | Street, Athletic and Outdoor Lighting | Total |
|---|---|---|---|---|---|
| 2010 | 184,100,375 | 28,827,311 | 204,072,167 | 6,025,721 | 423,025,574 |
| 2011 | 187,523,527 | 29,041,706 | 226,409,421 | 6,017,938 | 448,992,592 |
| 2012 | 164,870,658 | 28,804,421 | 215,829,273 | 5,984,964 | 415,489,316 |
| 2013 | 172,404,997 | 28,899,469 | 217,877,543 | 6,029,997 | 425,212,006 |
| 2014 | 180,262,551 | 30,296,769 | 227,146,735 | 6,042,191 | 443,748,246 |
| 2015 | 176,786,706 | 30,704,273 | 241,374,448 | 6,219,663 | 455,085,090 |
| 2016 | 164,186,503 | 28,839,031 | 248,014,146 | 6,054,988 | 447,094,668 |
| 2017 | 165,623,374 | 28,948,573 | 251,951,004 | 6,074,825 | 452,597,776 |
| 2018 | 174,558,859 | 30,300,009 | 238,776,285 | 3,373,820 | 447,008,973 |
| 2019 | 174,939,272 | 32,156,356 | 222,200,992 | 5,510,029 | 434,806,649 |

Source: Annual Financial Reports prepared by Alexander Thompson Arnold, PLLC, for fiscal years ending June 30, 2010 to 2019.

**FY 2019 Top 10 Electric Customers**

| Customer Name | Type of Business | Annual Usage (kWh) | Annual Sales | % of Total Operating Revenues |
|---|---|---|---|---|
| Magotteaux Inc.(1) | Manufacturing | 48,533,537 | $3,783,428 | 8.20% |
| Magnetti Marelli Lighting Division(1) | Manufacturing | 25,833,324 | 1,804,445 | 3.90% |
| Adient US LLC(2) | Manufacturing | 15,186,000 | 1,461,426 | 3.20% |
| Frito-Lay | Manufacturing | 14,807,000 | 1,457,287 | 3.20% |
| SaarGummi | Manufacturing | 11,589,600 | 1,144,713 | 2.50% |
| Proper Polymer | Manufacturing | 9,790,800 | 987,552 | 2.10% |
| Tenneplas(3) | Manufacturing | 9,429,600 | 986,204 | 2.10% |
| Valley Packaging | Manufacturing | 6,249,600 | 681,091 | 1.50% |
| Magneti Marelli Suspensions | Manufacturing | 4,713,600 | 540,316 | 1.20% |
| Spears Coastline Plastics | Manufacturing | 4,177,200 | 525,386 | 1.10% |
| **Total** | | **150,310,261** | **$13,371,848** | **29.00%** |

(1) - Management reports that issues related to COVID-19 caused the largest customers to reduce power consumption from March through May of 2020 but these customers are projecting a return to normal usage by the end of June 2020.

(2) - Adient announced in January 2020 an approximate $16 million investment ($5 million building and $11 million equipment).

(3) - Tenneplas announced in Januay 2020 a 45,000 square foot building addition

Sources: Pulaski Electric System officials.

## CYBERSECURITY

Pulaski Electric System utilizes various computer information systems, software, and networking technology to perform its vital day-to-day operations. Day to day operations include the storage and transmission of sensitive personal data, and as a result, Pulaski Electric System could be a targeted entity for a cyberattack. In addition to cyberattacks, Pulaski Electric System employees have access to personal customer data and could be exploited to gain access to the information. It is also possible for unintentional breaches to occur due to employee error. Pulaski Electric System has no knowledge of, nor historical record of any successful cybersecurity breach or attack. Cybersecurity attacks, whether anonymous or targeted, are not uncommon to organizations or agencies with similar characteristics. Therefore, Pulaski Electric System must take the precautions necessary to safeguard its information systems.

In an effort to mitigate the risk of a successful cybersecurity attack or data breach, the Information Technology department has instituted various networking policies and procedures to safeguard its customer's data. The use of a virtual local area network tagging is widely used in conjunction with a packet filtering, application, and inspection firewall. Critical machine data backups are completed on premise and replicated to the cloud each night. All company owned business servers are securely housed in the Network Operations Center of Pulaski Electric System. An SAS70 security audit is completed annually to certify that controls are in place to physically monitor access to the information systems. Pulaski Electric System employees are required to read and sign an acceptable use policy for using company owned computer systems. In addition, each employee is also required to participate in an annual cybersecurity training class. Lastly, Pulaski Electric System maintains cybersecurity insurance against cybersecurity incidents. Despite the measures taken to safeguard its network infrastructure, there are no guarantees that such measures will be 100% successful. Adversaries are always working to find new ways to gain access to information systems.

## COVID-19

The worldwide spread of COVID-19, a respiratory disease caused by a novel strain of coronavirus, has reached several areas in Tennessee, including Giles County, and is considered a Public Health Emergency of International Concern by the World Health Organization. As of June 15, there have been twenty-two cases of Covid-19 reported in the County. The spread of COVID-19 has led to quarantine and other "social distancing" measures in affected regions, including the State and the County, undertaken by government agencies, businesses, schools and other entities. The State's Governor ordered that all non-essential business in the State remain closed through April. Many restrictions are in the process of being eased and, as of June 2020, many businesses in Giles County are re-opening.

Given the evolving nature of the spread of the disease and the behavior of governments, businesses, and individuals in response thereto, the System is unable to predict (i) the extent or duration of the COVID-19 outbreak or other epidemic or pandemic, (ii) the extent or duration of existing and additional quarantines, business-closures, travel restrictions and other measures relating to COVID-19 or other epidemic or pandemic, (iii) whether and to what extent the COVID-19 outbreak or other epidemic or pandemic may adversely affect the operations of the System, or (iv) the impact of COVID-19 on the financial condition of the System. The System is proactively taking steps to preserve effective staffing for all essential System operations.

The System anticipates decreased revenues while any social distancing measures remain in place. The System estimates that power demand decreased by between 20-25% for the period covering mid-March to mid-May. While some of this decline might be attributable to other factors, such as weather and conservation efforts, the System believes the social distancing measures and a general decrease in economic activity were significant factors in the decline. While declines in power usage also results in a reduction in power purchase expenses, the System still anticipates that net income declined by approximately $177k in April 2020 and increased $159k in May 2020 when compared to the same period in 2019.

The System has also approved policies that provide a limited payment deferral period for customers who cannot pay their power bills due to the impact of COVID-19, and the System expects some deferral of revenue during this period. Management reports that May 2020 total past due accounts represented approximately $128,169 as compared to $91,015 in May 2019 and a 12-month average of $91,669**.** The System has resumed service disconnections in June 2020 for non-payment. Customers will have the opportunity to make a payment arrangement and repay their delinquent power bills over a period of 5 months.

## MANAGEMENT DISCUSSION

Through the first eleven months of Fiscal Year 2020, total revenues were down $2.842 million and 6.6% compared to the first eleven months of Fiscal Year 2019. Total operating expenses including purchased power were down $2.669 million compared to the first eleven months of Fiscal Year 2019. As a result, net reinvested earnings for the first eleven months of Fiscal Year 2020 are estimated to be down $0.172 million and 7.1% from the first eleven months of Fiscal Year 2019. Part of the revenue decrease is weather related since the winter of 2019-2020 was unusually mild. Also there was an approximate $1.500 million decrease in April and May revenue due to the COVID-19 economic slowdown.

## Summary of Operations and Debt Service Coverage
## Electric Division
## Fiscal Year ended June 30

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Operating Revenues** | | | | | |
| Services | $45,074,671 | $45,418,116 | $45,426,376 | $43,648,755 | $44,938,435 |
| Other | 1,128,971 | 1,124,627 | 1,250,279 | 1,227,643 | 1,235,785 |
| **Total Operating Revenues** | $46,203,642 | $46,542,743 | $46,676,655 | $44,876,398 | $46,174,220 |
| **Operating Expenses:** | | | | | |
| Cost of Sales and Services | $32,973,590 | $32,879,202 | $33,120,096 | $31,834,397 | $32,860,321 |
| Distribution | 318,409 | 521,322 | 526,838 | 514,114 | 573,998 |
| Customer Accounts Expenses | 452,435 | 418,893 | 372,518 | 484,967 | 479,057 |
| Customer Service and Information Expenses | 301,810 | 309,495 | 253,213 | 197,075 | 217,213 |
| Administrative and General | 2,202,408 | 2,197,545 | 2,287,084 | 1,983,918 | 2,070,518 |
| Maintenance and Repair | 2,447,169 | 2,223,746 | 2,045,822 | 2,138,909 | 2,144,331 |
| Depreciation and Amortization | 3,366,083 | 3,255,235 | 3,128,310 | 2,928,719 | 2,852,092 |
| **Total Operating Expenses** | $42,061,904 | $41,805,438 | $41,733,881 | $40,082,099 | $41,197,530 |
| **Operating Income/ (Loss)** | $4,141,738 | $4,737,305 | $4,942,774 | $4,794,299 | $4,976,690 |
| **Nonoperating Revenues/(Expenses)** | | | | | |
| Interest and Other Income | $167,772 | $7,505 | $5,056 | $4,882 | $6,255 |
| Interest Expense | (319,540) | (332,263) | (374,774) | (425,901) | (486,640) |
| Amortization Expense | 52 | (5,186) | (5,186) | (47,775) | (133,919) |
| **Total Nonoperating Revenues/(Expenses)** | ($151,716) | ($329,944) | ($374,904) | ($468,794) | ($614,304) |
| **Income (Loss) before Transfers** | $3,990,022 | $4,407,361 | $4,567,870 | $4,325,505 | $4,362,386 |
| **Transfers and Contributions:** | | | | | |
| **Transfer to (from) General Fund** | ($1,186,362) | ($1,173,438) | ($1,148,063) | ($1,099,499) | ($1,058,805) |
| **Total (Transfers) Contributions** | ($1,186,362) | ($1,173,438) | ($1,148,063) | ($1,099,499) | ($1,058,805) |
| **Net Income (Loss)** | $2,803,660 | $3,233,923 | $3,419,807 | $3,226,006 | $3,303,581 |
| **Net Assets, July 1** | $53,857,725 | $51,011,864 | $48,371,800 | $45,145,794 | $43,465,831 |
| **Restatement** | 0 | (388,062) | (779,743) | 0 | (1,623,618) |
| **Net Assets, June 30** | $56,661,385 | $53,857,725 | $51,011,864 | $48,371,800 | $45,145,794 |
| **Operating Income** | $4,141,738 | $4,737,305 | $4,942,774 | $4,794,299 | $4,976,690 |
| Plus Depreciation and Amortization | 3,366,083 | 3,255,235 | 3,128,310 | 2,928,719 | 2,852,092 |
| Plus Interest Income | 167,772 | 7,505 | 5,056 | 4,882 | 6,255 |
| **Income Available for Debt Service** | $7,675,593 | $8,000,045 | $8,076,140 | $7,727,900 | $7,835,037 |
| **Senior Lien Debt Service** | $785,788 | $780,501 | $774,641 | $778,477 | $899,870 |
| **Senior Lien Debt Service Coverage** | 9.77 x | 10.25 x | 10.43 x | 9.93 x | 8.71 x |
| **Subordinate Debt Service** | $384,048 | $384,048 | $358,767 | $429,085 | $429,516 |
| **Total Debt Service** | $1,169,836 | $1,164,549 | $1,133,408 | $1,207,562 | $1,329,386 |
| **Total Debt Service Coverage** | 6.56 x | 6.87 x | 7.13 x | 6.40 x | 5.89 x |

Sources: Annual Financial Reports prepared by Alexander Thompson Arnold, PLLC, for fiscal years ending June 30, 2015 to 2019.

**SUMMARY OF OUTSTANDING ELECTRIC SYSTEM DEBT**

| Original Amount Issued | Issue | Date Issued | Maturity Date | Interest Rate | Principal Outstanding (Unaudited) 6/1/2020(1) |
|---|---|---|---|---|---|
| | **Senior Lien Electric Power Debt** | | | | |
| $4,985,000 | Proposed Electric System Revenue Refunding Bonds, Series 2020 | 07/09/20 | 6/1/31 | 2.00% - 5.00% | $4,985,000 |
| | **Total Senior Lien Electric Power Debt** | | | | $4,985,000 |
| | **Subordinate Obligations** | | | | |
| 3,381,229 | Revenue and Tax Refunding Bonds, Series 2015 | 11/19/15 | 6/1/25 | 1.80% | 1,807,256 (2) |
| | **Total Existing Subordinate Obligations** | | | | $1,807,256 |
| | **Total Senior Lien Electric Power Debt and Subordinate Obligations** | | | | $6,792,256 |

**DEBT RECORD**

**There is no record of a default of paying principal and interest on any debt from information available.**

(1) Excludes bonds being refunded by series 2020 bonds.

(2) The 2015 Bonds relate to the City's broadband system. The Electric System uses a portion of the broadband assets and a commensurate portion of the Series 2015 Bonds are payable from, but not secured by, the revenues of the Electric System.

Source: Annual Financial Reports prepared by Alexander Thompson Arnold, PLLC, for fiscal year ending June 30, 2019.

## RETIREMENT COMMITMENTS

See Page 29, Note 4A of Audited Financial Statements for Fiscal Year Ended June 30, 2019

## OTHER POST-EMPLOYMENT BENEFITS ("OPEB") DISCLOSURE STATEMENT

See Page 37, Note 4C of Audited Financial Statements for Fiscal Year Ended June 30, 2019

# ELECTRIC DEBT SERVICE REQUIREMENTS

(Unaudited as of June 1, 2020)(1)

| | Year Ended | Senior Lien Electric Revenue Bonds, Series 2020 | | | Percentage of Principal | Existing Subordinate Lien Obligations(2) | | | Total Senior Lien Electric Power Debt and Subordinate Lien Obligations | | | Percentage of Principal |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | June 30 | Principal | Interest | Total | Retired | Principal | Interest | Total | Principal | Interest | Total | Retired |
| 1 | 2021 | $380,000 | $180,767 | $560,767 | | $353,927 | $30,120 | $384,047 | $733,927 | $210,887 | $944,814 | |
| 2 | 2022 | 370,000 | 183,100 | 553,100 | | 360,351 | 23,697 | 384,048 | 730,351 | 206,797 | 937,148 | |
| 3 | 2023 | 400,000 | 164,600 | 564,600 | | 366,891 | 17,157 | 384,048 | 766,891 | 181,757 | 948,648 | |
| 4 | 2024 | 395,000 | 144,600 | 539,600 | | 373,550 | 10,498 | 384,048 | 768,550 | 155,098 | 923,648 | |
| 5 | 2025 | 440,000 | 124,850 | 564,850 | 39.82% | 352,537 | 3,718 | 356,255 | 792,537 | 128,568 | 921,105 | 55.83% |
| 6 | 2026 | 445,000 | 102,850 | 547,850 | | | | | 445,000 | 102,850 | 547,850 | |
| 7 | 2027 | 475,000 | 80,600 | 555,600 | | | | | 475,000 | 80,600 | 555,600 | |
| 8 | 2028 | 490,000 | 61,600 | 551,600 | | | | | 490,000 | 61,600 | 551,600 | |
| 9 | 2029 | 510,000 | 42,000 | 552,000 | | | | | 510,000 | 42,000 | 552,000 | |
| 10 | 2030 | 535,000 | 21,600 | 556,600 | 89.07% | | | | 535,000 | 21,600 | 556,600 | 91.98% |
| 11 | 2031 | 545,000 | 10,900 | 555,900 | 100.00% | | | | 545,000 | 10,900 | 555,900 | 100.00% |
| | | $4,985,000 | $1,117,467 | $6,102,467 | | $1,807,256 | $85,190 | $1,892,446 | $6,792,256 | $1,202,657 | $7,994,913 | |

(1) Excludes bonds being refunded by series 2020 bonds.

