NEW ISSUE
Book-Entry

PRELIMINARY OFFICIAL STATEMENT
Dated: June 7, 2019

Rating: S&P – "A"
(See "Miscellaneous – Rating")

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Authority, interest on the Series 2019 Bonds (i) 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 (ii) is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the Series 2019 Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, all of the Series 2019 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).

$5,745,000*
ERWIN UTILITIES AUTHORITY
(TENNESSEE)
ELECTRIC SYSTEM REVENUE BONDS, SERIES 2019

Dated: Date of Issuance (June 28, 2019*)

Due: September 1 (see the inside cover)

The $5,745,000* Electric System Revenue Bonds, Series 2019 (the "Series 2019 Bonds") of the Erwin Utilities Authority (Tennessee) (the "Authority") shall be issued as fully registered Series 2019 Bonds in denominations of $5,000 and authorized integral multiples thereof. The Series 2019 Bonds will be issued in book-entry only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Series 2019 Bonds. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as the nominee for DTC, principal and interest with respect to the Series 2019 Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Series 2019 Bonds is payable semi-annually from the date thereof on each March 1 and September 1, commencing on September 1, 2019, by check or draft mailed to the owners thereof as shown on the books and records of Wilmington Trust, N.A., Birmingham, Alabama, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Series 2019 Bonds are payable at the designated corporate trust office of the Registration Agent.

The Series 2019 Bonds shall be payable solely from and be secured by a pledge of the Net Revenues (defined herein) of the Authority's electrical power transmission and distribution system (the "System") on a parity and equality of lien with any Parity Bonds (defined herein) hereafter issued as provided in the Master Resolution (defined herein). **The Series 2019 Bonds do not constitute a debt of the State of Tennessee, or any political subdivision, agency or instrumentality thereof, other than the Authority, and no owner or holder of any of the Series 2019 Bonds shall have recourse to the taxing power of any such entities. The Authority has no taxing power.** The punctual payment of principal of and interest on the Series 2019 Bonds and any Parity Bonds hereinafter issued shall be secured equally and ratably by the Net Revenues of the System without priority by series, number or time of sale or delivery.

The Series 2019 Bonds are subject to optional redemption as described herein.

MATURITY SCHEDULE
See Inside Cover

The Series 2019 Bonds have been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire "Preliminary Official Statement" to obtain information essential to make an informed investment decision.

The Series 2019 Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, solely to the Authority, whose opinion will be delivered with the Series 2019 Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Shults & Shults, Erwin, Tennessee. It is expected that the Series 2019 Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, N.Y. on or about June 28, 2019*.

RAYMOND JAMES®
Municipal Advisor

June__, 2019

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* Preliminary, subject to change as outlined in the "Official Notice of Sale" which is incorporated herein by reference.

This “Preliminary Official Statement” speaks only as of its date, and the information contained herein is subject to change.

This “Preliminary Official Statement” may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this “Preliminary Official Statement”, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this “Preliminary Official Statement”. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This “Preliminary Official Statement” and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the Series 2019 Bonds, the Resolution (as defined herein), the Disclosure Certificate, and the security and sources of payment for the Series 2019 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Series 2019 Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Series 2019 Bonds have not been registered under the Securities Act of 1933 and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This “Preliminary Official Statement” does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Authority, the Municipal Advisor to give any information or to make any representations other than those contained in this “Preliminary Official Statement”, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority or Municipal Advisor. Except where otherwise indicated, all information contained in this “Preliminary Official Statement” has been provided by the Authority. The information set forth herein has been obtained by the Authority from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor. The information contained herein is subject to change without notice, and neither the delivery of this “Preliminary Official Statement” nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Series 2019 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Sept. 1*	Bonds*	Rate	Yield	CUSIPS(1)
2019	$530,000			
2020	490,000			
2021	395,000			
2022	410,000			
2023	425,000			
2024	440,000			
2025	390,000			
2026	405,000			
2027	415,000			
2028	140,000			
2029	$145,000			
2030	150,000			
2031	155,000			
2032	160,000			
2033	165,000			
2034	170,000			
2035	180,000			
2036	185,000			
2037	195,000			
2038	200,000			

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(1) Copyright, American Bankers Association (the “ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2019 Bonds and the Authority makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 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 2019 Bonds.

ERWIN UTILITIES AUTHORITY
(TENNESSEE)

BOARD OF DIRECTORS

Thomas D. Harris, Chair

D. Scott Charles
B. Kevin Horton

Gary W. Edwards
Russell D. Brackins

BOARD OFFICIALS

Lee H. Brown	*President*
Kip Lemmon	*Director of Construction and Maintenance*
Matthew K. Rice	*Director of Water and Wastewater*
Jo A. Cole	*Director of Office Services*
James Q. Mumpower	*Chief Financial Officer*
Mitch Barton	*Assistant to President*
Doug Shults, Esq.	*Legal Counsel*

REGISTRATION AND PAYING AGENT

Wilmington Trust, N.A.
Birmingham, Alabama

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

MUNICIPAL ADVISOR

Raymond James & Associates, Inc.
Nashville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this “Preliminary Official Statement”. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this “Preliminary Official Statement”.

The Issuer	Erwin Utilities Authority (Tennessee) (the “Authority”). See the section entitled “Appendix B: Supplemental Information Statement” for more information.
Securities Offered	$5,745,000[*] Electric System Revenue Bonds, Series 2019 (the “Series 2019 Bonds”) of the Authority, dated the date of their delivery. The Series 2019 Bonds will mature on September 1, 2019 through September 1, 2038, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
Security	The Series 2019 Bonds shall be payable solely from and secured solely by a pledge of the Net Revenues of the Authority’s electrical power transmission and distribution system (the “System”). The punctual payment of principal of and premium, if any, and interest on the Series 2019 Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or delivery. The Net Revenues of the System are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. **The Series 2019 Bonds do not constitute a debt of the State of Tennessee, or any political subdivision, agency or instrumentality thereof, other than the Authority, and no owner or holder of any of the Series 2019 Bonds shall have recourse to the taxing power of any such entities. The Authority has no taxing power.** See the section entitled “SECURITIES OFFERED – Security” and “Appendix C: Summary of Certain Provisions of the Resolution”.
Bank Qualification	The Series 2019 Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Purpose	The Series 2019 Bonds are being issued purpose of providing funds to acquire the assets of the electric transmission and distribution system (the "System") heretofore owned by the Town of Erwin, Tennessee, and operated by the Board of Public Utilities of the Town of Erwin, to finance capital improvements to the System so acquired, and to pay the costs of issuance of the Series 2019 Bonds. See the section entitled “SECURITIES OFFERED – Authority and Purpose” for additional information.
Optional Redemption	Series 2019 Bonds maturing September 1, 2019 through September 1, 2028, inclusive, shall mature without option of prior redemption and Series 2019 Bonds maturing September 1, 2029 and thereafter shall be subject to redemption prior to maturity at the option of the Authority on September 1,

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[*] Subject to reduction and adjustment as set forth in the “Official Notice of Sale” which is incorporated herein by reference.

	2028 and thereafter, as a whole or in part, at any time, at the redemption price of par, plus interest accrued to the redemption date. See “SECURITIES OFFERED – Optional Redemption” for additional information.
Mandatory Redemption	[To Be Determined. See the “Official Notice of Sale” for Bidding Option.]
Rating	S&P – “A”. See the section entitled “MISCELLANEOUS – Rating” for more information.
Underwriter	____ (the “Underwriter”). Also see the section entitled “MISCELLANEOUS – Competitive Public Sale”.
Municipal Advisor	Raymond James & Associates, Inc., Nashville, Tennessee, (the “Municipal Advisor” or “Raymond James"). Also see the section entitled “MISCELLANEOUS - Financial Professionals; Related Parties; Other”.
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee (the “Bond Counsel”). Also see the section entitled “MISCELLANEOUS - Financial Professionals; Related Parties; Other”.
Registration and Paying Agent	Wilmington Trust, N.A., Birmingham, Alabama (the “Registration Agent”). Also see the section entitled “MISCELLANEOUS - Financial Professionals”.
Book Entry Only	The Series 2019 Bonds will be issued under the Book Entry System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION – Book Entry System”.
Tax Matters	In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Authority, interest on the Series 2019 Bonds (as defined herein) is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the Series 2019 Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, all of the Series 2019 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).
General	The Series 2019 Bonds are being issued in full compliance with Title 7, Chapter 36, Section 101 et seq., Tennessee Code Annotated, as amended and a Resolution adopted on May 23, 2019. The Series 2019 Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York. See the section entitled “SECURITIES OFFERED – Authority and Purpose” for more information.

Disclosure	In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended (the “Rule”), the Authority will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State information depository (“SID”), if any, annual financial reports and notice of certain enumerated events. See the section entitled “MISCELLANEOUS - Continuing Disclosure”.
Other Information	The information in the “Preliminary Official Statement” is deemed "final" within the meaning of Rule 15c2-12(b)(5) of the SEC (the “Rule”) as of the date which appears on the cover hereof except for the omission of certain information allowed to be excluded under the Rule. For more information concerning the Authority or the “Preliminary Official Statement”, contact the General Manager or the Director of Finance and Accounting, Erwin Utilities Authority, 244 Love Street, Erwin, Tennessee 37650, Telephone: 423-743-1820 or the Authority’s Municipal Advisor, Raymond James, One Burton Hills Blvd., Suite 225, Nashville, Tennessee 37215, Telephone: 615-665-6920 or 800-764-1002.

$5,745,000*
ERWIN UTILITIES AUTHORITY
(TENNESSEE)
Electric System Revenue Bonds, Series 2019

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This "Preliminary Official Statement" (including the cover page and inside cover page hereof and the Appendices hereto) is furnished by the Erwin Utilities Authority (the "Authority") to provide information concerning the acquisition by the Authority of the Town of Erwin, Tennessee's electrical power transmission and distribution system (the "System") and the offering by the Authority of its Electric System Revenue Bonds, Series 2019 (the "Series 2019 Bonds") to finance such acquisition and to pay costs of issuance of the Series 2019 Bonds.

The Authority has been created as a governmental authority and public corporation pursuant to the Municipal Energy Authority Act, Sections 7-36-101 et seq., Tennessee Code Annotated, as amended (the "Act") for the purpose of acquiring and operating the System. The System has heretofore been owned by the Town of Erwin, Tennessee (the "Town") and operated on behalf of the Town by the Board of Public Utilities (the "Board"). Pursuant to the Act, the Town and the Board have agreed to transfer and assign the assets comprising the System to the Authority, and the Authority has agreed to assume the operating liabilities of the System and to pay the Town an amount sufficient to permit the Town to discharge its bonded indebtedness related to the System.

The Resolution adopted on May 23, 2019, as amended and restated on June 13, 2019, sets forth the terms of the Series 2019 Bonds, governs the Authority's application of the Net Revenues (as defined in Appendix C) of the System, and includes covenants regarding the operation of the System. The Resolution requires that the Authority set rates in each year sufficient to provide for 120% of the debt service on the Series 2019 Bonds and any parity bonds and 100% of the payment of operating costs, subordinate lien debt service and payments in lieu of taxes. The Resolution requires that the Authority establish a debt service reserve fund in the event that Net Revenues, after providing for the payment of operating expenses, are less than 200% of annual debt service requirements. No debt service reserve fund will be established upon the initial issuance of the Series 2019 Bonds. The Resolution prohibits the issuance of additional bonds on parity with the Series 2019 Bonds unless the System's revenues, after providing for the payment of operating costs, are at least 120% of the maximum annual debt service on then outstanding bonds and any proposed bonds. For a description of the terms of the Resolution, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" herein, and Appendix C – Summary of Certain Provisions of the Resolution.

The Series 2019 Bonds are payable from and secured by a lien on the Net Revenues of the System. For a discussion of the sources of payment and security for the Series 2019 Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

THE BOARD

The Board operates as a board of public utilities of the Town that provides retail electric service through its System to ratepayers in the Town, in most of Unicoi County, Tennessee and portions of two other counties in Tennessee. The Board does not own any generation facilities and presently purchases its entire power supply requirements under a wholesale power contract (the "Power Contract") with the Tennessee Valley Authority ("TVA"), a federal governmental instrumentality created by Congress pursuant to the Tennessee Valley Authority Act of 1933, as amended, (the "TVA Act"). The Power Contract provides that the Board may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly. The Power Contract establishes the rates and terms and conditions under which power is to be purchased from TVA and distributed to the customers of the Board. The Board's customer rates are set at levels sufficient to cover the cost of power supplied by TVA under the Power Contract and the Board's costs of operation.

Upon the transfer of the System to the Authority under the provisions of the Act, the Governing Body of the Authority will have the exclusive authority and responsibility for the ownership and operation of the System. The Authority, the System and the Board are further described in the Authority's Supplemental Information Statement, which is included herein as Appendix B.

DEFINED TERMS

Capitalized terms used but not defined herein shall have the meanings ascribed in Appendix C – Summary of Certain Provisions of the Resolution.

DESCRIPTION OF THE SERIES 2019 BONDS

The Series 2019 Bonds initially will be dated the date of their issuance estimated to be June 28, 2019*. Interest on the Series 2019 Bonds will be payable semiannually as applicable on March 1 and September 1, commencing September 1, 2019. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Series 2019 Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Bonds. See the section entitled "BASIC DOCUMENTATION" for additional information.

SECURITY

The Series 2019 Bonds shall be payable solely from and secured solely by a pledge of the Net Revenues of the System. 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 of the System without priority by reason of series, number or time of sale or delivery. The Net Revenues of the System are irrevocably pledged to the punctual payment of such principal, premium, if any, and

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* Subject to adjustment and revision as set forth in the "Official Notice of Sale".

interest as the same become due. **The Series 2019 Bonds do not constitute a debt of the State of Tennessee, or any political subdivision, agency or instrumentality thereof, other than the Authority, and no owner or holder of any of the Series 2019 Bonds shall have recourse to the taxing power of any such entities. The Authority has no taxing power.** See “Appendix C: Summary of Certain Provisions of the Resolution”.

PLAN OF FINANCE

The proceeds of the sale of the Series 2019 Bonds will be used to (i) acquire the assets of the electric transmission and distribution system (the "System") heretofore owned by the Town of Erwin, Tennessee, and operated by the Board of Public Utilities of the Town of Erwin, (ii) to finance capital improvements to the System so acquired, and (iii) to pay the costs of issuance of the Series 2019 Bonds.

The Town has agreed to immediately apply the purchase price paid to it to the discharge of all its outstanding bonded indebtedness payable from and/or secured by a lien on the revenues of the System.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the proceeds from the Series 2019 Bonds:

Sources of Funds:
Par Amount
Net Original Issue Premium [Discount]
TOTAL SOURCES:

Uses of Funds:
Deposit to Bond Proceeds Fund
Underwriter’s Discount
Costs of Issuance and Rounding
TOTAL USES:

REDEMPTION

Optional Redemption. Series 2019 Bonds maturing on or before September 1, 2028 shall not be subject to optional redemption. The Series 2019 Bonds maturing on or after September 1, 2029 shall be subject to redemption at the option of the Authority at any time on or after September 1, 2028, in whole or part, at price of par plus interest accrued to the redemption date.

[*Mandatory Redemption*. In the event any or all the Series 2019 Bonds are sold as Term Bonds, the Authority shall redeem Term Bonds on redemption dates corresponding to the maturity dates set forth below, in aggregate principal amounts equal to the maturity at a price of par plus accrued interest thereon to the date of redemption. Any Term Bonds to be redeemed within a single maturity shall be selected as follows:

a) if the Series 2019 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2019 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

b) if the Series 2019 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2019 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.

At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the Authority may (i) deliver to the Registration Agent for cancellation Series 2019 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2019 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2019 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Authority on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2019 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Authority shall on or before the 45th day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Final Maturity	Redemption Date	Principal Amount of Series 2019 Bonds Redeemed

*Final Maturity

Notice of Call for Redemption. Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Authority not less than 30 nor more than 60 days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2019 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2019 Bond registration records of the Registration Agent as of the date of the notice. Failure to mail such notice or any defect in any such notice so mailed shall not affect the sufficiency of the proceedings for redemption of any of the Series 2019 Bonds for which proper notice was given, and failure of any owner to receive such notice if properly given in the manner described above shall not affect the validity of the proceedings of the redemption of the Series 2019 Bonds held by such owner. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect 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 2019 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2019 Bonds, as and when above provided, and neither the Authority 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 or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Authority pursuant to written instructions from an authorized representative of the Authority (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least 45 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series 2019 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 herein. In the case of a Conditional Redemption, the failure of the Authority 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 Series 2019 Bonds called for redemption and not so paid remain outstanding.

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SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS

PLEDGE OF NET REVENUE

Under the terms of the Resolution, the Series 2019 Bonds are payable solely from and secured solely by a pledge of the Net Revenues of the System. The punctual payment of principal of and premium, if any, and interest on the Series 2019 Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or delivery. The Net Revenues of the System are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due, see "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" in Appendix C.

FLOW OF FUNDS

Pursuant to the Resolution, the Authority has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys in accordance with the Resolution. See Appendix C for a description of the flow of funds.

RATE COVENANT

The Authority shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times, such that Net Revenues in each Fiscal Year: (a) will equal at least 120% of the Debt Service Requirement on all Bonds, and 100% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year; (b) will enable the Authority to make all required payments, if any, into the Reserve Fund and on any Credit Facility; (c) will enable the Authority to accumulate an amount, which, in the judgment of the Board of Directors, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and (d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years.

DEBT SERVICE SINKING FUND AND DEBT SERVICE RESERVE FUND

The Resolution establishes a Debt Service Sinking Fund to be held by the Authority. The Resolution requires that the Authority fund monthly accruals of principal and interest to the Debt Service Sinking Fund for the Series 2019 Bonds and any Parity Bonds. Money on deposit in the Debt Service Sinking Fund will be used to pay debt service on the Series 2019 Bonds and any Parity Bonds as it becomes due. See Appendix C for a further description of the Debt Service Sinking Fund.

No Debt Service Reserve Fund will be funded by the Authority upon issuance of the Series 2019 Bonds. In the event that an Authority audit reflects that Net Revenues for the applicable fiscal year, after providing for the payment of Operating Expenses, are less than 200% of the debt service on the Series 2019 Bonds during such fiscal year, the Resolution requires the Authority to fund the Reserve Fund for the benefit of the Series 2019 Bonds, in the amounts and in the manner described in “Appendix C -- Summary of Certain Provisions of the Resolution – Debt Service Reserve Fund”. Any amounts on deposit in the Reserve Fund may be used solely for the purpose of curing deficiencies in the Revenue Fund for the payment when due of the principal of and interest on the Series 2019 Bonds. If funds on deposit in the Reserve Fund or the available amount under a Reserve Fund Credit Facility on deposit in the Reserve Fund exceed in the aggregate the Reserve Requirement, the excess cash shall be deposited into the Revenue Fund. Upon the initial delivery of the Series 2019 Bonds the Reserve Fund shall be unfunded, and the Authority shall only be required to fund the Reserve Fund upon the occurrence of the condition described above. If at any time the Authority is required to fund the Reserve Fund, the amount may be funded in up to twenty-four substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements which reflect the Revenue deficiency. The Reserve Requirement may be funded with funds of the Authority, or one or more Reserve Fund Credit Facilities, or a combination thereof, all as described in the Resolution. See Appendix C for a further description of the Debt Service Reserve Fund.

PARITY BONDS

The Authority may, from time to time, issue Parity Bonds under the terms of the Resolution. Such Parity Bonds will have a lien on the Net Revenues of the System securing the Series 2019 Bonds. See Appendix C for the conditions under which such Parity Bonds may be issued.

For a more extensive discussion of the terms and provisions of the Resolution related to the sources of payment of and security for the Series 2019 Bonds, see “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” in APPENDIX C hereto.

PAYMENTS IN LIEU OF TAXES

The Authority is required by Tennessee law to make annual payments in lieu of taxes to the City and other jurisdictions in which it has property and customers. The State of Tennessee has a specific formula for the calculation of in lieu of taxes for municipal electric systems, based generally on a percentage of electric plant value and a percentage of net operating revenue. Under the terms of the Resolution, payments in lieu of taxes are paid only from funds available after the payment of operating expenses and debt service.

SUBORDINATE INDEBTEDNESS

The Resolution does not limit the Authority’s ability to incur indebtedness on an unsecured or subordinate basis relative to the pledge of Net Revenues in favor of the Series 2019 Bonds. Simultaneous with the issuance of the Series 2019 Bonds, the Authority intends to borrow $1,000,000 from the Tennessee Valley Authority (“TVA”) to fund the expansion of the Authority’s garage and warehouse complex pursuant to a loan agreement between the Authority and TVA (the “TVA loan Agreement”). The TVA Loan Agreement will be payable from, but not secured by, the revenues of the System. However, the Authority will provide TVA a mortgage on the expanded portion of the garage and warehouse to secure repayment of the TVA Loan Agreement. The TVA Loan Agreement will bear interest at a fixed rate of 2.0% and will be payable over 20 years.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent for the Authority will make all interest payments with respect to the Series 2019 Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said registration records, without, except for final payment, the presentation or surrender of such registered Series 2019 Bonds, and all such payments shall discharge the obligations of the Authority in respect of such Series 2019 Bonds to the extent of the payments so made. Payment of principal of the Series 2019 Bonds shall be made upon presentation and surrender of such Series 2019 Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Series 2019 Bonds, as nominee of DTC, references herein to the Holders or Registered Owners of the Series 2019 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2019 Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Series 2019 Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Series 2019 Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One or more fully-registered Bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Series 2019 Bonds and will be deposited with DTC.

DTC and its Participants. DTC is a limited-purpose trust company organized under the New York Bank 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 securities that its participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants' accounts, thereby eliminating 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 its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the "NSCC", **"GSCC", "MBSCC",** and **"EMCC"**, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the "**NYSE**"), 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 and trust companies that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the **"Indirect Participants"** and, together with the Direct Participants, the **"Participants"**). DTC has S&P's highest Ratings: **"AAA."** The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtc.com.

Purchase of Ownership Interests. Purchases of the Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a **"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, but beneficial owners are 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 whom such beneficial owners entered into the transaction. Transfers of ownership interests in the Series 2019 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 the Series 2019 Bonds, except as specifically provided in the Series 2019 Bonds in the event that use of the book-entry-only system is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Series 2019 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 the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal 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, the Authority or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. 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. Beneficial owners of Series 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. Beneficial owners of the Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Registration Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE AUTHORITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Series 2019 Bonds. To facilitate subsequent transfers, all Series 2019 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 the Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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.

Discontinuance of Book-Entry-Only System. In the event that (i) DTC determines not to continue to act as securities depository for the Series 2019 Bonds or (ii) to the extent permitted by the rules of DTC, the Authority determines to discontinue the Book-Entry System, the Book-Entry System shall be discontinued. Upon the occurrence of the event described above, the Authority will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Series 2019 Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2019 Bonds will mean Cede & Co. and will not mean the beneficial owners of the Series 2019 Bonds. None of the Authority, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Series 2019 Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

CERTAIN OTHER COVENANTS WITH RESPECT TO THE SERIES 2019 BONDS

See "Appendix C: Summary of Certain Provisions of the Master Resolution and the Resolution".

DISCHARGE AND SATISFACTION OF SERIES 2019 BONDS

If the Authority shall pay and discharge the indebtedness evidenced by all or any portion of the Series 2019 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 Series 2019 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 Series 2019 Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Series 2019 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); or

c) By delivering such Series 2019 Bonds to the Registration Agent, for cancellation by it; and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority with respect to such Series 2019 Bonds, or make adequate provision therefor, and by resolution of the Board 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 Series 2019 Bonds when due, then and in that case the indebtedness evidenced by such Series 2019 Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Town to the holders of such Series 2019 Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

d) If the Authority shall pay and discharge the indebtedness evidenced by any of the Series 2019 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.

e) Except as otherwise provided, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant hereto 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 Series 2019 Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (i) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Registration Agent and (ii) 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 Series 2019 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 the Authority, as received by the Registration Agent.

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BONDHOLDERS' RISKS

GENERAL

Set forth below are certain risks purchasers of the Series 2019 Bonds should consider when making an investment decision. All potential risks are not included, and the discussion is not intended to be exhaustive.

ENFORCEABILITIY OF REMEDIES

The remedies available to the owners of the Series 2019 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions, which are often subject to discretion and delay. The enforceability of remedies or rights with respect to the Series 2019 Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing constitutional and statutory law and judicial decisions, certain remedies specified by the Resolution may not be readily available or may be limited. The legal opinion to be delivered concurrently with the delivery of the Series 2019 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

ADDITIONAL BONDS

The Authority may issue additional bonds in accordance with the provisions of the Master Resolution. The issuance of additional bonds would increase the debt service requirements and could adversely affect debt service coverage on the Series 2019 Bonds.

EARLY PAYMENT PRIOR TO MATURITY

The Series 2019 Bonds are subject to optional redemption prior to maturity. A prospective investor should consider these rights when making any investment decision. Following any redemption, owners of the Series 2019 Bonds many not be able to reinvest their funds at a comparable interest rate.

LOSS OF TAX EXEMPTION

There is no provision for the redemption of the Series 2019 Bonds or for the payment of additional interest on the Series 2019 Bonds in the event that interest on the Series 2019 Bonds becomes includable in gross income for federal income tax purposes. In the event that interest on the Series 2019 Bonds becomes includable in gross income for federal income tax purposes, the value and marketability of the Series 2019 Bonds would likely be adversely affected. The Authority has covenanted not to do anything that would adversely affect the tax-exempt status of the Series 2019 Bonds.

See the section entitled "LEGAL MATTERS – Tax Matters".

OTHER RISK FACTORS

In the future, the following additional factors, among others, may adversely affect the operations of energy providers, including the Authority and the System, to an extent that cannot be determined at this time:

a) The ability of the Authority and the System to insure or otherwise protect itself against property damage and general liability claims due to cost or other unknown factors.

b) The TVA's inability to provide electricity and other risk factors relating to the System's relationship with TVA. See the section included in "Appendix B" entitled 'Factors Affecting the Electric Utility Industry'.

c) Proposals to eliminate the tax-exempt status of bonds issued by the Authority, or to limit the use of such tax-exempt bonds, which have been made in the past, and which may be made again in the future. The adoption of such proposals would increase the cost to the Authority of financing future capital needs.

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LEGAL MATTERS

LITIGATION

There are no pending, nor to the knowledge of the Authority are there any threatened, legal proceedings questioning, or seeking to restrain, enjoin, or adversely affect the issuance or delivery of the Series 2019 Bonds, the fixing or collecting of rates and charges for the services of System, the pledge of the Net Revenues of the System to secure the payment of the Series 2019 Bonds, the proceedings and authority under which the Series 2019 Bonds are to be issued, the validity of the Series 2019 Bonds, the right of the Authority to acquire and operate the System, or the application of the proceeds of the Series 2019 Bonds for the purposes described herein.

The Board, like other similar public bodies, is subject to a variety of other lawsuits and proceedings arising in the ordinary conduct of its affairs. The Authority will assume liabilities, if any, associated with these matters in connection with the transfer of the assets of the Board. After reviewing the current status of all pending and threatened litigation involving the System with its litigation counsel, the Authority believes that, while the outcome of such litigation and proceedings cannot be predicted, the final resolution of these pending and threatened lawsuits, proceedings and claims against the Authority and its officials in such capacity are not expected to have a material adverse effect upon the financial position or results of operations of the System after taking into consideration the Authority's insurance and self- insurance arrangements.

