



ANNUAL REPORT

Audited Financial Statements for Electric and Broadband Division



June 30, 2019 & 2018



GM's Letter

It is during this time of year that we pause for a moment and reflect on the accomplishments of our organization. I continue to be amazed and impressed with the commitment of our employees to our vision and to the public power model.

As a Public Power Provider, CDE Lightband is owned by the people of Clarksville, and while we have existed in our present form since 1938, our roots go back even further. We have supplied electricity to Clarksville since 1886. As such, our vision and values reflect the importance of serving our community: providing electric and broadband services at affordable and competitive rates, maintaining the highest level of system reliability, leading the community in promoting energy efficiency, maintaining a strong workforce, and providing a level of service that exceeds expectations.

We continue to look for ways to provide better customer service and keep rates affordable. This year we implemented procedures to streamline our broadband service order process, which included customer feedback with every order. We are currently seeing a 85% customer satisfaction rating with this new process. We also implemented new text features to our outage management system. Customers will get a text message letting them know their power is off or has been restored. This occurs regardless of whether they placed an outage call.

I am most proud of our employees and their commitment to our vision and our community. Through their work, I am reminded everyday that our employees make CDE Lightband the great company that it is; always putting our customers first. This year's report will highlight our strong financial position in both the electric and broadband divisions. It has been another exciting year with many accomplishments.



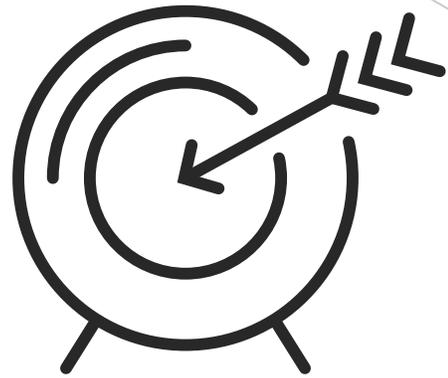
BRIAN TAYLOR

General Manager

Our Focus

MISSION

To improve our community through the reliable and affordable delivery of electric and broadband services.



VISION

Provide electric and broadband services at affordable and competitive rates

Provide the highest level of system reliability

Provide a level of service that exceeds customer expectations

Be a leader in promoting energy efficiency

Develop a workforce that can lead the next generation to carry on the mission and vision of CDE Lightband



Our Company

FAST AND RELIABLE

Directly connected to over 71,000 households and businesses in the City of Clarksville, CDE Lightband provides reliable utilities delivered at the speed of light. Our world-class Fiber Optic Network keeps electric costs low and allows us to deliver exceptional broadband products to our customers.

The fiber network provides savings of over \$10 million, annually, in operating costs and provides over \$5 million, annually, in income for electrical grid improvements that results in half as many large scale power outages compared to peer cities.



ELECTRIC

Offering safe, reliable electricity at affordable rates since 1938.

- 100 sq. Miles Service Area
- 971 Miles of Power Lines
- 1,045 Miles of Fiber Optic Cable



DIGITAL TV

Customers are able to watch and enjoy their favorite HD and premium movie channels, record shows and watch them when they want with DVR.

- 266 all-digital channels
- Whole Home DVR
- Over 40 Premium Channels

VALUE AND EXPERTISE

Additionally, access to our network increases home values by 3% or an average of over \$5,000, according to the Fiber to the Home Council. Based in large part on access to the superior digital products provided by CDE Lightband, Clarksville has been designated a first 50 "Next Century City."

CDE Lightband offers Electricity, Internet, Digital TV and Telephone services with blazing fast speed and superior performance ... with the additional convenience of 24/7 local support and bundling all your utilities into a single bill.

Our staff includes over 200 employees, a management team with over 100 years of combined industry expertise and governance provided by a board of five local business leaders.



INTERNET

Fiber fast speeds over a 100% fiber optic network and direct access to a 24/7 support team for all your web needs.