(2) The 2015 Bonds relate to the City's broadband system. The Electric System uses a portion of the broadband assets and a commensurate portion of the Series 2015 Bonds are payable from, but not secured by, the revenues of the Electric System.

Source: Annual Financial Reports prepared by Alexander Thompson Arnold, PLLC, for fiscal year ending June 30, 2019.

## CITY OF PULASKI AND GILES COUNTY

The information contained in this section is included only for purposes of supplying general information regarding the City of Pulaski (the "City") and Giles County, Tennessee (the "County"). The Series 2020 bonds are payable solely from the sources described in this Official Statement under the heading "Security and Sources of Payment". Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including the City, is pledged to the payment of the Series 2020 Bonds. The Series 2020 Bonds are limited obligations of the Issuer and are payable solely from and secured by a pledge of revenues of the Issuer's electric transmission and distribution system (the "System") operated on behalf of the Issuer by its board of public utilities, which operates as PES Energize ("PES"), subject to the payment of the costs of operating the System.

The City of Pulaski is located in southern Tennessee approximately 70 miles south of Nashville, Tennessee and approximately 45 miles northwest of Huntsville, Alabama. It is in the center of Giles County. The City was incorporated in 1809, is comprised of 7.22 square miles and is governed by a Board of Mayor and Aldermen elected to serve four-year terms. Pulaski is the County Seat with a population of approximately 7,652 according to the 2018 U.S. Census Estimate.

The Tennessee River allows access to the Gulf of Mexico through the Tennessee-Tombigbee Waterway. River transportation on the Tennessee River is also available 40 miles south of Pulaski, in Decatur, Alabama, or rail in Florence, Alabama.

The County enjoys air service from three air facilities. Abernathy Airport, the municipal airport, offers 5,310 feet of runway which will accommodate most regional, business, and general aviation jets and prop-driven aircraft. Commercial air passenger and freight service are available 50 miles away at Huntsville, Alabama's International Airport, and Nashville's International Airport is approximately 75 miles away.

CSX Transportation and TN Southern Railroad provide rail transport facilities.

## DEMOGRAPHIC DATA

### Basic Demographics

| Population | City of Pulaksi | Giles County | Tennessee |
|---|---|---|---|
| 1980 U.S. Census | 7,184 | 24,625 | 4,600,252 |
| 1990 U.S. Census | 8,077 | 25,803 | 4,890,626 |
| 2000 U.S. Census | 7,952 | 29,453 | 5,703,719 |
| 2010 U.S. Census | 7,870 | 29,406 | 6,355,311 |
| 2011 U.S. Census Estimate | 7,811 | 29,284 | 6,399,291 |
| 2012 U.S. Census Estimate | 7,714 | 28,969 | 6,453,898 |
| 2013 U.S. Census Estimate | 7,667 | 28,801 | 6,494,340 |
| 2014 U.S. Census Estimate | 7,637 | 28,819 | 6,541,223 |
| 2015 U.S. Census Estimate | 7,634 | 28,973 | 6,591,170 |
| 2016 U.S. Census Estimate | 7,661 | 29,165 | 6,646,010 |
| 2017 U.S. Census Estimate | 7,668 | 29,379 | 6,708,799 |
| 2018 U.S. Census Estimate | 7,652 | 29,446 | 6,771,631 |
| 2019 U.S. Census Estimate | N/A | 29,464 | 6,829,174 |

Source: U. S. Census Bureau

### Income and Housing

| | County | Tennessee | % of State |
|---|---|---|---|
| 2009 Per Capita Personal Income | $27,651 | $34,260 | 80.7% |
| 2010 Per Capita Personal Income | $29,083 | $35,653 | 81.6% |
| 2011 Per Capita Personal Income | $30,426 | $37,616 | 80.9% |
| 2012 Per Capita Personal Income | $32,009 | $39,296 | 81.5% |
| 2013 Per Capita Personal Income | $32,907 | $39,421 | 83.5% |
| 2014 Per Capita Personal Income | $33,851 | $40,799 | 83.0% |
| 2015 Per Capita Personal Income | $35,818 | $42,590 | 84.1% |
| 2016 Per Capita Personal Income | $36,794 | $43,720 | 84.2% |
| 2017 Per Capita Personal Income | $37,842 | $44,950 | 84.2% |
| 2018 Per Capita Personal Income | $38,766 | $46,889 | 82.7% |

Source: Bureau of Economic Analysis, CA1-3 Personal Income Summary

| | Giles County | Tennessee | % of State |
|---|---|---|---|
| 2009 Median Housing Value | $88,000 | $148,000 | 59.5% |
| 2010 Median Housing Value | 92,250 | 149,900 | 61.5% |
| 2011 Median Housing Value | 85,000 | 150,925 | 56.3% |
| 2012 Median Housing Value | 76,500 | 160,000 | 47.8% |
| 2013 Median Housing Value | 94,950 | 165,000 | 57.5% |
| 2014 Median Housing Value | 96,000 | 166,000 | 57.8% |
| 2015 Median Housing Value | 99,000 | 175,000 | 56.6% |
| 2016 Median Housing Value | 112,000 | 185,000 | 60.5% |
| 2017 Median Housing Value | 105,000 | 196,500 | 53.4% |
| 2018 Median Housing Value | 128,500 | 210,000 | 61.2% |

Source: Tennessee Housing Development Agency - This data reflects only the sales prices of new and existing homes ther were sold in the respective years. This data may not be respresentative of the median value of all homes in the County or State.

## ECONOMIC DATA

### Economic Base

Giles County is strategically located at the intersection of Interstate 65 and U.S. Highway 64. U.S. Highway 64 is a divided four-lane highway that connects Memphis in the west (I-40 and I-55) to Chattanooga in the east (I-24, I-59, I-75). U.S. Highways 31 and 64 pass through the corporate limits of the City. Interstate 65 is 9 miles east of the City.

Economic activity in the County is focused on manufacturing, food & beverage, retail, education and healthcare services. Several large manufacturing facilities supply parts and equipment to the large automotive assembly plants in middle Tennessee.

### Public Education

The Giles County School System funds and operates all the schools in Pulaski. During the 2018-2019 school year, the Giles County School System had a K-12th grade average daily membership of 3,596 across its eight schools.

| School Year | Average Daily Membership |
|---|---|
| 2009-2010 | 4,158 |
| 2010-2011 | 4,066 |
| 2011-2012 | 3,956 |
| 2012-2013 | 3,921 |
| 2013-2014 | 3,905 |
| 2014-2015 | 3,830 |
| 2015-2016 | 3,861 |
| 2016-2017 | 3,811 |
| 2017-2018 | 3,699 |
| 2018-2019 | 3,595 |

Source: Tennessee Department of Education.

## Higher Education

*Martin Methodist College*

Founded in 1870, Martin Methodist College is a four-year liberal arts college related to the Tennessee Conference of the United Methodist Church. The historic campus of Martin Methodist College is located in the heart of Pulaski. The College, its students, faculty and staff contribute significantly to the educational, cultural, and recreational aspects of community life. As part of a Liberal Arts education, MMC offers more than 30 professional programs through its academic divisions of Business, Education, Humanities, Mathematics and Sciences, and Nursing and Social Sciences. Current student enrollment is approximately 910 and the College employs approximately 200 full and part time employees. Like most other universities, Martin Methodist College completed the Spring 2020 semester with on-line classes.

On May 7$^{th}$, Martin Methodist College announced plans for the 2020 fall semester to begin on September 8, the day after Labor Day. In person classes will continue until Thanksgiving with online classes the remainder of the semester. The administration believes this schedule will help limit exposure to COVID-19 by reducing the traditional travel back and forth from home during Labor Day, fall and Thanksgiving breaks.

*Tennessee College of Applied Technology*

The Tennessee College of Applied Technology at Pulaski is one of twenty-six such centers serving the citizens of Tennessee. Persons residing in the Tennessee counties of Giles, Lawrence, Lincoln, Marshall, and Maury and desiring to prepare themselves for employment in trades, technical, and other occupations are within commuting distance of Tennessee College of Applied Technology at Pulaski. Programs offered at the Pulaski center include advanced manufacturing, business systems technology, computer operating systems and network technology, health sciences, HVAC and refrigeration, industrial electricity, industrial maintenance, industrial welding, practical nursing, and residential/commercial electrician and green technology.

## Medical Services

Southern Tennessee Regional Health System-Pulaski (Formerly Hillside Hospital) is a Joint Commission-accredited, 95-bed facility providing complete clinical services with modern technology. Services offered by the hospital include a 24-hr. physician-staffed Emergency Department, LDRP-equipped Obstetrics Unit. Radiology services include Nuclear Medicine, CT, MRI and Digital Mammography.

Other services include Community Education, Bone Densitometry, ENT, Surgery, Laboratory, Nutrition Counseling, Occupational Therapy, Physical Therapy, Patient Education, Industrial Safety Medicine, EKG/ EEG, Cardiac Rehab, Pharmacy, Sleep Studies, Pediatrics, Respiratory Therapy, Laparoscopic/Laser/Day Surgery, Geriatric Mental Health Services, Stress Testing/Pulmonary Function, Diabetes Center, a six-bed Invasive ICU, Endoscopy, Gastroenterology, Heliport/Lifeflight, Ophthalmology/Cataract Surgery and Orthopedics.

**Major Employers**

The following table lists the top employers in Giles County. The data in this table was compiled prior to the outbreak of the COVD-19 virus. The table does not reflect any changes that have occurred as a result of the economic slowdown associated with the outbreak. Preliminary estimates indicate that Giles County has experienced significant COVID-19 related job losses since this data was compiled. Nevertheless, officials of the System are not, yet, aware of any specific material changes to the table below.

| Employer | Estimated Employees | Product or Service |
|---|---|---|
| Magneti Marelli | 670 | Automotive Springs, Shocks, and Struts |
| Giles County Education | 552 | Public Education |
| SaarGummi TN, Inc. | 321 | Automotive Rubber |
| Wal-Mart | 300 | Retail Store |
| Adient | 280 | Auto Seat Cushions |
| Magotteaux, Inc. | 234 | Steel Grinding Balls |
| Hillside Hospital | 180 | Healthcare |
| National Healthcare Corp. | 150 | Healthcare |
| Martin Methodist College | 150 | Higher Education |
| Valley Packaging | 121 | Corrugated Containers |
| Frito-Lay Inc. | 100 | Snack Foods |
| Tenneplas | 100 | Plastic Injection Molding |
| Integrity Tennessee | 100 | Build & Repair Plastic Injection Molds |

Source: Tennessee Department of Economic and Community Development & the Middle Tennessee Industrial Development Association

## LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

The labor force within Giles County was 15,194 as of March 2020. The unemployment rate in the County was 4.8%. It is anticipated that the outbreak of the COVID-19 virus will have a material impact on employment in the State and the County. Preliminary estimates for April 2020 indicate that unemployment in the County has risen to 3,030 and the unemployment rate has risen to 19.7%. Given all of the uncertainties surrounding the virus, the full impact and duration on employment is unknown at this time.

**Employment Data of Giles County**

| | | | Total Labor | Unemployment Percent | | |
|---|---|---|---|---|---|---|
| **Year** | **Employment** | **Unemployment** | **Force** | **County** | **State** | **U.S.** |
| 2010 | 12,520 | 1,723 | 14,243 | 12.1% | 9.6% | 9.6% |
| 2011 | 12,882 | 1,431 | 14,313 | 10.0% | 9.0% | 8.9% |
| 2012 | 12,859 | 1,179 | 14,038 | 8.4% | 7.8% | 8.1% |
| 2013 | 12,903 | 1,153 | 14,056 | 8.2% | 7.7% | 7.4% |
| 2014 | 13,306 | 864 | 14,170 | 6.1% | 6.6% | 6.2% |
| 2015 | 13,777 | 725 | 14,502 | 5.0% | 5.6% | 5.3% |
| 2016 | 14,610 | 609 | 15,219 | 4.0% | 4.7% | 4.9% |
| 2017 | 14,972 | 527 | 15,499 | 3.4% | 3.8% | 4.3% |
| 2018 | 14,717 | 565 | 15,282 | 3.7% | 3.5% | 3.9% |
| 2019 | 14,550 | 575 | 15,125 | 3.8% | 3.4% | 3.7% |
| Apr-20 | 12,371 | 3,030 | 15,401 | 19.7% | 15.0% | 14.4% |

Sources: Bureau of Labor Statistics and the Tennessee Department of Labor and Workforce Development.

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# APPENDIX C

## AUDITED FINANCIAL STATEMENTS FOR THE SYSTEM FOR FISCAL YEAR ENDED JUNE 30, 2019

# PES ENERGIZE
# CITY OF PULASKI, TENNESSEE

# FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

# FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018

**PES ENERGIZE**
**TABLE OF CONTENTS**
For the Years Ended June 30, 2019 and 2018

# INTRODUCTORY SECTION

# PES ENERGIZE
# DIRECTORY
June 30, 2019

## BOARD MEMBERS

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

## MANAGEMENT TEAM

Richard Kelley – President & Chief Executive Officer
Bobby Jones– Chief Financial Officer
Kirby Parr – Chief Operations Officer

## COUNSEL

M. Andrew Hoover
Pulaski, Tennessee

## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

# FINANCIAL SECTION

Alexander Thompson Arnold PLLC
227 Oil Well Road, Jackson, TN 38305
Ⓟ 731.427.8571 Ⓕ 731.424.5701
www.atacpa.net

## Independent Auditor's Report

Board of Directors
PES Energize
Pulaski, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of PES Energize (the System) funds of the City of Pulaski, Tennessee, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the System as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters – Reporting Entity**

As discussed in Note 1, the financial statements present only the PES Energize business-type activities and the aggregate remaining fund and do not purport to, and do not, present fairly the financial position of the City of Pulaski, Tennessee, as of June 30, 2019 and 2018, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the schedule of changes in the plan's net pension liability (asset) and related ratios based on participation in the single employer defined benefit pension plan, schedule of contributions based on participation in the single employer defined benefit pension plan, schedule of investment returns in the single employer defined benefit pension plan, schedule of notes to pension required supplementary information, schedule of changes in the net OPEB liability and related ratios, and schedule of notes to OPEB required supplementary information on pages 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards,* we have also issued our report dated August 30, 2019 on our consideration of the System’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 30, 2019

## 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, 2019 and June 30, 2018. All amounts, unless otherwise indicated, are expressed in actual dollars. This information should be considered within the context of the accompanying financial statements and note disclosures.

### FINANCIAL HIGHLIGHTS

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

- Total assets and deferred outflows of resources at year-end were $81.01 million and exceeded liabilities and deferred inflows of resources in the amount of $57.45 million (i.e. net position).
- Net position increased $3.27 million during the current year due to an operating profit and a significant decrease in debt. Unrestricted net position decreased by $93 thousand due to a increase in restricted cash in fiscal year ending 2019.
- During fiscal year 2019, the System delivered 435 million kWh compared to 447 million kWh during the fiscal year 2018.
- Operating revenues were $50.10 million, a decrease from 2018 in the amount of $248 thousand or 0.49%.
- Total operating expenses were $45.49 million, an increase from 2018 in the amount of $403 thousand or 0.89%.

### OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

### REQUIRED FINANCIAL STATEMENTS

A proprietary fund is used to account for the operations of the System, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The financial statements report information about the System, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

### FINANCIAL ANALYSIS

One of the most important questions asked about the System's finances is "Is the System, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the System's activities in a way that will help answer this question. These two statements report the net position of the System and the changes in the net position. Net position is one way to measure the financial health or financial position of the System. Over time, increases or decreases in the System's net position is an indicator of whether its financial health is improving or deteriorating. However, you will also need to consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates. The System's total net position increased by $3.27 million for the fiscal year ended June 30, 2019. 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, 2019 | June 30, 2018 | Increase (Decrease) Amount | Percent |
|---|---|---|---|---|
| Current and other assets | $ 18,964,670 | $ 18,885,115 | $ 79,555 | 0.42% |
| Capital assets | 59,507,751 | 57,777,544 | 1,730,207 | 2.99% |
| Total assets | 78,472,421 | 76,662,659 | 1,809,762 | 2.36% |
| Deferred outflows of resources | 2,540,340 | 1,556,643 | 983,697 | 63.19% |
| Long-term liabilities | 14,120,808 | 14,959,073 | (838,265) | -5.60% |
| Other liabilities | 8,765,159 | 8,621,260 | 143,899 | 1.67% |
| Total liabilities | 22,885,967 | 23,580,333 | (694,366) | -2.94% |
| Deferred inflows of resources | 675,681 | 461,815 | 213,866 | 46.31% |
| Net position: | | | | |
| Net investment in capital assets | 47,442,805 | 44,538,683 | 2,904,122 | 6.52% |
| Restricted for debt service | 640,170 | 176,906 | 463,264 | 261.87% |
| Unrestricted | 9,368,138 | 9,461,565 | (93,427) | -0.99% |
| Total net position | $ 57,451,113 | $ 54,177,154 | $ 3,273,959 | 6.04% |

Table 1B

**CONDENSED STATEMENT OF NET POSITION**

| | June 30, 2018 | June 30, 2017 | Increase (Decrease) Amount | Percent |
|---|---|---|---|---|
| Current and other assets | $ 18,885,115 | $ 16,775,254 | $ 2,109,861 | 12.58% |
| Capital assets | 57,777,544 | 57,614,782 | 162,762 | 0.28% |
| Total assets | 76,662,659 | 74,390,036 | 2,272,623 | 3.06% |
| Deferred outflows of resources | 1,556,643 | 1,951,416 | (394,773) | -20.23% |
| Long-term liabilities | 14,959,073 | 16,143,150 | (1,184,077) | -7.33% |
| Other liabilities | 8,621,260 | 9,097,256 | (475,996) | -5.23% |
| Total liabilities | 23,580,333 | 25,240,406 | (1,660,073) | -6.58% |
| Deferred inflows of resources | 461,815 | 128,999 | 332,816 | 258.00% |
| Net position: | | | | |
| Net investment in capital assets | 44,538,683 | 43,208,853 | 1,329,830 | 3.08% |
| Restricted for debt service | 176,906 | 1,381,247 | (1,204,341) | -87.19% |
| Unrestricted | 9,461,565 | 6,381,947 | 3,079,618 | 48.26% |
| Total net position | $ 54,177,154 | $ 50,972,047 | $ 3,205,107 | 6.29% |

The increase in current and other assets over the period was due current year activity. The decrease in long-term liabilities is due to the System paying down on its outstanding debt obligations. Changes in the System's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position for the year.

Table 2A

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

| | June 30, 2019 | June 30, 2018 | Increase (Decrease) Amount | Percent |
|---|---|---|---|---|
| Operating revenues | $ 50,098,618 | $ 50,346,880 | $ (248,262) | -0.49% |
| Non-operating revenues | 203,142 | 12,278 | 190,864 | 1554.52% |
| Total revenues | 50,301,760 | 50,359,158 | (57,398) | -0.11% |
| Cost of sales and service | 34,692,733 | 34,965,640 | (272,907) | -0.78% |
| Operations and maintenance expense | 7,038,896 | 6,522,784 | 516,112 | 7.91% |
| Depreciation expense | 3,759,879 | 3,599,736 | 160,143 | 4.45% |
| Non-operating expenses | 349,931 | 368,151 | (18,220) | -4.95% |
| Total expenses | 45,841,439 | 45,456,311 | 385,128 | 0.85% |
| Transfer | (1,186,362) | (1,173,438) | (12,924) | 1.10% |
| Change in net position | 3,273,959 | 3,729,409 | (455,450) | -12.21% |
| Total net position - beginning | 54,177,154 | 50,972,047 | 3,205,107 | 6.29% |
| Restatement - GASB 75 implementation | - | (524,302) | 524,302 | -100.00% |
| Total net position - beginning (restated) | 54,177,154 | 50,447,745 | 3,729,409 | 7.39% |
| Ending net position | $ 57,451,113 | $ 54,177,154 | $ 3,273,959 | 6.04% |

Table 2B

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | June 30, 2018 | June 30, 2017 | Amount | Percent |
| Operating revenues | $ 50,346,880 | $ 50,433,068 | $ (86,188) | -0.17% |
| Non-operating revenues | 12,278 | 6,446 | 5,832 | 90.47% |
| Total revenues | 50,359,158 | 50,439,514 | (80,356) | -0.16% |
| Cost of sales and service | 34,965,640 | 35,244,867 | (279,227) | -0.79% |
| Operations and maintenance expense | 6,522,784 | 6,523,195 | (411) | -0.01% |
| Depreciation expense | 3,599,736 | 3,468,326 | 131,410 | 3.79% |
| Non-operating expenses | 368,151 | 436,645 | (68,494) | -15.69% |
| Total expenses | 45,456,311 | 45,673,033 | (216,722) | -0.47% |
| Transfer | (1,173,438) | (1,148,063) | (25,375) | 2.21% |
| Change in net position | 3,729,409 | 3,618,418 | 110,991 | 3.07% |
| Total net position - beginning | 50,972,047 | 48,133,372 | 2,838,675 | 5.90% |
| Restatement - GASB 75 implementation | (524,302) | (779,743) | 255,441 | |
| Total net position - beginning (restated) | 50,447,745 | 47,353,629 | 3,094,116 | 6.53% |
| Ending net position | $ 54,177,154 | $ 50,972,047 | $ 3,205,107 | 6.29% |

Ending net position showed a 6.04% increase as a result of an operating profit for the current year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2019, the System had $59.51 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 $1.73 million or 2.99% above the fiscal year 2018.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the years ended June 30, 2019 and June 30, 2018. These changes are presented in detail in Note 3D to the financial statements.

Table 3A

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

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

Table 3B

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | June 30, 2018 | June 30, 2017 | Amount | Percent |
| Distribution plant | $ 37,885,253 | $ 37,012,331 | $ 872,922 | 2.36% |
| General plant | 15,504,187 | 14,604,198 | 899,989 | 6.16% |
| Broadband | 1,339,981 | 1,401,123 | (61,142) | -4.36% |
| Work in process | 3,048,123 | 4,597,130 | (1,549,007) | -33.70% |
| Total capital assets | $ 57,777,544 | $ 57,614,782 | $ 162,762 | 0.28% |

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

**Debt Administration**

At the end of fiscal year 2019, PES had total outstanding long-term debt of $10.22 million in the electric division and $1.84 million in the broadband division. The $10.22 million in the electric division is composed of Electric Revenue Bonds and Revenue and Tax Bonds. The broadband division debt is composed of Revenue and Tax Bonds. Principal payments are due in the upcoming fiscal year in the amount of $1.20 million and interest payments totaling approximately $298 thousand are also due.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

PES's energy usage decreased by 2.73% in fiscal year ending June 30, 2019. The PES service territory experienced a significantly mild winter than in the recent past resulting in decreased energy sales of 0.76%.

Ongoing maintenance and capital projects continue to drive the budget for operating and maintenance expenses and capital spending. PES staff continually seeks ways to reduce costs and to operate more efficiently.

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

## CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

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

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**STATEMENTS OF NET POSITION**
June 30, 2019 and 2018

| | Electric Fund | |
|---|---|---|
| **Assets** | 2019 | 2018 |
| Current assets | | |
| Cash on hand | $ 1,850 | $ 1,850 |
| Cash and cash equivalents - general | 12,658,648 | 13,155,043 |
| Accounts receivable - trade (net of allowance for uncollectibles electric $100,000 and $150,000 and broadband $15,000 and $25,000 for 2019 and 2018, respectively) | 3,016,261 | 3,200,182 |
| Accounts receivable - CSA | 25,296 | 25,296 |
| Accounts receivable - other | 572,394 | 260,749 |
| Materials and supplies | 723,650 | 776,226 |
| Due to City | - | (1,119) |
| Prepayments and other current assets | 189,288 | 169,039 |
| Total current assets | 17,187,387 | 17,587,266 |
| Noncurrent assets | | |
| Restricted: | | |
| Cash and cash equivalents | 1,549,861 | 1,067,869 |
| Other assets | | |
| Unamortized debt expense | 54,833 | 59,030 |
| Other future charges | 172,589 | 170,950 |
| Total other assets | 227,422 | 229,980 |
| Capital assets, not being depreciated | | |
| Distribution plant | 178,766 | 178,766 |
| General plant | 190,597 | 190,597 |
| Construction in progress | 520,243 | 3,048,123 |
| Total capital assets, not being depreciated | 889,606 | 3,417,486 |
| Capital assets, net of accumulated depreciation | | |
| Distribution plant | 42,005,442 | 37,706,487 |
| General plant | 16,612,703 | 16,653,571 |
| Total capital assets (net of accumulated depreciation) | 59,507,751 | 57,777,544 |
| Total noncurrent assets | 61,285,034 | 59,075,393 |
| **Total assets** | **78,472,421** | **76,662,659** |
| **Deferred outflows of resources** | | |
| Deferred outflows related to pensions | 2,065,274 | 1,123,419 |
| Deferred outflows related to OPEB | 71,243 | - |
| Loss on defeasance | 403,823 | 433,224 |
| **Total deferred outflows of resources** | **$ 2,540,340** | **$ 1,556,643** |

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

# PES ENERGIZE
# CITY OF PULASKI, TENNESSEE
# STATEMENTS OF NET POSITION
June 30, 2019 and 2018

| | Electric Fund | |
|---|---|---|
| **Liabilities** | 2019 | 2018 |
| Current liabilities | | |
| Accounts payable | $ 6,181,392 | $ 6,092,692 |
| Other accrued expense | 474,623 | 464,639 |
| Total current liabilities | 6,656,015 | 6,557,331 |
| Current liabilities payable from restricted assets | | |
| Customers' deposits | 890,483 | 869,255 |
| Accrued interest | 19,208 | 21,708 |
| Current maturities of: | | |
| Bonds payable | 1,199,453 | 1,172,966 |
| Total current liabilities payable from restricted assets | 2,109,144 | 2,063,929 |
| Noncurrent liabilities | | |
| Compensated absences | 693,177 | 661,702 |
| Net pension liability | 1,425,594 | 885,230 |
| OPEB liability | 1,136,544 | 1,346,246 |
| Bonds payable (less current maturities) | 10,865,493 | 12,065,895 |
| Advances from TVA - Home insulation program | - | - |
| Total noncurrent liabilities | 14,120,808 | 14,959,073 |
| **Total liabilities** | **22,885,967** | **23,580,333** |
| **Deferred inflows of resources** | | |
| Deferred inflows related to pensions | 236,356 | 289,947 |
| Deferred inflows related to OPEB | 439,325 | 171,868 |
| **Total deferred inflows of resources** | **675,681** | **461,815** |
| **Net Position** | | |
| Net investment in capital assets | 47,442,805 | 44,538,683 |
| Restricted for debt service | 640,170 | 176,906 |
| Unrestricted | 9,368,138 | 9,461,565 |
| **Total net position** | **$ 57,451,113** | **$ 54,177,154** |

*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, 2019 and 2018

| | Electric Fund | |
|---|---|---|
| **Operating revenues** | 2019 | 2018 |
| Charges for sales and service | $ 48,706,343 | $ 49,104,967 |
| Other operating revenue | 1,392,275 | 1,241,913 |
| Total operating revenues | 50,098,618 | 50,346,880 |
| **Operating expenses** | | |
| Cost of sales and services | 34,692,733 | 34,965,640 |
| Distribution expenses | 442,483 | 646,086 |
| Customer accounts expenses | 572,395 | 460,799 |
| Customer service and information expenses | 586,225 | 658,057 |
| Administrative and general expenses | 2,810,446 | 2,534,096 |
| Maintenance expenses | 2,627,347 | 2,223,746 |
| Provision for depreciation expense | 3,759,879 | 3,599,736 |
| Total operating expenses | 45,491,508 | 45,088,160 |
| Operating income (loss) | 4,607,110 | 5,258,720 |
| **Nonoperating revenues (expenses)** | | |
| Interest and other income | 203,142 | 12,278 |
| Amortization expense | 5,571 | (5,984) |
| Interest and other expense | (355,502) | (362,167) |
| Total nonoperating revenues (expenses) | (146,789) | (355,873) |
| Income (loss) before transfers | 4,460,321 | 4,902,847 |
| **Transfers** | | |
| Transfers out - in lieu of tax payments to City | (1,186,362) | (1,173,438) |
| **Change in net position** | **3,273,959** | **3,729,409** |
| Total net position - beginning | 54,177,154 | 50,972,047 |
| Restatement - GASB 75 implementation | - | (524,302) |
| Total net position - beginning (restated) | 54,177,154 | 50,447,745 |
| Total net position - ending | $ 57,451,113 | $ 54,177,154 |

*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, 2019 and 2018

| | Electric Fund 2019 | Electric Fund 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from consumers | $ 49,970,894 | $ 50,331,195 |
| Cash paid to suppliers | (40,365,457) | (40,308,912) |
| Cash paid to employees | (1,679,466) | (1,624,711) |
| Customer deposits received | 182,960 | 233,488 |
| Customer deposits refunded | (161,732) | (167,706) |
| Amounts received from (paid to) other funds | (1,119) | 3,954 |
| Net cash provided (used) by operating activities | 7,946,080 | 8,467,308 |
| **Cash flows from non-capital and related financing activities** | | |
| Transfers | (1,186,362) | (1,173,438) |
| Net cash provided (used) by non-capital and related financing activities | (1,186,362) | (1,173,438) |
| **Cash flows from capital and related financing activities** | | |
| Principal paid on debt | (1,173,915) | (1,167,819) |
| Unamortized debt expense | 33,650 | 36,271 |
| Purchase of property, plant and equipment | (5,490,086) | (3,746,629) |
| Plant removal cost | 11,038 | (16,782) |
| Materials salvaged from retirements | - | 913 |
| Interest paid on bonds, notes and leases | (357,950) | (367,353) |
| Net cash provided (used) by capital and related financing activities | (6,977,263) | (5,261,399) |
| **Cash flows from investing activities** | | |
| Interest and unrealized change in investments | 203,142 | 12,278 |
| Conservation loans (made) paid | - | - |
| Net cash provided (used) by investing activities | 203,142 | 12,278 |
| **Net increase (decrease) in cash and cash equivalents** | **(14,403)** | **2,044,749** |
| **Cash and cash equivalents - beginning** | 14,224,762 | 12,180,013 |
| **Cash and cash equivalents - ending** | $ 14,210,359 | $ 14,224,762 |
| **Cash and cash equivalents** | | |
| Unrestricted cash on hand | $ 1,850 | $ 1,850 |
| Unrestricted cash and cash equivalents on deposit | 12,658,648 | 13,155,043 |
| Restricted cash and cash equivalents on deposit | 1,549,861 | 1,067,869 |
| **Total cash and cash equivalents** | $ 14,210,359 | $ 14,224,762 |