REMEDIES OF BONDHOLDERS

Any registered owner of any of the Series 2019 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 the Authority by the provisions of the 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 of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Series 2019 Bonds, then upon the filing of suit by any registered owner of the Series 2019 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Authority or the Authority 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 the Resolution.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2019 Bonds. Their opinion under existing law, relying on certain statements by the Authority and assuming compliance by the Authority with certain covenants, is that interest on the Series 2019 Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986 (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 2019 Bonds that the Authority must continue to meet after the Series 2019 Bonds are issued. These requirements generally involve the way that the Bond proceeds must be invested and ultimately used. If the Authority does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2019 Bonds in its federal gross income on a retroactive basis to the date of issue. The Authority has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2019 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 2019 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 2019 Bonds or affect the market price of the Series 2019 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 2019 Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that 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 Bond will be reduced. The holder of a 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 2019 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2019 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2019 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 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 2019 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.

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 Authority as to the Series 2019 Bonds, Bond Counsel has determined that the Series 2019 Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

State Taxes.

Under existing law, the Series 2019 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 2019 Bonds during the period the Series 2019 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 2019 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.

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 2019 Bonds or otherwise prevent holders of the Series 2019 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2019 Bonds. For example, various proposals have been made in Congress and by the President which, if enacted, would subject interest on bonds, such as the Series 2019 Bonds, that is otherwise excluded from gross income for federal income tax purposes, to a tax payable by certain bondholders with an adjusted gross income in excess of certain proposed thresholds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Series 2019 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 2019 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 2019 Bonds would be impacted. Purchasers of the Series 2019 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. 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 2019 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 2019 Bonds should consult their own tax advisors regarding the foregoing matters.

The form of the opinion of Bond Counsel is attached as “APPENDIX A: FORM OF OPINION”. Copies of the opinion will be available at the time of the initial delivery of the Series 2019 Bonds.

CLOSING CERTIFICATES

Upon delivery of the Series 2019 Bonds, the Authority will execute certain closing certificates including the following: (i) A certificate as to the “Official Statement”, in final form (as defined herein), signed by the Chair and other officials acting in their official capacities to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the “Official Statement”, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, not misleading, (b) since the date of the “Official Statement”, in final form, no event has occurred which should have been set forth in such a memo or supplement, and (c) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Series 2019 Bonds, or contesting the validity of the Series 2019 Bonds or any proceeding taken pursuant to which the Series 2019 Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Series 2019

Bonds will not be used in a manner which would cause the Series 2019 Bonds to be arbitrage Series 2019 Bonds; (iii) certificates as to the delivery and payment, signed by the officials acting in their official capacities evidencing delivery of and payment for the Series 2019 Bonds; (iv) a signature identification and incumbency certificate, signed by the Chair and other officials of the Authority acting in their official capacities certifying as to the due execution of the Series 2019 Bonds; and (v) a Continuing Disclosure Certificate regarding certain covenants of the Authority concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled “MISCELLANEOUS – Competitive Public Sale”; “Financial Professionals”; “MISCELLANEOUS - Additional Information”; “MISCELLANEOUS - Continuing Disclosure” and “Appendix A: Form of the Legal Opinion”.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Series 2019 Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Bond Counsel did not prepare the “Preliminary Official Statement” or the “Official Statement”, in final form, or verify their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the “Preliminary Official Statement” or “Official Statement”, in final form, except for the information under the section entitled “LEGAL MATTERS – Tax Matters”. The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Series 2019 Bonds. Bond Counsel's opinion will state that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and corporations, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The owners of the Series 2019 Bonds, however, may be subject to certain collateral tax consequences arising with respect to ownership of the Series 2019 Bonds. Reference is made to the “Preliminary Official Statement” and the form of the opinion contained in Appendix A.

Certain other matters will be passed upon for the Authority by Shults & Shults, Erwin, Tennessee.

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MISCELLANEOUS

RATING

S&P Global Ratings (S&P) has assigned the Series 2019 Bonds the credit rating of “A” which appears on the cover of this “Preliminary Official Statement”.

The Authority furnished S&P’s certain information and materials and had a “due diligence” meeting with the rating agency concerning the Series 2019 Bonds and the Authority. Generally, S&P bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating or other actions by a rating agency may have an adverse effect on the market price of the Series 2019 Bonds.

Any explanation of the significance of the ratings may be obtained only from S&P.

COMPETITIVE PUBLIC SALE

The Series 2019 Bonds were offered for sale at competitive public bidding on June 17, 2019*. Details concerning the public sale were provided to potential bidders and others in the “Preliminary Official Statement” that was dated June 7, 2019*. Through IPREO’s BiDCOMP®/Parity® system, __ of the original __ firms which indicated an interest in bidding for the Series 2019 Bonds submitted proposals ranging from the best bid of ____ % on a true interest cost basis (“TIC”) to ____ %.

The successful bidder for the Series 2019 Bonds was an account led by ____________________, _______, _________ (the “Underwriters”) who contracted with the Authority, subject to the conditions set forth in the “Official Notice of Sale” (including permitted adjustments) to purchase the Series 2019 Bonds at an adjusted purchase price of $____________ (consisting of the par amount of the Series 2019 Bonds, plus a premium of $___________, less an original issue discount of $________, less an underwriter’s discount of $_________) or a bid price of ______ % of par.

FINANCIAL PROFESSIONALS

Registration Agent. The Registration Agent provides commercial banking, investments and corporate trust services to private parties and State and local jurisdictions and may have provided one or more such services to the Authority on other occasions. As registration, registration, paying and escrow agent in this transaction, the Registration Agent will receive separate compensation for such services as it would if it were to serve the Authority in other normal commercial banking capacities.

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*Subject to adjustment and revision as outlined in the “Official Notice of Sale”

Bond Counsel. Bass, Berry & Sims PLC presently represents the Municipal Advisor [and the Underwriter] on legal matters unrelated to the Authority and may continue to do so in the future.

Investments. Among other services, Raymond James also assists local jurisdictions in the investment of idle funds and may serve in various other capacities. If the Authority chooses to use one or more of these other services, then Raymond James may be entitled to separate compensation for such services.

ADDITIONAL DEBT OBLIGATIONS

After the issuance of the Series 2019 Bonds, the Authority intends to borrow $1,000,000 from the TVA to fund an expansion of its garage and warehouse complex. There are no other debt obligations approved or planned at this time. See the section entitled "Security and Source of Payment for the Series 2019 Bonds – Subordinate Indebtedness" for additional information.

OFFICIAL STATEMENT

Certain information relative to the location, economy and finances of the Authority is found in the "Preliminary Official Statement" and the "Official Statement". While not guaranteed as to completeness or accuracy, the "Preliminary Official Statement" and the "Official Statement" are believed to be correct as of their respective dates based on information supplied by the Authority and other reliable sources and by the certification by the Authority as to the "Official Statement".

Raymond James has not been engaged by Authority to provide or validate any information in this "Official Statement" relating to Authority, including (without limitation) any of Authority's financial and operating data, whether historical or projected. Raymond James is not a public accounting or auditing firm and has not been engaged by Authority to review or audit any information in this "Official Statement" in accordance with accounting standards.

CONTINUING DISCLOSURE

At the time the Series 2019 Bonds are delivered, the Authority will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Series 2019 Bonds to provide certain financial information relating to the Authority by not later than twelve months after each of the Authority's fiscal years (the "Annual Report"), commencing with the fiscal year ending June 30, 2019, and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and with any State Information Depository established in the State of Tennessee (the "SID"). If the Authority is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of events will be filed by the Authority with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report and the notices of events is set forth in "Appendix D: Form of Continuing disclosure Certificate". These covenants have been made in order to assist the underwriters in complying with SEC Rule 15c2-12(b) (the "Rule"). Prior to the issuance of the Series 2019 Bonds, the Authority has not entered into any continuing disclosure undertakings and consequently has not failed to comply, in any material respect, in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events.

See “Appendix D: Form of Continuing Disclosure Certificate” for additional information.

ADDITIONAL INFORMATION

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Series 2019 Bonds, the security for the payment of the Series 2019 Bonds and the rights of the holders thereof. The “Preliminary Official Statement” and the “Official Statement” in final forms, and any advertisement of the Series 2019 Bonds are not to be construed as a contract or agreement between the Authority and the purchasers of any of the Series 2019 Bonds. Any statements or information printed in the “Preliminary Official Statement” and the “Official Statement”, in final forms, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The Authority has deemed this “Preliminary Official Statement” as "final" as of its date within the meaning of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") (the “Rule”) except for certain information allowed to be omitted by the Rule.

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CERTIFICATION OF THE AUTHORITY

At the time of payment for and delivery of the Series 2019 Bonds, the Authority will furnish the purchaser a certificate, signed by the Chairman and the President, to the effect that (a) the descriptions and statements of or pertaining to the Authority contained in its "Official Statement" and any addendum thereto, for its Series 2019 Bonds, on the date of such "Official Statement", on the date of sale of the Series 2019 Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Authority and its affairs, including its financial affairs, are concerned, such "Official Statement" did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities other than the Authority, and their activities contained in such "Official Statement" are concerned, such statements and data have been obtained from sources which the Authority believes to be reliable and that the Authority has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the System of the Authority since June 30, 2018, the date of the last audited financial statements of the System of the Authority, the electronic link to which appears in "Appendix E: Financial Statements with Supplementary Information – Fiscal Years Ended June 30, 2018 and June 30, 2017".

/s/______________________________
Chair

ATTEST:

/s/______________________________
President

/s/______________________________
Secretary

APPENDIX A

FORM OF LEGAL OPINION

150 Third Avenue South, Suite 2800
Nashville, TN 37201
(615) 742-6200

June ____, 2019

Board of Directors
Erwin Utilities Authority

[Underwriter]

Re: Erwin Utilities Authority, Electric System Revenue Bonds, Series 2019

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Erwin Utilities Authority (the "Issuer") of $______________ Electric System Revenue Bonds, Series 2019, 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 Directors of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer, enforceable in accordance with its terms.

3. The principal of and interest on the Bonds are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the electrical power transmission and distribution system of the Issuer (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. We express no opinion as to the sufficiency of any of such revenues for the payment of principal of, premium, if any, or interest on the Bonds.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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 interest on the Bonds is not treated as an item of tax preference in calculating the 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 Code, 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,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

ERWIN UTILITIES AUTHORITY

HISTORY AND ORGANIZATION

The Authority. The Erwin Utilities Authority (the "Authority") has been created as a governmental authority and public corporation pursuant to the Municipal Energy Authority Act, Sections 7-36-101 et seq., Tennessee Code Annotated, as amended (the "Act") for the purpose of acquiring from the Town of Erwin (the "Town") its electrical power and distribution system (the "System"), its fiber system (cable and internet) and its water and sewer collection, distribution and treatment systems.

The initial Authority governing board will be comprised of the same membership as the Board of Public Utilities. When a term expires, the appointment/reappointment will be made by the Authority's Board of Directors (the "Governing Body") with the Board of Mayor and Aldermen of the Town confirming the appointment. The Governing Body appoints the President who along with the professional staff of the Authority is responsible for executing policy as directed by the Governing Body and managing the day-to-day operations of the System and other activities of the Authority. Currently, there are approximately 52 full-time employees who work in all service areas offered by Authority.

The System has heretofore been owned by the Town and operated on behalf of the Town by the Board of Public Utilities (the "Board"). Pursuant to the Act, the Town and the Board have agreed to transfer and assign the assets comprising the System to the Authority, and the Authority has agreed to assume the operating liabilities of the System and to pay the Town an amount sufficient to permit the Town to discharge its bonded indebtedness related to the System.

The Board. The Board was organized under the Municipal Electric Plant Act of 1935 (Title 7, Chapter 52, Tennessee Code Annotated) and since July 11, 1945 has operated as a board of public utilities for the Town of Erwin, Tennessee.

Electric service is provided to the Town and Unicoi County and parts of Washington and Carter Counties. As of June 30, 2018, there were 7,595 residential and 1,332 other customers.

The Board also provides, and the Authority will likewise provide, water treatment and distribution services, wastewater collection and treatment services and telephone and internet services through its fiber system. The Erwin Fiber System had 2,318 customers as of May 23, 2019.

DESCRIPTION OF THE SYSTEM

The System purchases power from the Tennessee Valley Authority ("TVA") at 161 kV. Power is distributed through a 69 kV transmission system. The distribution system operates at a nominal voltage of 13 kV.

The System purchases power from the Tennessee Valley Authority ("TVA") at two delivery points. Erwin Substation is a 161 kV and 69 kV to 12.47 kV, 50 MW station. Unicoi

Substation is a 69 kV to 12.47 kV, 25 MW station. The System operates and maintains approximately 264 miles of 12.74 kV (nominal voltage) distribution line to serve customers in the Town, Unicoi County, and parts of Washington and Carter Counties in Tennessee.

THE TENNESSEE VALLEY AUTHORITY

TVA is a wholly-owned corporate agency and instrumentality of the United States. TVA was created by the U.S. Congress in 1933 by virtue of the Tennessee Valley Authority Act of 1933, as amended, 16 U.S.C. §§ 831-831ee (2000 & Supp. IV 2004) (as amended, the "TVA Act"). TVA was created to improve navigation on the Tennessee River, reduce flood damage, provide agricultural and industrial development, and provide electric power to the Tennessee Valley region. TVA manages the Tennessee River and its tributaries for multiple river-system purposes, such as navigation; flood damage reduction; power generation; environmental stewardship; shoreline use; and water supply for power plant operations, consumer use, recreation, industry, and other stewardship purposes. TVA's power system operations, however, constitute the majority of its activities and provide virtually all of its revenues.

TVA operates the nation's largest public power system. TVA supplies power in most of Tennessee, northern Alabama, northeastern Mississippi, and southwestern Kentucky and in portions of northern Georgia, western North Carolina and southwestern Virginia.

TVA is primarily a wholesaler of power. TVA sells power at wholesale to distributor customers, consisting of municipalities and cooperatives that resell the power to their customers at a retail rate. TVA also sells power to directly served customers, consisting primarily of federal agencies and customers with large or unusual loads, and to exchange power customers (electric systems that border TVA's service area) with which TVA has entered into exchange power arrangements as allowed by the TVA Act.

The power contracts between TVA and the distributor customers such as the System provide for purchase of power by the distributor customers at the wholesale rates established by the TVA Board. Under section 10 of the TVA Act, the TVA Board is authorized to regulate the municipal and cooperative distributors of TVA power to carry out the purposes of the TVA Act through contract terms and conditions as well as through rules and regulations. TVA regulates distributor customers primarily through the provisions of TVA's wholesale power contracts. All of the power contracts between TVA and the distributor customers require that power purchased from TVA be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and prohibit direct or indirect discriminatory rates, rebates, or other special concessions. In addition, there are a number of wholesale power contract provisions through which TVA seeks to ensure that the electric system revenues of the distributor customers are used only for electric system purposes. Furthermore, almost all of these contracts specify the specific resale rates and charges at which the distributor customers must resell TVA power to their customers. These rates are revised from time-to-time, subject to TVA approval, to reflect changes in costs, including changes in the wholesale cost of power. The regulatory provisions in TVA's wholesale power contracts are designed to carry out the objectives of the TVA Act, including the objective of providing for an adequate supply of power at the lowest feasible rates.

The TVA Act gives the TVA Board sole responsibility for establishing the rates TVA charges for power. These rates are not subject to judicial review or to review or approval by any state or federal regulatory body.

In setting TVA's rates, the TVA Board is charged by the TVA Act to have due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as are feasible.

Source: Various Form 10-K/A Annual Financial Reports of the Tennessee Valley Authority

POWER CONTRACT

The System does not generate electric power, but purchases its entire supply from the TVA pursuant to a power contract dated May 7, 1985 (the "Power Contract"). Under the Power Contract, the System agreed to purchase all of its electric power from TVA. Under the terms of the contract, the System has the right to terminate the Power Contract on 4 years notice so long as the notice does not come within the first ten years of the contract per § 15 of the Power Contract. The Power Contract has not been terminated by either party.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide transmission facilities required to deliver the output thereof in order to supply additional power when and to the extent needed. Neither TVA nor the System are liable for breach of contract 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 reasonably beyond their 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 and the customary purchases from other companies on the power grid.

The Power Contract provides that the System may sell power to all customers in its service area, except certain federal installations and large customers which TVA may serve directly. At the present time, TVA does not directly serve any customers located within the System's electric service territory.

The cost and availability of power for 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 and burning of coal), the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to fulfill the power demands of its customers, including the System. The power sold to the System is supplied from the entire TVA system and not one specific generating facility.

For more information concerning TVA, its generation capacity and its financial condition, including some of those factors discussed above, see the annual, quarterly and current reports filed by TVA with the Securities and Exchange Commission ("SEC"). Annual financial information about TVA can be found in TVA's Annual Report filed on Form 10-K. Interim financial information can be found in TVA's Quarterly Reports filed on Form 10-Q. Additional information may be found from time to time on TVA's Current Reports filed on Form 8-K. TVA's SEC filings are available to the public from the SEC's website at www.sec.gov and from TVA's website at www.tva.gov. Information contained in these reports and on TVA's website shall not be deemed to be incorporated into, or to be a part of, this Official Statement.

Source: Various Form 10-K/A Annual Financial Reports of the Tennessee Valley Authority and the Board.

Also see “Appendix F: Financial Statements with Supplementary Information – Fiscal Years Ended June 30, 2018 and June 2017” for schedule of current power rates of the Board.

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FINANCIAL AND OPERATING INFORMATION

DISCUSSION OF OPERATIONS

The System's net operating revenues for the fiscal year ended June 30, 2018 were $21,438,768 compared to $20,900,542 in the previous year. Purchased power costs for the 12 months ended June 30, 2018 were $16,426,632, up $263,029 from $16,163,603 for the prior year. Total operating income was $1,658,759 compared to $1,625,123 before non-operating income and payments-in-lieu of tax. The change in net position was $1,640,648 compared to $1,071,774 (restated) in 2017. Net position at the end of the fiscal year 2018 was $21,924,184 versus $20,283,536 (restated) in 2017.

*Number of Meter*s. The following table shows by type, the number of meters for the most recent five (5) fiscal periods as reported to TVA.

Class of Service	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Residential	7,531	7,590	7,598	7,595	7,595
General Power – 50 kW & Under	1,136	1,143	1,129	1,130	1,132
General Power – Over 50 kW	130	129	129	130	129
Street & Athletic	16	16	16	16	16
Street & Outdoor Lighting (1)	58	59	55	57	57
Total Meters	8,871	8,937	8,927	8,928	8,929
Outdoor Lighting – Code 77	1,270	1,286	1,288	1,291	1,303

Source: TVA Annual Reports of the Board.
(1) Excludes outdoor lighting Code 77.

Kilowatt Hours of Electric Power Purchased and Sold. The following table depicts Kilowatt Hours of Electric Power Purchased and Sold for the most recent five (5) fiscal years as reported to TVA.

Fiscal Year	Power Purchased (kWh)	Net Cost	Power Used/ Sold (kWH)	Line Losses Power Lost	Sales	Wholesale Cost/ Percentage of Sales
2018	225,856,949	$16,426,632	217,536,576	8,320,373	$21,438,768	76.62%
2017	219,004,573	$16,163,603	212,933,994	6,070,579	$20,900,542	77.34%
2016	222,810,440	$15,854,416	216,772,156	6,038,284	$20,221,116	78.41%
2015	232,553,350	$17,160,449	224,972,272	7,581,078	$21,155,175	81.12%
2014	236,847,607	$17,278,141	229,512,170	7,335,437	$21,613,325	79.94%

Source: TVA Annual Reports of the Board.

Kilowatt Hours of Electric Power Sold. The following table depicts Kilowatt Hours of Electric Power Sold for the most recent five (5) fiscal years as reported to TVA.

Fiscal Year	**Residential**	**General Power – 50 kW & Under**	**General Power – Over 50 kW**	**Street & Athletic Lighting**	**Outdoor Lighting**	**Internal Use**	**Total**	**Unbilled**
2018	95,626,226	12,865,628	106,362,439	977,700	1,704,586	-	217,536,576	454,954
2017	91,985,228	12,700,559	105,200,915	987,524	1,766,281	293,487	212,933,994	(142,299)
2016	92,528,386	12,655,751	108,516,820	985,962	1,788,585	296,652	216,772,156	(997,529)
2015	98,829,030	13,310,421	110,054,446	970,859	1,807,516	-	224,972,272	51,947
2014	101,624,233	13,723,972	111,422,821	624,900	1,797,351	318,893	229,512,170	714,082

Source: TVA Annual Reports of Erwin Utilities.

TEN LARGEST ELECTRIC CUSTOMERS

For the twelve months ended June 30, 2018, the ten largest customers of the Electric System in order of total kWh sales are listed below. Also depicted on the following chart are the percentages of total Power Board kWh sales and estimated percentage of total Electric System revenues for the most recent fiscal year represented by each customer:

	Customer	**Activity**	**Est. kWh Usage [1]**	**Revenue [2]**	**Est. Percent Total Revenue**
1.	Nuclear Fuel Services	Nuclear Fuel Processing Facility	22,114,800	$1,694,240	7.7%
2.	Specialty Tires of America	Tire Manufacturing Facility	14,024,928	1,051,212	4.8%
3.	TN Tennessee, LLC	Ball and Roller Bearing Mfg.	15,114,495	865,996	3.9%
4.	Dura-Line Corp.	Extruded Polyethylene Pipe Mfg.	9,854,400	672,660	3.0%
5.	Erwin Resin Solutions, LLC	Radioactive Waste Processing	5,203,000	489,719	2.2%
6.	Foam Products Corp	Floor Materials Mfg.	1,810,800	274,882	1.2%
7.	Regal Beloit Plastics Div.	Injection Molding Mfg.	2,763,600	268,768	1.2%
8.	Walmart #3852	Retail	2,665,344	261,469	1.2%
9.	Impact Plastics, Inc.	Injection Molding Mfg.	2,061,000	188,219	0.9%
10.	Unicoi County Board of Ed	Public Education	1,284,000	138,315	0.6%
		Total:	76,896,567	$5,905,480	26.1%
		System Total:	217,536,576	$21,438,768	n/a
		% of Total System:	35.35%	27.55%	n/a

Source: Erwin Utilities

(1) Annual usage during fiscal year 2018.

(2) Net of manufacturing credit, where applicable.

SYSTEM RATES

Pursuant to the Power Contract, the Board has agreed to adhere to the resale rates set forth in certain schedules established by the TVA. The schedules include the provision that customer billings will be adjusted in accordance with the Adjustment Addenda published by the TVA. The Board is not otherwise subject to rate regulation under existing law and there is no known legislation pending 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 Board on a self-supporting, financially sound basis, including debt service, the Board and TVA shall agree to changes in rates to provide increased revenues. In like manner, if the rates and changes produce excess revenues, the parties shall agree to rate reductions. Since the date of the Power Contract, the wholesale and resale rates have been adjusted from time to time through TVA's publication of Adjustment Addenda.

See “Appendix E: Current Rates” for additional information on System rates.

RETIREMENT PLANS

For information on the Board’s retirement plans, see Appendix F: “Financial Statement with Supplementary Information - Fiscal Years Ended June 30, 2018 and June 30, 2017”.

OTHER POST-EMPLOYMENT BENEFITS

Erwin Utilities provides additional post-employment benefits (“OPEB”) to its retirees. The OPEB obligation is disclosed in the annual financial statements. See Appendix F: “Financial Statement with Supplementary Information - Fiscal Years Ended June 30, 2018 and June 30, 2017”.

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ERWIN UTILITIES AUTHORITY

Electric System Revenue Bonds

Summary of Bonded Indebtedness

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE	OUTSTANDING(1)	
$ 5,745,000		Electric System Revenue Bonds, Series 2019	2038	Fixed	$ 5,745,000	
$ 5,745,000	*	**Total Electric System Debt**			$ 5,745,000	*

Notes:

* Subject to adjustment and revision as outlined in the "Official Notice of Sale".

(1) For additional information, see the section entitled "SECURITIES OFFERED - Authority and Purpose".

ERWIN UTILITIES AUTHORITY

As of June 30, 2019

F.Y.	Series 2019 Bonds*			Total Debt Service Requirements(1)*			Percent Total Principal Repaid
Ended 6/30	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	$ 530,000	$ 31,351	$ 561,351	$ 530,000	$ 31,351	$ 561,351	
2021	490,000	163,250	653,250	490,000	163,250	653,250	
2022	395,000	148,550	543,550	395,000	148,550	543,550	
2023	410,000	136,700	546,700	410,000	136,700	546,700	
2024	425,000	124,400	549,400	425,000	124,400	549,400	39.16%
2025	440,000	111,650	551,650	440,000	111,650	551,650	
2026	390,000	98,450	488,450	390,000	98,450	488,450	
2027	405,000	86,750	491,750	405,000	86,750	491,750	
2028	415,000	76,625	491,625	415,000	76,625	491,625	
2029	140,000	65,213	205,213	140,000	65,213	205,213	70.32%
2030	145,000	61,362	206,362	145,000	61,362	206,362	
2031	150,000	57,375	207,375	150,000	57,375	207,375	
2032	155,000	53,250	208,250	155,000	53,250	208,250	
2033	160,000	48,600	208,600	160,000	48,600	208,600	
2034	165,000	43,800	208,800	165,000	43,800	208,800	83.81%
2035	170,000	37,200	207,200	170,000	37,200	207,200	
2036	180,000	30,400	210,400	180,000	30,400	210,400	
2037	185,000	23,200	208,200	185,000	23,200	208,200	
2038	195,000	15,800	210,800	195,000	15,800	210,800	
2039	200,000	8,000	208,000	200,000	8,000	208,000	100.00%
	$ 5,745,000	$ 1,421,926	$ 7,166,926	$ 5,745,000	$ 1,421,926	$ 7,166,926	

* Subject to adjustment and revision as outlined in the "Official Notice of Sale".

(1) For additional information of the Series 2019 Bonds, see the section entitled "SECURITIES OFFERED - Authority and Purpose".