- Up to 1 Gig Speeds
- Wireless Home Package
- Consistent Upload/Download Speeds



PHONE

Offered to our customers as a bundle pack, our phone service provides unlimited local and long distance calling with 14 convenient features.

- Hosted services
- Business Class Service
- Features to Fit Every Need

Our Management

ADMINISTRATIVE TEAM

LEFT TO RIGHT: Bruce Walker, Electric Division Director; Christy Batts, Broadband Division Director; Privott Stroman, Human Resources Director; Brian Taylor, General Manager; Sally Martino, Executive Assistant; David Johns, Chief Financial Officer; Jim Manning, Customer Resources Division Director



“IN THE BLACK”

When Broadband launched in 2008, it had many years of borrowing funds from the Electric Division and operating with an income deficit. Since 2014, Broadband has shown positive cash flow and has paid on the loan and chipped away at the income deficit. Because of this deficit, CDE Lightband received a letter each year from the state comptroller’s office that was, in turn, copied to the city council. This year, CDE Lightband is happy to announce that it has now eliminated the income deficit and will no longer receive this letter from the comptroller’s office. Pulling from a classic film favorite, our Administrative Team had some fun celebrating this milestone and showing that after years of hard work, we now operate “in the black”.

BOARD MEMBERS

LEFT TO RIGHT: Jeff Burkhart, Wayne Wilkinson (Chairman), Sally Castleman, Kunal Shah, Ronald Jackson, Mayor Joe Pitts (not pictured)



“CDE Lightband is a true high-tech success story that continues to bring national attention to Clarksville.”

Mayor Joe Pitts

New Development

CDE LIGHTBAND LEADERSHIP ACADEMY

It was really exciting this year to launch the Leadership Academy, an elite-year long program designed for qualifying employees to gain a more rounded view of the processes between each department within the company and, overall, to provide a positive learning experience while supporting the professional development of academy participants.



MISSION

The mission of the Leadership Academy is to develop leaders through interdepartmental training and active participation in strategic solution development.

OVERVIEW

Leadership Academy participants train with each department once a month and develop project designs throughout the year. Participants decide on and develop a single project designed out of the insights gained from training. Presentations of the finished program, project or project designs will be made to the management team.



With help from TVA,
participants are shown
the method of Design
Thinking.



Members also
participate in a DISC
Personal Profile
assessment offered
through TVPPA.

Big Changes

BUILDING RENOVATION

With strategic customer growth and new services offered, comes the need to grow the company's facilities as well. CDE Lightband originally moved into building off of Wilma Rudolph Boulevard in the 1980's and is currently undergoing one of the most significant renovations since then.



PHASE 1

July 2014 - New SCADA Center, Communications building and Drive Thru and Payment Window, Canopy and Facade,



PHASE 2

January 2015 - Substation Maintenance Offices, New Garage, New Warehouse



PHASE 3

October 2018 - New Customer Service lobby, New Administrative Offices, Convert Current Lobby into Meeting Space



PHASE 4

Future Office Expansion Space

In 2014, Phase I of building renovation and additions began. Now deep into Phase III, we begin to see major structural changes taking place and a new "face" emerging. Once fully completed, the two-level building will house nearly all employees and leave room for future growth as well.



Surveying takes place as Phase III begins back in October of 2018.



(Left to Right) CDE General Manager, Brian Taylor, T.W. Frierson's, Joe Slate, T.W. Frierson's Andy Zimmerman and CDE Safety & Risk Manager, Keith Cutshall stand under a specially designated beam signed by CDE Lightband employees and board members.



D PROPOSED FRONT ELEVATION
SCHEMATIC DESIGN PRESENTATION - 4-30-2018 SCALE: 1/8" = 1'-0"



E PROPOSED SIDE ELEVATION
SCHEMATIC DESIGN PRESENTATION - 4-30-2018 SCALE: 1/8" = 1'-0"

Special Recognition

FOR COMMUNITY AND QUALITY SERVICES

At CDE Lightband, we always strive to provide the best quality services for our customers. Equally important is our efforts to position ourselves as a leader in our commitment to the community we serve. We proudly see that exemplified with several recognitions and awards we've received in the past year.