*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, 2019 and 2018

| | Electric Fund | |
|---|---|---|
| **Reconciliation of operating income** | 2019 | 2018 |
| **to net cash provided (used)** | | |
| **by operating activities** | | |
| Operating income | $ 4,607,110 | $ 5,258,720 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 3,754,308 | 3,605,720 |
| Change in pension related deferred outflows and inflows of resources | (995,446) | 690,383 |
| Change in OPEB related deferred outflows and inflows of resources | 196,214 | (171,868) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (127,724) | (17,226) |
| Materials and supplies | 52,576 | (67,767) |
| Due (to) from City | (1,119) | 3,954 |
| Prepayments and other current assets | (20,249) | 20,509 |
| Other future charges | (1,639) | (9,034) |
| Accounts payable and accrued expenses | 98,684 | 98,146 |
| Accrued leave | 31,475 | (9,505) |
| Customer deposits | 21,228 | 65,782 |
| Net pension liability | 540,364 | (1,000,506) |
| OPEB liability | (209,702) | - |
| **Net cash provided (used) by operating activities:** | $ 7,946,080 | $ 8,467,308 |

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

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**STATEMENTS OF FIDUCIARY NET POSITION**
June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 483,832 | $ 252,410 |
| Accrued income | 22,609 | 22,555 |
| Investments | - | |
| Equity investments | 9,286,953 | 9,143,749 |
| Fixed income investments | 5,241,006 | 5,013,397 |
| Total investments | 14,527,959 | 14,157,146 |
| **Net position available for benefits** | **15,034,400** | **14,432,111** |
| Liabilities | - | - |
| **Net position restricted for pensions** | **$ 15,034,400** | **$ 14,432,111** |

*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, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Additions** | | |
| Employer contributions | $ 720,000 | $ 720,000 |
| Investment income | | |
| Interest income | 15,731 | 21,011 |
| Dividend income | 244,307 | 196,491 |
| Realized gains and losses | 1,020,356 | 753,179 |
| Net depreciation in fair value of investments | (511,931) | 58,598 |
| Total investment income | 768,463 | 1,029,279 |
| Total additions | 1,488,463 | 1,749,279 |
| **Deductions** | | |
| Benefit payments | 789,868 | 744,758 |
| Administrative and other expenses | 96,306 | 86,287 |
| Total deductions | 886,174 | 831,045 |
| **Net increase in fiduciary net position** | **602,289** | **918,234** |
| **Net position restricted for pensions** | | |
| Beginning of year | 14,432,111 | 13,513,877 |
| End of year | $ 15,034,400 | $ 14,432,111 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

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

***Deposits and Investments***

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

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

The System's defined benefit plan's policy in regard to the allocation of invested assets is established and may be amended by the Power Board by a majority vote of its members. It is the policy of the Power Board to pursue an investment strategy that reduces risk though the prudent diversification of the portfolio across a broad selection of distinct asset classes. Investments are stated at fair market value. The System's defined benefit plan maintains investments that consist of a money market account, stocks in 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 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.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The System has pension and OPEB-related items that qualify for reporting in this category.

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

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

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

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

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

***Impact of Recently Issued Accounting Pronouncements***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 , Accounting *and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57 , OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74 , Fin*ancial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans. This pronouncement was implemented in fiscal year 2018.

## NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

The System adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the System's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

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

## NOTE 3 - DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

The following is the asset allocation as of June 30, 2019 and 2018:

| | June 30, 2019 | | June 30, 2018 | |
|---|---|---|---|---|
| | Market Value | Percentage of Total | Market Value | Percentage of Total |
| Cash and cash equivalents | $ 506,441 | 3.36% | $ 274,965 | 1.90% |
| Equities | 9,286,953 | 61.77% | 9,143,749 | 63.36% |
| Fixed income investments | 5,241,006 | 34.87% | 5,013,397 | 34.74% |
| Total | $ 15,034,400 | 100.00% | $ 14,432,111 | 100.00% |

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

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Federated strategic value dividend | $ 373,988 | $ 327,027 |
| Fidelity small cap discovery | 511,312 | 604,987 |
| Fidelity contrafund #22 | 912,036 | 1,668,588 |
| Vanguard primecap core | 1,247,722 | 1,274,836 |

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.21 and 7.44 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, 2019:

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

The Plan has the following recurring fair value measurements as of June 30, 2018:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Debt securities | | | | |
| US agencies | $ 4,687 | $ 4,687 | $ - | $ - |
| Corporate bonds | 1,215,175 | 1,215,175 | - | - |
| Total debt securities | 1,219,862 | 1,219,862 | - | - |
| Equity securities | | | | |
| Mutual funds | 11,933,710 | 11,933,710 | - | - |
| Common stocks | 1,003,575 | 1,003,575 | - | - |
| Total equity securities | 12,937,285 | 12,937,285 | - | - |
| Total investments measured at fair value | $ 14,157,147 | $ 14,157,147 | $ - | $ - |

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, 2019 and 2018, all of the System's deposits were fully collateralized.

## B. Receivables

Receivables as of the fiscal years ended June 30, 2019 and 2018 were made up of the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Billed services for utility customers | $ 3,131,261 | $ 3,375,182 |
| Receivable from CSA | 25,296 | 25,296 |
| Other receivables for utility services | 572,394 | 260,749 |
| Allowance for doubtful accounts | (115,000) | (175,000) |
| Total | $ 3,613,951 | $ 3,486,227 |

## C. Restricted Assets

Restricted assets as of the fiscal years ended June 30, 2019 and 2018 were made up of the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| The restricted assets consist of the following: | | |
| Cash and cash equivalents - Sinking funds | $ 14,921 | $ 15,016 |
| Cash and cash equivalents - Construction fund | 1,534,940 | $ 1,052,853 |
| | $ 1,549,861 | $ 1,067,869 |
| The total of these funds is represented by: | | |
| Certificates of deposit and bank accounts | $ 1,549,861 | $ 1,067,869 |

## D. Plant in Service

Changes to the System's plant in service during the fiscal years ended June 30, 2019 and 2018 are summarized as follows:

| **Electric Division:** Description | Balance at June 30, 2018 | Additions | Disposals | Reclass | Balance at June 30, 2019 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Distribution plant | $ 178,766 | $ - | $ - | $ - | $ 178,766 |
| General plant | 190,597 | - | - | - | 190,597 |
| Construction in progress | 3,046,955 | 5,488,477 | 8,062,647 | - | 472,785 |
| Total capital assets, not being depreciated | 3,416,318 | 5,488,477 | 8,062,647 | - | 842,148 |
| Capital assets, being depreciated: | | | | | |
| Distribution plant | 65,486,629 | 6,847,751 | 880,835 | - | 71,453,545 |
| General plant | 27,431,279 | 1,723,807 | 2,056,523 | - | 27,098,563 |
| Total capital assets, being depreciated | 92,917,908 | 8,571,558 | 2,937,358 | - | 98,552,108 |
| Less accumulated depreciation for: | | | | | |
| Distribution plant | 27,780,142 | 2,332,153 | 664,192 | - | 29,448,103 |
| General plant | 12,117,689 | 1,493,599 | 2,017,205 | - | 11,594,083 |
| Total accumulated depreciation | 39,897,831 | 3,825,752 | 2,681,397 | - | 41,042,186 |
| Total capital assets, being depreciated, net | 53,020,077 | 4,745,806 | 255,961 | - | 57,509,922 |
| Total capital assets, net | $ 56,436,395 | $ 10,234,283 | $ 8,318,608 | $ - | $ 58,352,070 |

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

**Broadband Division:**

| Description | Balance at June 30, 2018 | Additions | Disposals | Reclass | Balance at June 30, 2019 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Construction in progress | $ 1,168 | $ 585,971 | $ 539,681 | $ - | $ 47,458 |
| Capital assets, being depreciated: | | | | | |
| General plant | $ 4,152,227 | $ 170,068 | $ 43,921 | $ - | $ 4,278,374 |
| Less: accumulated depreciation for: | | | | | |
| General plant | 2,812,246 | 393,796 | 35,891 | - | 3,170,151 |
| Total capital assets, being depreciated, net | 1,339,981 | (223,728) | 8,030 | - | 1,108,223 |
| Total capital assets, net | $ 1,341,149 | $ 362,243 | $ 547,711 | $ - | $ 1,155,681 |

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

Depreciation expense amounted to $3,366,083 and $3,255,235 in the electric division and $393,796 and $344,501 in the Broadband division for the fiscal years ended June 30, 2019 and 2018. Amounts charged to transportation expense in the electric division were $459,669 and

$344,501 for the electric division and $0 and $19,781 for the broadband division for the years ended June 30, 2019 and 2018.

## E. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2019 and 2018 is as follows:

| 2019 | Due from: (Receivable) | | | |
|---|---|---|---|---|
| | Electric | Broadband | Eliminated | Total |
| Due to:(Payable) | | | | |
| Broadband | $ - | $ - | $ - | $ - |
| Electric | - | (33,756) | 33,756 | - |
| City Hall | - | - | - | - |
| | $ - | $ (33,756) | $ 33,756 | $ - |

| 2018 | Due from: (Receivable) | | | |
|---|---|---|---|---|
| | Electric | Broadband | Eliminated | Total |
| Due to:(Payable) | | | | |
| Broadband | $ - | $ - | $ - | $ - |
| Electric | - | 18,092 | (18,092) | - |
| City Hall | (1,119) | - | - | (1,119) |
| | $ (1,119) | $ 18,092 | $ (18,092) | $ (1,119) |

During the years ended June 30, 2019 and 2018, the System also transferred out an amount of $1,186,362 and $1,173,438, 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, 2019 and June 30, 2018 are as follows:

| | Balance June 30, 2018 | Additions | Payments | Balance June 30, 2019 | Current Portion |
|---|---|---|---|---|---|
| Revenue Bonds - 2013 - Electric | $ 2,055,000 | $ - | $ (110,000) | $ 1,945,000 | $ 110,000 |
| Revenue Bonds - 2014 - Electric | 6,555,000 | - | (430,000) | 6,125,000 | 445,000 |
| Revenue and Tax Bonds - 2015 - Electric | 2,496,808 | - | (341,934) | 2,154,874 | 347,618 |
| Revenue and Tax Bonds - 2015 - Broadband | 2,132,053 | - | (291,981) | 1,840,072 | 296,835 |
| Compensated absences | 661,702 | 31,475 | - | 693,177 | 9,505 |
| Total | $ 13,900,563 | $ 31,475 | $ (1,173,915) | $ 12,758,123 | $ 1,208,958 |

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

Long-term debt consisted of the following at June 30, 2019 and 2018:

| | **2019** | **2018** |
|---|---|---|
| Electric Division revenue bonds - Series 2013, due through June 1, 2033, with an interest rate of 3.38% | $ 1,945,000 | $ 2,055,000 |
| Electric Division revenue bonds - Series 2014, due through June 1, 2031, with an interest rate of 2.69% | 6,125,000 | 6,555,000 |
| Electric Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80% | 2,154,874 | 2,496,808 |
| Broadband Division revenue and tax bonds - Series 2015, due through June 1, 2025, with an interest rate of 1.80% | 1,840,072 | 2,132,053 |
| | $ 12,064,946 | $ 13,238,861 |

A summary of future debt service amounts are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 1,199,453 | $ 298,040 | $ 1,497,493 |
| 2021 | 1,221,150 | 270,655 | 1,491,805 |
| 2022 | 1,248,059 | 242,755 | 1,490,814 |
| 2023 | 1,290,184 | 214,200 | 1,504,384 |
| 2024 | 1,292,529 | 184,584 | 1,477,113 |
| 2025-2029 | 3,998,571 | 562,785 | 4,561,356 |
| 2030-2033 | 1,815,000 | 102,980 | 1,917,980 |
| Total | $ 12,064,946 | $ 1,875,999 | $ 13,940,945 |

## 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, 2019 and June 30, 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Net investments in capital assets | | |
| Net property, plant and equipment in service | $ 59,507,751 | $ 57,777,544 |
| Less: Debt disclosed in Note 3F | (12,064,946) | (13,238,861) |
| | 47,442,805 | 44,538,683 |
| Restricted for debt service | | |
| Restricted cash and cash equivalents | 1,549,861 | 1,067,869 |
| Less: Current liabilities payable from restricted assets | (909,691) | (890,963) |
| | 640,170 | 176,906 |
| Unrestricted | 9,368,138 | 9,461,565 |
| Total net position | $ 57,451,113 | $ 54,177,154 |

## NOTE 4 - OTHER INFORMATION

## A. Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | July 1, 2018 | July 1, 2017 |
|---|---|---|
| Active participants (employees) | 42 | 45 |
| Retired participants and beneficiaries | 46 | 44 |
| Vested terminated participants | 19 | 18 |
| Total employees covered by the Plan | 107 | 107 |

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

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

The Plan’s policy provides for actuarially determined periodic contributions. Contributions to the Plan for the years ended June 30, 2019 and 2018 of $720,000 and $720,000 were made in accordance with actuarially determined requirements computed through the actuarial valuations performed as of July 1, 2018 and 2017.

*Funded status and funding progress.* As of June 30, 2018 the actuarial accrued liability for benefits was $15,857,706 and the net pension liability was $1,425,594. Total covered payroll was $2,681,470 and the ratio of net pension liability to covered payroll was 53.16%. As of June 30, 2017 the actuarial accrued liability for benefits was $14,399,108 and the net pension liability was $885,230. Total covered payroll was $2,862,672 and the ratio of net pension liability to covered payroll was 30.92%.

*Net Pension Liability*. The System's net pension liability was measured as of June 30, 2018 and 2017 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, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The July 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Actuarial cost method: | Individual Entry-Age Normal |
| Year of service subsequent to valuation date: | It is assumed that each participant will earn one year of service in each future year. |
| Asset valuation: | Market value of assets. |
| Termination or withdraw from service: | Graduated rates. |
| Compensation increases: | Employee compensation is assumed to increase at 3.00% per year. |
| Interest: | 7.00% per year, compounded annually. |
| Age at retirement: | It is assumed early retirement occurs according to the withdraw rate table; others at normal retirement age. Participants who are age 65 or older are expected to retire at the end of the plan year. Board Members are assumed to terminate at later of attainment of age 65 or completion of their term. |
| Mortality: | Active Participants and Non-Disabled Participants: |
| | Male - SOA - RP 2014 Mortality Table for males with blue collar adjustment |
| | Female - SOA - RP 2014 Mortality Table for females with blue collar adjustment |
| | Disabled Participants: |
| | Male - 1965 Railroad Board Disability Annuity Mortality |
| | Female - 1965 Railroad Board Disability Annuity Mortality |
| Probability of disability: | None |
| Marital status at benefit eligibility: | Percentage married - Males: 80% Females: 80% |
| | Age Difference: Males: Spouses are assumed to be four years younger. |
| | Age Difference: Females: Spouses are assumed to be four years older. |
| Assumed age of commencement for deferred vested benefits: | Age 65 |
| Changes since prior year: | The mortality table was changed from SOA RP 2000 with blue collar adjustment to SOA RP 2014 for blue collar participants. |

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

*The Electric fund uses the measurement date of June 30, 2018 and 2017 for reporting purposes for the fiscal years ended June 30, 2019 and 2018.*

The actuarial assumptions used in the July 1, 2018 and 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018 and July 1, 2016 through June 30, 2017. In addition, mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for blue collars.

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

*Changes in System's Net Pension Liability.* Changes in the System's net pension liability measured at June 30, 2018 and 2017 are detailed in the following tables. Table 2A and Table 2B show the net pension liability as of June 30, 2018 and 2017, which is what is reported in the financial statements in accordance with GASB Statement No. 68. Table 1A is required to be disclosed due to the inclusion of the fiduciary fund statements in the System's financial statements. Total Pension Liability was rolled forward to June 30, 2018 in order to be in compliance with GASB Statement No. 67.