ERWIN UTILTIES AUTHORITY
Electric System
Five-Year Summary of Revenues, Expenses and Changes in Net Position

	For the Fiscal Year Ended June 30				
	2018	**2017**	**2016**	**2015**	**2014**
Operating Revenues:					
Sales	$ 21,491,187	$ 20,913,443	$ 20,252,626	$ 21,274,837	$ 21,696,748
Other Operating Revenues	1,093,543	887,604	829,430	631,604	600,371
Total Operating Revenues	$ 22,584,730	$ 21,801,047	$ 21,082,056	$ 21,906,441	$ 22,297,119
Operating Expenses:					
Purchased Power	$ 16,426,632	$ 16,163,603	$ 15,854,416	$ 17,160,449	$ 17,278,141
Distribution Expense	921,349	917,769	861,849	746,236	770,411
Maintenance	890,009	961,157	802,535	722,974	659,052
Customer Accounts Expense	683,376	725,518	742,208	711,559	760,905
Depreciation	1,097,053	1,035,865	964,050	882,137	852,269
General and Administrative Expense	344,105	372,012	397,462	368,377	451,507
Total Operating Expenses	$ 20,362,524	$ 20,175,924	$ 19,622,520	$ 20,591,732	$ 20,772,285
Operating Income	$ 2,222,206	$ 1,625,123	$ 1,459,536	$ 1,314,709	$ 1,524,834
Non-Operating Revenues (Expenses):					
Interest Income	$ 38,494	$ 21,847	$ 18,937	$ 13,479	$ 14,213
Grant Revenue	159,741	234,360		-	
Interest Expense	(111,609)	(91,456)	(116,124)	(135,626)	(184,902)
Total Non-Operating Rev. (Exp.)	$ 86,626	$ 164,751	$ (97,187)	$ (122,147)	$ (170,689)
Transfers, Payment In-Lieu of Tax	$ (668,184)	$ (616,207)	$ (573,553)	$ (528,705)	$ (532,410)
Change in Net Position	$ 1,640,648	$ 1,173,667	$ 788,796	$ 663,857	$ 821,735
Net Position - Beginning of Year	$ 20,283,536 *	$ 19,211,762	$ 18,422,966	$ 17,759,109	$ 17,833,628
Net Position - End of Year	**$ 21,924,184**	**$ 20,385,429**	**$ 19,211,762**	**$ 18,422,966**	**$ 18,655,363**

* Prior Year Restatement
Source: Financial Statements with Supplementary Information of the Board

ERWIN UTILITIES AUTHORITY

HISTORICAL DEBT SERVICE COVERAGES

	2018	2017	2016	2015	2014
Operating Revenues	$ 22,584,730	$ 21,801,047	$ 21,082,056	$ 21,006,441	$ 22,297,119
Operating Expenses Including Depreciation(1)	(20,362,524)	(20,175,924)	(19,622,520)	(20,591,732)	(20,772,285)
Operating Income Including Depreciation	$ 2,222,206	$ 1,625,123	$ 1,459,536	$ 414,709	$ 1,524,834
Plus: Depreciation	1,097,053	1,035,865	964,050	882,137	852,269
Operating Income Less Depreciation	$ 3,319,259	$ 2,660,988	$ 2,423,586	$ 1,296,846	$ 2,377,103
Other Net Income (Expenses)	86,626	164,751	(97,187)	(122,147)	(184,902)
Income Available for Debt Service	$ 3,405,885	$ 2,825,739	$ 2,326,399	$ 1,174,699	$ 2,192,201
Historical Coverages (1)(2)					
TMBF	$ 75,309	$ 71,104	$ 65,947	$ 63,209	$ 63,209
Series A-2-G	-	-	-	113,500	112,250
Series 2007 Bonds	193,563	195,593	287,341	288,810	171,549
Series 2010 Bonds	98,257	100,142	102,802	100,896	98,856
Series 2016 Bonds	77,175	61,902	-	-	-
Total:	$ 444,304	$ 428,741	$ 456,090	$ 566,415	$ 445,864
Actual Coverage	766.57%	659.08%	510.07%	207.39%	491.67%

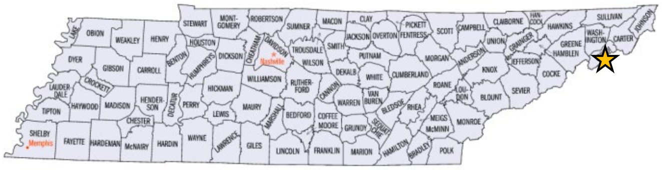
Projected Debt Service Coverage - MADS(3)

Series 2019 Bonds*	$ 653,250
Senior Lien Coverage	**521.38%**
TVA Subordinate Loan(4)*	$ 60,708
Series 2019 Bonds & TVA Subordinate Loan	$ 713,958
Senior and Subordinate Lien Coverage	**477.04%**

TOWN OF ERWIN AND UNICOI COUNTY

INTRODUCTION AND LOCATION

The Town of Erwin, Tennessee (the "Town") is located in Northeast Tennessee and is the county seat of Unicoi County (the "County"). The County is bounded on the east by the State of North Carolina (Mitchell, Yancey and Madison Counties). Carter, Washington and Greene County surround the County on the Tennessee side.



The area of the County is approximately 186 square miles while the Town makes up approximately 3.5 miles of the County's land area. Much of the County land area is located in the Cherokee National Forest. The Town is located approximately 10 miles from the City of Johnson City, Tennessee and is conveniently situated near Elizabethton, Bristol, Greeneville and Kingsport, Tennessee, Asheville, North Carolina, and Bristol, Virginia.

According to the U.S. Census, the estimated population of the County in 2017 was 17,759.

Census Population	Erwin	% Increase	Unicoi County	% Increase	Tennessee	% Increase
2010	6,097	8.68%	18,291	3.53%	6,346,105	11.5%
2000	5,610	11.86%	17,667	6.76%	5,689,283	16.7%
1990	5,015	5.82%	16,549	1.14%	4,877,185	6.2%
1980	4,739	0.51%	16,362	7.26%	4,591,120	16.9%
1970	4,715	46.88%	15,254	1.14%	3,926,018	10.1%

Source: U.S. Census

For additional information and a brief history of the Authority, Erwin Utilities and Unicoi County, please see www.erwintn.org; www.e-u.cc and www.unicoicountytn.gov and additional information herein.

TRANSPORTATION

Interstate 26 traverses the County and Town. This highway opened Erwin and the region to the South Carolina seacoast and an easy connection to eastbound Interstate 40 to Asheville, North Carolina. Four lane or interstate quality highways now connect Erwin to all neighboring communities and counties. Other highways that serve the Town and Unicoi County are U.S. Highways 23, 19W and I-26 and State Highways 36, 197 and 395. Erwin is served by the CSX Rail System which until 2015 had a heavy presence in the Town.

Commercial air, air cargo and general aviation services are provided to the region through the Tri-Cities Airport located about 32 miles away. Numerous flights per day to hubs located in Atlanta, Charlotte, Cincinnati, and Pittsburgh make business and recreational travel easy and convenient.

EDUCATION

The County provides a K-12 school systems maintained and funded by the County and the State. The Unicoi County School System has a total of seven schools: four elementary schools, one intermediate, one middle school and a high school.

In addition to the Unicoi County School system, higher educational opportunities are available to Town and area residents at a variety of colleges, universities and technical schools. The schools located near the County are outlined below.

East Tennessee State University ("ETSU"). ETSU was founded in 1911 in the northeast corner of Tennessee. ETSU's main campus is situated on a more than 350-acre campus located in nearby Johnson City. The main campus is adjacent to the 31 acre Veterans Administration facility that is home to the James H. Quillen College of Medicine. The Johnson City Medical Center Hospital (Mountain States Health Alliance) is located nearby. ETSU offers approximately 74 majors of study in its undergraduate program, 30 degree fields in its master's programs and doctorates in education, education administration, and biomedical sciences. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees. Over 15,000 undergraduate, graduate and professional students attend ETSU. Extended regional campuses are located in Kingsport, Elizabethton and Greeneville.

Instead of utilizing only one teaching hospital, the ETSU Quillen College of Medicine has a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. Students are provided access to more than 3,000 patient beds in the ten affiliated hospitals in the Tri-Cities area. For several consecutive years, ETSU has been ranked among the top 10 schools in the country for rural medicine. U.S. News also ranked ETSU in the top 25% of medical schools for primary care education. The ETSU College of Medicine has also brought specialties to Johnson City that normally could not be expected in a community of this size. The first in-vitro fertilization in Tennessee was done in Johnson City. One of five prenatal intensive care facilities in the state is manned by pediatric specialists of the ETSU College of Medical faculty. Kidney transplants and open heart surgery also are available in upper East Tennessee primarily as result of the presence of ETSU's College of Medicine.

ETSU's Bill Gatton College of Pharmacy is Tennessee's second state supported pharmacy school. First opened in early 2007, the College graduated its first class in May 2010 and received full accreditation status from the Accreditation Council for Pharmacy Education in July 2010. The Bill Gatton College of Pharmacy offers only the PharmD degree but is in current conversation with other colleges within the division of health sciences and the university at large investigating the development of joint degree programs (PharmD/MPH, PharmD/MBA, and PharmD/PhD). College enrollment is more than 300 in the four classes. Projected enrollment in the future is currently limited to 80 students per class (320 students).

Source: East Tennessee State University and TN Higher Education Commission

Milligan College. Milligan is a private, four-year Christian liberal arts college founded in 1866. Milligan's main 181-acre campus is located between Johnson City and Elizabethton just minutes from the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive to historic Asheville, North Carolina. Milligan offers 30 academic majors and four master's degree programs and several adult degree completion programs. Milligan College has consistently been named one of the top 10 Best Regional Colleges in the South by U.S. News & World Report.
Source: Milligan College.

Northeast State Technical Community College. Northeast State was founded in 1966 as the Tri-Cities State Area Vocational-Technical. Northeast State is located at Blountville in Sullivan County, Tennessee. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The Northeast State serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray and Kingsport.

Source: Northeast State Technical Community College and TN Higher Education Commission

HEALTHCARE FACILITIES

Northeast Tennessee is fortunate to have numerous healthcare facilities. Some of the facilities that serve the Town, County and regions are as follows:

Unicoi County Hospital. Unicoi County Hospital is a nonprofit hospital located in Erwin which was acquired by the Mountain States Health Alliance (now Ballad Health) in late 2014. A new facility opened in October 2018. The facility boasts 10-bed inpatient care unit, a 24/7 emergency department and a variety of other medical services

Source: Unicoi County Hospital website.

Ballad Health. Ballad Health was created through the merger in early 2018 between the Mountain States Health Alliance and Wellmont Health System. Ballad Health is an integrated healthcare system serving 29 counties of Northeast Tennessee, Southwest Virginia, Northwest North Carolina and Southeast Kentucky. Ballad Health operates a family of 21 hospitals, including three tertiary medical centers, a dedicated children's hospital, community hospitals, three critical access hospitals, a behavioral health hospital, an addiction treatment facility, long-term care facilities, home care and hospice services, retail pharmacies, outpatient services and a comprehensive medical management corporation.

Source: BalladHealth.org

James H. Quillen VA Medical Center at Mountain Home (the "VAMC"). Since 1903, James H. Quillen VAMC serves more than 170,000 veterans from a 41-county area of Northeast Tennessee, Southwest Virginia, Western North Carolina, and southeastern Kentucky. The VAMC is located just outside of Johnson City in Mountain Home on 207 beautifully landscaped acres and shares the West

End of the campus with the East Tennessee State University College of Medicine. The VAMC is a teaching hospital and has affiliations with the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various post-graduate medical training programs.

VAMC Mountain Home has 468 general and 646 domiciliary beds. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the VAMC completed many renovations including a $70,000,000 modernization project in conjunction with the facility's role with the East Tennessee State University James H. Quillen College of Medicine. A U.S. National Cemetery is also located on the grounds of the VAMC.

Source: United States Department of Veterans Affairs

MANUFACTURING AND COMMERCE

The following includes the largest employers in the County, their product, and the approximate level of employment:

Major Employers in Unicoi County

Company	**Product/Service**	**Employment**
Nuclear Fuel Services	Nuclear Fuel Processing	750
Unicoi County Board of Ed	Public Education	373
Specialty Tires of America, Inc. (Unicoi)	Tire Manufacturing Facility	233
TN Tennessee, LLC	Ball & Roller Bearings	229
Regal Beloit Plastics Division	Injection Molding Mfg.	155
Walmart #3852	Retail	150
Unicoi County Government & Sheriff	Local Government	125
Center on Aging and Health LLC	Healthcare	110
Impact Plastics, Inc.	Injection Molding Mfg.	160
Unicoi County Hospital (Ballad Health)	Healthcare	77

Source: Joint Economic Development Board of Unicoi County, Tennessee; Business Journal of the Tri-Cities – Book of Lists – 2018.

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EMPLOYMENT - GENERAL

The chart below depicts the average annual employment and unemployment trends (on a seasonally adjusted basis) for the most recent five (5) years:

Average Annual Employment Trends[*]

Location	**2017**	**2016**	**2015**	**2014**	**2013**
United States	4.4%	4.9%	5.3%	6.2%	7.4%
Tennessee	3.7%	4.7%	5.6%	6.6%	7.8%
Unicoi County	4.4%	5.8%	6.8%	7.9%	9.6%
✓ **Co. Workforce**	7,360	7,260	7,210	7,190	7,410
✓ **Co. Employment**	7,040	6,860	7,720	6,630	6,700
✓ **Co. Unemployment**	320	420	490	570	720

Source: TN Dept. of Labor & Workforce Development, "Labor Force and Nonfarm Employment Estimates (2013-2017)" (May 2018) and "Labor Force Estimates – United States & Tennessee"

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[*] Adjusted to annual benchmarks computed in the prior year

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following briefly summarizes certain terms and provisions of the Resolution adopted on May 23, 2019, as amended and restated on June 13, 2019 (the "Resolution"). This summary is not a complete explanation of the terms and conditions of the Resolution. Investors should refer to the Resolution for a complete statement of the terms, provisions and conditions thereof.

Definitions of Certain Terms

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

"Act" shall mean Sections 7-36-101 et seq., Tennessee Code Annotated, as amended.

"Authority" means the Erwin Utilities Authority.

"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 Public Utilities of the Town of Erwin, a board of public utilities of the Town.

"Board of Directors" means the Board of Directors of the Authority.

"Bonds" means the Series 2019 Bonds and any Parity Bonds.

"Bond Proceeds Fund" means the Bond Proceeds Fund established pursuant to the Resolution.

"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.

"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.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by the Authority with substantial experience in advising municipal electric power systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems or (ii) an engineer or engineers who are employees of the Authority whose reports or projections are certified by a Financial Adviser.

"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 Authority provides additional security for any Series 2019 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 Authority or any paying agent for the or other obligations of the Authority 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:

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 the Authority, 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.

For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the Authority, (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 Authority 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 “Covenants Regarding the Operation of the System – Rate Covenant” unless the Authority has expressly resolved prior to the commencement of the relevant Fiscal Year to refinance, or retire from available System funds, such Balloon Indebtedness or Short-Term Indebtedness coming due in such Fiscal Year.

"Debt Service Sinking Fund" shall mean the Debt Service Sinking Fund established pursuant to the Resolution and described herein.

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, or obligations of any agency or instrumentality of the United States, which 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 advisory firm, commercial bank, or any other person who or which is retained by the Authority 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 the Authority, 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 each fiscal year of the Authority, which initially is the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

"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 this 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 of Directors, 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 Authority whereby a third party agrees to advance funds to the Authority and the Authority 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.

"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, 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 of Directors, any payments made by the Authority 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 the Authority 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 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 the Authority or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board of Directors, nor payments in lieu of taxes.

"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 Authority on a parity with the Series 2019 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.

"President" means the duly appointed President of the Authority or such person as may be lawfully acting in his or her place.

"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 Fitch Ratings, Inc., Moody's Investors Service, Inc., and S&P Global Ratings, or any successors thereto and any other nationally recognized credit rating agency.

"Registration Agent" means the registration and paying agent selected by the President or any successor designated by the Board of Directors.

"Reserve Fund" shall mean the Debt Service Reserve Fund established pursuant to the Resolution and described herein.

"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 Debt Service Sinking Fund to pay when due principal of and interest on all or a portion of the Series 2019 Bonds.

"Reserve Fund Credit Facility Issuer" means, at the time at which such Reserve Fund Credit Facility is purchased, an issuer of a Reserve Fund Credit Facility that has a credit rating not lower than the rating on any Series 2019 Bonds to be secured thereby from each Rating Agency that rates both such issuer and such Series 2019 Bonds.

"Reserve Fund Requirement" means an amount determined from time to time by the Authority as a reasonable reserve, if any, for the payment of principal of and interest on a series of bonds pursuant to the resolution authorizing such bonds. With respect to the Series 2019 Bonds authorized herein, there shall be no Reserve Fund Requirement until such time as the Authority shall have failed, for two consecutive Fiscal Years and as reflected on the audited financial statements of the System, to produce Net Revenues sufficient to provide 200% coverage of the Debt Service Requirement on all outstanding bonds. At such time, the Reserve Fund Requirement with respect to the Series 2019 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2019 Bonds; (b) the remaining Maximum Annual Debt Service Requirement on the Series 2019 Bonds, on a Fiscal Year basis; or (c) 125% of the remaining average Debt Service Requirement on the Series 2019 Bonds, on a Fiscal Year basis; and shall be funded over a 24-month period in the same manner described under “Application of Revenues and Creation of Funds – Reserve Fund”, commencing with the first month following receipt of the relevant audited financial statements. Thereafter, if the Authority in any Fiscal Year produces Net Revenues sufficient to provide at least 200% coverage of the Debt Service Requirement on all outstanding bonds, as reflected on the audited financial statements of the System, then the Reserve Fund Requirement shall immediately cease to be in effect (until such further subsequent time, if any, that the Reserve Fund Requirement is triggered in the manner described above), and all funds in the Reserved Fund may be immediately released from any restriction hereunder.

"Revenue Fund" shall mean the revenue Fund established pursuant to the Resolution and described herein.

"Series 2019 Bonds" means the electric system revenue bonds authorized to be issued by the Resolution.

"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 Authority as Parity Bonds in accordance with the restrictive provisions of Article IX of the Resolution.

"State" means the State of Tennessee.

"System" means the electrical power distribution system of the Authority and any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by the Authority while the Series 2019 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 of Directors, an Acquired System may be included within the System and become a part thereof or, at the election of the Board of Directors, not become a part of the System but be operated as a separate and independent system by the Authority with the continuing right, upon the election of the Board of Directors, to incorporate such separately Acquired System within the System.

"Town" means the Town of Erwin, Tennessee.

"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 Equality of Lien

The Series 2019 Bonds shall be payable solely from and secured solely by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Series 2019 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 irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

Application of Revenues and Creation of Funds

From and after the delivery of any of the Series 2019 Bonds hereunder, and as long as any of the Series 2019 Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Series 2019 Bonds, the Gross Earnings of the System shall be deposited as collected by the Authority to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Board of Directors. The funds so deposited in the Revenue Fund created under this Series 2019 Resolution shall be used only as follows:

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

b) Debt Service Sinking 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 "Debt Service Sinking Fund" (the "Debt Service Sinking Fund") to be kept separate and apart from all other funds of the Authority and used to pay principal of and interest on the Series 2019 Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Series 2019 Bonds are paid in full or discharged and satisfied, beginning in the month next following delivery of the Series 2019 Bonds.

For the period commencing with the month next following the delivery of any Series 2019 Bonds, to and including the month of the next interest payment date for such Series 2019 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 Series 2019 Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Series 2019 Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Series 2019 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 Debt Service Sinking 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 Debt Service Sinking 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 Authority as provided in the resolution authorizing the issuance of such bonds. Money in the Debt Service Sinking Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the bonds.

c) 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.

d) Reserve Fund. To the extent the Reserve Fund Requirement for the Series 2019 Bonds, if any, is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the Authority, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of the Authority. 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 Reserve Fund Requirement, if any.

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 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 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 hereunder shall be made monthly at the same time as deposits are made to the Debt Service Sinking 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 Operating Expenses, be transferred into the Debt Service Sinking 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 Series 2019 Bonds for the payment of which funds are not available in the Debt Service Sinking Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Authority for legally permissible purposes.

At the option of the Authority, it may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Series 2019 Bonds a

Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Series 2019 Bonds and release an equal amount of funds on deposit in the Reserve Fund to be used by the Authority for legally permissible purposes. At any time during the term hereof, the Authority 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 or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the Authority shall satisfy the Reserve Fund Requirement, if any, 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 Reserve Fund Requirement for the Series 2019 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 Authority, 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 Authority, from Revenues after payment of Operating Expenses and satisfaction of the required deposits to the Debt Service Sinking 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 in the Resolution.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the defeasance provisions 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 Authority (as applicable) 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 Series 2019 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.

If the Authority is ever required to fund the Reserve Fund Requirement for the Series 2019 Bonds, the President is hereby authorized and directed to either (1) cause to be deposited to the Reserve Fund funds of the Authority in an amount sufficient to cause the amount being held in the Reserve Fund to be equal to the Reserve Fund Requirement for the Series 2019 Bonds or (2) purchase a Reserve Fund Credit Facility in the amount of the Reserve Fund Requirement for the Series 2019 Bonds and to pay the premium therefor from the Authority funds. In the event the President elects to fund the Reserve Fund with a Reserve Fund Credit Facility, he is authorized to execute a Financial Guaranty Agreement and any associated certificates and agreements, as may be required by the Reserve Fund Credit Facility Issuer.

e) Surplus Funds. The next available money in the Revenue Fund shall be used 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 Series 2019 Bonds, and payments in lieu of taxes and may thereafter be used by the Authority for any legally permissible purpose, as the Board of Directors shall determine.

Covenants Regarding the Operation of the System

Charges for Services Supplied by the System. While the Series 2019 Bonds remain outstanding and unpaid, the Authority covenants and agrees 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 this resolution. The Authority covenants that the System will be operated on a fully metered basis and that the Authority 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 Authority 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 Authority 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. The Authority will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants, which such audit shall be prepared in accordance with generally accepted accounting practices.

Rate Covenant. The Authority shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times, such that Net Revenues in each Fiscal Year:

a) will equal at least 120% of the Debt Service Requirement on all Series 2019 Bonds, and 100% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year;

b) will enable the Authority to make all required payments, if any, into the Reserve Fund and on any Credit Facility;

c) will enable the Authority to accumulate an amount, which, in the judgment of the Board of Directors, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years.

Sale or Disposal of System. The Authority 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 Authority is 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 Series 2019 Bonds in accordance with the provisions governing repayment of Series 2019 Bonds in advance of maturity, or (B) to the purchase of Series 2019 Bonds at the market price thereof so long as such price does not exceed the amount at which the Series 2019 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;

b) (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

c) 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 Series 2019 Bonds the interest on which is excludable from gross income for federal income tax purposes, the Authority 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 Series 2019 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 the Authority is in full compliance with the covenants set forth herein immediately following such transfer or exchange. Notwithstanding the foregoing provisions to the contrary, the Authority may secure the repayment of that certain $1,000,000 Loan Agreement with the Tennessee Valley Authority by providing the Tennessee Valley Authority a deed of trust and security interest the Authority's garage and warehouse facility.

Budgets. Prior to the beginning of each Fiscal Year, the Board of Directors 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 set forth herein, 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. The Authority will not 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 Authority 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 the Authority is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Remedies of Bond Owners

Any registered owner of any of the Series 2019 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 the Authority 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 Series 2019 Bonds, then upon the filing of suit by any registered owner of said Series 2019 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Authority or the Authority 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 the Resolution.

Modification of Master Resolution

The Resolution may be amended without the consent of or notice to the registered owners of the Series 2019 Bonds for the purpose of curing any ambiguity or formal defect or omission in the Master Resolution; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

In addition to the amendments to this Resolution without the consent of registered owners as referred to above, the registered owners of a majority in aggregate principal amount of the Series 2019 Bonds at any time outstanding (not including in any case any Series 2019 Bonds which may then be held or owned by or for the account of the Authority but including such refunding bonds as may have been issued for the purpose of refunding any of such Series 2019 Bonds if such refunding bonds shall not then be owned by the Authority) shall have the right from time to time to consent to and approve the adoption by the Board of Directors of a resolution or resolutions modifying any of the terms or provisions contained in this resolution; provided, however, that this resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Series 2019 Bonds, as to:

(i) Make any change in the maturities or redemption dates of the Series 2019 Bonds;

(ii) Make any change in the rates of interest borne by the Series 2019 Bonds;

(iii) Reduce the amount of the principal payments or redemption premiums payable on the Series 2019 Bonds;

(iv) Modify the terms of payment of principal of or interest on the Series 2019 Bonds or impose any conditions with respect to such payments;

(v) Affect the rights of the registered owners of less than all of the Series 2019 Bonds then outstanding;

(vi) Reduce the percentage of the principal amount of the Series 2019 Bonds, the consent of the registered owners of which is required to effect a further modification.

Whenever the Authority shall propose to amend or modify this resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Series 2019 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 Authority 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 of the Board of Directors an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Series 2019 Bonds then outstanding, 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 Authority may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Series 2019 Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Series 2019 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 Series 2019 Bonds, whether or not such owner shall have consented to or shall have revoked any consent as 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 Authority from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Series 2019 Bond pursuant to the provisions hereof 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 Series 2019 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 Authority office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Series 2019 Bonds outstanding as defined herein 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 hereof 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 Series 2019 Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Series 2019 Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Notwithstanding the foregoing, if any Series 2019 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 Series 2019 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 Series 2019 Bonds as described above.

Prohibition of Prior Lien; Parity Obligations.

The Authority will issue any 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 Series 2019 Bonds without the prior written consent of the holders of the Series 2019 Bonds.

Additional bonds, notes, loan agreements or obligations may hereafter be issued on a parity with the Series 2019 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 Series 2019 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 Series 2019 Bonds thereafter outstanding, if all of the following conditions are satisfied:

  (i) the Authority shall have obtained a report from a Financial Adviser or the Chief Financial Officer of the Authority demonstrating that the refunding is expected to reduce the total debt service payments on the Series 2019 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 Series 2019 Bonds, and the Parity Bonds so issued shall be secured on a parity with such Series 2019 Bonds, if all of the following conditions are satisfied:

  (i) There shall have been procured and filed with the Authority a report by a Financial Adviser or a certificate by the Chief Financial Officer of the Authority, 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 Authority 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 Authority 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) the Authority shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the Chief Financial Officer of the Authority, or his designee, to the effect that (x) the payments required to be made into the Debt Service Sinking Fund have been made and the balance in the Debt Service Sinking 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, if any, and will be funded to the Reserve Fund Requirement, if any, 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 President shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds that the Authority is in compliance with all requirements of the Resolution.

c) Upon the determination of the Authority to combine an Acquired System into the System, any bonds, notes and other obligations of the Acquired System outstanding upon such combination may, at the election of the Authority, 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 the Authority:

(i) a report by a Financial Adviser or a certificate by the Chief Financial Officer of the Authority, 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 Series 2019 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 Authority 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 President, as of the date of the combination that the Authority is in compliance with all requirements of this resolution.

Applicability of Resolution to Parity Bonds. All the provisions and covenants of the Resolution relating to negotiability and registration of Series 2019 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 Series 2019 Bonds, the issuance of additional bonds, modification of this resolution, the defeasance of Series 2019 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 or assumed pursuant to the terms of the Resolution 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

FORM OF
ERWIN UTILITIES AUTHORITY (TENNESSEE)

$___________ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2019

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered this ___ day of _____________, 2019 by the Erwin Utilities Authority (Tennessee) (the "Issuer") in connection with the issuance of its $__________ Electric System Revenue Bonds, Series 2019 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer 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 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 as its 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 ___________, 2019, 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 Commissioners of the Issuer on May 23, 2019.

"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.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees 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, 2019, the Issuer 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 Issuer's audited financial statements, prepared in accordance with generally accepted accounting principles, or, if the Issuer's audited financial statements are not available, then the Issuer's unaudited financial statements, and (ii) any other publicly available financial information related to the Issuer.

(b) *Audited Financial Statements*. For Fiscal Years ending on or after June 30, 2019, the Issuer shall provide audited financial statements, 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 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 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 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 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 (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 Issuer's obligations 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 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 to comply with its 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. Dissemination Agent. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

SECTION 11. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 12. 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.

ERWIN UTILITIES AUTHORITY (TENNESSEE)

By: ____
President

APPENDIX E

CURRENT RATES

Erwin Utilities - Electric Rate Summary

Effective October 1, 2018

With Total Monthly Fuel Cost Adjustment Effective May 1, 2019

Transition Season

RESIDENTIAL RATE -- SCHEDULE RS

	Rate
Customer Charge - per delivery point per month	$22.10
Energy Charge - per kilowatthour (kWh)	8.657 ¢

GENERAL POWER RATE -- SCHEDULE GSA

				Rate
Part 1.	Not to exceed 50 kW or 15,000 kWh per month:			
	Customer Charge #1	-	per delivery point per month 1 Phase under 50 kW	$22.41
	Customer Charge #2	-	per delivery point per month 3 Phase under 50 kW	$30.64
	Energy Charge	-	per kWh	10.124 ¢
Part 2.	Greater than 50 kW but not more than 1,000 kW or 50 kW or less with greater than 15,000 kWh:			
	Customer Charge #1	-	per delivery point per month 3 Phase Self-contained Metering	$48.84
	Customer Charge #2	-	per delivery point per month 3 Phase Secondary Instrument Rated Metering	$63.48
	Customer Charge #3	-	per delivery point per month 3 Phase Primary Instrument Rated Metering	$110.54
	Demand Charge	-	per kW per month:	
			First 50 kW	$0.00
			Excess over 50 kW	$13.53
	Energy Charge	-	per kWh per month:	
			First 15,000 kWh	10.806 ¢
			Additional kWh	6.170 ¢
Part 3.	Greater than 1,000 kW but not more than 5,000 kW:			
	Customer Charge	-	per delivery point per month	$212.35
	Demand Charge	-	per kW per month:	
			First 1,000 kW	$13.78
			Excess over 1,000 kW	$16.25
			Excess Taking >2,500 kW or Contract	$16.25
	Energy Charge	-	per kWh per month	6.130 ¢

GENERAL MANUFACTURING CREDIT

Applies to Customers with SIC Code between 20 and 39, inclusive, served under Part 3 of Schedule GSA.