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

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| | Table 2A - Increase (Decrease) | | |
|---|---|---|---|
| | Total pension liability (TPL) (a) | Plan fiduciary net position (b) | Net pension liability (NPL) (a)-(b) |
| **Balances as 6/30/2016** | $ 14,133,742 | $ 12,248,006 | $ 1,885,736 |
| Changes for the year: | | | |
| Service cost | 195,442 | - | 195,442 |
| Interest | 972,881 | - | 972,881 |
| Difference between actual and expected | (107,468) | - | (107,468) |
| Contributions - employer | - | 720,000 | (720,000) |
| Contributions - employee | - | - | - |
| Net investment income | - | 1,365,856 | (1,365,856) |
| Benefit payments | (795,489) | (795,489) | - |
| Administrative expenses | - | (24,495) | 24,495 |
| **Net changes** | 265,366 | 1,265,872 | (1,000,506) |
| **Balances as 6/30/2017** | $ 14,399,108 | $ 13,513,878 | $ 885,230 |

*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, 2018** | | |
|---|---|---|---|
| | 1% Decrease | Current Rate | 1% Increase |
| Interest rate | 6.00% | 7.00% | 8.00% |
| Total pension liability | $ 18,020,760 | $ 15,857,705 | $ 14,069,541 |
| Plan fiduciary net position | 14,432,111 | 14,432,111 | 14,432,111 |
| Net pension liability (asset) | $ 3,588,649 | $ 1,425,594 | $ (362,570) |

| | **June 30, 2017** | | |
|---|---|---|---|
| | 1% Decrease | Current Rate | 1% Increase |
| Interest rate | 6.00% | 7.00% | 8.00% |
| Total pension liability | $ 16,081,396 | $ 14,399,108 | $ 12,612,152 |
| Plan fiduciary net position | 13,513,878 | 13,513,878 | 13,513,878 |
| Net pension liability (asset) | $ 2,567,518 | $ 885,230 | $ (901,726) |

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources.* For the year ended June 30, 2019 and 2018, the System recognized pension expense of $218,425 and $268,812. At June 30, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | June 30, 2019 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 597,135 | $ 202,663 |
| Change of assumptions | 748,139 | - |
| Pension contributions subsequent to the measurement date of June 30, 2018 | 720,000 | - |
| Difference between projected and actual earnings on pension plan investments | - | 33,693 |
| Total | $ 2,065,274 | $ 236,356 |

| | June 30, 2018 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 403,419 | $ 219,560 |
| Change of assumptions | - | - |
| Pension contributions subsequent to the measurement date of June 30, 2017 | 720,000 | - |
| Difference between projected and actual earnings on pension plan investments | - | 70,387 |
| Total | $ 1,123,419 | $ 289,947 |

*The amounts shown above for "System contributions subsequent to the measurement date of June 30, 2018 and 2017" 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, 2019:

| Year ending June 30, | Amortized |
|---|---|
| 2019 | 169,965 |
| 2020 | 91,587 |
| 2021 | (21,031) |
| 2022 | 75,266 |
| 2023 | 87,370 |
| Thereafter | 705,761 |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending June 30, 2018:

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

*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, 2019 and 2018 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2019 and 2018 administrative expenses paid were $27,028 and $24,495 respectively.

## B. Power Contract

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

## C. Other Post-Employment Benefits (OPEB)

### Plan Description

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

### Annual OPEB Cost and Net OPEB Obligation

*Changes in System's Net OPEB Liability.* Changes in the System's net OPEB liability measured at June 30, 2019 and 2018 are detailed in the following tables. Table 1A and Table 2A show the net OPEB liability as of June 30, 2019 and 2018, which is what is reported in the financial statements in accordance with GASB Statement No. 75. Total OPEB Liability was rolled forward to June 30, 2019 in order to be in compliance with GASB Statement No. 75.

Table 1A

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

**PES ENERGIZE**
**PULASKI, TENNESSEE**
**NOTES TO FINANCIAL STATEMENTS**
June 30, 2019 and 2018

Table 2A

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

**Actuarial Methods and Assumptions**

The valuation was based on information provided by Pulaski Electric System as of July 1, 2019 and 2018 and only those not frozen in the defined benefit plan.

**Plan Membership**

| Number of Participants | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Actives (with medical coverage) | 64 | 51 |
| Actives (without medical coverage) | 0 | 0 |
| Retirees (with medical coverage) | 8 | 8 |
| Total Participants | 72 | 59 |
| Annual Projected Payroll | $ 3,592,220 | $ 5,335,934 |
| Average Projected Earnings | $ 56,128 | $ 50,818 |

**Benefits Provided**

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

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates were based on the RP-2014 annuity for healthy males and RP-2014 annuity for healthy females.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period ending July 1, 2019.

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

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

| 2019 | 1% Decrease 6.0% decreasing to .25% until 1.5% is reached | Current 7.0% decreasing to .25% until 2.50% is reached | 1% Increase 8.0% decreasing to .25% until 3.50% is reached |
|---|---|---|---|
| Total OPEB Liability | $ 996,716 | $ 1,136,544 | $ 1,303,285 |
| Plan Fiduciary Net Positon | - | - | - |
| Net OBEB Liability | 996,716 | 1,136,544 | 1,303,285 |

| 2018 | 1% Decrease 6.0% decreasing to .25% until 1.5% is reached | Current 7.0% decreasing to .25% until 2.50% is reached | 1% Increase 8.0% decreasing to .25% until 3.50% is reached |
|---|---|---|---|
| Total OPEB Liability | $ 734,286 | $ 821,944 | $ 925,335 |
| Plan Fiduciary Net Positon | - | - | - |
| Net OBEB Liability | 734,286 | 821,944 | 925,335 |

PES ENERGIZE
PULASKI, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

***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:

| 2019 | 1% Decrease 2.00% | Current 3.00% | 1% increase 4.00% |
|---|---|---|---|
| Net OPEB Liability | $ 1,251,520 | $ 1,136,544 | $ 1,031,487 |
| Plan Fiduciary Net Positon | - | - | - |
| Net OPEB Liability | 1,251,520 | 1,136,544 | 1,031,487 |

| 2018 | 1% Decrease 2.00% | Current 3.00% | 1% increase 4.00% |
|---|---|---|---|
| Net OPEB Liability | $ 894,762 | $ 821,944 | $ 755,092 |
| Plan Fiduciary Net Positon | - | - | - |
| Net OPEB Liability | 894,762 | 821,944 | 755,092 |

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

For the year ended June 30, 2019 and June 30, 2018, the System recognized OPEB expense of $41,974 and $56,307. At June 30, 2019 and June 30, 2018, the System reported deferred outflows of related to OPEB liability from the following sources:

| | June 30, 2019 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 71,243 | $ 159,592 |
| Change of assumptions | - | 279,733 |
| Total | $ 71,243 | $ 439,325 |

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

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows as of the fiscal year ending June 30, 2019:

| Year ending June 30, | Amortized |
|---|---|
| 2020 | (47,024) |
| 2021 | (47,024) |
| 2022 | (47,024) |
| 2023 | (47,024) |
| 2024 | (47,024) |
| Thereafter | (132,962) |

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, 2019 and June 30, 2018 no benefits were payable and not paid.

*Administrative Expenses.* Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2019 and June 30, 2018 administrative expenses paid were $0.

## D. Subsequent Events

Management has evaluated subsequent events through August 30, 2019, the date in which the financial statements were available to be issued.

## E. Restatement of Beginning Net Position – GASB 75 Implementation

As of July 1, 2017 a restatement of beginning net position was made for net OPEB liability due to the System implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions— an amendment of GASB Statement No. 45*. The implementation of GASB Statement No. 75 resulted in the System restating net position by ($524,302). The net effect of this restatement of beginning net position resulted in a decrease in the July 1, 2017 net position in the amount of ($524,302).

## PES ENERGIZE
## PULASKI, TENNESSEE
## NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

### F. Segment Reporting

**CONDENSED STATEMENT OF NET POSITION**

| | Electric Division | | Broadband Division | |
|---|---|---|---|---|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Current assets | $ 15,329,424 | $ 15,966,073 | $ 1,857,963 | $ 1,621,193 |
| Noncurrent assets - restricted | 1,549,861 | 1,067,869 | - | - |
| Other assets | 227,422 | 229,980 | - | - |
| Capital assets | 58,352,070 | 56,436,395 | 1,155,681 | 1,341,149 |
| Total assets | 75,458,777 | 73,700,317 | 3,013,644 | 2,962,342 |
| Deferred outflows of resources | 2,396,988 | 1,515,817 | 143,352 | 40,826 |
| Current liabilities | 6,460,536 | 6,335,252 | 195,479 | 222,079 |
| Current liabilities payable from restricted assets | 1,808,259 | 1,768,785 | 300,885 | 295,144 |
| Noncurrent liabilities | 12,318,283 | 12,821,899 | 1,802,525 | 2,137,174 |
| Total liabilities | 20,587,078 | 20,925,936 | 2,298,889 | 2,654,397 |
| Deferred inflows of resources | 607,302 | 432,473 | 68,379 | 29,342 |
| Net position: | | | | |
| Net investment in capital assets | 48,127,196 | 45,329,587 | (684,391) | (790,904) |
| Restricted for debt service | 644,220 | 180,506 | (4,050) | (3,600) |
| Unrestricted | 7,889,969 | 8,347,632 | 1,478,169 | 1,113,933 |
| Total net position | $ 56,661,385 | $ 53,857,725 | $ 789,728 | $ 319,429 |

# PES ENERGIZE
# PULASKI, TENNESSEE
# NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| | Electric Division | | Broadband Division | |
|---|---|---|---|---|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Operating revenues | | | | |
| Charges for sales and service | $ 45,074,671 | $ 45,418,116 | $ 3,631,672 | $ 3,686,851 |
| Other operating revenues | 1,128,971 | 1,124,627 | 263,304 | 117,286 |
| Total operating revenues | 46,203,642 | 46,542,743 | 3,894,976 | 3,804,137 |
| Operating expenses | | | | |
| Provision for depreciation expense | 3,366,083 | 3,255,235 | 393,796 | 344,501 |
| Other operating expenses | 38,695,821 | 38,550,203 | 3,035,808 | 2,938,221 |
| Total operating expenses | 42,061,904 | 41,805,438 | 3,429,604 | 3,282,722 |
| Operating income (loss) | 4,141,738 | 4,737,305 | 465,372 | 521,415 |
| Nonoperating revenues (expenses) | | | | |
| Interest expense | (319,540) | (332,263) | (35,962) | (29,904) |
| Other nonoperating revenues (expenses) | 167,824 | 2,319 | 40,889 | 3,975 |
| Total nonoperating revenues (expenses) | (151,716) | (329,944) | 4,927 | (25,929) |
| Income (loss) before transfers | 3,990,022 | 4,407,361 | 470,299 | 495,486 |
| Transfers in (out) | (1,186,362) | (1,173,438) | - | - |
| Change in net position | 2,803,660 | 3,233,923 | 470,299 | 495,486 |
| Total net position - beginning | 53,857,725 | 51,011,864 | 319,429 | (39,817) |
| Restatement - GASB 75 implementation | - | (388,062) | - | (136,240) |
| Total net position - beginning (restated) | 53,857,725 | 50,623,802 | 319,429 | (176,057) |
| Ending net position | $ 56,661,385 | $ 53,857,725 | $ 789,728 | $ 319,429 |

**CONDENSED STATEMENT OF CASH FLOWS**

| | Electric Division | | Broadband Division | |
|---|---|---|---|---|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| Net cash provided (used) by operating activities | $ 7,463,250 | $ 7,522,091 | $ 482,830 | $ 945,217 |
| Net cash provided (used) by non-capital and related financing activities | (1,186,362) | (1,173,438) | - | - |
| Net cash provided (used) by capital and related financing activities | (6,452,030) | (4,650,502) | (525,233) | (610,897) |
| Net cash provided (used) by investing activities | 167,772 | 7,505 | 35,370 | 4,773 |
| Net increase (decrease) in cash and cash equivalents | (7,370) | 1,705,656 | (7,033) | 339,093 |
| Cash and cash equivalents - beginning | 12,882,257 | 11,176,601 | 1,342,505 | 1,003,412 |
| Cash and cash equivalents - ending | $ 12,874,887 | $ 12,882,257 | $ 1,335,472 | $ 1,342,505 |

# 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,

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Total pension liability** | | | | | |
| Service cost | $ 179,953 | $ 195,441 | $ 191,944 | $ 222,187 | $ 229,718 |
| Interest | 990,049 | 972,881 | 929,638 | 892,701 | 874,572 |
| Differences between actual & expected experience | 242,126 | (107,468) | 286,574 | 192,372 | (159,569) |
| Change of assumptions | 850,488 | - | - | - | - |
| Benefit payments, including refunds of member's contributions | (804,018) | (795,489) | (792,018) | (698,921) | (653,720) |
| **Net change in total pension liability** | 1,458,598 | 265,365 | 616,138 | 608,339 | 291,001 |
| **Total pension liability - beginning** | 14,399,107 | 14,133,742 | 13,517,604 | 12,909,265 | 12,618,264 |
| **Total pension liability - ending (a)** | $ 15,857,705 | $ 14,399,107 | $ 14,133,742 | $ 13,517,604 | $ 12,909,265 |
| | | | | | |
| **Plan fiduciary net position** | | | | | |
| Contributions - employer | 720,000 | 720,000 | 700,000 | 648,000 | 648,000 |
| Net investment income | 1,029,280 | 1,365,856 | 278,504 | 426,629 | 1,608,611 |
| Benefit payments, including refunds of member's contributions | (804,018) | (795,489) | (792,018) | (698,921) | (653,720) |
| Administrative expense | (27,028) | (24,496) | (24,171) | (23,467) | (20,175) |
| **Net change in plan fiduciary net position** | 918,234 | 1,265,871 | 162,315 | 352,241 | 1,582,716 |
| **Plan fiduciary net position - beginning** | 13,513,877 | 12,248,006 | 12,085,691 | 11,733,450 | 10,150,734 |
| **Plan fiduciary net position - ending (b)** | 14,432,111 | 13,513,877 | 12,248,006 | 12,085,691 | 11,733,450 |
| | | | | | |
| **Net Pension Liability (Asset) - ending (a) - (b)** | 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** | 91.01% | 93.85% | 86.66% | 89.41% | 90.89% |
| | | | | | |
| **Covered payroll** | $ 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** | 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.

**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,

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 551,540 | $ 449,625 | $ 521,791 | $ 435,728 | $ 489,938 | $ 467,172 |
| Contributions in relation to the actuarially determined contribution | 720,000 | 720,000 | 720,000 | 700,000 | 648,000 | 648,000 |
| Net change in total pension liability | $ (168,460) | $ (270,375) | $ (198,209) | $ (264,272) | $ (158,062) | $ (180,828) |
| **Covered payroll** | $ 2,681,470 | $ 2,681,470 | $ 2,862,672 | $ 2,955,030 | $ 2,894,615 | $ 3,150,560 |
| **Contributions as a percentage of covered payroll** | 26.85% | 26.85% | 25.15% | 23.69% | 22.39% | 20.57% |

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

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 5.21% | 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, 2019

**Notes to Pension Required Supplementary Information**

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

***Methods and assumptions used to determine contribution rates:***

| | |
|---|---|
| Actuarial cost method: | Individual Entry-Age Normal |
| Year of service subsequent to valuation date: | It is assumed that each participant will earn one year of service in each future year. |
| Asset valuation: | Market value of assets. |
| Termination or withdraw from service: | Graduated rates. |
| Compensation increases: | Employee compensation is assumed to increase at 3.00% per year. |
| Interest: | 7.00% per year, compounded annually. |
| Age at retirement: | It is assumed early retirement occurs according to the withdraw rate table; others at normal retirement age. Participants who are age 65 or older are expected to retire at the end of the plan year. Board Members are assumed to terminate at later of attainment of age 65 or completion of their term. |
| Mortality: | Active Participants and Non-Disabled Participants:<br>Male - SOA - RP 2014 Mortality Table for males with blue collar adjustment<br>Female - SOA - RP 2014 Mortality Table for females with blue collar adjustment<br>Disabled Participants:<br>Male - 1965 Railroad Board Disability Annuity Mortality<br>Female - 1965 Railroad Board Disability Annuity Mortality |
| Probability of disability: | None |
| Marital status at benefit eligibility: | Percentage married - Males: 80% Females: 80%<br>Age Difference: Males: Spouses are assumed to be four years younger.<br>Age Difference: Females: Spouses are assumed to be four years older. |
| Assumed age of commencement for deferred vested benefits: | Age 65 |
| Changes since prior year: | The mortality table was changed from SOA RP 2000 with blue collar adjustment to SOA RP 2014 for blue collar participants. |

## 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** | **2019** | **2018** |
|---|---|---|
| Service cost | $ 47,997 | $ 37,664 |
| Interest | 41,001 | 30,919 |
| Differences between expected and actual experience | 83,117 | (184,144) |
| Changes of assumptions | (326,355) | - |
| Benefits Payments and Refunds | (55,462) | (55,462) |
| Net Change in Total OPEB Liability | (209,702) | (171,023) |
| **Total OPEB Liability - beginning** | **821,944** | **992,967** |
| **Restatement for changes in assumptions** | **524,302** | **-** |
| **Total OPEB Liability - beginning (after restatement)** | **1,346,246** | **-** |
| **Total OPEB Liability - ending (a)** | **$ 1,136,544** | **$ 821,944** |

*See independent auditor's report.*

# PES ENERGIZE
# CITY OF PULASKI, TENNESSEE
# SCHEDULE OF NOTES TO OPEB REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

**Notes to OPEB Required Supplementary Information**

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

***Methods and assumptions used to determine contribution rates:***

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

# SUPPLEMENTARY AND OTHER INFORMATION SECTION

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**COMBINING SCHEDULES OF NET POSITION**
June 30, 2019 and 2018

| | Electric Fund | | | | | |
|---|---|---|---|---|---|---|
| | Electric Division | | Broadband Division | | Total | |
| **Assets** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current assets | | | | | | |
| Cash on hand | $ 1,325 | $ 1,325 | $ 525 | $ 525 | $ 1,850 | $ 1,850 |
| Cash and cash equivalents - general | 11,323,701 | 11,813,063 | 1,334,947 | 1,341,980 | 12,658,648 | 13,155,043 |
| Accounts receivable - trade (net of allowance for uncollectibles electric $100,000 and $150,000 and broadband $15,000 and $25,000 for 2019 and 2018, respectively) | 2,820,168 | 3,007,006 | 196,093 | 193,176 | 3,016,261 | 3,200,182 |
| Accounts receivable - CSA | 25,296 | 25,296 | - | - | 25,296 | 25,296 |
| Accounts receivable - other | 257,894 | 260,749 | 314,500 | - | 572,394 | 260,749 |
| Materials and supplies | 677,996 | 708,806 | 45,654 | 67,420 | 723,650 | 776,226 |
| Due to City | - | (1,119) | - | - | - | (1,119) |
| Due from (to) other division | 33,756 | (18,092) | (33,756) | 18,092 | - | - |
| Prepayments and other current assets | 189,288 | 169,039 | - | - | 189,288 | 169,039 |
| Total current assets | 15,329,424 | 15,966,073 | 1,857,963 | 1,621,193 | 17,187,387 | 17,587,266 |
| Noncurrent assets | | | | | | |
| Restricted: | | | | | | |
| Cash and cash equivalents | 1,549,861 | 1,067,869 | - | - | 1,549,861 | 1,067,869 |
| Other assets | | | | | | |
| Unamortized debt expense | 54,833 | 59,030 | - | - | 54,833 | 59,030 |
| Other future charges | 172,589 | 170,950 | - | - | 172,589 | 170,950 |
| Total other assets | 227,422 | 229,980 | - | - | 227,422 | 229,980 |
| 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 | 472,785 | 3,046,955 | 47,458 | 1,168 | 520,243 | 3,048,123 |
| Total capital assets, not being depreciated | 842,148 | 3,416,318 | 47,458 | 1,168 | 889,606 | 3,417,486 |
| Capital assets, net of accumulated depreciation | | | | | | |
| Distribution plant | 42,005,442 | 37,706,487 | - | - | 42,005,442 | 37,706,487 |
| General plant | 15,504,480 | 15,313,590 | 1,108,223 | 1,339,981 | 16,612,703 | 16,653,571 |
| Total capital assets (net of accumulated depreciation) | 58,352,070 | 56,436,395 | 1,155,681 | 1,341,149 | 59,507,751 | 57,777,544 |
| Total noncurrent assets | 60,129,353 | 57,734,244 | 1,155,681 | 1,341,149 | 61,285,034 | 59,075,393 |
| **Total assets** | **75,458,777** | **73,700,317** | **3,013,644** | **2,962,342** | **78,472,421** | **76,662,659** |
| **Deferred outflows of resources** | | | | | | |
| Deferred outflows related to pensions | 1,929,132 | 1,082,593 | 136,142 | 40,826 | 2,065,274 | 1,123,419 |
| Deferred outflows related to OPEB | 64,033 | - | 7,210 | - | 71,243 | - |
| Loss on defeasance | 403,823 | 433,224 | - | - | 403,823 | 433,224 |
| **Total deferred outflows of resources** | **$ 2,396,988** | **$ 1,515,817** | **$ 143,352** | **$ 40,826** | **$ 2,540,340** | **$ 1,556,643** |

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

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**COMBINING SCHEDULES OF NET POSITION**
June 30, 2019 and 2018

| | Electric Fund | | | | | |
|---|---|---|---|---|---|---|
| | Electric Division | | Broadband Division | | Total | |
| **Liabilities** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current liabilities | | | | | | |
| Accounts payable | $ 6,181,392 | $ 6,092,567 | $ - | $ 125 | $ 6,181,392 | $ 6,092,692 |
| Other accrued expense | 279,144 | 242,685 | 195,479 | 221,954 | 474,623 | 464,639 |
| Total current liabilities | 6,460,536 | 6,335,252 | 195,479 | 222,079 | 6,656,015 | 6,557,331 |
| Current liabilities payable from restricted assets | | | | | | |
| Customers' deposits | 886,433 | 865,655 | 4,050 | 3,600 | 890,483 | 869,255 |
| Accrued interest | 19,208 | 21,708 | - | - | 19,208 | 21,708 |
| Current maturities of: | | | | | | |
| Bonds payable | 902,618 | 881,422 | 296,835 | 291,544 | 1,199,453 | 1,172,966 |
| Total current liabilities payable from restricted assets | 1,808,259 | 1,768,785 | 300,885 | 295,144 | 2,109,144 | 2,063,929 |
| Noncurrent liabilities | | | | | | |
| Compensated absences | 693,177 | 661,702 | - | - | 693,177 | 661,702 |
| Net pension liability | 1,281,324 | 724,805 | 144,270 | 160,425 | 1,425,594 | 885,230 |
| OPEB liability | 1,021,526 | 1,210,006 | 115,018 | 136,240 | 1,136,544 | 1,346,246 |
| Bonds payable (less current maturities) | 9,322,256 | 10,225,386 | 1,543,237 | 1,840,509 | 10,865,493 | 12,065,895 |
| Total noncurrent liabilities | 12,318,283 | 12,821,899 | 1,802,525 | 2,137,174 | 14,120,808 | 14,959,073 |
| **Total liabilities** | **20,587,078** | **20,925,936** | **2,298,889** | **2,654,397** | **22,885,967** | **23,580,333** |
| **Deferred inflows of resources** | | | | | | |
| Deferred inflows related to pensions | 212,437 | 260,605 | 23,919 | 29,342 | 236,356 | 289,947 |
| Deferred inflows related to OPEB | 394,865 | 171,868 | 44,460 | - | 439,325 | 171,868 |
| **Total deferred inflows of resources** | **607,302** | **432,473** | **68,379** | **29,342** | **675,681** | **461,815** |
| **Net Position** | | | | | | |
| Net investment in capital assets | 48,127,196 | 45,329,587 | (684,391) | (790,904) | 47,442,805 | 44,538,683 |
| Restricted for debt service | 644,220 | 180,506 | (4,050) | (3,600) | 640,170 | 176,906 |
| Unrestricted | 7,889,969 | 8,347,632 | 1,478,169 | 1,113,933 | 9,368,138 | 9,461,565 |
| **Total net position** | **$ 56,661,385** | **$ 53,857,725** | **$ 789,728** | **$ 319,429** | **$ 57,451,113** | **$ 54,177,154** |

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**COMBINING SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
For the Years Ended June 30, 2019 and 2018

| | Electric Fund | | | | | |
|---|---|---|---|---|---|---|
| | Electric Division | | Broadband Division | | Total | |
| **Operating revenues** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Charges for sales and service | $ 45,074,671 | $ 45,418,116 | $ 3,631,672 | $ 3,686,851 | $ 48,706,343 | $ 49,104,967 |
| Other operating revenue | 1,128,971 | 1,124,627 | 263,304 | 117,286 | 1,392,275 | 1,241,913 |
| Total operating revenues | 46,203,642 | 46,542,743 | 3,894,976 | 3,804,137 | 50,098,618 | 50,346,880 |
| **Operating expenses** | | | | | | |
| Cost of sales and services | 32,973,590 | 32,879,202 | 1,719,143 | 2,086,438 | 34,692,733 | 34,965,640 |
| Distribution expenses | 318,409 | 521,322 | 124,074 | 124,764 | 442,483 | 646,086 |
| Customer accounts expenses | 452,435 | 418,893 | 119,960 | 41,906 | 572,395 | 460,799 |
| Customer service and information expenses | 301,810 | 309,495 | 284,415 | 348,562 | 586,225 | 658,057 |
| Administrative and general expenses | 2,202,408 | 2,197,545 | 608,038 | 336,551 | 2,810,446 | 2,534,096 |
| Maintenance expenses | 2,447,169 | 2,223,746 | 180,178 | - | 2,627,347 | 2,223,746 |
| Provision for depreciation expense | 3,366,083 | 3,255,235 | 393,796 | 344,501 | 3,759,879 | 3,599,736 |
| Total operating expenses | 42,061,904 | 41,805,438 | 3,429,604 | 3,282,722 | 45,491,508 | 45,088,160 |
| Operating income (loss) | 4,141,738 | 4,737,305 | 465,372 | 521,415 | 4,607,110 | 5,258,720 |
| **Nonoperating revenues (expenses)** | | | | | | |
| Interest and other income | 167,772 | 7,505 | 35,370 | 4,773 | 203,142 | 12,278 |
| Amortization expense | 52 | (5,186) | 5,519 | (798) | 5,571 | (5,984) |
| Interest and other expense | (319,540) | (332,263) | (35,962) | (29,904) | (355,502) | (362,167) |
| Total nonoperating revenues (expenses) | (151,716) | (329,944) | 4,927 | (25,929) | (146,789) | (355,873) |
| Income (loss) before transfers | 3,990,022 | 4,407,361 | 470,299 | 495,486 | 4,460,321 | 4,902,847 |
| **Transfers** | | | | | | |
| Transfers out - in lieu of tax payments to City | (1,186,362) | (1,173,438) | - | - | (1,186,362) | (1,173,438) |
| **Change in net position** | **2,803,660** | **3,233,923** | **470,299** | **495,486** | **3,273,959** | **3,729,409** |
| Total net position - beginning | 53,857,725 | 51,011,864 | 319,429 | (39,817) | 54,177,154 | 50,972,047 |
| Restatement - GASB 75 implementation | - | (388,062) | - | (136,240) | - | (524,302) |
| Total net position - beginning (restated) | 53,857,725 | 50,623,802 | 319,429 | (176,057) | 54,177,154 | 50,447,745 |
| Total net position - ending | $ 56,661,385 | $ 53,857,725 | $ 789,728 | $ 319,429 | $ 57,451,113 | $ 54,177,154 |

*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, 2019 and 2018

| | Electric Fund | | | | | |
|---|---|---|---|---|---|---|
| | Electric Division | | Broadband Division | | Total | |
| **Cash flows from operating activities** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Cash received from consumers | $ 46,393,335 | $ 46,498,355 | $ 3,577,559 | $ 3,832,840 | $ 49,970,894 | $ 50,331,195 |
| Cash paid to suppliers | (37,529,558) | (37,504,095) | (2,835,899) | (2,804,817) | (40,365,457) | (40,308,912) |
| Cash paid to employees | (1,368,338) | (1,450,970) | (311,128) | (173,741) | (1,679,466) | (1,624,711) |
| Customer deposits received | 180,810 | 232,488 | 2,150 | 1,000 | 182,960 | 233,488 |
| Customer deposits refunded | (160,032) | (166,856) | (1,700) | (850) | (161,732) | (167,706) |
| Amounts received from (paid to) other funds | (52,967) | (86,831) | 51,848 | 90,785 | (1,119) | 3,954 |
| Net cash provided (used) by operating activities | 7,463,250 | 7,522,091 | 482,830 | 945,217 | 7,946,080 | 8,467,308 |
| **Cash flows from non-capital and related financing activities** | | | | | | |
| Transfers | (1,186,362) | (1,173,438) | - | - | (1,186,362) | (1,173,438) |
| Net cash provided (used) by non-capita and related financing activities | (1,186,362) | (1,173,438) | - | - | (1,186,362) | (1,173,438) |
| **Cash flows from capital and related financing activities** | | | | | | |
| Principal paid on debt | (881,934) | (868,183) | (291,981) | (299,636) | (1,173,915) | (1,167,819) |
| Unamortized debt expense | 33,650 | 36,271 | - | - | 33,650 | 36,271 |
| Purchase of property, plant and equipment | (5,281,758) | (3,465,272) | (208,328) | (281,357) | (5,490,086) | (3,746,629) |
| Plant removal cost | - | (16,782) | 11,038 | - | 11,038 | (16,782) |
| Materials salvaged from retirements | - | 913 | - | - | - | 913 |
| Interest paid on bonds, notes and leases | (321,988) | (337,449) | (35,962) | (29,904) | (357,950) | (367,353) |
| Net cash provided (used) by capital and related financing activities | (6,452,030) | (4,650,502) | (525,233) | (610,897) | (6,977,263) | (5,261,399) |
| **Cash flows from investing activities** | | | | | | |
| Interest and unrealized change in investments | 167,772 | 7,505 | 35,370 | 4,773 | 203,142 | 12,278 |
| Net cash provided (used) by investing activities | 167,772 | 7,505 | 35,370 | 4,773 | 203,142 | 12,278 |
| **Net increase (decrease) in cash and cash equivalents** | **(7,370)** | **1,705,656** | **(7,033)** | **339,093** | **(14,403)** | **2,044,749** |
| **Cash and cash equivalents - beginning** | 12,882,257 | 11,176,601 | 1,342,505 | 1,003,412 | 14,224,762 | 12,180,013 |
| **Cash and cash equivalents - ending** | $ 12,874,887 | $ 12,882,257 | $ 1,335,472 | $ 1,342,505 | $ 14,210,359 | $ 14,224,762 |
| **Cash and cash equivalents** | | | | | | |
| Unrestricted cash on hand | $ 1,325 | $ 1,325 | $ 525 | $ 525 | $ 1,850 | $ 1,850 |
| Unrestricted cash and cash equivalents on deposit | 11,323,701 | 11,813,063 | 1,334,947 | 1,341,980 | 12,658,648 | 13,155,043 |
| Restricted cash and cash equivalents on deposit | 1,549,861 | 1,067,869 | - | - | 1,549,861 | 1,067,869 |
| **Total cash and cash equivalents** | $ 12,874,887 | $ 12,882,257 | $ 1,335,472 | $ 1,342,505 | $ 14,210,359 | $ 14,224,762 |