Demand Credit	-	per kW per month:	
	-	First 1,000 kW	($1.38)
	-	Excess over 1,000 kW	($1.63)
Energy Credit	-	per kWh per month	(1.076) ¢

Provided, however, that no Credit shall be applied in any month in which the Customer's metered demand for that account does not exceed 1,000 kW.

OUTDOOR LIGHTING RATE -- SCHEDULE LS

Part A --	Street Lighting, Traffic Signals, and Athletic Field Lighting:			
	Energy Charge	-	per kWh per month	6.356 ¢
	Facility Charge	-	annual rate	12%
	Customer Charge	-	per month for each traffic signal system or athletic field lighting installation	$10.00
Part B --	Charges for Outdoor Lighting for Individual Customers:			

Type of Fixture	*Lamp Size (Watts)*	*Lamp Size (Lumens)*	*Total Monthly Charge*
Mercury Vapor	175	7,650	$10.09
	400	23,000	$18.22
High Pressure Sodium	100	8,550	$9.37
	250	23,000	$15.04
	400	45,000	$18.08
Metal Halide	400	40,000	$21.97
	1,000	115,000	$36.36
LED	64	6,301	$8.92
	215	18,505	$19.00
	325	29,300	$27.30

Additional Facilities

$3.00 per month per pole for all existing poles installed *prior to October 1, 2015*
$4.15 per month per pole for all metal halide lights installed *prior to October 1, 2015*
$8.00 per month per pole for all new poles installed *after October 1, 2015*
$4.40 per month for transformer

Erwin Utilities -- Outdoor Lighting Rate -- Schedule LS

Effective October 1, 2018

With Total Monthly Fuel Cost Adjustment Effective May 1, 2019

Transition Season

PART A -- CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS

Energy Charge: (per kWh per month)	6.356 ¢

Facility Charge:

The annual facility charge shall be 12 percent of the installed cost to Distributor's electric system of the facilities devoted to street and park lighting service.

Customer Charge:

There is a monthly customer charge of $10.00 for service to each traffic signal system or athletic field lighting installation.

PART B -- CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

Charges Per Fixture Per Month

Type of Fixture	Lamp Size (Watts)	Lamp Size (Lumens)	Rated kWh	Energy Charge	Facility Charge	Total Charge
Mercury Vapor	175	7,650	70	$4.45	$5.64	$10.09
	400	23,000	155	$9.85	$8.37	$18.22
High Pressure Sodium	100	8,550	42	$2.67	$6.70	$9.37
	250	23,000	105	$6.67	$8.37	$15.04
	400	45,000	165	$10.49	$7.59	$18.08
Metal Halide	400	40,000	170	$10.81	$11.16	$21.97
	1,000	115,000	398	$25.30	$11.06	$36.36
LED	64	6,301	24	$1.53	$7.39	$8.92
	215	18,505	79	$5.02	$13.98	$19.00
	325	29,300	119	$7.56	$19.74	$27.30

ADDITIONAL FACILITIES

The charges in Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, Distributor may apply an additional monthly charge.

Erwin Utilities - Electric Rate Summary

Effective October 1, 2018

With Total Monthly Fuel Cost Adjustment Effective May 1, 2019

Transition Season

	Rate
MANUFACTURING SERVICE - Schedule TDMSA	
Customer Charge - per delivery point per month	$1,500.00
Administrative Charge	$350.00
5MR Administrative Charge	$350.00
Demand Charge	
Transition Season Onpeak kW	$9.27
Transition Season Max kW	$3.57
Transition Season OffPeak Excess of Contract kW	$9.27
Energy Charge	
Transition Season Onpeak kWh	5.072 ¢
All Seasons Offpeak Hours Use of Demand Adjustment	
Summer, Winter, and Transition Periods	
OffPeak kWh - First 200 HUD	5.072 ¢
OffPeak kWh - Next 200 HUD	2.018 ¢
OffPeak kWh - Additional HUD	1.763 ¢

APPENDIX F

FINANCIAL STATEMENT WITH SUPPLEMENTARY INFORMATION

FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

ERWIN UTILITIES

Financial Statements
With Supplementary Information

Year Ended June 30, 2018

ERWIN UTILITIES
Financial Statements With Supplementary Information
Year Ended June 30, 2018

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INTRODUCTORY SECTION

ERWIN UTILITIES
Roster of Officials and Board Members (Unaudited)
June 30, 2018

Officials

Mr. Lee Brown	General Manager
Mr. Kip Lemmon	Director of Construction and Maintenance
Mr. Matthew Rice, P.E.	Director of Water and Wastewater
Mr. John Williams, P.E.	Director of Fiber
Mr. James Mumpower, CPA	Director of Accounting & Finance

Board Members

Mr. Thomas Harris - Chairman
Mr. Scott Charles
Mr. Gary Edwards
Mr. Kevin Horton
Mr. Russell Brackins

FINANCIAL SECTION

- Certified Public Accountants
    - Business Advisors

p: 423.638.8144
f: 423.638.2979
w: rodefermoss.com
129 West Depot Street, Suite 1
Greeneville, TN 37743

RM
RODEFER MOSS & CO, PLLC

Independent Auditors' Report

Board of Public Utilities
Town of Erwin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Erwin Utilities (the "Utility") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Utility's basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 the internal control relevant to the Utility'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 Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Utility as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only Erwin Utilities and do not purport to, and do not, present fairly the financial position of the Town of Erwin, Tennessee as of June 30, 2018 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules as listed in the table of contents 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Erwin Utility's basic financial statements. The introductory section and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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 information and schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do no 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 October 17, 2018, on our consideration of the Utility'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 Utility'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 Utility's internal control over financial reporting and compliance.

Rodefer Moss & Co, PLLC

Greeneville, Tennessee
October 17, 2018

This discussion is intended to present a broad view of Erwin Utilities' financial position and activities for fiscal year 2018. The information in this letter is provided to comply with standards issued by the Governmental Accounting Standards Board (GASB) No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The discussion and analysis included in this document contain information for Electric, Water, Wastewater, and Fiber services provided by Erwin Utilities.

Erwin Utilities is owned by the Town of Erwin, Tennessee and is under the authority of the Board of Public Utilities, which consists of five (5) members. The day-to-day activities are controlled by the general manager and department managers.

Financial Statement Overview

The financial statements included in this report are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for four departments:

- Erwin Utilities' Electric Department
- Erwin Utilities' Water Department
- Erwin Utilities' Wastewater Department
- Erwin Utilities' Fiber Department

Each department operates independently from each other and shares costs when applicable. Costs are accounted for on a fair and consistent basis.

Highlights

- Paid the Town of Erwin, Unicoi County, Washington County, and Carter County a total of $786,518 in transfers and tax equivalent payments for fiscal year 2018.

- Erwin Fiber gained 648 customers for fiscal year ended 2018.

- TVA wholesale rates continued for fiscal year 2018. There was a total retail revenue increase effective October 1, 2017 with a net effect increase of approximately 1.5%.

- Principal debt repayments (net of refinanced amounts) for fiscal year 2018 on low interest loans for Erwin Utilities were as follows:

▪ Electric Department	$441,679
▪ Water Department	$136,392
▪ Wastewater Department	$128,120
▪ Fiber Department	$8,860

- 2017 Water Quality Report reported that all established standards were met or exceeded for Erwin Utilities' water system.

- Erwin Utilities began construction of the water line to serve Rocky Fork State Park and customers along Old Asheville Highway. The project is expected to be completed in FY 2019.

- Erwin Utilities replaced 4.8 miles of water main, 262 water services, and 22 fire hydrants as part of the DWSRF Water Distribution Systems Improvements project.

- ARC provided an additional $159,741 of grant income for Phase 4 fiber deployment.
- Additional financing was not required to construct Phase 4 and 5 of the Fiber-to-the-Home expansion.
- Fiber-to-the-Home, Phase 6 expansion began in August 2018.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Increase (Decrease)	%
Current assets	$ 11,765,117	$ 9,454,683	$ 2,310,434	24.44%
Utility plant, net	51,841,376	48,694,456	3,146,920	6.46%
Other assets	1,266,499	1,395,884	(129,385)	-9.27%
Total assets	64,872,992	59,545,023	5,327,969	8.95%
Deferred Outflows of resources	1,252,140	1,723,532	(471,392)	-27.35%
Current liabilities	5,978,008	5,432,504	545,504	10.04%
Long-term liabilities	14,980,243	14,135,767	844,476	5.97%
Total liabilities	20,958,251	19,568,271	1,389,980	7.10%
Deferred inflows of resources	99,711	127,008	(27,297)	-21.49%
Net position, restated	$ 45,067,170	$ 41,573,276	$ 3,493,894	8.40%

Table 2
Statement of Revenues and Expenses and Changes in Net Position

	June 30, 2018	June 30, 2017	Increase (Decrease)	%
Operating Revenue				
Sales	$ 26,308,448	$ 25,122,690	$ 1,185,758	4.72%
Other operating revenue	1,338,896	970,443	368,453	37.97%
Total operating revenue	27,647,344	26,093,133	1,554,211	5.96%
Operating Expenses				
Purchased power	16,426,632	16,163,603	263,029	1.63%
Distribution expense	1,757,065	1,494,928	262,137	17.54%
Maintenance	1,367,455	1,432,618	(65,163)	-4.55%
Customer accounts expense	1,201,990	1,244,708	(42,718)	-3.43%
Depreciation	1,733,434	1,654,715	78,719	4.76%
General and administrative expense	832,451	867,342	(34,891)	-4.02%
Treatment expense	713,232	663,839	49,393	7.44%
Pumping expense	123,232	97,139	26,093	26.86%
Collection expense	65,973	79,410	(13,437)	-16.92%
Total operating expenses	24,221,464	23,698,302	523,162	2.21%
Operating income	3,425,880	2,394,831	1,031,049	43.05%
Non-Operating Income (Expense)				
Interest income	42,075	22,400	19,675	87.83%
Grant revenue	1,292,227	293,434	998,793	340.38%
Interest expense	(303,546)	(245,308)	(58,238)	23.74%
Total non-operating income	1,030,756	70,526	960,230	1361.53%
Transfers, in lieu of taxes	(786,518)	(740,114)	(46,404)	6.27%
Change in net position	$ 3,670,118	$ 1,725,243	$ 1,944,875	112.73%

Financial Information

Electric Department

Net income for fiscal year 2018 increased from fiscal year 2017.

Operating Revenue for FY 2018 = $22,584,730
Operating Revenue for FY 2017 = $21,801,047

Purchased power from the Tennessee Valley Authority for fiscal year 2018 totaled $16,426,632 an increase of $263,029 from fiscal year 2017.

Principal paid on long-term debt was $441,679. Long-term debt of $3.53 million remains in the Electric Department at June 30, 2018.

Grant income during fiscal year 2018 totaled $159,741.

Water Department

Erwin Utilities' Water Department ended fiscal year 2018 with net income of $1,677,643.

Principal paid on long-term debt was $136,392. Additional debt acquired totaled $1,178,403. Long-term debt of $2.31 million remains in the Water Department at June 30, 2018.

Grant Income during fiscal year 2018 totaled $1,132,486.

Wastewater Department

Erwin Utilities' Wastewater Department ended fiscal year 2018 with net income of $63,908.

Principal paid on long-term debt was $128,120. Additional debt acquired totaled $420,399. Long-term debt of $5.36 million remains in the Wastewater Department at June 30, 2018.

Fiber Department

Erwin Utilities' Fiber Department ended fiscal year 2018 with a net income of $287,919. This was the fourth year of operations.

Long-term debt of $212,551 remains in the Fiber Department at June 30, 2018.

Other Financial Information

The details of the financial report and management's discussion are intended to provide customers and interested parties with a general and detailed overview of Erwin Utilities' financial position in all departments. Request for additional information should be addressed to Erwin Utilities, Manager of Accounting and Finance, P.O. Box 817, Erwin, Tennessee 37650.

ERWIN UTILITIES
Statement of Net Position
June 30, 2018

ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,648,076	
Certificates of deposit	1,345,826	
Accounts receivable, net	2,241,098	
Inventories	365,828	
Current notes receivable	87,500	
Accrued unbilled revenue	516,750	
Other	560,039	
Total current assets		$ 11,765,117
Utility Plant, net		51,841,376
Other Assets		
Notes receivable - long term	392,708	
Other assets	9,662	
Restricted cash	551,493	
Energy conservation program notes receivable	312,636	
Total other assets		1,266,499
Total assets		64,872,992
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,250,633	
Other post employment benefits	1,507	
Total deferred outflows		1,252,140
LIABILITIES		
Current Liabilities		
Accounts payable	4,227,033	
Current portion of long-term debt	783,037	
Accrued compensated absences	808,067	
Other	159,871	
Total current liabilities		5,978,008
Long-Term Liabilities		
Long-term debt	10,418,407	
Pension	2,706,458	
Conservation loans	312,637	
Customer deposits	1,070,612	
Other post employment benefits	472,129	
Total long-term liabilities		14,980,243
Total liabilities		20,958,251
DEFERRED INFLOWS OF RESOURCES		
Deferred prepayments	99,711	
Total deferred inflows		99,711
NET POSITION		
Net investment in capital assets	40,639,932	
Restricted		
Bond reserve	279,275	
Employee benefit plan	272,218	
Unrestricted	3,875,745	
Total net position		$ 45,067,170

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

Operating Revenue		
Sales	$ 26,308,448	
Other operating revenue	1,338,896	
Total operating revenue		$ 27,647,344
Operating Expenses		
Purchased power	16,426,632	
Distribution expense	1,757,065	
Maintenance	1,367,455	
Customer accounts expense	1,201,990	
Depreciation	1,733,434	
General and administrative expense	832,451	
Treatment expense	713,232	
Pumping expense	123,232	
Collection expense	65,973	
Total operating expenses		24,221,464
Operating income		3,425,880
Non-Operating Income (Expense)		
Interest income	42,075	
Grant revenue	1,292,227	
Interest expense	(303,546)	
Total non-operating expense		1,030,756
Transfers, in lieu of taxes		(786,518)
Change in net position		3,670,118
Net position at the beginning of the year, restated		41,397,052
Net position at the end of the year		$ 45,067,170

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows From Operating Activities		
Cash received from customers	$ 27,744,692	
Cash paid to suppliers and employees	(21,721,855)	
Net cash flows from operating activities		$ 6,022,837
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,880,354)	
Proceeds from long-term debt	1,598,802	
Principal paid on long-term debt	(715,051)	
Grant proceeds	1,042,005	
Interest expense	(303,546)	
Net cash flows from capital and related financing activities		(3,258,144)
Cash Flows From Investing Activities		
Interest earned	42,075	
Net redemption/purchase of certificates of deposit	452,267	
Net cash flows from investing activities		494,342
Cash Flows From Non-Capital Financing Activities		
Transfers, in lieu of taxes	(786,518)	
Net cash flows from non-capital financing activities		(786,518)
Net change in cash and cash equivalents		2,472,517
Cash and Cash Equivalents, Beginning of the Year		4,727,052
Cash and Cash Equivalents, End of the Year		$ 7,199,569

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Cash Flows (Continued)

Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income	$ 3,425,880
Adjustments to reconcile operating income to net cash flows from operating activities	
Depreciation	1,733,434
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	(6,561)
Other	(33,726)
Unbilled	(52,419)
Inventories	940
Notes receivable	87,500
Conservation loans	104,267
Other assets	(1,713)
Decrease in deferred outflows pension	572,686
(Decrease) Increase in liabilities:	
Accounts payable	623,620
Accrued expenses	(156,219)
Accrued compensation	33,549
Customer deposits	213,313
Other post employment benefits	(86,547)
Pension liability	(263,894)
Deferred inflows	(171,273)
Net cash flows from operating activities	$ 6,022,837

See accompanying notes to financial statements.

NOTE 1 - REPORTING ENTITY

Erwin Utilities (the "Utility") is a part of the primary government of the Town of Erwin, Tennessee (the "Town"), and the Utility's financial statements are included in the Town's financial statements. The Utility provides electric, water, wastewater, VoIP and internet services to its customers in Erwin, Tennessee.

These financial statements present only Erwin Utilities and are not intended to present fairly the financial position of the Town and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accounts of the Utility are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Utility has implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*."

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Measurement Focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources management focus" and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Accounting Policies - The Electric System follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission and TVA.

Cash Equivalents - The Utility considers certificates of deposit with original maturities of three months or less to be cash equivalents.

Accounts Receivable - are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amount through a provision for uncollectible accounts. Balances outstanding after reasonable collection efforts are written off to this allowance account. At June 30, 2018, the balance in allowance for uncollectible accounts was $32,978.

Inventories - Inventories are recorded at average cost not to exceed current replacement cost.

Utility Plant - Utility plant is carried at cost. Depreciation is computed on the straight-line method using composite rates developed from depreciation studies. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost less salvage is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The estimated useful lives of capital assets are as follows:

Structures and permanent improvements	50 - 100 years
Equipment, furnishing, and distribution systems	10 - 50 years
Fiber services	20 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences - The cost of vacation pay and sick leave benefits is recognized as earned by employees. In the event of termination, an employee is reimbursed for accumulated vacation days not to exceed thirty workdays. Employees can accumulate sick leave, and upon retirement, employees are reimbursed for 60% of their accumulated sick leave benefits not to exceed 150 workdays. Upon the death of an active employee, beneficiaries will receive any accrued vacation and sick leave benefits as described under the above retirement provision.

Pension - 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 the Erwin, Tennessee Board of Public Utilities Pension Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions ("OPEB") - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Erwin Utilities Post-Retirement Welfare Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are report by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Plan has no investments as the net OPEB liability is not funded but expenses are paid as incurred.

Self Insurance Reserve - The Utility is self insured for the purpose of paying medical claims for the Utility's employees and their covered dependents to minimize the total cost of annual medical insurance to the Utility. Medical claims exceeding the minimum aggregate deductible of $30,000 per individual are covered through a private insurance carrier to the Utility. The cash held for the self insurance of $272,218 is restricted at June 30, 2018.

Revenues and expenses - The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing wastewater services and delivering electricity, water, phone, and internet services in connection with ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses 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. Revenues are recognized on monthly cycle billings to customers. In order to properly match revenues with related cost, unbilled customer revenues are recorded at the end of each year.

New Accounting Pronouncements - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* supersedes existing guidance on financial reporting for postemployment benefits other than pensions found in Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These related Statements affect accounting and financial reporting requirements for governments whose employees are provided with OPEB.

Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The Utility implemented GASB Statement No. 75 in the current fiscal year. The adoption of GASB Statement No. 75 created a prior period adjustment of $176,225 decreasing net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 3 - INCOME TAX STATUS

The Utility is a non-profit organization, and is exempt from federal income tax under Internal Revenue Code Section 501(c)(12).

NOTE 4 - DEPOSITS

Deposits at June 30, 2018, consisted of cash, certificates of deposit, and interest bearing bank accounts. At June 30, 2018, bank balances aggregated $8,192,738 of which $500,000 was covered by federal depository insurance and $7,692,738 was covered by the Tennessee Collateral Pool.

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Utility, its agent or by the Federal Reserve in the Utility's name.

Statutes also authorize the Utility 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, state pool investment funds, and money market mutual funds. Statutes require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

A summary of cash and certificates of deposit at June 30, 2018, is as follows:

Interest bearing accounts	$ 7,192,134
Certificates of deposit	1,345,811
Petty cash	7,450
	$ 8,545,395

NOTE 5 - UTILITY PLANT ACTIVITY

Utility plant activity for the year ended June 30, 2018, was as follows:

Utility Plant	Balance 6/30/17	Additions	Retirements	Balance 6/30/18
Capital assets not being depreciated				
Land and land rights	$ 1,711,142	$ 185	$ -	$ 1,711,327
Construction in progress	4,003,322	5,166,032	(5,226,135)	3,943,219
Total capital assets not being depreciated	5,714,464	5,166,217	(5,226,135)	5,654,546
Other capital assets				
Structures and permanent improvements	18,545,375	1,212	(11,440)	18,535,147
Equipment, furnishings, and distribution systems	42,504,059	4,936,429	(398,319)	47,042,169
Total other capital assets	61,049,434	4,937,641	(409,759)	65,577,316
Less accumulated depreciation for				
Structures and permanent improvements	(6,476,771)	(899,817)	134,157	(7,242,431)
Equipment, furnishings, and distribution system	(11,592,671)	(833,617)	278,233	(12,148,055)
Total accumulated depreciation	(18,069,442)	(1,733,434)	412,390	(19,390,486)
Other capital assets, net	42,979,992	3,204,207	2,631	46,186,830
Utility Plant, net	$ 48,694,456	$ 8,370,424	$ (5,223,504)	$ 51,841,376

NOTE 6 - LONG-TERM DEBT ACTIVITY

Long-term debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable					
Electric	$ 3,973,214	$ -	$ (441,679)	$ 3,531,535	$ 432,626
Water	1,264,229	1,178,403	(136,392)	2,306,240	208,879
Wastewater	5,071,390	420,399	(128,120)	5,363,669	141,532
Total bonds and notes payable	$ 10,308,833	$ 1,598,802	$ (706,191)	$ 11,201,444	$ 783,037

NOTE 6 - LONG-TERM DEBT ACTIVITY (Continued)

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

Tennessee Municipal Bond Fund, variable interest rate, due in varying amounts through May 2022	$ 793,900
Series 2016 revenue bonds, 3% interest rate at June 30, 2018, due in varying amounts through September 2027	2,390,000
Series 2015 revenue bonds, 4% interest rate at June 30, 2018, due in varying amounts through June 2045	2,635,000
Series 2010 revenue bonds, 2.25% interest rate at June 30, 2018, due in varying amounts through June 2025	575,000
State Revolving Fund Loan, 2.42% interest rate, due in varying amounts through March 2033	438,092
State Revolving Fund Loan, 1.39% interest rate, due in varying amounts through July 2047.	2,710,840
Note payable to Rural Development, no interest, due in monthly variable payments through October 2023.	196,872
Note payable to Rural Development, no interest, due in monthly variable payments through March 2024.	283,337
State Revolving Fund Loan, 1.24% interest rate, due in varying amounts through maturity that is undetermined as of June 30, 2018.	196,040
State Revolving Fund Loan, 1.24% interest rate, due in varying amounts through maturity that is undetermined as of June 30, 2018.	982,363
	11,201,444
Amounts due within one year	(783,037)
Total long-term debt	$ 10,418,407

Future maturities of long-term debt as of June 30, 2018, are as follows:

Year Ended June 30	Principal	Interest
2019	783,037	237,580
2020	814,396	224,118
2021	839,263	208,263
2022	744,566	191,723
2023	770,316	178,024
2024-2028	2,671,971	673,734
2029-2033	1,392,852	434,332
2034-2038	1,366,312	294,150
2039-2043	1,162,026	151,635
2044-2048	656,705	23,324
Total	$ 11,201,444	$ 2,616,883

NOTE 6 - LONG-TERM DEBT ACTIVITY (Continued)

At June 30, 2018, the Utility had $279,275 restricted in its bond debt service fund to meet the current reserve requirements of all long-term debt principal and interest as required by Regions Bank.

NOTE 7 - RETIREMENT PLANS

Defined Benefit Retirement Plan

Plan Description

The Pension Plan for the Employees of the Erwin, Tennessee Board of Public Utilities (the "Plan") is individually designed by USI Consulting Group, established October 1, 2006, as a continuation of the CSA Plan. The Plan is a non-contributory, defined benefit retirement plan that provides retirement benefits as well as death benefits payable to surviving spouses. All employees of the Utility are eligible to participate in the Plan upon attaining the age of 21 and completing one year of service. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 65. A reduced retirement benefit is available to vested members at the age of 55. At the option of the employee, retirement benefits may be received in the form of a lump-sum distribution or an annuity over a period of 60, 120, or 180 months, or an employee may elect a 50% lump sum distribution with the remaining balance in monthly annuity payments for 60, 120, or 180 months.

An employee joining the Plan after August 1, 1995, is vested in his or her account in accordance with the following schedule:

Years of Employment at Termination	Percentage Account Vested
Less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Benefits Provided:

Members become eligible to retire the first day of the month coincident with or the next following attainment of the later of age 65 or the 5th anniversary of the day they first became a Participant in the Plan. Members are eligible for early retirement the first day of the month coincident with or the next following attainment of age 55. Monthly benefits are determined by a formula as follows a) 2% of average monthly earnings times benefit service after July 31, 1995 b) 2% of average monthly earnings times benefit service before August 1, 1995, to a maximum of 5 years but not more than the lesser of benefit service after July 31, 1995, and benefit service from date of hire to August 1, 1995 and c) past service benefit as defined in the Plan. Early retirement benefit is reduced 4/10 of 1% per month for the number of months between early retirement date and normal retirement date.

Employees Covered by Benefit Terms

Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to deferred benefits	2
Active employees	46
	59

NOTE 7 - RETIREMENT PLANS (Continued)

Contributions

The Utility makes employer contributions at the rate set by the actuarial valuation. For the year ended June 30, 2018, the Actuarially Determined Contribution ("ADC") for the Utility was $458,273 based on a rate of 17.73 percent of covered payroll. By law, employer contributions are required to be paid. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Valuation Date - The Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions - The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0 percent
Salary Increases	4.0 percent, average, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Mortality rates -	Pre-retirement: IRS 2016 Combined Static Mortality Table Post-retirement: Tennessee Consolidated Retirement System Mortality Table

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation
U.S. Equity - Large Cap	20.00%
U.S. Equity - Small/Mid Cap	15.00%
Non U.S. Equity-Developed	10.00%
U.S. Corporate Bonds Core	30.50%
U.S. Corporate Bonds High Yield	7.50%
Non U.S. Debt-Developed	5.00%
U.S. Treasury	1.00%
Hedge Funds	11.00%

The long-term expected rate of return on pension plan investments was established as 7.0 percent based on blending of factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that the Plan contributions will be made according to their established funding policy to contribute actuarially determined contribution. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/16	$ 7,970,622	$ 5,000,269	$ 2,970,353
Changes for the year:			
Service Cost	237,519	-	237,519
Interest	564,829	-	564,829
Differences between expected and actual experience	34,006	-	34,006
Changes of assumptions	1,692	-	1,692
Contributions - employer	-	472,563	(472,563)
Net investment income	-	635,312	(635,312)
Benefit payments, including refunds of employee contributions	(283,106)	(283,106)	-
Administrative expense	-	(5,934)	5,934
Net changes	554,940	818,835	(263,895)
Balances at 6/30/17	$ 8,525,562	$ 5,819,104	$ 2,706,458

Pension plan Fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued USI Consulting Group financial report.

Sensitivity of the net position liability changes in the discount rate. The following presents the net position liability of the Utility calculated using the discount rate of 7 percent, as well as what the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1 % Decrease (6.00)	Current Discount Rate (7.00)	1 % Increase (8.00)
Net pension liability (asset)	$ 3,664,488	$ 2,706,458	$ 1,884,557

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Plan recognized pension expense of $578,948. At June 30, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 294,974	$ -
Changes of assumptions	421,978	-
Net difference between projected and actual earnings on pension plan investments	44,045	-
Contributions subsequent to measurement date of June 30, 2017	489,636	-
Total	$ 1,250,633	$ -

NOTE 7 - RETIREMENT PLANS (Continued)

The amounts shown above for “Contributions subsequent to measurement date of June 30, 2017” will be recognized as a reduction (increase) to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 126,998
2020	177,648
2021	141,907
2022	59,776
2023	115,571
Thereafter	139,097
Total	$ 760,997

Payable to the Pension Plan

At June 30, 2018, the Utility had no payable for the outstanding amount of contributions to the pension plan.

Defined Contribution Plan

The Utility offers the Erwin Utilities 401(k) Retirement Plan (the “Plan”) to its employees administered by Wells Fargo, N.A. All employees are eligible to participate in the Plan once they have completed one year of service as defined by a 12 month period and having worked at least 1,000 hours and have reached age 21. Normal retirement eligibility begins at age 65 and early retirement is the first day of the month coinciding with or following the date the participant has attained age 55. Participants are always vested 100% in rollover contributions and salary deferrals. The Utility does not contribute to the Plan. The maximum contribution for employees cannot exceed the lesser of $53,000 or 100% of their annual salaries. The effective date of the plan was January 1, 1986. The plan was amended and restated effective July 1, 2015, to comply with tax law changes. Employee contributions for the year ended June 30, 2018, were $74,971.

NOTE 8 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Utility’s defined benefit OPEB plan, Erwin Utilities Post Retirement Welfare Benefit Plan (the “Plan”), provides OPEB for all employees retiring after age 55. The Plan is a single-employer defined benefit OPEB plan administered by the Utility. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides health and life insurance benefits for retirees and their spouse. Until the retiree reaches age 65, the retiree pays 100% of the medical and life premiums. The Plan provides a life benefit of $10,000. Coverage ceases at age 65 for both the retiree and their spouse.

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	47
	48

NOTE 8 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Total OPEB Liability

The Utility’s total OPEB liability of $472,129 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.13 percent
Healthcare cost trend rates	9 percent for 2017, decreasing 1 percent per year to an ultimate rate of 5 percent for 2021 and later years
Retirees’ share of benefit-related costs	100 percent of health and life insurance premiums for retirees

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index as of July 1, 2017.

Mortality rates were based on the RP-2000 Combined Male and Female Fully Generational Mortality Table with projection scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based upon the results of an actuarial experience study for the period from July 1, 2015 through July 1, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 7/1/16	$ 439,520
Changes for the year:	
Service Cost	25,429
Interest	14,440
Benefit payments	(7,260)
Net changes	32,609
Balance at 6/30/17	$ 472,129

NOTE 8 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	1 % Decrease (2.13)	Current Discount Rate (3.13)	1 % Increase (4.13)
Net OPEB liability (asset)	$ 585,638	$ 472,129	$ 384,745

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8 percent decreasing 1 percent until 4 percent is reached) or 1-percentage-point higher (10 percent decreasing 1 percent until 6 percent is reached) than the current healthcare cost trend rates:

	1 % Decrease (8.00) decreasing 1.00% until 4.00% is reached	Healthcare Cost Trend Rates (9.00) decreasing 1.00% until 5.00% is reached	1 % Increase (10.00) decreasing 1.00% until 6.00% is reached
Net OPEB liability (asset)	$ 393,699	$ 472,129	$ 582,261

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Utility recognized OPEB expense of $32,609. At June 30, 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefits paid subsequent to measurement date of June 30, 2017	$ 1,507	$ -

The amount shown above for "Benefits paid subsequent to measurement date of June 30, 2017" will be recognized as a reduction to net OPEB liability in the following measurement period.

NOTE 9 - POWER CONTRACT

The Utility has a power contract with TVA whereby the system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

NOTE 10 - TVA RESIDENTIAL ENERGY EFFICIENCY PROGRAM

Under a contract with Tennessee Valley Authority, the Utility participates in home energy efficiency programs providing low-interest loans to qualified customers. Customer repayments are remitted to Regions Bank. During the year, new loans are now outsourced and the Utility will continue to service the remaining loans.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Utility to concentrations of credit risk consist primarily of accounts receivable. Because the Utility requires a deposit if a customer is considered a credit risk, management does not believe significant credit risk exists at June 30, 2018.

NOTE 12 - RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss is covered by commercial package insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In addition, the Utility provides medical insurance to employees through a partially self-funded health insurance plan and maintains a self-insured reserve as described in Note 2. Under the Plan, the employee and employer share the cost of eligible medical expenses that are applied toward the deductible and/or coinsurance of the high deductible health plan provided by the Utility. Once the deductible amount and/or coinsurance under the fully-insured plan are exceeded, covered expenses become reimbursable at 80% under the partially self-insured plan.

The Utility also has stop-loss insurance coverage for excess medical liabilities. The stop-loss coverage provides reimbursement to the Utility once a covered individual has exceeded $30,000 in medical claims. Claims incurred during the year were approximately $101,000 and claims paid were approximately $101,000. There were no claims accrued as of June 30, 2018. For the fiscal year ended June 30, 2018, reimbursements received under the excess coverage were $ 0.

NOTE 13 - SUBSEQUENT EVENT

The Utility obtained an ARC grant for $475,000 with a match of $7,965 to pay for additional water line extensions. The Utility obtained a State Revolving Fund loan for $750,000 that includes $150,000 loan forgiveness for a water tank replacement. Electric continues to install fiber and will complete the final two phases by 2020. Estimated costs for 2019 is $2,075,000 and estimated costs for 2020 is $698,000.

NOTE 14 - SEGMENT INFORMATION

The Utility issues general obligation, public improvement, and revenue bonds to support the services provided to its customers and the Town of Erwin. The financial statements report general obligation and public improvement bonds for the electric, wastewater, and water and a revenue bond for the wastewater segment. Condensed financial information for electric, wastewater, water, and fiber follows:

Condensed Statement of Net Position	Electric System	Water System	Wastewater System	Fiber System
ASSETS				
Current assets	$ 7,227,887	$ 2,881,706	$ 1,671,428	$ 405,519
Utility plant, net	23,629,078	14,446,065	13,679,690	86,543
Other assets	1,266,499	-	-	-
Total assets	32,123,464	17,327,771	15,351,118	492,062
DEFERRED OUTFLOWS OF RESOURCES	732,657	277,424	239,967	2,092
LIABILITIES				
Current liabilities	4,548,690	1,439,927	198,263	-
Long-term liabilities	6,383,247	2,789,502	5,794,908	225,337
Total liabilities	10,931,937	4,229,429	5,993,171	225,337
DEFERRED INFLOWS OF RESOURCES	-	-	-	99,711
NET POSITION				
Net investment in capital assets	20,097,543	12,139,825	8,316,021	86,543
Restricted	551,493	-	-	-
Unrestricted	1,275,148	1,236,141	1,281,893	82,563
Total net position	$ 21,924,184	$ 13,375,966	$ 9,597,914	$ 169,106

NOTE 14 - SEGMENT INFORMATION (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Electric System	Water System	Wastewater System	Fiber System
Operating revenues	$ 22,584,730	$ 2,501,125	$ 1,525,554	$ 1,035,935
Depreciation	1,097,053	372,747	259,375	4,259
Other operating expenses	19,265,471	1,507,230	978,745	736,584
Total operating expenses	20,362,524	1,879,977	1,238,120	740,843
Operating income	2,222,206	621,148	287,434	295,092
Non-Operating Income (Expense)				
Interest income	38,494	5,546	5,208	1,522
Grant revenue	159,741	1,132,486	-	-
Interest expense	(111,609)	(32,559)	(159,378)	(8,695)
Total non-operating	86,626	1,105,473	(154,170)	(7,173)
Transfers, in lieu of taxes	(668,184)	(48,978)	(69,356)	-
Change in net position	1,640,648	1,677,643	63,908	287,919
Net position at the beginning of the year, restated	20,283,536	11,698,323	9,534,006	(118,813)
Net position at the end of the year	$ 21,924,184	$ 13,375,966	$ 9,597,914	$ 169,106

Condensed Statement of Cash Flows	Electric System	Water System	Wastewater System	Fiber System
Net cash provided (used) by				
Operating activities	$ 3,373,000	$ 1,948,685	$ 384,626	$ 316,526
Capital and related financing activities	(1,801,060)	(1,511,450)	79,868	(34,197)
Investing activities	495,403	1,759	4,353	1,522
Non-Capital financing activities	(668,184)	(48,978)	(69,356)	-
Net increase (decrease)	1,399,159	390,016	399,491	283,851
Cash, beginning of the year	2,812,329	828,125	1,010,879	75,719
Cash, end of the year	$ 4,211,488	$ 1,218,141	$ 1,410,370	$ 359,570

REQUIRED SUPPLEMENTARY INFORMATION

ERWIN UTILITIES
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
June 30, 2018

Measurement Period Ended	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total pension liability				
Service cost	$ 167,818	$ 174,531	$ 226,282	$ 237,519
Interest	457,033	470,513	519,912	564,829
Differences between expected and actual experience	-	215,267	156,806	34,006
Changes of assumptions	-	628,364	1,427	1,692
Benefit payments, including refunds of employee contributions	(402,082)	(503,429)	(265,186)	(283,106)
Net change in total pension liability	222,769	985,246	639,241	554,940
Total pension liability - beginning	6,123,366	6,346,135	7,331,381	7,970,622
Total pension liability - ending (a)	$ 6,346,135	$ 7,331,381	$ 7,970,622	$ 8,525,562
Plan fiduciary net position				
Contributions - employer	$ 454,675	$ 440,218	$ 461,472	$ 472,563
Net investment income	566,307	176,342	(62,873)	635,312
Benefit payments, including refunds of employee contributions	(402,082)	(503,429)	(265,186)	(283,106)
Administrative expense	(2,460)	(2,400)	(9,931)	(5,935)
Net change in plan fiduciary net position	616,440	110,731	123,482	818,834
Plan fiduciary net position - beginning	4,149,616	4,766,056	4,876,787	5,000,269
Plan fiduciary net position - ending (b)	$ 4,766,056	$ 4,876,787	$ 5,000,269	$ 5,819,103
Net pension liability - ending (a) - (b)	1,580,079	2,454,594	2,970,353	2,706,459
Plan fiduciary net position as a percentage of the total pension liability	75.10%	66.52%	62.73%	68.25%
Covered - employee payroll	$ 2,182,269	$ 2,343,377	$ 2,477,179	$ 2,692,474
Net pension liability as a percentage of covered employee payroll	72.41%	104.75%	119.91%	100.52%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ERWIN UTILITIES
Schedule of Contributions (Unaudited)
June 30, 2018

Measurement period ended June 30,	2014	2015	2016	2017	2018
Actuarially determined contribution	$ 454,682	$ 436,093	$ 458,260	$ 465,339	$ 458,273
Contributions in relation to the actuarially determined contribution	454,675	440,218	461,472	472,563	498,351
Contribution deficiency (excess)	$ 7	$ (4,125)	$ (3,212)	$ (7,224)	$ (40,078)
Covered employee payroll	$ 2,182,269	$ 2,343,377	$ 2,477,179	$ 2,692,474	$ 2,584,396
Contributions as a percentage of covered employee payroll	20.83%	18.79%	18.63%	17.55%	19.28%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of the beginning of the measurement period of each fiscal year (July 1).

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal, level percentage of compensation
Amortization method:	Level amortization, closed
Remaining amortization period:	30 years
Asset valuation method:	Market value of plan assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% a year. Valuation assets are further limited to a 20% corridor around market value.
Salary increases:	4.0% per annum
Investment rate of return:	7.0% per annum
Retirement age:	15% retire at age 60 and 61, 50% retire at age 62, 25% retire at age 63 and 64, and 100% retire at age 65
Mortality:	Pre-retirement: IRS 2016 Combined Static Mortality Table Post-retirement: TCRS Mortality Table
Disabled mortality:	TCRS Mortality Table

ERWIN UTILITIES
Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)
June 30, 2018

Measurement Period Ended	6/30/2017
Total OPEB liability	
Service cost	$ 25,429
Interest	14,440
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(7,260)
Net change in total OPEB liability (asset)	32,609
Total OPEB liability (asset) - beginning	439,520
Total OPEB liability (asset) - ending (a)	$ 472,129
Covered - employee payroll	$ 2,692,474
Net OPEB liability (asset) as a percentage of covered employee payroll	17.54%

Notes to Schedule

Changes of benefit terms - None

Changes of assumptions - None

The healthcare cost trend rate was reset at 9.0% for 2017, grading down 1.0% per annum to an ultimate trend rate of 5.0% for year 2021 and later. The participation rate for Pre-65 retirees electing medical coverage was updated to 30% to better reflect actual experience.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

ERWIN UTILITIES
Schedule of Expenditures of Federal and State Awards
June 30, 2018

Grantor Agency	Program Title	CFDA Number	Balance July 1, 2017	Receipts	Expenditures	Balance June 30, 2018	Expenditures to Subrecipients
Water							
United States Department of Environment and Conservation passed through Tennessee Department of Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.468	$ (34,498)	$ 1,309,817	$ 1,321,256 [1]	$ (45,937)	$ -
Tennessee Department of Environment and Conservation	State Revolving Fund Loan Program	NA	-	-	14,640 [2]	(14,640)	-
Tennessee Department of Environment and Conservation	State Revolving Fund Loan Program	NA	-	196,040	196,040	-	-
Appalachian Regional Commission passed through State of Tennessee Department of Economic and Community Development	Appalachian Area Development	23.002	-	171,690	466,983	(295,293)	-
United States Department of Housing and Urban Development passed through State of Tennessee Department of Economic and Community Development passed through Unicoi County	Community Development Block Grant	14.228	-	166,758	311,970	(145,212)	-
Total grants from federal and state allocation for Water			$ (34,498)	$ 1,844,305	$ 2,310,889	$ (501,082)	$ -

[1] This is a state revolving loan fund which includes both federal and state money. Federal money for the year ended June 30, 2018 was $529,118 and State money for the year ended June 30, 2018 was $826,636. 25% loan forgiveness of $373,391 is also included above.

[2] This is a state revolving loan fund which is only state money. 20% loan forgiveness of $14,640 is included above.

ERWIN UTILITIES
Schedule of Expenditures of Federal and State Awards (Continued)

Grantor Agency	Program Title	CFDA Number	Balance July 1, 2017	Receipts	Expenditures		Balance June 30, 2018	Expenditures to Subrecipients
Electric								
Appalachian Regional Commission passed through State of Tennessee Department of Economic and Community Development	Appalachian Area Development	23.002	$ (234,360)	$ 394,101	$ 159,741		$ -	$ -
Total grants from federal for Electric			$ (234,360)	$ 394,101	$ 159,741		$ -	$ -
Wastewater								
United States Department of Environmental Protection Agency passed through Tennessee Department of Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458	$ (22,107)	$ 442,525	$ 420,418	[3]	$ -	$ -
Total grants from federal and state allocation for Wastewater			$ (22,107)	$ 442,525	$ 420,418		$ -	$ -

[3] This is a state revolving loan fund which includes both federal and state money. Federal money for the year ended June 30, 2018 was $0 and State money for the year ended June 30, 2018 was $442,525. 5% loan forgiveness of $22,107 is included in the receipts noted above.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal and state award activity of Erwin Utilities under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Erwin Utilities, it is not intended to and does not present the financial position, change in net position, or cash flows of Erwin Utilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Erwin Utilities has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ERWIN UTILITIES
Departmental Statement of Net Position
June 30, 2018

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 3,659,995	$ 1,218,141	$ 1,410,370	359,570	$ -	$ 6,648,076
Certificates of deposit	267,161	908,424	170,241	-	-	1,345,826
Accounts receivable, net	2,440,599	114,946	71,413	35,563	(421,423)	2,241,098
Inventories	228,673	121,115	16,040	-	-	365,828
Current notes receivable	87,500	-	-	-	-	87,500
Accrued unbilled revenue	516,750	-	-	-	-	516,750
Other	27,209	519,080	3,364	10,386	-	560,039
Total current assets	7,227,887	2,881,706	1,671,428	405,519	(421,423)	11,765,117
Utility Plant, net	23,629,078	14,446,065	13,679,690	86,543	-	51,841,376
Other Assets						
Notes receivable - long term	392,708	-	-	-	-	392,708
Other assets	9,662	-	-	-	-	9,662
Restricted cash	551,493	-	-	-	-	551,493
Conservation notes receivable	312,636	-	-	-	-	312,636
Total other assets	1,266,499	-	-	-	-	1,266,499
Total assets	32,123,464	17,327,771	15,351,118	492,062	(421,423)	64,872,992
DEFERRED OUTFLOWS OF RESOURCES						
Pension	731,786	277,099	239,686	2,062	-	1,250,633
OPEB	871	325	281	30	-	1,507
Total deferred outflows	732,657	277,424	239,967	2,092	-	1,252,140
LIABILITIES						
Current Liabilities						
Accounts payable	3,104,617	1,111,099	11,317	-	-	4,227,033
Current portion of long-term debt	432,626	208,879	141,532	-	-	783,037
Accrued compensated absences	650,461	119,949	37,657	-	-	808,067
Intercompany payable	208,872	-	-	-	(208,872)	-
Accrued expenses	152,114	-	7,757	-	-	159,871
Total current liabilities	4,548,690	1,439,927	198,263	-	(208,872)	5,978,008
Long-Term Liabilities						
Conservation loans	312,637	-	-	-	-	312,637
Customer deposits	1,070,612	-	-	-	-	1,070,612
Other post employment benefits	309,655	97,629	59,501	5,344	-	472,129
Pension	1,591,434	594,312	513,270	7,442	-	2,706,458
Long-term debt	3,098,909	2,097,361	5,222,137	212,551	(212,551)	10,418,407
Total long-term liabilities	6,383,247	2,789,302	5,794,908	225,337	(212,551)	14,980,243
Total liabilities	10,931,937	4,229,229	5,993,171	225,337	(421,423)	20,958,251
DEFERRED INFLOWS OF RESOURCES						
Deferred prepayments	-	-	-	99,711	-	99,711
Total deferred inflows	-	-	-	99,711	-	99,711
NET POSITION	$ 21,924,184	$ 13,375,966	$ 9,597,914	$ 169,106	$ -	$ 45,067,170

ERWIN UTILITIES
Departmental Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2018

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Operating Revenue						
Sales	$ 21,491,187	$ 2,296,853	$ 1,484,473	$ 1,035,935	$ -	$ 26,308,448
Other operating revenue	1,093,543	204,272	41,081	-	-	1,338,896
Total operating revenues	22,584,730	2,501,125	1,525,554	1,035,935	-	27,647,344
Operating Expenses						
Purchased power	16,426,632	-	-	-	-	16,426,632
Distribution expense	921,349	171,612	-	664,104	-	1,757,065
Maintenance	890,009	323,583	152,496	1,367	-	1,367,455
Customer accounts expense	683,376	327,883	158,336	32,395	-	1,201,990
Depreciation	1,097,053	372,747	259,375	4,259	-	1,733,434
General and administrative expense	344,105	246,304	203,324	38,718	-	832,451
Treatment expense	-	437,848	275,384	-	-	713,232
Pumping expense	-	-	123,232	-	-	123,232
Collection expense	-	-	65,973	-	-	65,973
Total operating cost	20,362,524	1,879,977	1,238,120	740,843	-	24,221,464
Operating income	2,222,206	621,148	287,434	295,092	-	3,425,880
Non-Operating Income (Expense)						
Interest income	38,494	5,546	5,208	1,522	(8,695)	42,075
Grant revenue	159,741	1,132,486	-	-	-	1,292,227
Interest expense	(111,609)	(32,559)	(159,378)	(8,695)	8,695	(303,546)
Total non-operating income (expense)	86,626	1,105,473	(154,170)	(7,173)	-	1,030,756
Transfers, in lieu of taxes	(668,184)	(48,978)	(69,356)	-	-	(786,518)
Change in net position	1,640,648	1,677,643	63,908	287,919	-	3,670,118
Net position at the beginning of the year, restated	20,283,536	11,698,323	9,534,006	(118,813)	-	41,397,052
Net position at the end of the year	$ 21,924,184	$ 13,375,966	$ 9,597,914	$ 169,106	$ -	$ 45,067,170

ERWIN UTILITIES
Departmental Statement of Cash Flows
Year Ended June 30, 2018

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Cash Flows From Operating Activities						
Cash received from customers	$ 22,729,737	$ 2,466,995	$ 1,544,030	$ 1,003,930	$ -	$ 27,744,692
Cash paid to suppliers and employees	(19,356,737)	(518,310)	(1,159,404)	(687,404)	-	(21,721,855)
Net cash flows from operating activities	3,373,000	1,948,685	384,626	316,526	-	6,022,837
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(1,641,873)	(3,168,806)	(53,033)	(16,642)	-	(4,880,354)
Proceeds from long-term debt	-	1,178,403	420,399	-	-	1,598,802
Principal paid on long-term debt	(441,679)	(136,392)	(128,120)	(8,860)	-	(715,051)
Grant proceeds	394,101	647,904	-	-	-	1,042,005
Interest expense	(111,609)	(32,559)	(159,378)	(8,695)	8,695	(303,546)
Net cash flows from capital and related financing activities	(1,801,060)	(1,511,450)	79,868	(34,197)	8,695	(3,258,144)
Cash Flows From Investing Activities						
Interest earned	38,494	5,546	5,208	1,522	(8,695)	42,075
Net redemption/purchase of certificates of deposit	456,909	(3,787)	(855)	-	-	452,267
Net cash flows from investing activities	495,403	1,759	4,353	1,522	(8,695)	494,342
Cash Flows From Non-Capital Financing Activities						
Transfers, in lieu of taxes	(668,184)	(48,978)	(69,356)	-	-	(786,518)
Net cash flows from non-capital financing activities	(668,184)	(48,978)	(69,356)	-	-	(786,518)
Net change in cash and cash equivalents	1,399,159	390,016	399,491	283,851	-	2,472,517
Cash and Cash Equivalents, Beginning of the Year	2,812,329	828,125	1,010,879	75,719	-	4,727,052
Cash and Cash Equivalents, End of the Year	$ 4,211,488	$ 1,218,141	$ 1,410,370	$ 359,570	$ -	$ 7,199,569

ERWIN UTILITIES
Departmental Statement of Cash Flows (Continued)

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Reconciliation of Operating Income to Net Cash Flows From Operating Activities						
Operating income	$ 2,222,206	$ 621,148	$ 287,434	$ 295,092	$ -	$ 3,425,880
Adjustments to reconcile operating income to net cash flows from operating activities						
Depreciation	1,097,053	372,747	259,375	4,259	-	1,733,434
Changes in operating assets and liabilities						
(Increase) decrease in assets:						
Accounts receivable	29,195	(34,130)	20,000	(21,626)	-	(6,561)
Other	(21,823)	-	(1,524)	(10,379)	-	(33,726)
Unbilled	(52,419)	-	-	-	-	(52,419)
Inventories	(5,851)	5,135	1,656	-	-	940
Notes receivable	87,500	-	-	-	-	87,500
Conservation loans	104,267	-	-	-	-	104,267
Other assets	(1,713)	-	-	-	-	(1,713)
(Increase) decrease in deferred outflows	355,513	95,203	110,257	11,713	-	572,686
Increase (decrease) in liabilities:						
Accounts payable	(142,307)	994,211	(228,284)	-	-	623,620
Accrued expenses	(162,295)	(35,540)	(18)	41,634	-	(156,219)
Accrued compensation	28,181	7,134	(1,766)	-	-	33,549
Customer deposits	218,163	(4,850)	-	-	-	213,313
Other post employment benefits	(101,217)	7,031	6,072	1,567	-	(86,547)
Pension liability	(152,584)	(56,896)	(49,137)	(5,277)	-	(263,894)
Deferred inflows	(128,869)	(22,508)	(19,439)	(457)	-	(171,273)
Net cash flows from operating activities	$ 3,373,000	$ 1,948,685	$ 384,626	$ 316,526	$ -	$ 6,022,837

ERWIN UTILITIES
Schedule of Investments
June 30, 2018

Description	Maturity Date	Interest Rate	Carrying Amount
Certificates of deposit	November-2018	1.01%	$ 267,161
Certificates of deposit	November-2018	0.30%	908,424
Certificates of deposit	January-2019	0.30%	102,742
Certificates of deposit	November-2018	0.30%	67,499
			$ 1,345,826

ERWIN UTILITIES
Schedule of Utility Rates
June 30, 2018

Utility rates in effect at June 30, 2018 consist of the following:

Electric System:

Residential Rate - Schedule RS

Customer Charge - per delivery point per month	$20.40
Energy Charge - per kilowatt hour (kWh) per month	$.09203

General Power Rate - Schedule GSA

Part 1.	Not to exceed 50 kW or 15,000 kWh per month:		
	Customer Charge #1 - per delivery point per month 1 Phase under 50kW		$20.66
	Customer Charge #2 - per delivery point per month 3 Phase under 50kW		$28.89
	Energy Charge - per kWh $.10606		
Part 2.	Greater than 50 kW but not more than 1,000 kW or 50 kW or less with greater than 15,000 kWh:		
	Customer Charge #1 - per delivery point per month 3 Phase self-contained metering		$48.09
	Customer Charge #2 - per deliver point per month 3 Phase secondary instrument rated metering		$62.51
	Customer Charge #3 - per deliver point per month 3 Phase primary instrument rated metering		$108.84
	Demand Charge -	per kW per month:	
		First 50 kW	$0.00
		Excess over 50 kW	$13.89
	Energy Charge -	per kWh per month:	
		First 15,000 kWh	$.11118
		Additional kWh	$.06617
Part 3.	Greater than 1,000 kW but not more than 5,000 kW:		
	Customer Charge - per delivery point per month		$209.09
	Demand Charge -	per kW per month:	
		First 1,000 kW	$14.12
		Excess over 1,000 kW	$16.48
		Excess Taking > 2,500 kW or Contract	$16.48
	Energy Charge -	per kWh per month	$.06585

General Power Rate - Schedule TDMSA MSA Summer

Customer Charge - per delivery point per month		$1,500.00
Administrative Charge		$350.00
5MR Administrative Charge		$350.00
Demand Charge		
	Summer period - On peak kWh	$9.97
	Summer period - Off peak kWh	$9.97
Energy Charge - Summer period - On peak kWh		.07152
All seasons off peak hours use of demand adjustment		
	First 200 HUD	$.04718
	Next 200 HUD	$.02046
	Off peak kWh – Additional HUD	$.01798

Outdoor Lighting Rate - Schedule LS

Part A. Street Lighting, Traffic Signals, and Athletic Field Lighting:

Customer Charge	$10.00
Energy Charge - per kWh per month	$.06877
Facility Charge - annual rate	12%

Part B. Charges for Outdoor Lighting for Individual Customers:

Charges Per Fixture Per Month

Type of Fixture	Lamp Size (Watts)	Monthly Charge
Mercury Vapor	175	$ 10.45
	400	19.03
High Pressure Sodium	100	9.59
	250	15.59
	400	18.94
Metal Halide	400	22.85
	1,000	38.43
LED	64	9.04
	143	18.00
	215	19.41
	202	24.47
	325	27.92

Additional Facilities

Pole	$8.00 per month per pole
Transformer	$4.40 per month

Erwin Water System:	Inside Corporate Limits	Outside Corporate Limits
Customer Charge - per month based on meter size		
5/8” x 3/4” & 3/4”	$ 11.29	$ 16.95
1”	15.74	23.62
1 1/2”	29.72	44.58
2”	35.34	53.02
3”	71.72	107.59
4”	141.65	212.48
6”	281.59	422.40
8”	499.24	748.85
Water Charge - cost per 1,000 gallons	2.65	3.97
Wastewater System:		
Customer Charge - per month per unit	$ 7.05	$ 10.58
User Charge - cost per 1,000 gallons	4.73	7.10

Fiber System:

Internet

Residential - 25 Mbps	$49.95/month
Residential - 1 Gigabit	69.69/month
Business- 25 Mbps	59.95/month
Business - 1 Gigabit	79.95/month