*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, 2019 and 2018

| | Electric Fund | | | | | |
|---|---|---|---|---|---|---|
| | Electric Division | | Broadband Division | | Total | |
| **Reconciliation of operating income (loss) to net cash provided (used) by operating activities** | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Operating income (loss) | $ 4,141,738 | $ 4,737,305 | $ 465,372 | $ 521,415 | $ 4,607,110 | $ 5,258,720 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 3,366,031 | 3,260,421 | 388,277 | 345,299 | 3,754,308 | 3,605,720 |
| Change in pension related deferred outflows and inflows of resources | (894,707) | 637,912 | (100,739) | 52,471 | (995,446) | 690,383 |
| Change in opeb related deferred outflows and inflows of resources | 158,964 | (171,868) | 37,250 | - | 196,214 | (171,868) |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable | 189,693 | (45,929) | (317,417) | 28,703 | (127,724) | (17,226) |
| Materials and supplies | 30,810 | (67,633) | 21,766 | (134) | 52,576 | (67,767) |
| Due (to) from City | (1,119) | 3,954 | - | - | (1,119) | 3,954 |
| Due from/to other division | (51,848) | (90,785) | 51,848 | 90,785 | - | - |
| Prepayments and other current assets | (20,249) | 20,509 | - | - | (20,249) | 20,509 |
| Other future charges | (1,639) | (9,034) | - | - | (1,639) | (9,034) |
| Accounts payable and accrued expenses | 125,284 | 90,366 | (26,600) | 7,780 | 98,684 | 98,146 |
| Accrued leave | 31,475 | (9,505) | - | - | 31,475 | (9,505) |
| Customer deposits | 20,778 | 65,632 | 450 | 150 | 21,228 | 65,782 |
| Net pension liability | 556,519 | (899,254) | (16,155) | (101,252) | 540,364 | (1,000,506) |
| OPEB liability | (188,480) | - | (21,222) | - | (209,702) | - |
| **Net cash provided (used) by operating activities:** | $ 7,463,250 | $ 7,522,091 | $ 482,830 | $ 945,217 | $ 7,946,080 | $ 8,467,308 |

*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, 2019 and 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| **Operating revenues** | | | | |
| Charges for sales and services | | | | |
| Residential sales | $ 20,947,414 | 45.34 | $ 20,802,200 | 44.69 |
| Small lighting and power sales | 3,961,978 | 8.58 | 3,706,011 | 7.96 |
| Large lighting and power sales | 13,954,984 | 30.20 | 14,047,605 | 30.18 |
| Industrial sales | 5,582,680 | 12.08 | 6,035,392 | 12.97 |
| Street and athletic lighting sales | 276,692 | 0.60 | 411,861 | 0.88 |
| Outdoor lighting sales | 350,923 | 0.76 | 193,137 | 0.41 |
| Other sales | - | - | 221,910 | 0.48 |
| Total charges for sales and services | 45,074,671 | 97.56 | 45,418,116 | 97.57 |
| Other revenues: | | | | |
| Forfeited discounts | 235,020 | 0.51 | 245,234 | 0.53 |
| Service charge revenue | 170,470 | 0.37 | 171,040 | 0.37 |
| Miscellaneous service revenue | 4,100 | 0.01 | 3,780 | 0.01 |
| Rent from property | 643,316 | 1.39 | 646,213 | 1.39 |
| Other electric revenue | 76,065 | 0.16 | 58,360 | 0.13 |
| Total other revenues | 1,128,971 | 2.44 | 1,124,627 | 2.43 |
| **Total operating revenue** | **$ 46,203,642** | **100.00** | **$ 46,542,743** | **100.00** |
| **Operating expenses** | | | | |
| Cost of sales and services | | | | |
| Purchased power | $ 32,973,590 | 71.37 | 32,879,202 | 70.64 |
| Total cost of sales and services | 32,973,590 | 71.37 | 32,879,202 | 70.64 |
| Distribution expenses | | | | |
| Supervision and engineering | 24 | - | - | - |
| Underground line expense | 2,074 | - | 2,302 | - |
| Substation expense | 93,798 | 0.20 | 173,146 | 0.37 |
| Street lighting and signal system | 7,562 | 0.02 | 16,824 | 0.04 |
| Meter expense | 75,304 | 0.16 | 95,915 | 0.21 |
| Installation expense | 4,535 | 0.01 | 103,993 | 0.22 |
| Rents | 28,987 | 0.06 | 29,434 | 0.06 |
| Miscellaneous | 106,125 | 0.23 | 99,708 | 0.21 |
| Total distribution expenses | $ 318,409 | 0.68 | $ 521,322 | 1.11 |

*See independent auditor's report.*

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULES OF OPERATING REVENUES AND EXPENSES**
**ELECTRIC DIVISION**
For the Years Ended June 30, 2019 and 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Customer accounts expenses | | | | |
| Customer records and collection expense | $ 452,435 | 0.98 | $ 418,893 | 0.90 |
| Total customer accounts expenses | 452,435 | 0.98 | 418,893 | 0.90 |
| Customer service and information expenses | | | | |
| Supervision customer service | 80,036 | 0.17 | 97,357 | 0.21 |
| Customer assistance expense | 173,868 | 0.38 | 160,062 | 0.34 |
| Information and advertising expense | 34,751 | 0.08 | 37,435 | 0.08 |
| Demonstrating and selling | 13,155 | 0.03 | 13,081 | 0.03 |
| Miscellaneous | - | - | 1,560 | - |
| Total customer service and information expense | 301,810 | 0.66 | 309,495 | 0.66 |
| Administrative expenses | | | | |
| Salaries | 734,190 | 1.59 | 770,229 | 1.65 |
| Board members pay | 10,301 | 0.02 | 7,357 | 0.02 |
| Safety coordinator | 133,128 | 0.29 | 154,986 | 0.33 |
| Office supplies and expense | 290,013 | 0.63 | 403,700 | 0.87 |
| Outside services employed | 335,277 | 0.73 | 315,942 | 0.68 |
| Insurance | 175,363 | 0.38 | 191,009 | 0.41 |
| Duplicate charge credit | (129,830) | (0.28) | (136,391) | (0.29) |
| Travel expense | 99,967 | 0.22 | - | - |
| Property taxes | 359,349 | 0.78 | 352,624 | 0.76 |
| Donations | 4,583 | 0.01 | 2,398 | 0.01 |
| Miscellaneous | 190,067 | 0.41 | 135,691 | 0.29 |
| Total administrative expenses | $ 2,202,408 | 4.78 | $ 2,197,545 | 4.73 |
| Maintenance expenses | | | | |
| Substation expense | $ 169,682 | 0.37 | $ 213,767 | 0.46 |
| Overhead lines | 1,805,451 | 3.91 | 1,783,335 | 3.83 |
| Street lights and signal system | (34) | - | (50) | - |
| Meters | 113,164 | 0.24 | 41,083 | 0.09 |
| Outdoor lighting | 23,336 | 0.05 | 33,058 | 0.07 |
| Maintenance - general | 335,570 | 0.73 | 152,553 | 0.33 |
| Total maintenance expenses | 2,447,169 | 5.30 | 2,223,746 | 4.78 |
| Provision for depreciation | 3,366,083 | 7.29 | 3,255,235 | 6.99 |
| **Total operating expenses** | **$ 42,061,904** | **91.04** | **$ 41,805,438** | **89.82** |

*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, 2019 and 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| **Operating revenues** | | | | |
| Charges for sales and services | | | | |
| Video | $ 1,432,096 | 36.78 | $ 1,464,525 | 38.50 |
| STB channel | 63,752 | 1.64 | 69,343 | 1.82 |
| Data | 1,358,213 | 34.87 | 1,341,240 | 35.26 |
| Other data services | 203,861 | 5.23 | 194,423 | 5.11 |
| Collection and data storage | 29,730 | 0.76 | 29,730 | 0.78 |
| Telephone | 541,690 | 13.91 | 588,273 | 15.46 |
| Other sales | 2,330 | 0.06 | (683) | (0.02) |
| Total charges for sales and services | 3,631,672 | 93.25 | 3,686,851 | 96.91 |
| Other revenues | | | | |
| Service charge revenue | 76,433 | 1.96 | 74,205 | 1.95 |
| Duplicate MIS charges | 132,048 | 3.39 | - | - |
| Advertising | 21,137 | 0.54 | 6,847 | 0.18 |
| Late payment fee | 33,686 | 0.86 | 36,234 | 0.95 |
| Total other revenues | 263,304 | 6.75 | 117,286 | 3.08 |
| **Total operating revenue** | **$ 3,894,976** | **100.00** | **$ 3,804,137** | **99.99** |
| **Operating expenses** | | | | |
| Cost of sales and services | | | | |
| Internet cogs | $ 262,888 | 6.75 | $ 224,567 | 5.90 |
| Telephone cogs | 167,941 | 4.31 | 179,537 | 4.72 |
| Programming fee | 1,288,314 | 33.08 | 1,682,334 | 44.22 |
| Total cost of sales and services | 1,719,143 | 44.14 | 2,086,438 | 55 |
| Distribution expenses | | | | |
| Sub-station expense | 101,065 | 2.59 | 100,018 | 2.63 |
| Miscellaneous | 23,009 | 0.59 | 24,746 | 0.65 |
| Total distribution expenses | 124,074 | 3.18 | 124,764 | 3.28 |
| Customer accounts expenses | | | | |
| Customer records and collection expense | 119,960 | 3.08 | 41,906 | 1.10 |

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULES OF OPERATING REVENUES AND EXPENSES**
**BROADBAND DIVISION**
For the Years Ended June 30, 2019 and 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Customer service and information expenses | | | | |
| Supervision customer service | $ 20,755 | 0.53 | $ 11,784 | 0.31 |
| Customer assistance expense | 237,459 | 6.10 | 312,380 | 8.21 |
| Information and advertising expens | 26,201 | 0.67 | 24,398 | 0.64 |
| Total customer service and information expense | 284,415 | 7.30 | 348,562 | 9.16 |
| Administrative and general expenses | | | | |
| Salaries | 170,413 | 4.38 | 120,051 | 3.16 |
| Board members pay | 2,142 | - | - | - |
| Office supplies and expense | 60,766 | 1.56 | 29,936 | 0.79 |
| Outside services employed | 189,108 | 4.86 | 73,057 | 1.92 |
| Insurance | 21,029 | 0.54 | - | - |
| Employee pension and benefits | 16,028 | 0.41 | (48,777) | (1.28) |
| Rents | 81,556 | 2.09 | 89,513 | 2.35 |
| Property taxes | 32,519 | 0.83 | 32,184 | 0.85 |
| Business taxes | 10,494 | 0.27 | 10,231 | 0.27 |
| Travel expense | 6,618 | 0.17 | - | - |
| Miscellaneous | 17,365 | 0.45 | 30,356 | 0.80 |
| Total administrative and general expense | 608,038 | 15.56 | 336,551 | 8.86 |
| Maintenance expenses | | | | |
| Outside maintenance | 153,700 | 4.48 | - | - |
| Inside maintenance | 19,679 | 0.57 | - | - |
| General maintenance | 6,799 | 0.20 | - | - |
| Total maintenance expenses | 180,178 | 5.25 | - | - |
| Provision for depreciation | 393,796 | 10.11 | 344,501 | 9.06 |
| **Total operating expenses** | **$ 3,429,604** | **88.05** | **$ 3,282,722** | **86.29** |

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF ELECTRIC RATES IN FORCE**
For the Year Ended June 30, 2019

| | | | | |
|---|---|---|---|---|
| **Residential Rate Schedule RS** | | | | |
| Customer charge - per delivery point per month | $ 22.42 | | | |
| Energy charge - cents per kWh | 0.10181 | | | |
| **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 | 0.10727 | | | |
| 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 | 16.71 | | | |
| Energy charge - cents per kWh | | | | |
| First 15,000 kWh per month | 0.11075 | | | |
| Additional kWh per month | 0.06244 | | | |
| **Industrial Rate:** | | | | |
| Demand from 1,001 to 5,000 kW - Schedule GSA3 | | | | |
| Customer charge per delivery point per month | $ 532.85 | | | |
| Demand charges - per kW per month | | | | |
| First 1,000 kW | 19.56 | | | |
| Excess over 1,000 kW | 13.87 | | | |
| Energy charge - cents per kWh | 0.06616 | | | |
| Demand from 5,001 to 15,000 kW - Schedule MSB | | | | |
| Customer charge per delivery point per month | $ 1,500.00 | | | |
| Energy charge - cents per kWh for up to 620 hours | 0.49380 | | | |
| Per kWh for all additional kWh per month | 0.49380 | | | |
| Demand charges - per kW per month | 17.50 | | | |
| Manufacturing (MSB- TOU) | | | | |
| Demand Charge | | | | |
| Base Customer Charge | $ 1,500.00 | | | |
| Onpeak | 10.24 | | | |
| Maximum | 3.05 | | | |
| Excess Over Contract | 10.24 | | | |
| Energy Charge | | | | |
| Onpeak | 0.74500 | | | |
| Offpeak First 200 Hours | 0.04950 | | | |
| Offpeak Next 200 Hours | 0.01981 | | | |
| Offpeak Additional kWh | 0.01726 | | | |
| Demand for Street Outdoor Lighting - Schedule OL | | LED Equivalent | | |
| Per kWh per month | $ 0.06897 | | | |
| 150W HPS Security | 8.59 | 71W LED | $ | 9.73 |
| 175W MPI Security | 7.54 | 136W LED | | 13.94 |
| 250W HPS Security | 12.11 | 150W LED | | 16.69 |
| 400W MH Security | 17.16 | 218W LED | | 20.16 |
| 400W MVI Security | 14.75 | | | |
| 400W HPS Security | 17.16 | | | |
| 1000W MH Security | 39.24 | | | |

*See independent auditor's report.*

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF BROADBAND RATES IN FORCE**
For the Year Ended June 30, 2019

| | | |
|---|---|---|
| **Residential Rates** | | |
| **Bundles** | | |
| Economizer 1 | $ | 79.75 |
| Analog basic TV | | |
| Local phone | | |
| Economizer 2 | $ | 91.95 |
| Analog basic TV | | |
| Internet | | |
| Energize TriplePlay | $ | 139.35 |
| Analog basic | | |
| Bronze internet | | |
| Unlimited phone package | | |
| TriplePlay Bronze | $ | 164.65 |
| Digital plus | | |
| Bronze internet | | |
| Unlimited phone package | | |
| TriplePlay Gold | $ | 181.75 |
| Digital plus with HD/DVR | | |
| Bronze internet | | |
| Unlimited phone package | | |
| **Video Services** | | |
| Analog basic | $ | 79.75 |
| Digital plus | | 91.95 |
| Digital bronze (1 premium) | | 105.05 |
| Digital silver (2 premiums) | | 113.85 |
| Digital gold ( 4 premiums) | | 122.15 |
| Digital Tiers | | |
| Family tier | | Free |
| Sports tier | | 5.50 |
| High definition basic | | Free |
| High definition tier | | 4.40 |
| Optional Services | | |
| PPV movie (standard) | | Varies |
| PPV event | | Varies |
| **High Speed Internet** | | |
| Bronze internet | $ | 39.55 |
| Silver internet | | 83.55 |
| Gold internet | | 110.00 |
| Static IP | | 10.95 |
| **Telephone Services** | | |
| Local and nationwide long distance service (with 10 calling features) | $ | 34.95 |
| Additional number | | 16.00 |
| Misc. Phone Charges | | |
| Long distance calls - per min | $ | 0.06 |
| Phone directory assistance | | 1.25 |
| Subscriber line charge | | 3.50 |