Voice

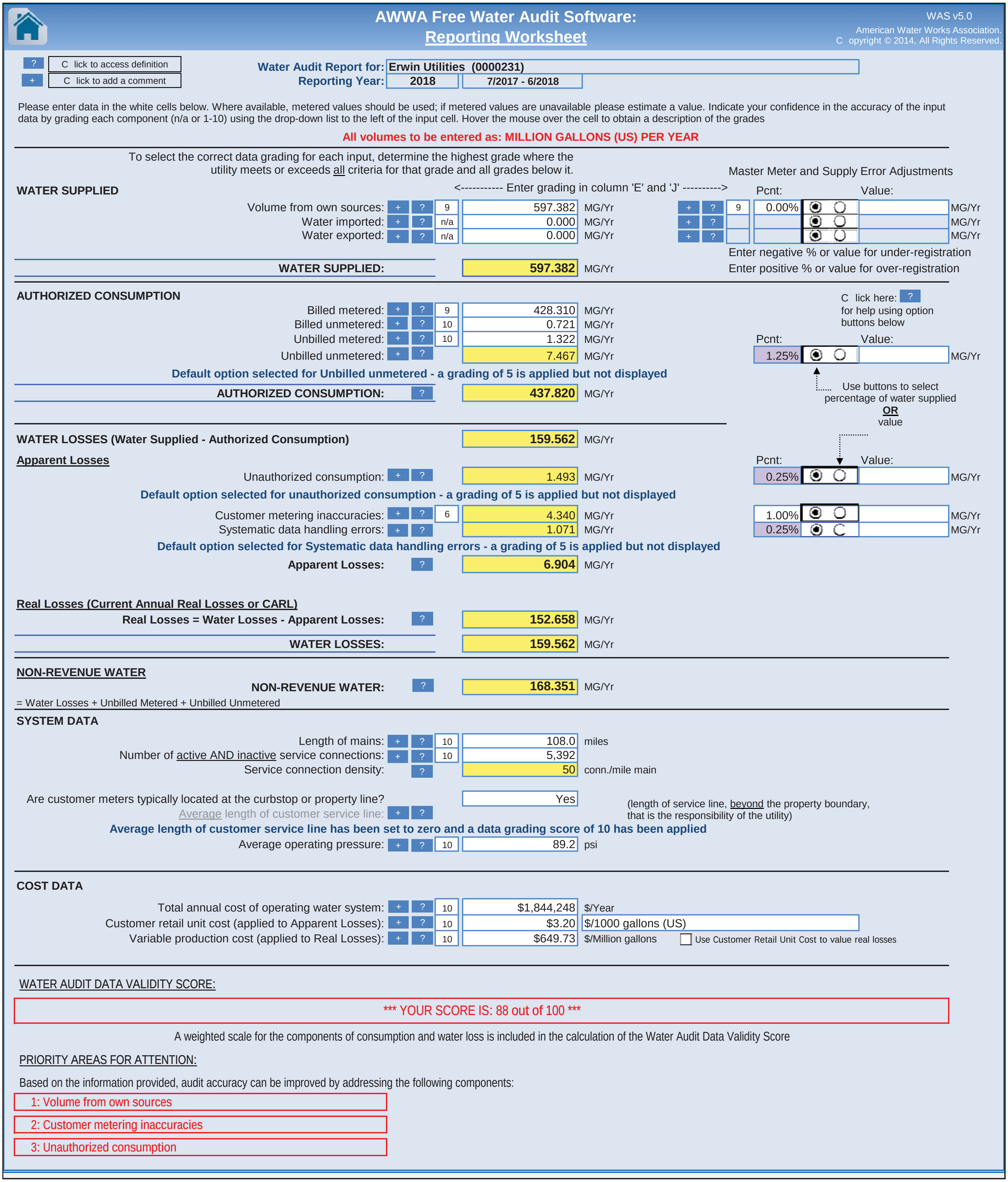
Residential	24.95/month
Business	34.95/month

ERWIN UTILITIES
Schedule of Number of Customers Served
June 30, 2018

The number of customers served at June 30, 2018, is as follows:

Electric System:	
Customers	8,871
Water System:	
Customers	5,109
Wastewater System:	
Customers	3,595
Fiber:	
Customers	1,606

ERWIN UTILITIES
Schedule of Unaccounted for Water (Unaudited)
June 30, 2018



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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? Click to access definition
\+ Click to add a comment

Water Audit Report for: **Erwin Utilities (0000231)**
Reporting Year: **2018** **7/2017 - 6/2018**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

<----------- Enter grading in column 'E' and 'J' ---------->

									Pcnt:		Value:	
Volume from own sources:	+	?	9	597.382	MG/Yr	+	?	9	0.00%	● ○		MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr	+	?			● ○		MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr	+	?			● ○		MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **597.382** MG/Yr

AUTHORIZED CONSUMPTION

Click here: ?
for help using option buttons below

						Pcnt:		Value:	
Billed metered:	+	?	9	428.310	MG/Yr				
Billed unmetered:	+	?	10	0.721	MG/Yr				
Unbilled metered:	+	?	10	1.322	MG/Yr				
Unbilled unmetered:	+	?		7.467	MG/Yr	1.25%	● ○		MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: ? **437.820** MG/Yr

Use buttons to select percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption) **159.562** MG/Yr

Apparent Losses

						Pcnt:		Value:	
Unauthorized consumption:	+	?		1.493	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+	?	6	4.340	MG/Yr	1.00%	● ○		MG/Yr
Systematic data handling errors:	+	?		1.071	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: ? **6.904** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **152.658** MG/Yr

WATER LOSSES: **159.562** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? **168.351** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	10	108.0	miles
Number of active AND inactive service connections:	+	?	10	5,392	
Service connection density:		?		50	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: + ?

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 10 89.2 psi

COST DATA

Total annual cost of operating water system:	+	?	10	$1,844,248	$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	$3.20	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	$649.73	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 88 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

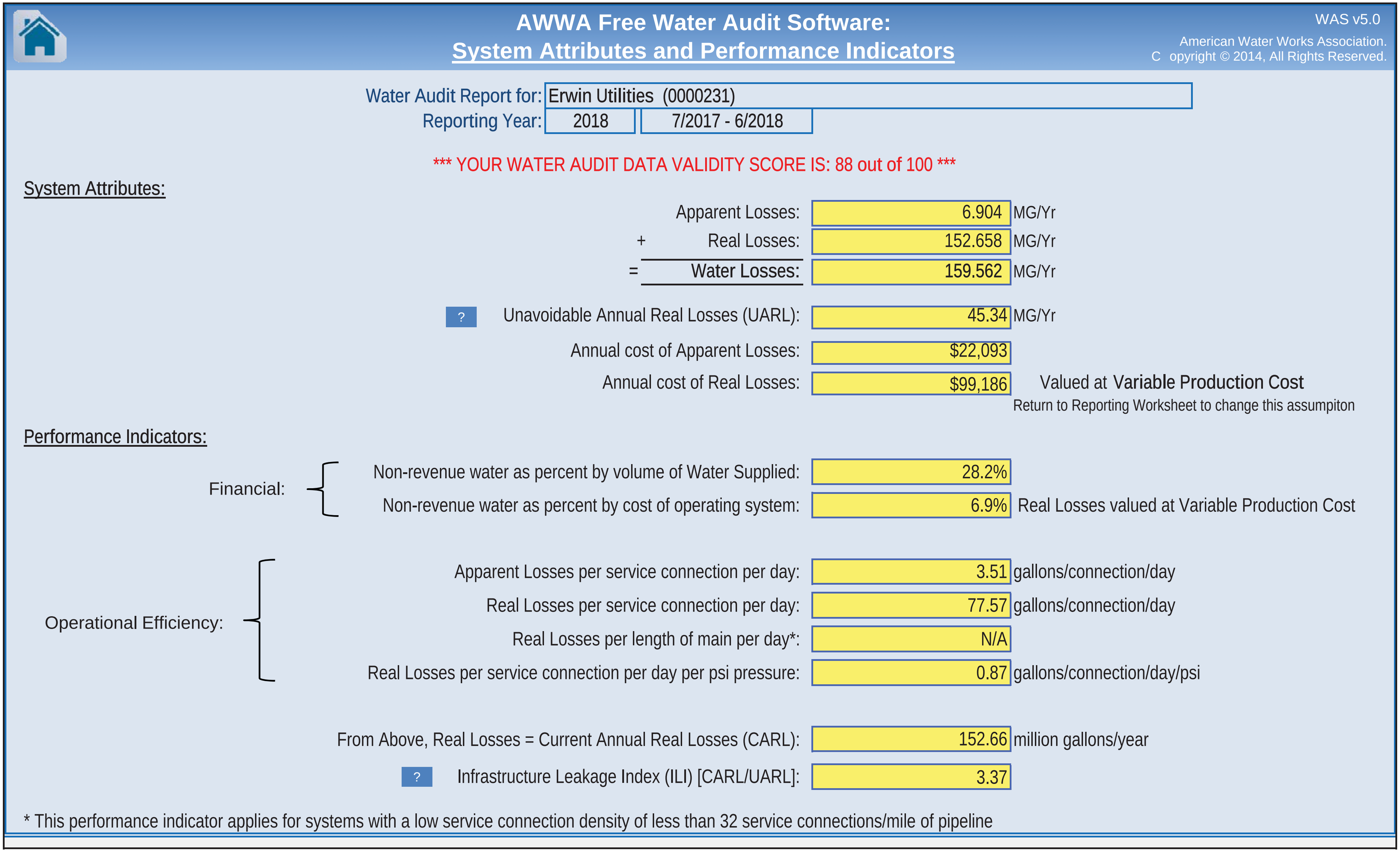
Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Customer metering inaccuracies

3: Unauthorized consumption

ERWIN UTILITIES
Schedule of Unaccounted for Water (Unaudited) (Continued)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for: Erwin Utilities (0000231)
Reporting Year: 2018 | 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 ***

System Attributes:

	Apparent Losses:	6.904	MG/Yr
+	Real Losses:	152.658	MG/Yr
=	Water Losses:	159.562	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	45.34	MG/Yr
	Annual cost of Apparent Losses:	$22,093	
	Annual cost of Real Losses:	$99,186	Valued at Variable Production Cost Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	28.2%	
	Non-revenue water as percent by cost of operating system:	6.9%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	3.51	gallons/connection/day
	Real Losses per service connection per day:	77.57	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.87	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	152.66	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.37	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

ERWIN UTILITIES
Schedule of Long-Term Debt Maturities by Issue
June 30, 2018

	Series 1997		Series 2015		Series 2010		Series 2016	
	General Obligation Bond		Revenue Bonds		Revenue Bond		Revenue Bond	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 143,700	$ 3,096	$ 60,000	$ 90,706	$ 135,000	$ 16,344	$ 210,000	$ 67,025
2020	150,900	2,536	65,000	88,306	140,000	12,969	215,000	60,725
2021	158,400	1,947	65,000	85,706	145,000	9,119	225,000	54,275
2022	166,300	1,330	70,000	83,106	35,000	4,950	225,000	47,525
2023	174,600	681	70,000	80,306	40,000	3,900	235,000	40,775
2024-2028	-	-	415,000	349,381	80,000	4,000	1,280,000	96,725
2029-2033	-	-	480,000	278,231	-	-	-	-
2034-2038	-	-	560,000	199,331	-	-	-	-
2039-2043	-	-	635,000	102,388	-	-	-	-
2044-2048	-	-	215,000	10,676	-	-	-	-
Total	$ 793,900	$ 9,590	$ 2,635,000	$ 1,368,137	$ 575,000	$ 51,282	$ 2,390,000	$ 367,050

	Electric		Electric		Water		Wastewater	
	Loan Payable		Loan Payable		Loan Payable		SRF Loan Payable	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 37,500	$ -	$ 50,000	$ -	$ 25,032	$ 10,320	$ 77,482	$ 36,106
2020	37,500	-	50,000	-	25,644	9,708	77,477	36,111
2021	37,500	-	50,000	-	26,268	9,084	78,561	35,028
2022	37,500	-	50,000	-	26,904	8,448	79,660	33,929
2023	37,500	-	50,000	-	27,564	7,788	80,774	32,814
2024-2028	9,372	-	33,337	-	148,296	28,464	421,139	146,802
2029-2033	-	-	-	-	158,384	9,438	451,431	116,510
2034-2038	-	-	-	-	-	-	483,902	84,039
2039-2043	-	-	-	-	-	-	518,709	49,233
2044-2048	-	-	-	-	-	-	441,705	12,648
Total	$ 196,872	$ -	$ 283,337	$ -	$ 438,092	$ 83,250	$ 2,710,840	$ 583,220

	Water		Water			
	Loan Payable		Loan Payable		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 39,261	$ 11,635	$ 5,062	$ 2,348	$ 783,037	$ 237,580
2020	44,079	11,445	8,796	2,318	814,396	224,118
2021	44,628	10,895	8,906	2,209	839,263	208,263
2022	45,185	10,338	9,017	2,097	744,566	191,723
2023	45,748	9,775	9,130	1,985	770,316	178,024
2024-2028	237,443	40,173	47,384	8,189	2,671,971	673,734
2029-2033	252,623	24,993	50,414	5,160	1,392,852	434,332
2034-2038	268,773	8,843	53,637	1,937	1,366,312	294,150
2039-2043	4,623	3	3,694	11	1,162,026	151,635
2044-2048	-	-	-	-	656,705	23,324
Total	$ 982,363	$ 128,100	$ 196,040	$ 26,254	$11,201,444	$ 2,616,883

ERWIN UTILITIES
Schedule of Utility Plant Activity by Segment
June 30, 2018

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018
Electric System:				
Structures and permanent improvements	$ 4,500,462	$ 1,212	$ -	$ 4,501,674
Equipment, furnishings, and distribution systems	26,278,634	1,675,987	(299,523)	27,655,098
Land and land rights	1,440,855	185	-	1,441,040
Construction in progress	694,216	1,933,853	(1,971,793)	656,276
Total Electric System	$ 32,914,167	$ 3,611,237	$ (2,271,316)	$ 34,254,088
Wastewater System:				
Structures and permanent improvements	$ 8,341,291	$ -	$ -	$ 8,341,291
Equipment, furnishings, and distribution systems	5,997,618	3,018,580	(14,661)	9,001,537
Land and land rights	60,184	-	-	60,184
Construction in progress	2,967,604	41,069	(3,000,594)	8,079
Total Wastewater System	$ 17,366,697	$ 3,059,649	$ (3,015,255)	$ 17,411,091
Water System:				
Structures and permanent improvements	$ 5,703,623	$ -	$ (11,440)	$ 5,692,183
Equipment, furnishings, and distribution systems	10,152,129	224,518	(84,135)	10,292,512
Land and land rights	210,102	-	-	210,102
Construction in progress	337,176	3,176,876	(238,812)	3,275,240
Total Water System	$ 16,403,030	$ 3,401,394	$ (334,387)	$ 19,470,037
Fiber System:				
Fiber services	$ 75,678	$ 17,344	$ -	$ 93,022
Construction in progress	4,326	14,234	(14,936)	3,624
Total Fiber System	$ 80,004	$ 31,578	$ (14,936)	$ 96,646
Total	$ 66,763,898	$ 10,103,858	$ (5,635,894)	$ 71,231,862

COMPLIANCE REPORTS

- Certified Public Accountants
  - Business Advisors

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Greeneville, TN 37743
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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 Public Utilities
Town of Erwin, 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 financial statements of Erwin Utilities (the "Utility") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated October 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility'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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 Utility'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 Utility'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

The 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 Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Greeneville, Tennessee
October 17, 2018

- Certified Public Accountants
  - Business Advisors

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Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Public Utilities
Town of Erwin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Erwin Utilities' (the "Utility") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Utility's major federal programs for the year ended June 30, 2018. The Utility's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Utility's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Utility's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Utility's compliance.

Opinion on Each Major Federal Program

In our opinion, the Utility, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Utility, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Utility's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Greeneville, Tennessee
October 17, 2018

ERWIN UTILITIES
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Erwin Utilities.
2. There are no significant deficiencies reported relating the audit of the financial statements.
3. There are no instances of noncompliance material to the financial statements of Erwin Utilities, which are required to be reported in accordance with *Government Auditing Standards*, and disclosed during the audit.
4. There are no significant deficiencies reported relating to the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Erwin Utilities expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with the Uniform Guidance.
7. The program tested as a major program is Appalachian Regional Commission (23.002).
8. The threshold used for distinguishing between Type A and B programs was $750,000.
9. Erwin Utilities was determined to be a high risk auditee.

B. Financial Statement Findings
None

C. Federal Award Findings and Questioned Costs
None

ERWIN UTILITIES
Schedule of Prior Year Findings
Year Ended June 30, 2018

Internal Control over Financial Reporting

There were no prior year findings.

Compliance and Other Matters

There were no prior year findings.

ERWIN UTILITIES

Financial Statements
With Supplementary Information

Year Ended June 30, 2017

ERWIN UTILITIES
Financial Statements With Supplementary Information
Year Ended June 30, 2017

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ERWIN UTILITIES
Roster of Officials and Board Members
June 30, 2017

Officials

Mr. Lee Brown	General Manager
Mr. Matthew Rice	Director of Water and Wastewater
Mrs. Andrea Talbert	Manager of Accounting, Finance and Customer Service
Mr. Kip Lemmon	Director of Construction and Maintenance

Board Members

Mr. Thomas Harris - Chairman
Mr. Scott Charles
Mr. Gary Edwards
Mr. Kevin Horton
Mr. Russell Brackins

- Certified Public Accountants
  - Business Advisors

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Independent Auditors' Report

Board of Public Utilities
Town of Erwin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Erwin Utilities (the "Utility") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Utilities' basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 the internal control relevant to the Utility'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 Utility's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Utility as of June 30, 2017, and the respective changes in the financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only Erwin Utilities and do not purport to, and do not, present fairly the financial position of the Town of Erwin, Tennessee as of June 30, 2017 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules as listed in the table of contents 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Erwin Utilities' basic financial statements. The roster of officials and board members on page 1 and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The roster of officials and board members and supplementary information are the responsibility of management and were derived from and relate 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 roster of officials and board members and supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2017, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

Rodefer Moss & Co, PLLC

Greeneville, Tennessee
October 16, 2017

ERWIN UTILITIES
Management's Discussion and Analysis
June 30, 2017

This discussion is intended to present a broad view of Erwin Utilities' financial position and activities for fiscal year 2017. The information in this letter is provided to comply with standards issued by the Governmental Accounting Standards Board (GASB) No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The discussion and analysis included in this document contain information for Electric, Water, Wastewater, and Fiber services provided by Erwin Utilities.

Erwin Utilities is owned by the Town of Erwin, Tennessee and is under the authority of the Board of Public Utilities, which consists of five (5) members. The day-to-day activities are controlled by the general manager and department managers.

Financial Statement Overview

The financial statements included in this report are comprised of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for four departments:

- Erwin Utilities' Electric Department
- Erwin Utilities' Water Department
- Erwin Utilities' Wastewater Department
- Erwin Utilities' Fiber Department

Each department operates independently from each other and shares costs when applicable. Costs are accounted for on a fair and consistent basis.

Highlights

- Paid the Town of Erwin, Unicoi County, Washington County, and Carter County a total of $740,114 in transfers and tax equivalent payments for fiscal year 2017.

- Electric gained 10 customers, Water lost 3 customers, Wastewater gained 18 customers, and Fiber gained 670 customers for fiscal year ended 2017.

- TVA Seasonal Time-Of-Use Wholesale Rates continued for fiscal year 2017. There was a total retail revenue increase effective October 1, 2016 with a net effect increase of approximately 1.5%

- Erwin Utilities adjusted water rates July 1, 2016, to cover increased operation and maintenance costs.

- Normal upgrades to power lines, water lines, and wastewater lines continued throughout fiscal year 2017.

- Principal debt repayments (net of refinanced amounts) for fiscal year 2017 on low interest loans for Erwin Utilities were as follows:

▪ Electric Department	$423,567
▪ Water Department	$127,417
▪ Wastewater Department	$ 60,660

- 2016 Water Quality Report reported that all established standards were met or exceeded for Erwin Utilities' water system.

- Fiber-to-the-Home, Phase III expansion was completed in November 2016. Total customers eligible to be served in Phase I, II, and III are at 4,700.

- Additional financing was not required to construct the Phase III area of the Fiber-to-the-Home expansion.

- Fiber-to-the-Home, Phase IV expansion began in July 2017.

- The Wastewater Department completed $2.9 million in improvements at both the wastewater treatment plant and in the wastewater collection system. Improvements at the wastewater treatment plant include new headworks, new influent pumps and variable frequency drives, new sludge pumps, new piping and flow regime changes to the rotating biological contactors (RBC's), new clarifier effluent launder covers, and improvements to the disinfection system. Work within the collection system consisted of lining approximately five miles of aging clay sewer pipes with new cured in place pipe and rehabilitating 28 brick manholes. The collection system work has effectively reduced groundwater infiltration and stormwater inflow into the sanitary sewer. All of the upgrades have improved the efficiency and performance of the wastewater treatment plant.

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Increase (Decrease)	%
Current assets	$ 9,454,683	$ 9,245,682	$ 209,001	2.26%
Utility plant, net	48,694,456	46,850,573	1,843,883	3.94%
Other assets	1,395,884	1,541,396	(145,512)	-9.44%
Total assets	59,545,023	57,637,651	1,907,372	3.31%
Deferred Outflows of resources	1,723,532	1,484,113	239,419	16.13%
Current liabilities	5,432,504	5,461,069	(28,565)	-0.52%
Long-term liabilities	14,135,767	13,542,018	593,749	4.38%
Total liabilities	19,568,271	19,003,087	565,184	2.97%
Deferred inflows of resources	127,008	270,644	(143,636)	-53.07%
Net position	$ 41,573,276	$ 39,848,033	$ 1,725,243	4.33%

Table 2
Statement of Revenues and Expenses and Changes in Net Position

	June 30, 2017	June 30, 2016	Increase (Decrease)	%
Operating Revenue				
Sales	$ 25,122,690	$ 24,109,015	$ 1,013,675	4.20%
Other operating revenue	970,443	881,503	88,940	10.09%
Total operating revenue	26,093,133	24,990,518	1,102,615	4.41%
Operating Expenses				
Purchased power	16,163,603	15,854,416	309,187	1.95%
Distribution expense	1,494,928	1,236,639	258,289	20.89%
Maintenance	1,432,618	1,198,165	234,453	19.57%
Customer accounts expense	1,244,708	1,257,638	(12,930)	-1.03%
Depreciation	1,654,715	1,576,054	78,661	4.99%
General and administrative expense	867,342	899,484	(32,142)	-3.57%
Treatment expense	663,839	687,334	(23,495)	-3.42%
Pumping expense	97,139	98,527	(1,388)	-1.41%
Collection expense	79,410	79,951	(541)	-0.68%
Total operating expenses	23,698,302	22,888,208	810,094	3.54%
Operating income	2,394,831	2,102,310	292,521	13.91%
Non-Operating Income (Expense)				
Interest income	22,400	15,135	7,265	48.00%
Grant revenue	293,434	121,368	172,066	141.77%
Contribution in aid of construction	-	3,262,320	(3,262,320)	-100.00%
Interest expense	(245,308)	(251,556)	6,248	-2.48%
Total non-operating income	70,526	3,147,267	(3,076,741)	-97.76%
Transfers, in lieu of taxes	(740,114)	(692,967)	(47,147)	6.80%
Change in net position	$ 1,725,243	$ 4,556,610	$ (2,831,367)	-62.14%

Financial Information

Electric Department

Net income for fiscal year 2017 increased from fiscal year 2016.

Operating Revenue for FY 2017 = $21,801,047
Operating Revenue for FY 2016 = $21,082,056

Purchased power from the Tennessee Valley Authority for fiscal year 2017 totaled $16,163,603, up $309,187 from fiscal year 2016.

Debt of $3.97 million remains in the Electric Department as recorded for FY 2017. Debt decreased by $423,567 during the year.

In March 2016, the Electric Department refinanced Series 2007 bonds to capitalize on favorable interest savings in the current market. A total of $375,000 of the Series 2007 bonds were not eligible for refunding, and are scheduled for repayment in total by September 2017.

Water Department

Erwin Utilities' Water Department ended fiscal year 2017 with net income of $387,411.
Debt of $1.26 million remains in the Water Department as recorded for fiscal year 2017. Debt decreased by $127,417 during the year.

Wastewater Department

Erwin Utilities' Wastewater Department ended fiscal year 2017 with net income of $92,299.
Debt of $5.07 million exists in the Wastewater Department for fiscal year 2017. During the year, Erwin Utilities borrowed an additional $938,244 from a State Revolving Fund that includes principal forgiveness for capital improvements. There was a reduction of $60,660 in debt during the year.

Fiber Department

Erwin Utilities' Fiber Department ended fiscal year 2017 with a net income of $39,367. This was the third year of operation.
Debt of $221,000 exists in the Fiber Department for fiscal year 2017 that is owed to the Electric Department and eliminates upon consolidation.

Other Financial Information

The details of the financial report and management's discussion are intended to provide customers and interested parties with a general and detailed overview of Erwin Utilities' financial position in all departments. Request for additional information should be addressed to Erwin Utilities, Manager of Accounting and Finance, P.O. Box 817, Erwin, Tennessee 37650.

ERWIN UTILITIES
Statement of Net Position
June 30, 2017

ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,236,228	
Certificates of deposit	1,798,095	
Accounts receivable, net	2,225,677	
Inventories	366,768	
Current notes receivable	87,500	
Accrued unbilled revenue	464,331	
Other	276,084	
Total current assets		$ 9,454,683
Utility Plant, net		48,694,456
Other Assets		
Notes receivable - long term	480,208	
Other assets	7,949	
Restricted cash	490,824	
Energy conservation program notes receivable	416,903	
Total other assets		1,395,884
Total assets		59,545,023
DEFERRED OUTFLOWS OF RESOURCES		
Pension, net	1,599,530	
Deferred refunding charges	95,591	
Unamortized discount on bonds payable	28,411	
Total deferred outflows		1,723,532
LIABILITIES		
Current Liabilities		
Accounts payable	3,603,413	
Current portion of long-term debt	696,720	
Accrued compensated absences	774,521	
Other	357,850	
Total current liabilities		5,432,504
Long-Term Liabilities		
Long-term debt	9,612,113	
Pension	2,970,352	
Conservation loans	432,708	
Customer deposits	857,299	
Other post employment benefits	263,295	
Total long-term liabilities		14,135,767
Total liabilities		19,568,271
DEFERRED INFLOWS OF RESOURCES		
Deferred prepayments	57,945	
Bond premium	69,063	
Total deferred inflows		127,008
NET POSITION		
Net investment in capital assets	38,385,623	
Restricted		
Bond reserve	279,275	
Employee benefit plan	211,549	
Unrestricted	2,696,829	
Total net position		$ 41,573,276

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017

Operating Revenue		
Sales	$ 25,122,690	
Other operating revenue	970,443	
Total operating revenue		$ 26,093,133
Operating Expenses		
Purchased power	16,163,603	
Distribution expense	1,494,928	
Maintenance	1,432,618	
Customer accounts expense	1,244,708	
Depreciation	1,654,715	
General and administrative expense	867,342	
Treatment expense	663,839	
Pumping expense	97,139	
Collection expense	79,410	
Total operating expenses		23,698,302
Operating income		2,394,831
Non-Operating Income (Expense)		
Interest income	22,400	
Grant revenue	293,434	
Interest expense	(245,308)	
Total non-operating expense		70,526
Transfers, in lieu of taxes		(740,114)
Change in net position		1,725,243
Net position at the beginning of the year		39,848,033
Net position at the end of the year		$ 41,573,276

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows From Operating Activities		
Cash received from customers	$ 26,149,145	
Cash paid to suppliers and employees	(22,311,271)	
Net cash flows from operating activities		$ 3,837,874
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(3,439,499)	
Proceeds from long-term debt	938,244	
Principal paid on long-term debt	(615,233)	
Grant proceeds	59,074	
Interest expense	(245,308)	
Net cash flows from capital and related financing activities		(3,302,722)
Cash Flows From Investing Activities		
Interest earned	22,400	
Net from certificates of deposit	144,196	
Net cash flows from investing activities		166,596
Cash Flows From Non-Capital Financing Activities		
Transfers, in lieu of taxes	(740,114)	
Net cash flows from non-capital financing activities		(740,114)
Net change in cash and cash equivalents		(38,366)
Cash and Cash Equivalents, Beginning of the Year		4,765,418
Cash and Cash Equivalents, End of the Year		$ 4,727,052

See accompanying notes to financial statements.

ERWIN UTILITIES
Statement of Cash Flows (Continued)

Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income	$ 2,394,831
Adjustments to reconcile operating income to net cash flows from operating activities	
Depreciation	1,654,715
Loss (gain) on disposal of equipment	(59,727)
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Accounts receivable	(145,253)
Other	2,394
Unbilled	(12,900)
Inventories	(8,547)
Notes receivable	87,500
Conservation loans	105,270
Other assets	(35,939)
Increase in deferred outflows pension	(341,171)
Increase in liabilities:	
Accounts payable	(130,117)
Accrued expenses	20,436
Accrued compensation	5,384
Customer deposits	(100,058)
Deferred pole rental	(41,964)
Other post employment benefits	(72,819)
Pension liability	515,758
Deferred inflows	81
Net cash flows from operating activities	$ 3,837,874

See accompanying notes to financial statements.

NOTE 1 - REPORTING ENTITY

Erwin Utilities (the "Utility") is a part of the primary government of the Town of Erwin, Tennessee (the "Town"), and the Utility's financial statements are included in the Town's financial statements. The Utility provides electric, water, wastewater, VoIP and internet services to its customers in Erwin, Tennessee.

These financial statements present only Erwin Utilities and are not intended to present fairly the financial position of the Town and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accounts of the Utility are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Utility has implemented Governmental Accounting Standards Board ("GASB") Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA pronouncements*."

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Measurement Focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources management focus" and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Accounting Policies - The Electric System follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission and TVA.

Cash Equivalents - The Utility considers certificates of deposit with original maturities of three months or less to be cash equivalents.

Accounts Receivable - are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amount through a provision for uncollectible accounts. Balances outstanding after reasonable collection efforts are written off to this allowance account. At June 30, 2017, the balance in allowance for uncollectible accounts was $48,000.

Inventories - Inventories are recorded at average cost not to exceed current replacement cost.

Utility Plant - Utility plant is carried at cost. Depreciation is computed on the straight-line method using composite rates developed from depreciation studies. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost less salvage is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. The estimated useful lives of capital assets are as follows:

Structures and permanent improvements	50 - 100 years
Equipment, furnishing, and distribution systems	10 - 50 years
Fiber services	20 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences - The cost of vacation pay and sick leave benefits is recognized as earned by employees. In the event of termination, an employee is reimbursed for accumulated vacation days not to exceed thirty workdays. Employees can accumulate sick leave, and upon retirement, employees are reimbursed for 60% of their accumulated sick leave benefits not to exceed 150 workdays. Upon the death of an active employee, beneficiaries will receive any accrued vacation and sick leave benefits as described under the above retirement provision.

Pension - 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 the Erwin, Tennessee Board of Public Utilities Pension Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits - For purposes of measuring the other post-employment benefits (“OPEB”) liability, the Utility recognize benefits when they are due and payable in accordance with he benefit terms and actuarial valuations.

Self Insurance Reserve - The Utility is self insured for the purpose of paying medical claims for the Utility’s employees and their covered dependents to minimize the total cost of annual medical insurance to the Utility. Medical claims exceeding $5,900 per covered person and when the minimum aggregate deductible of $112,905 is met are covered through a private insurance carrier to the Utility. The cash held for the self insurance of $211,549 is restricted at June 30, 2017.

Revenues and expenses - The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing wastewater services and delivering electricity, water, phone, and internet services in connection with ongoing operations. The principal operating revenues of the Utility are charges to customers for sales and services. Operating expenses 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. Revenues are recognized on monthly cycle billings to customers. In order to properly match revenues with related cost, unbilled customer revenues are recorded at the end of each year.

Date of Management’s Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 3 - DEPOSITS

Deposits at June 30, 2017, consisted of cash, certificates of deposit, and interest bearing bank accounts. At June 30, 2017, bank balances aggregated $6,754,106 of which $500,000 was covered by federal depository insurance and $6,254,106 was covered by the Tennessee Collateral Pool.

NOTE 3 - DEPOSITS (Continued)

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Utility, its agent or by the Federal Reserve in the Utility's name.

Statutes also authorize the Utility 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, state pool investment funds, and money market mutual funds. Statutes require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

A summary of cash and certificates of deposit at June 30, 2017, is as follows:

Interest bearing accounts	$ 4,720,202
Certificates of deposit	1,798,095
Petty cash	6,850
	$ 6,525,147

NOTE 4 - UTILITY PLANT ACTIVITY

Utility plant activity for the year ended June 30, 2017, was as follows:

Utility Plant	Balance 6/30/16	Additions	Retirements	Balance 6/30/17
Capital assets not being depreciated				
Land and land rights	$ 1,671,961	$ 45,181	$ (6,000)	$ 1,711,142
Construction in progress	3,173,907	831,621	(2,206)	4,003,322
Total capital assets not being depreciated	4,845,868	876,802	(8,206)	5,714,464
Other capital assets				
Structures and permanent improvements	18,534,308	15,228	(4,161)	18,545,375
Equipment, furnishings, and distribution systems	40,287,609	2,548,510	(332,060)	42,504,059
Total other capital assets	58,821,917	2,563,738	(336,221)	61,049,434
Less accumulated depreciation for				
Structures and permanent improvements	(5,910,097)	(869,315)	302,641	(6,476,771)
Equipment, furnishings, and distribution system	(10,907,115)	(785,400)	99,844	(11,592,671)
Total accumulated depreciation	(16,817,212)	(1,654,715)	402,485	(18,069,442)
Other capital assets, net	42,004,705	909,023	66,264	42,979,992
Utility Plant, net	$ 46,850,573	$ 1,785,825	$ 58,058	$ 48,694,456

NOTE 5 - LONG-TERM DEBT ACTIVITY

Long-term debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable					
Electric	$ 4,396,781	$ -	$ (423,567)	$ 3,973,214	$ 444,580
Water	1,391,646	-	(127,417)	1,264,229	133,492
Wastewater	4,193,806	938,244	(60,660)	5,071,390	118,648
Total bonds and notes payable	$ 9,982,233	$ 938,244	$ (611,644)	$ 10,308,833	$ 696,720

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

Tennessee Municipal Bond Fund, variable interest rate, .39% at June 30, 2017, due in varying amounts through May 2022	$ 930,700
Series 2016 revenue bonds, 3% interest rate at June 30, 2017, due in varying amounts through September 2027	2,400,000
Series 2015 revenue bonds, 4% interest rate at June 30, 2017, due in varying amounts through June 2045	2,695,000
Series 2010 revenue bonds, 3.00% interest rate at June 30, 2017, due in varying amounts through June 2025	710,000
State Revolving Fund Loan, 2.42% interest rate, due in varying amounts through March 2033	462,524
State Revolving Fund Loan, 1.39% interest rate, due in varying amounts through maturity that is undetermined as of June 30, 2017.	2,352,901
Note payable to Rural Development, no interest, due in monthly variable payments through September 2023.	234,372
Note payable to Rural Development, no interest, due in monthly variable payments through February 2024.	333,336
Series 2007 revenue bonds, 3.75% interest rate at June 30, 2017, due in varying amounts through September 2017	190,000
	10,308,833
Amounts due within one year	(696,720)
Total long-term debt	$ 9,612,113

NOTE 5 - LONG-TERM DEBT ACTIVITY (Continued)

Future maturities of long-term debt as of June 30, 2017, are as follows:

Year Ended June 30	Principal	Interest
2018	696,720	224,905
2019	725,633	219,051
2020	749,346	204,903
2021	773,384	189,876
2022	677,846	174,178
2023-2027	2,559,626	667,481
2028-2032	1,278,587	416,384
2033-2037	968,377	294,326
2038-2042	1,066,167	172,000
2043-2047	813,147	40,051
Total	$ 10,308,833	$ 2,603,155

At June 30, 2017, the Utility reported deferred outflows of resources and deferred inflows of resources related to long-term activity from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred refunding charges	$ 95,591	$ -
Unamortized discount on notes payable related to G.O. Refunding Bond, Series 2015	28,411	-
Unamortized premium on notes payable related to G.O. Refunding Bond, Series 2016	-	69,063
Total	$ 124,002	$ 69,063

During the year end June 30, 2016, the Utility refunded and defeased in substance its outstanding series 2007 revenue bonds of 2,370,000, carrying an interest rate of 3.75%, with new series 2016 bonds of $2,551,129, issued at a rate of 3%. Both series require level annual debt service payments. $375,000 of the series 2007 revenue bonds were not refunded and will by paid in full by the Utility as of September 2017.

The reoffering premium of $151,129 was used to pay the underwriter’s discount of $19,986, the cost of issuance of $56,750, and the call premium of $74,393. The net proceeds of $2,400,000 were used to purchase U.S. government securities. These securities were deposited with an escrow agent to provide for the debt service on the 2007 debt to the call date of September 2017.

At June 30, 2017, the Utility had $279,275 restricted in its bond debt service fund to meet the current reserve requirements of all long-term debt principal and interest as required by Regions Bank.

NOTE 6 - RETIREMENT PLANS

Defined Benefit Retirement Plan

Plan Description

The Pension Plan for the Employees of the Erwin, Tennessee Board of Public Utilities (the "Plan") is individually designed by USI Consulting Group, established October 1, 2006, as a continuation of the CSA Plan. The Plan is a non-contributory, defined benefit retirement plan that provides retirement benefits as well as death benefits payable to surviving spouses. All employees of the Utility are eligible to participate in the Plan upon attaining the age of 21 and completing one year of service. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at age 65. A reduced retirement benefit is available to vested members at the age of 55. At the option of the employee, retirement benefits may be received in the form of a lump-sum distribution or an annuity over a period of 60, 120, or 180 months, or an employee may elect a 50% lump sum distribution with the remaining balance in monthly annuity payments for 60, 120, or 180 months.

An employee joining the Plan after August 1, 1995, is vested in his or her account in accordance with the following schedule:

Years of Employment Percentage at Termination Account Vested	
Less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Benefits Provided:

Members become eligible to retire the first day of the month coincident with or the next following attainment of the later of age 65 or the 5th anniversary of the day they first became a Participant in the Plan. Members are eligible for early retirement the first day of the month coincident with or the next following attainment of age 55. Monthly benefits are determined by a formula as follows a) 2% of average monthly earnings times benefit service after July 31, 1995 b) 2% of average monthly earnings times benefit service before August 1, 1995, to a maximum of 5 years but not more than the lesser of benefit service after July 31, 1995, and benefit service from date of hire to August 1, 1995 and c) past service benefit as defined in the Plan. Early retirement benefit is reduced 4/10 of 1% per month for the number of months between early retirement date and normal retirement date.

Employees Covered by Benefit Terms

Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to deferred benefits	2
Active employees	43
	56

NOTE 6 - RETIREMENT PLANS (Continued)

Contributions

The Utility makes employer contributions at the rate set by the actuarial valuation. For the year ended June 30, 2016, the Actuarially Determined Contribution ("ADC") for the Utility was $458,260 based on a rate of 18.63 percent of covered required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Valuation Date - The Plan's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

Actuarial Assumptions - The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0 percent
Salary Increases	4.0 percent, average, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Mortality rates -	Pre-retirement: IRS 2015 Combined Static Mortality Table
	Post-retirement: Tennessee Consolidated Retirement System Mortality Table

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation
Large Cap	20.00%
Small/Mid Cap	15.00%
Non U.S. Equity-Developed	10.00%
U.S. Corporate Bonds Core	30.50%
U.S. Corporate Bonds High Yield	7.50%
Non U.S. Debt-Developed	5.00%
U.S. Treasury	1.00%
Hedge Funds	11.00%

NOTE 6 - RETIREMENT PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that the Plan contributions will be made according to their established funding policy to contribute actuarially determined contribution. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/1/15	$ 7,331,381	$ 4,876,787	$ 2,454,594
Changes for the year:			
Service Cost	226,282	-	226,282
Interest	519,912	-	519,912
Differences between expected and actual experience	156,806	-	156,806
Changes of assumptions	1,427	-	1,427
Contributions - employer	-	461,472	(461,472)
Contributions - employee	-	-	-
Net investment income	-	(62,873)	62,873
Benefit payments, including refunds of employee contributions	(265,186)	(265,186)	-
Administrative expense	-	(9,931)	9,931
Other changes	-	-	-
Net changes	639,241	123,482	515,759
Balances at 6/30/16	$ 7,970,622	$ 5,000,269	$ 2,970,353

Pension plan Fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued USI Consulting Group financial report.

Sensitivity of the net position liability changes in the discount rate. The following presents the net position liability of the Utility calculated using the discount rate of 7 percent, as well as what the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1 % Decrease (6.00)	Current Discount Rate (7.00)	1 % Increase (8.00)
Net pension liability (asset)	$ 2,138,677	$ 2,970,352	$ 3,947,148

NOTE 6 - RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2016, the Plan recognized pension expense of $587,071. At June 30, 2016, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 306,522	$ -
Changes of assumptions	490,303	-
Net difference between projected and actual earnings on pension plan investments	435,747	108,385
Contributions subsequent to measurement date of June 30, 2016	475,343	-
Total	$ 1,707,915	$ 108,385

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 178,733
2018	178,733
2019	229,383
2020	193,642
2021	111,510
Thereafter	232,186
Total	$ 1,124,187

Payable to the Pension Plan

At June 30, 2017, the Utility had no payable for the outstanding amount of contributions to the pension plan.

Defined Contribution Plan

The Utility offers the Erwin Utilities 401(k) Retirement Plan (the “Plan”) to its employees administered by Wells Fargo, N.A. All employees are eligible to participate in the Plan once they have completed one year of service as defined by a 12 month period and having worked at least 1,000 hours and have reached age 21. Normal retirement eligibility begins at age 65 and early retirement is the first day of the month coinciding with or following the date the participant has attained age 55. Participants are always vested 100% in rollover contributions and salary deferrals. The Utility does not contribute to the Plan. The maximum contribution for employees cannot exceed the lesser of $53,000 or 100% of their annual salaries. The effective date of the plan was January 1, 1986. The plan was amended and restated effective July 1, 2015, to comply with tax law changes. Employee contributions for the year ended June 30, 2017, were $76,255.

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The GASB established standards for the measurement, recognition, and reporting of other post-employment benefits (“OPEB”). OPEB includes post-employment benefits other than pension, which, for the Utility, is presently limited to post-employment health insurance and life insurance for retired employees who are at least age 55 and their spouses. GASB requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the unfunded liability. This was effective for the Utility for the fiscal year beginning July 1, 2009.

NOTE 7 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

During 2015, the Utility had an actuarial study performed to determine the Utility's actuarial accrued liability for post-employment health insurance and life insurance benefits. The present value of the unfunded actuarial accrued OPEB liability was $263,295 as of the actuarial valuation date, July 1, 2016.

The valuation assumed a funding interest rate of 4%; a medical trend rate of 9%; an ultimate medical trend rate of 5%; that the ultimate trend rate will be reached in 2019; an Entry Age Normal actuarial cost method; annual payroll increase of 2.5%; and a remaining amortization period of 22.83.

The retiree pays 100% of the medical and life premiums and the spouse pays 100% of the medical premiums. During the year ended June 30, 2017, expenditures of $42,434 were incurred for postretirement health care and life insurance.

NOTE 8 - POWER CONTRACT

The Utility has a power contract with TVA whereby the system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

NOTE 9 - INCOME TAX STATUS

The Utility is a non-profit organization, and is exempt from federal income tax under Internal Revenue Code Section 501(c)(12).

NOTE 10 - TVA RESIDENTIAL ENERGY EFFICIENCY PROGRAM

Under a contract with Tennessee Valley Authority, the Utility participates in home energy efficiency programs providing low-interest loans to qualified customers. Customer repayments are remitted to Regions Bank.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Utility to concentrations of credit risk consist primarily of accounts receivable. Because the Utility requires a deposit if a customer is considered a credit risk, management does not believe significant credit risk exists at June 30, 2017.

NOTE 12 - RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss is covered by commercial package insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In addition, the Utility provides medical insurance to employees through a partially self-funded health insurance plan and maintains a self-insured reserve as described in Note 1. Under the Plan, the employee and employer share the cost of eligible medical expenses that are applied toward the deductible and/or coinsurance of the high deductible health plan provided by the Utility. Once the deductible amount and/or coinsurance under the fully-insured plan are exceeded, covered expenses become reimbursable at 100% under the fully-insured plan. The out of pocket maximum deductibles for the fully-insured plan are $8,000 for single and $16,000 for family. Deductibles under the partially self-funded Plan are $750 for single and $1,500 for family. The out of pocket maximum for the employees under the partially self-funded insurance plan are $2,100 for single and $4,200 for family.

NOTE 12 - RISK MANAGEMENT (Continued)

The Utility is responsible for the difference between the deductibles between the fully-insured insurance plan and the partially self-funded insurance plan. The Utility also has stop-loss insurance coverage for excess medical liabilities. The stop-loss coverage provides for a maximum eligible claim expense per covered person of $5,900 and a minimum aggregate deductible of $112,905 before reimbursements are received by the Utility. Claims incurred during the year were approximately $58,000 and claims paid were approximately $58,000. There were no claims accrued as of June 30, 2017. For the fiscal year ended June 30, 2017, reimbursements received under the excess coverage were $ 0.

NOTE 13 - SUBSEQUENT EVENT

Subsequent to year end, the Utility is doing water line improvements to the Rocky Fork Line for an estimated cost of $1,368,875. The Utility is also doing a water replacement of 23,750 feet at an estimated cost of $2,000,000. Electric is also installing fiber to Temple Hill and Bumpass Cove for an estimated cost of $1,057,915. For the Rocky Fork project, the Utility has an ARC grant of $650,000 with a match of $718,875 and a CDBG grant of $525,000 with a match of $843,875. The line replacement is being funded by two State Revolving Fund loans that include total loan of $1,625,000 and principal forgiveness of $375,000. The fiber project is being funded by an ARC grant for $400,000 with a match of $340,525.

NOTE 14 - SEGMENT INFORMATION

The Utility issues general obligation, public improvement, and revenue bonds to support the services provided to its customers and the Town of Erwin. The financial statements report general obligation and public improvement bonds for the electric, wastewater, and water and a revenue bond for the wastewater segment. Condensed financial information for electric, wastewater, water, and fiber follows:

Condensed Statement of Net Position	Electric System	Water System	Wastewater System	Fiber System
ASSETS				
Current assets	$ 6,477,187	$ 1,974,330	$ 1,291,213	$ 89,656
Utility plant, net	23,084,258	11,650,006	13,886,032	74,160
Other assets	1,395,884	-	-	-
Total assets	30,957,329	13,624,336	15,177,245	163,816
DEFERRED OUTFLOWS OF RESOURCES	1,028,365	350,119	330,786	14,262
LIABILITIES				
Current liabilities	4,784,485	398,739	405,447	125
Long-term liabilities	6,746,717	1,839,399	5,535,765	235,297
Total liabilities	11,531,202	2,238,138	5,941,212	235,422
DEFERRED INFLOWS OF RESOURCES	69,063	-	-	57,945
NET POSITION				
Net investment in capital assets	19,111,044	10,385,777	8,814,642	74,160
Restricted	490,824	-	-	-
Unrestricted	783,561	1,350,540	752,177	(189,449)
Total net position	$ 20,385,429	$ 11,736,317	$ 9,566,819	$ (115,289)

NOTE 14 - SEGMENT INFORMATION (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Electric System	Water System	Wastewater System	Fiber System
Operating revenues	$ 21,801,047	$ 2,310,665	$ 1,476,467	$ 504,954
Depreciation	1,035,865	369,410	244,863	4,577
Other operating expenses	19,140,059	1,474,838	976,942	451,748
Total operating expenses	20,175,924	1,844,248	1,221,805	456,325
Operating income	1,625,123	466,417	254,662	48,629
Non-Operating Income (Expense)				
Interest income	21,847	5,511	4,304	239
Grant revenue	234,360	34,498	24,576	-
Interest expense	(91,456)	(26,813)	(127,039)	(9,501)
Total non-operating	164,751	13,196	(98,159)	(9,262)
Transfers, in lieu of taxes	(616,207)	(57,703)	(66,204)	-
Change in net position	1,173,667	421,910	90,299	39,367
Net position at the beginning of the year	19,211,762	11,314,407	9,476,520	(154,656)
Net position at the end of the year	$ 20,385,429	$ 11,736,317	$ 9,566,819	$ (115,289)

Condensed Statement of Cash Flows	Electric System	Water System	Wastewater System	Fiber System
Net cash provided (used) by				
Operating activities	$ 3,102,654	$ 919,504	$ (205,610)	$ 21,326
Capital and related financing activities	(2,843,647)	(577,561)	150,790	(41,805)
Investing activities	968,533	(796,979)	4,304	239
Non-Capital financing activities	(616,207)	(57,703)	(66,204)	-
Net increase (decrease)	611,333	(512,739)	(116,720)	(20,240)
Cash, beginning of the year	2,200,996	1,340,864	1,127,599	95,959
Cash, end of the year	$ 2,812,329	$ 828,125	$ 1,010,879	$ 75,719

REQUIRED SUPPLEMENTARY INFORMATION

ERWIN UTILITIES
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
June 30, 2017

Measurement Period Ended	6/30/2014	6/30/2015	6/30/2016
Total pension liability			
Service cost	$ 167,818	$ 174,531	$ 226,282
Interest	457,033	470,513	519,912
Differences between expected and actual experience	-	215,267	156,806
Changes of assumptions	-	628,364	1,427
Benefit payments, including refunds of employee contributions	(402,082)	(503,429)	(265,186)
Net change in total pension liability	222,769	985,246	639,241
Total pension liability - beginning	6,123,366	6,346,135	7,331,381
Total pension liability - ending (a)	$ 6,346,135	$ 7,331,381	$ 7,970,622
Plan fiduciary net position			
Contributions - employer	$ 454,675	$ 440,218	$ 461,472
Net investment income	566,307	176,342	(62,873)
Benefit payments, including refunds of employee contributions	(402,082)	(503,429)	(265,186)
Administrative expense	(2,460)	(2,400)	(9,931)
Net change in plan fiduciary net position	616,440	110,731	123,482
Plan fiduciary net position - beginning	4,149,616	4,766,056	4,876,787
Plan fiduciary net position - ending (b)	$ 4,766,056	$ 4,876,787	$ 5,000,269
Net pension liability - ending (a) - (b)	1,580,079	2,454,594	2,970,353
Plan fiduciary net position as a percentage of the total pension liability	75.10%	66.52%	62.73%
Covered - employee payroll	$ 2,182,269	$ 2,343,377	$ 2,477,179
Net pension liability as a percentage of covered employee payroll	72.41%	104.75%	119.91%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ERWIN UTILITIES
Schedule of Contributions (Unaudited)
June 30, 2017

Measurement period ended June 30,	2014	2015	2016	2017
Actuarially determined contribution	$ 454,682	$ 436,093	$ 458,260	$ 465,339
Contributions in relation to the actuarially determined contribution	454,675	440,218	461,472	472,563
Contribution deficiency (excess)	$ 7	$ (4,125)	$ (3,212)	$ (7,224)
Covered employee payroll	$ 2,182,269	$ 2,343,377	$ 2,477,179	$ 2,692,474
Contributions as a percentage of covered employee payroll	20.83%	18.79%	18.63%	17.55%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of the beginning of the fiscal year (July 1).

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal, level percentage of compensation
Amortization method:	Level amortization, closed
Remaining amortization period:	30 years
Asset valuation method:	Market value of plan assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% a year. Valuation assets are further limited to a 20% corridor around market value.
Salary increases:	4.0% per annum
Investment rate of return:	7.0% per annum
Retirement age:	15% retire at age 60 and 61, 50% retire at age 62, 25% retire at age 63 and 64, and 100% retire at age 65
Mortality:	Pre-retirement: IRS 2015 Combined Static Mortality Table Post-retirement: TCRS Mortality Table

ERWIN UTILITIES
Schedule of Funding Progress of Other Post Employment Benefits (Unaudited)
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2009	$ -	$ 355,344	$ 355,344	0%	$ 2,125,744	16.7%
July 1, 2012	$ -	$ 477,149	$ 477,149	0%	$ 2,364,090	20.2%
July 1, 2015	$ -	$ 379,127	$ 379,127	0%	$ 2,718,521	13.9%

SUPPLEMENTARY INFORMATION

ERWIN UTILITIES
Schedule of Expenditures of Federal and State Awards
June 30, 2017

Grantor Agency	Program Title	CFDA Number	Balance July 1, 2016	Receipts	Expenditures		Balance June 30, 2017	Expenditures to Subrecipients
Wastewater								
United States Department of Environmental Protection Agency passed through Tennessee Department of Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458	$ (46,912)	$ 987,625	$ 962,820	[1]	$ (22,107)	$ -
Total grants from federal and state allocation from Wastewater			$ (46,912)	$ 987,625	$ 962,820		$ (22,107)	$ -

[1] This is a state revolving loan fund which includes both federal and state money. Federal money for the year ended June 30, 2017 was $0 and State money for the year ended June 30, 2017 was 962,820. 5% loan forgiveness of $22,107 is also included in the expenditures noted above.