*See independent auditor's report.*

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF BROADBAND RATES IN FORCE**
For the Year Ended June 30, 2019

| | | |
|---|---|---|
| **Residential Rates** | | |
| **Additional Charges** | | |
| Equipment | | |
| Standard digital box - primary | | Included |
| Standard digital box - additional | | 6.95 |
| Digital HD box - primary | | Included |
| Digital HD box - secondary | | 6.95 |
| Digital HD/DVR box - primary | | 8.00 |
| Digital HD/DVR box - secondary | | 11.95 |
| Remote control | | Included |
| Cable card | | 3.95 |
| Unreturned remote control | | 10.00 |
| Unreturned cable card | | 50.00 |
| Unreturned digital HD box | | 250.00 |
| Unreturned digital HD/DVR box | | 550.00 |
| Installation, Repair, and Other | | |
| Standard install - prewired 1 | $ | 39.95 |
| Standard install - unwired 1 | | 49.95 |
| Custom install hourly rate | | 39.95 |
| Change of service - technician | | 29.95 |
| Change of service - electronic | | Free |
| Additional outlet - at initial install | | 14.95 |
| Additional outlet - separate trip | | 34.95 |
| Relocate outlet - at initial install | | 14.95 |
| Relocate outlet - separate trip | | 34.95 |
| Cable card install | | 29.95 |
| Wall fish | | 64.95 |
| Standard underground install | | 50.00 |
| Amplifier install | | 50.00 |
| Wireless router setup | | 34.95 |
| NSF check fee | | 20.00 |
| Late fee | | 0.05 |
| Disconnect fee/non-pay fee | | 35.00 |
| Inside wire maintenance (all services) | | 4.95 |
| **Commercial Rates** | | |
| **Video Services** | | |
| Analog basic | $ | 79.75 |
| Digital plus | | 91.95 |
| **High Speed Internet** | | |
| Small commercial tier 15M/10M, static IP | $ | 45.05 |
| Bronze tier - 50M/10M, static IP, custom email | | 83.55 |
| Silver tier - 80M/15M, static IP, custom email | | 144.05 |
| Gold tier - 100M/20M, static IP, custom email | | 226.55 |
| Dedicated/QOS circuit | | Varies |
| **Telephone Services** | | |
| Primary line w/features and unlimited LD | $ | 39.95 |
| Additional line | | 21.95 |

*See independent auditor's report.*

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF LONG-TERM DEBT**
June 30, 2019

| | Electric Revenue Bonds | | Electric Revenue Refunding Bonds | | Revenue and Tax Refunding Bond - Electric | | Revenue and Tax Refunding Bond - Broadband | | Total Requirements | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year Ended | Series 2013 | | Series 2014 | | Series 2015 | | Series 2015 | | | | |
| June 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Debt Service |
| 2020 | $ 110,000 | $ 65,741 | $ 445,000 | $ 164,762 | $ 347,618 | $ 36,429 | $ 296,835 | $ 31,108 | $ 1,199,453 | $ 298,040 | $ 1,497,493 |
| 2021 | 115,000 | 62,023 | 450,000 | 152,792 | 353,927 | 30,120 | 302,223 | 25,720 | 1,221,150 | 270,655 | 1,491,805 |
| 2022 | 120,000 | 58,136 | 460,000 | 140,687 | 360,351 | 23,697 | 307,708 | 20,235 | 1,248,059 | 242,755 | 1,490,814 |
| 2023 | 125,000 | 54,080 | 485,000 | 128,313 | 366,891 | 17,157 | 313,293 | 14,650 | 1,290,184 | 214,200 | 1,504,384 |
| 2024 | 125,000 | 49,855 | 475,000 | 115,267 | 373,550 | 10,498 | 318,979 | 8,964 | 1,292,529 | 184,584 | 1,477,113 |
| 2025 | 130,000 | 45,630 | 510,000 | 102,489 | 352,537 | 3,718 | 301,034 | 3,175 | 1,293,571 | 155,012 | 1,448,583 |
| 2026 | 135,000 | 41,236 | 510,000 | 88,770 | - | - | - | - | 645,000 | 130,006 | 775,006 |
| 2027 | 140,000 | 36,673 | 530,000 | 75,051 | - | - | - | - | 670,000 | 111,724 | 781,724 |
| 2028 | 145,000 | 31,941 | 540,000 | 60,794 | - | - | - | - | 685,000 | 92,735 | 777,735 |
| 2029 | 150,000 | 27,040 | 555,000 | 46,268 | - | - | - | - | 705,000 | 73,308 | 778,308 |
| 2030 | 155,000 | 21,970 | 575,000 | 31,338 | - | - | - | - | 730,000 | 53,308 | 783,308 |
| 2031 | 160,000 | 16,731 | 590,000 | 15,872 | - | - | - | - | 750,000 | 32,603 | 782,603 |
| 2032 | 165,000 | 11,323 | - | - | - | - | - | - | 165,000 | 11,323 | 176,323 |
| 2033 | 170,000 | 5,746 | - | - | - | - | - | - | 170,000 | 5,746 | 175,746 |
| | $ 1,945,000 | $ 528,125 | $ 6,125,000 | $ 1,122,403 | $ 2,154,874 | $ 121,619 | $ 1,840,072 | $ 103,852 | $ 12,064,946 | $ 1,875,999 | $ 13,940,945 |

*See independent auditor's report.*

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**
June 30, 2019

| Description of Indebtness | Original amount of issue | Interest rate | Date of issue | Last maturity date | Outstanding 7/1/2018 | Issued during period | Paid and/or matured during period | Refunded during period | Outstanding 6/30/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Bonds Payable | | | | | | | | | |
| Electric Revenue Bonds - Series 2013 | $ 2,540,000 | 3.38% | November 22, 2013 | June 1, 2033 | $ 2,055,000 | $ - | $ 110,000 | $ - | $ 1,945,000 |
| Electric Revenue Refunding Bonds - Series 2014 | 8,115,000 | 2.69% | October 29, 2014 | June 1, 2031 | 6,555,000 | - | 430,000 | - | 6,125,000 |
| Electric and Broadband Revenue and Tax Refunding Bond - Series 2015 | 6,268,500 | 1.80% | November 19, 2015 | June 1, 2025 | 4,628,861 | - | 633,915 | - | 3,994,946 |
| Total Bonds Payable | $ 16,923,500 | | | | $ 13,238,861 | $ - | $ 1,173,915 | $ - | $ 12,064,946 |

*See independent auditor's report.*

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

| Electric Division | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Residential | $ 20,947,414 | $ 20,802,200 | $ 19,979,464 | $ 18,994,689 | $ 20,095,872 |
| Small lighting and power sales | 3,961,978 | 3,706,011 | 3,626,536 | 3,401,840 | 3,516,140 |
| Large lighting and power sales | 13,954,984 | 14,047,605 | 14,315,664 | 14,458,109 | 15,092,823 |
| Industrial sales | 5,582,680 | 6,035,392 | 7,027,928 | 6,023,972 | 5,448,672 |
| Street, athletic and outdoor lighting sales | 627,615 | 604,998 | 460,527 | 757,812 | 784,426 |
| Other sales | - | 221,910 | 16,257 | 12,333 | 502 |
| Interest and other revenue | 1,296,743 | 1,132,132 | 1,255,335 | 1,232,525 | 1,242,040 |
| | 46,371,414 | 46,550,248 | 46,681,711 | 46,180,475 | 45,816,672 |
| **Expense** | | | | | |
| Cost of sales and services | 32,973,590 | 32,879,202 | 33,120,096 | 31,834,397 | 32,860,321 |
| Distribution expenses | 318,409 | 521,322 | 526,838 | 514,114 | 573,998 |
| Customer accounts expenses | 452,435 | 418,893 | 372,518 | 484,967 | 479,057 |
| Customer service and information expenses | 301,810 | 309,495 | 253,213 | 197,075 | 217,213 |
| Administrative and general expenses | 2,202,408 | 2,197,545 | 2,287,084 | 1,983,918 | 2,070,518 |
| Maintenance expenses | 2,447,169 | 2,223,746 | 2,045,822 | 2,138,909 | 2,144,331 |
| Provision for depreciation expense | 3,366,083 | 3,255,235 | 3,128,310 | 2,928,719 | 2,852,092 |
| Amortization expense | (52) | 5,186 | 5,186 | 47,775 | 133,919 |
| Interest and other expense | 319,540 | 332,263 | 374,774 | 425,901 | 486,640 |
| Transfers out - in lieu of tax payments to city | 1,186,362 | 1,173,438 | 1,148,063 | 1,099,499 | 1,058,805 |
| | 43,567,754 | 43,316,325 | 43,261,904 | 42,876,894 | 43,274,620 |
| **Net income (loss)** | $ 2,803,660 | $ 3,233,923 | $ 3,419,807 | $ 3,303,581 | $ 2,542,052 |
| **Financial** | | | | | |
| Plant in service (at original cost | $ 98,552,108 | $ 92,917,908 | $ 88,764,411 | $ 85,336,293 | $ 82,127,304 |
| **Power in use - KWH** | | | | | |
| Residential | 174,939,272 | 174,558,859 | 165,623,374 | 164,186,503 | 176,786,706 |
| Commercial | 32,156,356 | 30,300,009 | 28,948,573 | 28,839,031 | 30,704,273 |
| Industrial | 222,200,992 | 238,776,285 | 251,951,004 | 248,014,146 | 241,374,448 |
| Other customers | 5,510,029 | 3,373,820 | 6,074,825 | 6,054,988 | 6,219,663 |
| Total | 434,806,649 | 447,008,973 | 452,597,776 | 455,085,090 | 443,748,246 |
| **Peak KW demand** | 92,499 | 112,285 | 103,735 | 101,320 | 110,681 |
| **Number of customers** | | | | | |
| Residential | 12,018 | 11,962 | 11,940 | 11,679 | 11,679 |
| Commercial | 2,242 | 2,201 | 2,184 | 2,177 | 2,177 |
| Industrial | 197 | 203 | 212 | 198 | 198 |
| Street and athletic | 67 | 58 | 58 | 58 | 58 |
| Outdoor lighting | 63 | 63 | 66 | 78 | 78 |
| | 14,587 | 14,487 | 14,460 | 14,190 | 14,184 |
| Line Loss | 4.86% | 4.01% | 4.36% | 3.05% | 3.02% |

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

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

| Broadband Division | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Video | $ 1,432,096 | $ 1,464,525 | $ 1,502,441 | $ 1,472,129 | $ 1,385,656 |
| Pay per view | - | - | 89 | 1,423 | 3,619 |
| STB Channel | 63,752 | 69,343 | 72,051 | 72,211 | 82,793 |
| Data and related services | 1,562,074 | 1,535,663 | 1,450,676 | 1,210,304 | 1,117,900 |
| Collection and data storage | 29,730 | 29,730 | 36,821 | 47,807 | 51,925 |
| Telephone | 541,690 | 588,273 | 607,512 | 627,765 | 643,739 |
| Other sales | 2,330 | (683) | 5,935 | (53,083) | (57,347) |
| Interest and other revenue | 298,674 | 122,059 | 82,278 | 127,979 | 153,335 |
| | 3,930,346 | 3,808,910 | 3,757,803 | 3,381,620 | 3,158,013 |
| **Expense** | | | | | |
| Cost of sales and services | 1,719,143 | 2,086,438 | 2,124,771 | 1,891,590 | 1,659,393 |
| Distribution expenses | 124,074 | 124,764 | 242,451 | 209,114 | 225,188 |
| Customer accounts expenses | 119,960 | 41,906 | 44,943 | 43,468 | 73,417 |
| Customer service and information expenses | 284,415 | 348,562 | 343,475 | 203,111 | 215,543 |
| Administrative and general expenses | 608,038 | 336,551 | 388,598 | 338,422 | 250,790 |
| Maintenance expenses | 180,178 | - | 18,253 | - | - |
| Provision for depreciation expense | 393,796 | 344,501 | 340,016 | 339,509 | 320,646 |
| Amortization expense | (5,519) | 798 | - | 3,103 | 3,103 |
| Interest and other expense | 35,962 | 29,904 | 56,685 | 126,459 | 135,701 |
| | 3,460,047 | 3,313,424 | 3,559,192 | 3,154,776 | 2,883,781 |
| **Net income (loss)** | $ 470,299 | $ 495,486 | $ 198,611 | $ 226,844 | $ 274,232 |
| **Financial** | | | | | |
| Plant in service (at original cost | $ 4,278,374 | $ 3,792,149 | $ 4,038,649 | $ 3,551,730 | $ 3,409,120 |
| **Number of customers** | | | | | |
| Residential | 2,333 | 2,216 | 2,663 | 2,087 | 1,887 |
| Commercia | 360 | 325 | 383 | 330 | 305 |
| | 2,693 | 2,541 | 3,046 | 2,192 | 2,073 |

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

# INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Directors
PES Energize
City of Pulaski, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities and the aggregate remaining fund information of PES Energize (the System) funds of the City of Pulaski, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents, and have issued our report dated August 30, 2019.

## Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

**Purpose of this Report**

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 30, 2019

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR**
June 30, 2019 and 2018

There were no current year findings reported.

**PES ENERGIZE**
**CITY OF PULASKI, TENNESSEE**
**SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR**
June 30, 2019 and 2018

There were no prior year findings reported.

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# APPENDIX D

# BOND COUNSEL OPINION

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(Bond Counsel Opinion)

July 9, 2020

City of Pulaski, Tennessee
Pulaski, Tennessee

Raymond James & Associates, Inc.
Memphis, Tennessee

Re: City of Pulaski, Tennessee Electric System Revenue Refunding Bonds, Series 2020

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Pulaski, Tennessee (the "Issuer") of $4,985,000 Electric System Revenue Refunding Bonds, Series 2020, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Mayor and Alderman of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of and interest on the Bonds are limited obligations of the Issuer, payable solely from and secured by a pledge of revenues to be derived from the operation of the electrical power transmission and distribution system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2020 Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims, PLC

# APPENDIX E

# FORM OF CONTINUING DISCLOSURE AGREEMENT

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CITY OF PULASKI, TENNESSEE

$4,985,000 ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered this 9th day of July, 2020 by the City of Pulaski, Tennessee (the "Issuer") and PES Energize ("PES") in connection with the issuance of the Issuer's $4,985,000 Electric System Revenue Refunding Bonds, Series 2020 (the "Bonds"). The Issuer and PES hereby covenant and agree as follows:

SECTION 1. Purpose of and Municipality for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and PES for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC"). This Disclosure Agreement is being executed and delivered by the Issuer and PES under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Issuer or PES as the fiscal year for financial reporting purposes, and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement of the Issuer, dated June 25, 2020, relating to the Bonds.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Registered Owner" means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

"Resolution" shall mean the bond resolution adopted by the Board of Mayor and Alderman of the Issuer on May 12, 2020.

"State" shall mean the State of Tennessee.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

"System" means the electric distribution system operated by PES

SECTION 3. Continuing Disclosure. The Issuer and PES hereby agree to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information.* For Fiscal Years ending on or after June 30, 2020, the Issuer and PES shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include (i) the audited financial statements of the System, prepared in accordance with generally accepted accounting principles, or, if the System's audited financial statements are not available, then the unaudited financial statements of the System, and (ii) any other publicly available financial information related to the System.

(b) *Audited Financial Statements*. For Fiscal Years ending on or after June 30, 2020, the Issuer and PES shall provide audited financial statements of the System, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices*. The Issuer and PES will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(vii) Modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation* of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information*. The Issuer and PES will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement*. The Issuer and PES will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer and PES shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer and PES (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and PES under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer and PES to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer and PES to comply with their obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 12. Delegation of Responsibility to PES. Without limiting its responsibilities hereunder, the Issuer hereby directs PES and delegates to PES the responsibility to ensure the Issuer's and PES's compliance with the terms hereof.

CITY OF PULASKI, TENNESSEE

By: ______________________________
Pat Ford, Mayor

PES ENERGIZE

By: ______________________________
Marcus Houston, Chairman of the Board

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