Grantor Agency	Program Title	CFDA Number	Balance July 1, 2016	Receipts	Expenditures		Balance June 30, 2017	Expenditures to Subrecipients
Water								
United States Department of Environment and Conservation passed through Tennessee Department of Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.468	$ -	$ -	$ 34,498		$ (34,498)	$ -
Total grants from federal and state allocation from Water			$ -	$ -	$ 34,498		$ (34,498)	$ -
Electric								
Appalachian Regional Commission passed through State of Tennessee Department of Economic and Community Development	Appalachian Area Development	23.002	$ -	$ -	$ 234,360		$ (234,360)	$ -
Total grants from federal and state allocation from Electric			$ -	$ -	$ 234,360		$ (234,360)	$ -

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal and state award activity of Erwin Utilities under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Erwin Utilities, it is not intended to and does not present the financial position, change in net position, or cash flows of Erwin Utilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Erwin Utilities has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ERWIN UTILITIES
Departmental Statement of Net Position
June 30, 2017

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
ASSETS						
Current Assets						
Cash and cash equivalents	$ 2,321,505	$ 828,125	$ 1,010,879	75,719	$ -	$ 4,236,228
Certificates of deposit	724,069	904,641	169,385	-	-	1,798,095
Accounts receivable, net	2,417,214	80,816	91,413	13,937	(377,703)	2,225,677
Inventories	222,822	126,250	17,696	-	-	366,768
Current notes receivable	87,500	-	-	-	-	87,500
Accrued unbilled revenue	464,331	-	-	-	-	464,331
Other	239,746	34,498	1,840	-	-	276,084
Total current assets	6,477,187	1,974,330	1,291,213	89,656	(377,703)	9,454,683
Utility Plant, net	23,084,258	11,650,006	13,886,032	74,160	-	48,694,456
Other Assets						
Notes receivable - long term	480,208	-	-	-	-	480,208
Other assets	7,949	-	-	-	-	7,949
Restricted cash	490,824	-	-	-	-	490,824
Conservation notes receivable	416,903	-	-	-	-	416,903
Total other assets	1,395,884	-	-	-	-	1,395,884
Total assets	30,957,329	13,624,336	15,177,245	163,816	(377,703)	59,545,023
DEFERRED OUTFLOWS OF RESOURCES						
Pension, net	932,774	350,119	302,375	14,262	-	1,599,530
Deferred refunding charges	95,591	-	-	-	-	95,591
Unamortized premium on bonds payable	-	-	28,411	-	-	28,411
Total deferred outflows	1,028,365	350,119	330,786	14,262	-	1,723,532
LIABILITIES						
Current Liabilities						
Accounts payable	3,246,924	116,888	239,601	-	-	3,603,413
Current portion of long-term debt	444,580	133,492	118,648	-	-	696,720
Accrued compensated absences	622,280	112,818	39,423	-	-	774,521
Intercompany payable	156,292	-	-	-	(156,292)	-
Accrued expenses	314,409	35,541	7,775	125	-	357,850
Total current liabilities	4,784,485	398,739	405,447	125	(156,292)	5,432,504
Long-Term Liabilities						
Conservation loans	432,708	-	-	-	-	432,708
Customer deposits	852,449	4,850	-	-	-	857,299
OPEB	188,908	52,604	20,616	1,167	-	263,295
Pension	1,744,018	651,208	562,407	12,719	-	2,970,352
Long-term debt	3,528,634	1,130,737	4,952,742	221,411	(221,411)	9,612,113
Total long-term liabilities	6,746,717	1,839,399	5,535,765	235,297	(221,411)	14,135,767
Total liabilities	11,531,202	2,238,138	5,941,212	235,422	(377,703)	19,568,271
DEFERRED INFLOWS OF RESOURCES						
Deferred prepayments	-	-	-	57,945	-	57,945
Bond premium	69,063	-	-	-	-	69,063
Total deferred inflows	69,063	-	-	57,945	-	127,008
NET POSITION	$ 20,385,429	$ 11,736,317	$ 9,566,819	$ (115,289)	$ -	$ 41,573,276

ERWIN UTILITIES
Departmental Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2017

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Operating Revenue						
Sales	$ 20,913,443	$ 2,271,295	$ 1,432,998	$ 504,954	$ -	$ 25,122,690
Other operating revenue	887,604	39,370	43,469	-	-	970,443
Total operating revenues	21,801,047	2,310,665	1,476,467	504,954	-	26,093,133
Operating Expenses						
Purchased power	16,163,603	-	-	-	-	16,163,603
Distribution expense	917,769	172,289	-	404,870	-	1,494,928
Maintenance	961,157	318,585	150,715	2,161	-	1,432,618
Customer accounts expense	725,518	343,037	156,248	19,905	-	1,244,708
Depreciation	1,035,865	369,410	244,863	4,577	-	1,654,715
General and administrative expense	372,012	252,792	217,726	24,812	-	867,342
Treatment expense	-	388,135	275,704	-	-	663,839
Pumping expense	-	-	97,139	-	-	97,139
Collection expense	-	-	79,410	-	-	79,410
Total operating cost	20,175,924	1,844,248	1,221,805	456,325	-	23,698,302
Operating income (loss)	1,625,123	466,417	254,662	48,629	-	2,394,831
Non-Operating Income (Expense)						
Interest income	21,847	5,511	4,304	239	(9,501)	22,400
Grant revenue	234,360	34,498	24,576	-	-	293,434
Interest expense	(91,456)	(26,813)	(127,039)	(9,501)	9,501	(245,308)
Total non-operating income (expense)	164,751	13,196	(98,159)	(9,262)	-	70,526
Transfers, in lieu of taxes	(616,207)	(57,703)	(66,204)	-	-	(740,114)
Change in net position	1,173,667	421,910	90,299	39,367	-	1,725,243
Net position at the beginning of the year	19,211,762	11,314,407	9,476,520	(154,656)	-	39,848,033
Net position at the end of the year	$ 20,385,429	$ 11,736,317	$ 9,566,819	$ (115,289)	$ -	$ 41,573,276

ERWIN UTILITIES
Departmental Statement of Cash Flows
Year Ended June 30, 2017

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Cash Flows From Operating Activities						
Cash received from customers	$ 21,894,283	$ 2,277,252	$ 1,486,593	$ 491,017	$ -	$ 26,149,145
Cash paid to suppliers and employees	(18,791,629)	(1,357,748)	(1,692,203)	(469,691)	-	(22,311,271)
Net cash flows from operating activities	3,102,654	919,504	(205,610)	21,326	-	3,837,874
Cash Flows From Capital and Related Financing Activities						
Acquisition and construction of capital assets	(2,328,624)	(457,829)	(624,331)	(28,715)	-	(3,439,499)
Proceeds from long-term debt	-	-	938,244	-	-	938,244
Principal paid on long-term debt	(423,567)	(127,417)	(60,660)	(3,589)	-	(615,233)
Grant proceeds	-	34,498	24,576	-	-	59,074
Interest expense	(91,456)	(26,813)	(127,039)	(9,501)	9,501	(245,308)
Net cash flows from capital and related financing activities	(2,843,647)	(577,561)	150,790	(41,805)	9,501	(3,302,722)
Cash Flows From Investing Activities						
Interest earned	21,847	5,511	4,304	239	(9,501)	22,400
Net redemption/purchase of certificates of deposit	946,686	(802,490)	-	-	-	144,196
Net cash flows from investing activities	968,533	(796,979)	4,304	239	(9,501)	166,596
Cash Flows From Non-Capital Financing Activities						
Transfers, in lieu of taxes	(616,207)	(57,703)	(66,204)	-	-	(740,114)
Net cash flows from non-capital financing activities	(616,207)	(57,703)	(66,204)	-	-	(740,114)
Net change in cash and cash equivalents	611,333	(512,739)	(116,720)	(20,240)	-	(38,366)
Cash and Cash Equivalents, Beginning of the Year	2,200,996	1,340,864	1,127,599	95,959	-	4,765,418
Cash and Cash Equivalents, End of the Year	$ 2,812,329	$ 828,125	$ 1,010,879	$ 75,719	$ -	$ 4,727,052

ERWIN UTILITIES
Departmental Statement of Cash Flows (Continued)

	Electric System	Water System	Wastewater System	Fiber System	Eliminations	Total
Reconciliation of Operating Income to Net Cash Flows From Operating Activities						
Operating income	$ 1,625,123	$ 466,417	$ 254,662	$ 48,629	$ -	$ 2,394,831
Adjustments to reconcile operating income to net cash flows from operating activities						
Depreciation	1,035,865	369,410	244,863	4,577	-	1,654,715
Loss (gain) on disposal of equipment	(50,195)	(11,369)	-	1,837	-	(59,727)
Changes in operating assets and liabilities						
(Increase) decrease in assets:						
Accounts receivable	(89,427)	1,085	11,966	(68,877)	-	(145,253)
Other	4,234	-	(1,840)	-	-	2,394
Unbilled	(12,900)	-	-	-	-	(12,900)
Inventories	3,702	(14,314)	2,065	-	-	(8,547)
Notes receivable	87,500	-	-	-	-	87,500
Conservation loans	105,270	-	-	-	-	105,270
Other assets	(1,441)	(34,498)	-	-	-	(35,939)
(Increase) decrease in deferred outflows	(194,810)	(76,190)	(62,646)	(7,525)	-	(341,171)
Increase (decrease) in liabilities:						
Accounts payable	523,394	91,397	(744,908)	-	-	(130,117)
Accrued expenses	34,420	12,060	(349)	(25,695)	-	20,436
Accrued compensation	(5,184)	9,118	1,450	-	-	5,384
Customer deposits	(100,058)	-	-	-	-	(100,058)
Deferred pole rental	(41,964)	-	-	-	-	(41,964)
Other post employment benefits	(82,129)	6,111	2,523	676	-	(72,819)
Pension liability	298,212	111,197	96,034	10,315	-	515,758
Deferred inflows	(36,958)	(10,920)	(9,430)	57,389	-	81
Net cash flows from operating activities	$ 3,102,654	$ 919,504	$ (205,610)	$ 21,326	$ -	$ 3,837,874

ERWIN UTILITIES
Schedule of Investments
June 30, 2017

Description	Maturity Date	Interest Rate	Carrying Amount
Certificates of deposit	July-2017	0.15%	$ 459,593
Certificates of deposit	September-2017	0.30%	89,500
Certificates of deposit	September-2017	0.77%	815,141
Certificates of deposit	September-2017	0.30%	67,113
Certificates of deposit	October-2017	1.02%	264,476
Certificates of deposit	November-2017	0.77%	61,272
Certificates of deposit	November-2017	0.77%	41,000
			$ 1,798,095

ERWIN UTILITIES
Schedule of Utility Rates
June 30, 2017

Utility rates in effect at June 30, 2017 consist of the following:

Electric System:

Residential Rate - Schedule RS

Customer Charge - per delivery point per month	$18.69
Energy Charge - per kilowatt hour (kWh) per month	$.09194

General Power Rate - Schedule GSA

Part 1.	Not to exceed 50 kW or 15,000 kWh per month:		
	Customer Charge #1 - per delivery point per month		$18.89
		1 Phase under 50kW	
	Customer Charge #2 - per delivery point per month		$27.12
		3 Phase under 50kW	$.10584
	Energy Charge - per kWh		
Part 2.	Greater than 50 kW but not more than 1,000 kW or 50 kW or less with greater than 15,000 kWh:		
	Customer Charge #1 - per delivery point per month		$47.37
		3 Phase self-contained metering	
	Customer Charge #2 - per deliver point per month		$61.79
		3 Phase secondary instrument rated metering	
	Customer Charge #3 - per deliver point per month		$108.12
		3 Phase primary instrument rated metering	
	Demand Charge -	per kW per month:	
		First 50 kW	$0.00
		Excess over 50 kW	$13.43
	Energy Charge -	per kWh per month:	
		First 15,000 kWh	$.10936
		Additional kWh	$.06579
Part 3.	Greater than 1,000 kW but not more than 5,000 kW:		
	Customer Charge - per delivery point per month		$205.95
	Demand Charge -	per kW per month:	
		First 1,000 kW	$13.64
		Excess over 1,000 kW	$15.91
		Excess Taking > 2,500 kW or Contract	$15.91
	Energy Charge -	per kWh per month	$.06553

General Power Rate - Schedule TDMSA MSA Summer

Customer Charge - per delivery point per month		$1,500.00
Administrative Charge		$350.00
5MR Administrative Charge		$350.00
Demand Charge		
	Summer period - On peak kWh	$9.74
	Summer period - Off peak kWh	$9.74
Energy Charge - Summer period - On peak kWh		.07197
All seasons off peak hours use of demand adjustment		
	First 200 HUD	$.04819
	Next 200 HUD	$.02209
	Off peak kWh – Additional HUD	$.01966

Outdoor Lighting Rate - Schedule LS

Part A. Street Lighting, Traffic Signals, and Athletic Field Lighting:

Customer Charge	$10.00
Energy Charge - per kWh per month	$.06852
Facility Charge - annual rate	12%

Part B. Charges for Outdoor Lighting for Individual Customers:

Charges Per Fixture Per Month

Type of Fixture	Lamp Size (Watts)	Monthly Charge
Mercury Vapor	175	$ 9.80
	400	17.89
High Pressure Sodium	100	9.05
	250	14.73
	400	18.63
Metal Halide	400	21.55
	1,000	37.60
LED	64	9.03
	143	17.99
	215	19.39
	202	24.45
	325	27.89

Additional Facilities

Pole	$8.00 per month per pole
Transformer	$4.40 per month

Erwin Water System:	Inside Corporate Limits	Outside Corporate Limits
Customer Charge - per month based on meter size		
5/8” x 3/4” & 3/4”	$ 11.29	$ 16.95
1”	15.74	23.62
1 1/2”	29.72	44.58
2”	35.34	53.02
3”	71.72	107.59
4”	141.65	212.48
6”	281.59	422.40
8”	499.24	748.85
Water Charge - cost per 1,000 gallons	2.65	3.97
Wastewater System:		
Customer Charge - per month per unit	$ 7.05	$ 10.58
User Charge - cost per 1,000 gallons	4.73	7.10

Fiber System:

Internet

Residential - 25 Mbps	$49.95/month
Residential - 100 Mbps	69.95/month
Residential - 1 Gigabit	199.95/month
Business- 25 Mbps	59.95/month
Business- 100 Mbps	79.95/month
Business - 1 Gigabit	499.95/month

Voice

Residential	24.95/month
Business	34.95/month

ERWIN UTILITIES

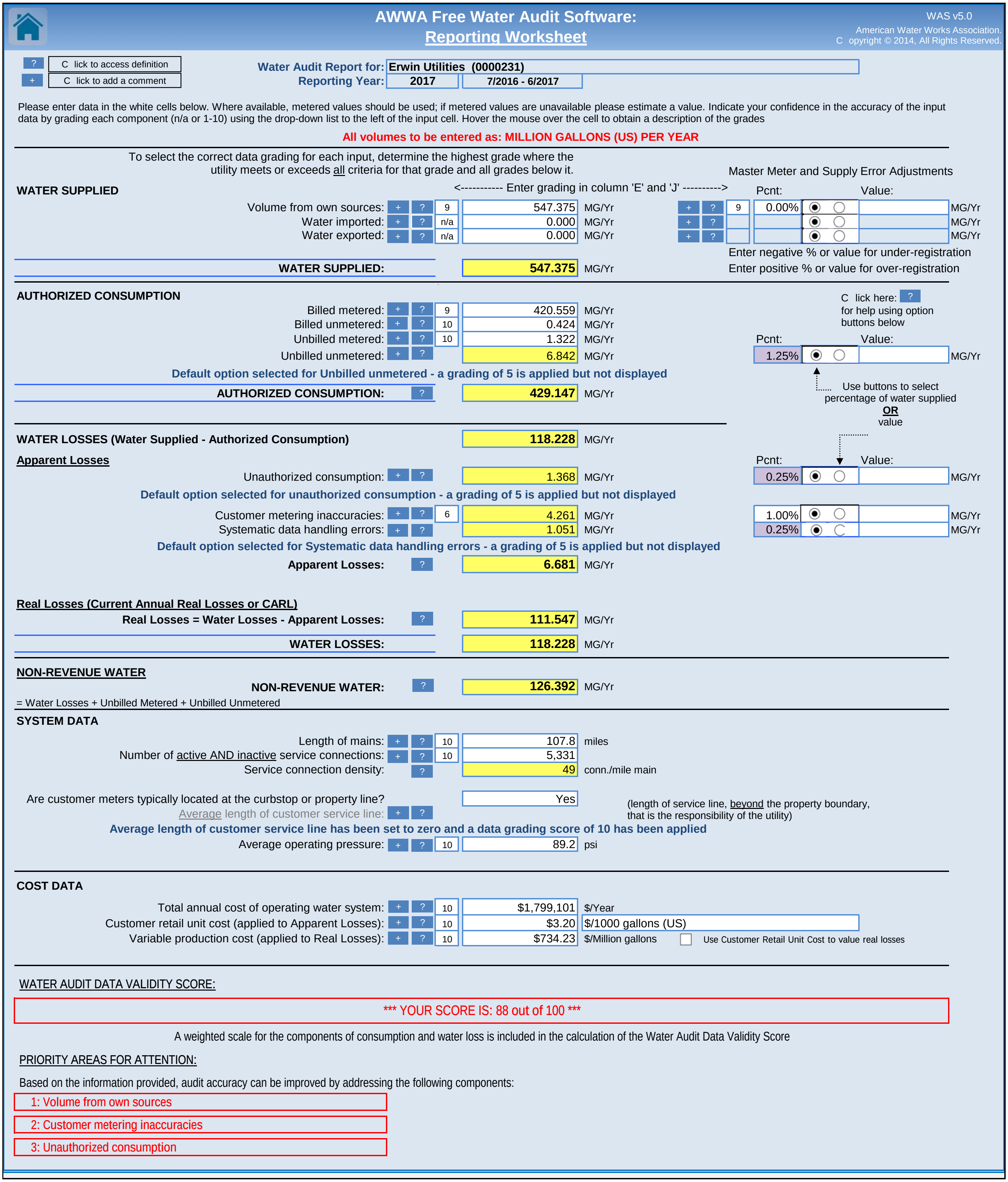
Schedule of Number of Customers Served

June 30, 2017

The number of customers served at June 30, 2017, is as follows:

Electric System:	
Residential	7,590
Other	1,347
Water System:	
Residential	4,587
Other	601
Wastewater System:	
Residential	3,030
Other	601
Fiber	
Residential	951
Other	220

ERWIN UTILITIES
Schedule of Unaccounted for Water (Unaudited)
June 30, 2017



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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Water Audit Report for: Erwin Utilities (0000231)
Reporting Year: 2017 7/2016 - 6/2017

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

<----------- Enter grading in column 'E' and 'J' ---------->

WATER SUPPLIED

						Pcnt:		Value:	
Volume from own sources:	+ ?	9	547.375	MG/Yr	+ ? 9	0.00%	● ○		MG/Yr
Water imported:	+ ?	n/a	0.000	MG/Yr	+ ?		● ○		MG/Yr
Water exported:	+ ?	n/a	0.000	MG/Yr	+ ?		● ○		MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 547.375 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

					Pcnt:		Value:	
Billed metered:	+ ?	9	420.559	MG/Yr				
Billed unmetered:	+ ?	10	0.424	MG/Yr				
Unbilled metered:	+ ?	10	1.322	MG/Yr				
Unbilled unmetered:	+ ?		6.842	MG/Yr	1.25%	● ○		MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Use buttons to select percentage of water supplied **OR** value

AUTHORIZED CONSUMPTION: ? 429.147 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 118.228 MG/Yr

Apparent Losses

					Pcnt:		Value:	
Unauthorized consumption:	+ ?		1.368	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ?	6	4.261	MG/Yr	1.00%	● ○		MG/Yr
Systematic data handling errors:	+ ?		1.051	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: ? 6.681 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 111.547 MG/Yr

WATER LOSSES: 118.228 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 126.392 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	107.8	miles
Number of active AND inactive service connections:	+ ?	10	5,331	
Service connection density:	?		49	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: + ? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 10 89.2 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	$1,799,101	$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	10	$3.20	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	$734.23	$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 88 out of 100 ***

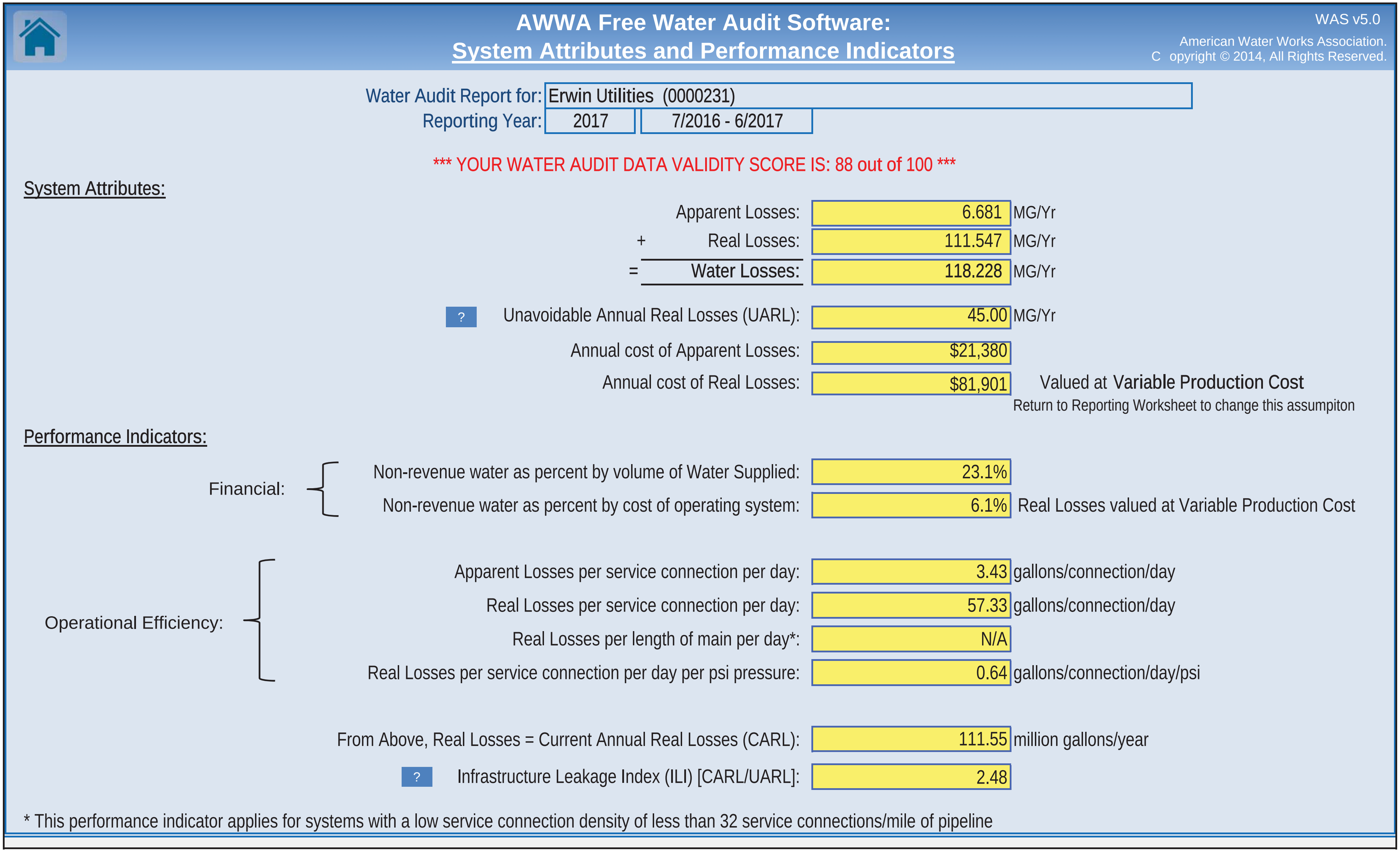
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources
2: Customer metering inaccuracies
3: Unauthorized consumption

ERWIN UTILTIES
Schedule of Unaccounted for Water (Unaudited) (Continued)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for: Erwin Utilities (0000231)
Reporting Year: 2017 | 7/2016 - 6/2017

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 ***

System Attributes:

Apparent Losses:	6.681	MG/Yr
+ Real Losses:	111.547	MG/Yr
= Water Losses:	118.228	MG/Yr
? Unavoidable Annual Real Losses (UARL):	45.00	MG/Yr
Annual cost of Apparent Losses:	$21,380	
Annual cost of Real Losses:	$81,901	Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	23.1%	
	Non-revenue water as percent by cost of operating system:	6.1%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	3.43	gallons/connection/day
	Real Losses per service connection per day:	57.33	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.64	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	111.55	million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.48	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

ERWIN UTILITIES
Schedule of Long-Term Debt Maturities by Issue
June 30, 2017

	Series 1997		Series 2015		Series 2007		Series 2010		Series 2016	
	General Obligation Bond		Revenue Bonds		Revenue Bond		Revenue Bond		Revenue Bond	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 136,800	$ 3,630	$ 60,000	$ 93,106	$ 190,000	$ 3,563	$ 135,000	$ 19,382	$ 10,000	$ 67,325
2019	143,700	3,096	60,000	90,706	-	-	135,000	16,344	210,000	67,025
2020	150,900	2,536	65,000	88,306	-	-	140,000	12,969	215,000	60,725
2021	158,400	1,947	65,000	85,706	-	-	145,000	9,119	225,000	54,275
2022	166,300	1,330	70,000	83,106	-	-	35,000	4,950	225,000	47,525
2023-2027	174,600	681	395,000	365,731	-	-	120,000	7,900	1,245,000	131,425
2028-2032	-	-	470,000	292,331	-	-	-	-	270,000	6,075
2033-2037	-	-	540,000	216,488	-	-	-	-	-	-
2038-2042	-	-	635,000	123,363	-	-	-	-	-	-
2043-2047	-	-	335,000	22,400	-	-	-	-	-	-
Total	$ 930,700	$ 13,220	$ 2,695,000	$ 1,461,243	$ 190,000	$ 3,563	$ 710,000	$ 70,664	$ 2,400,000	$ 434,375

	Electric		Electric		Water		Wastewater			
	Loan Payable		Loan Payable		Loan Payable		SRF Loan Payable		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 37,500	$ -	$ 50,000	$ -	$ 24,432	$ 10,920	$ 52,988	$ 26,979	$ 696,720	$ 224,905
2019	37,500	-	50,000	-	25,032	10,320	64,401	31,560	725,633	219,051
2020	37,500	-	50,000	-	25,644	9,708	65,302	30,659	749,346	204,903
2021	37,500	-	50,000	-	26,268	9,084	66,216	29,745	773,384	189,876
2022	37,500	-	50,000	-	26,904	8,448	67,142	28,819	677,846	174,178
2023-2027	46,872	-	83,336	-	144,756	32,004	350,062	129,740	2,559,626	667,481
2028-2032	-	-	-	-	163,344	13,416	375,243	104,562	1,278,587	416,384
2033-2037	-	-	-	-	26,144	270	402,233	77,568	968,377	294,326
2038-2042	-	-	-	-	-	-	431,167	48,637	1,066,167	172,000
2043-2047	-	-	-	-	-	-	478,147	17,651	813,147	40,051
Total	$ 234,372	$ -	$ 333,336	$ -	$ 462,524	$ 94,170	$ 2,352,901	$ 525,920	$ 10,308,833	$ 2,603,155

ERWIN UTILITIES
Schedule of Utility Plant Activity by Segment
June 30, 2017

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017
Electric System:				
Structures and permanent improvements	$ 4,500,462	$ -	$ -	$ 4,500,462
Equipment, furnishings, and distribution systems	24,205,704	2,283,455	(210,525)	26,278,634
Land and land rights	1,395,686	45,169	-	1,440,855
Construction in progress	694,584	-	(368)	694,216
Total Electric System	$ 30,796,436	$ 2,328,624	$ (210,893)	$ 32,914,167
Wastewater System:				
Structures and permanent improvements	$ 8,330,225	$ 15,228	$ (4,162)	$ 8,341,291
Equipment, furnishings, and distribution systems	5,977,607	87,469	(67,458)	5,997,618
Land and land rights	60,184	-	-	60,184
Construction in progress	2,444,929	522,675	-	2,967,604
Total Wastewater System	$ 16,812,945	$ 625,372	$ (71,620)	$ 17,366,697
Water System:				
Structures and permanent improvements	$ 5,703,623	$ -	$ -	$ 5,703,623
Equipment, furnishings, and distribution systems	10,057,335	148,871	(54,077)	10,152,129
Land and land rights	216,090	12	(6,000)	210,102
Construction in progress	28,230	308,946	-	337,176
Total Water System	$ 16,005,278	$ 457,829	$ (60,077)	$ 16,403,030
Fiber System:				
Fiber services	$ 46,963	$ 28,715	$ -	$ 75,678
Construction in progress	6,164	-	(1,838)	4,326
Total Fiber System	$ 53,127	$ 28,715	$ (1,838)	$ 80,004
Total	$ 63,667,786	$ 3,440,540	$ (344,428)	$ 66,763,898

- Certified Public Accountants
  - Business Advisors

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185 Serral Drive
Greeneville, TN 37745

RM
RODEFER MOSS & CO, PLLC

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 Public Utilities
Town of Erwin, 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 financial statements of Erwin Utilities (the "Utility") as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility'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 Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility'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 Utility'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 Utility'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

The 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 Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Greeneville, Tennessee
October 16, 2017

ERWIN UTILITIES
Schedule of Prior Year Findings
Year Ended June 30, 2017

Internal Control over Financial Reporting

There were no prior year findings.

Compliance and Other Matters

There were no prior year findings.