BROADBAND NOW

Our Internet and Fiber Speeds as well as our affordable Broadband service plans received regional and national recognition with the following awards:

TOP 10 Fastest Internet Speeds Nationwide, TOP 10 Fastest Fiber Provider Nationwide, TOP 3 Fastest Internet Providers in TN, TOP 3 Fastest Fiber Provider in TN, and TOP 10 Most Affordable

APPA

The American Public Power Association recognized CDE Lightband for exceeding the average for all U.S. electric utilities' for reliable electric service.

CDE Lightband was also featured in an APPA news article for the successful implementation of its **2-way texting feature**, improving the outage management system while also helping CDE Lightband achieve a 15% paperless billing adoption rate.

TMEPA

The Tennessee Municipal Electric Power Association recognized CDE Lightband for its commitment to the community and for providing employees with various opportunities to volunteer for company and city-wide events.

CDE Lightband also offers a paid volunteer program to employees called **Helping Hand** which allows employees 8 paid hours per year to get more involved in areas they are most passionate about.





TMEPA

Tennessee Municipal Electric Power Association
Customer Focused. Community Oriented.

**COMMUNITY SERVICE
AWARD**

Presented to

CDE Lightband

In recognition of extraordinary service
and commitment to the citizens of
Clarksville, Tennessee

July 11, 2019

Year in Highlights



(Left to Right) Mayor Joe Pitts, Tyler Snead, Randy Harper, Bradley Taylor, Zach Bertram, Daniel Wimbs and First Lady, Cynthia Pitts pose during the National Night Out event.

\$10 K

BROADBAND REVENUE GROWTH

Ten thousand per month in incremental revenue due to growth in Wifi services and the successful launch of 2,728 indoor ONT's.

\$5.2 M

DALTON SMITH SUBSTATION

Now serving 3,200 customers, approximately \$5.2 million dollars was invested into the construction of this newly built substation.

\$3.5 M

EAST SUBSTATION

Approximately \$3.5 million dollars in construction went toward the improvement of East Substation.

\$60 K

PROFESSIONAL DEVELOPMENT

Investing in our employees is equally important which is why over \$60 thousand dollars went toward training opportunities for the Operations Department.



● 60%

BROADBAND REVENUES

Revenues for Broadband commercial accounts have grown by over 60% for our monthly average. Overall customer growth met its 7% goal for the year.

● 95%

SALES-TO-CONTACT

Broadband Commercial Sales staff is currently tracking a 95% sales-to-contact ratio for all of our service offerings.

● 3%

LOW CHURN RATES

Retention efforts through CSR support, TSR support and a stable network have allowed us to enjoy churn rates below three percent for the majority of the year.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2019 AND 2018

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
DIRECTORY OF CLARKSVILLE POWER BOARD AND MANAGEMENT (UNAUDITED)
JUNE 30, 2019

CLARKSVILLE POWER BOARD

Mayor Joe Pitts, Ex-Officio

Jeff Burkhart

Sally Castleman

Ron Jackson

Leo Millan

Wayne Wilkinson, Chair

GENERAL MANAGER

Brian Taylor

CHIEF FINANCIAL OFFICER

David Johns



Independent Auditor's Report

To the Clarksville Electric Power Board
City of Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric Division and Broadband Division of CDE Lightband (collectively, the "Divisions" or "CDE"), proprietary funds of the City of Clarksville, Tennessee, as of and for the years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise CDE'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric Division and Broadband Division of CDE Lightband as of June 30, 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of CDE Lightband as of June 30, 2018, were audited by other auditors whose report dated October 7, 2018, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electric Division and Broadband Division of CDE Lightband, proprietary funds of the City of Clarksville, Tennessee, and do not purport to, and do not present fairly the financial position of the City of Clarksville, Tennessee, as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and OPEB-related required 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 opinions on the financial statements that collectively comprise CDE's basic financial statements. The items identified under the caption "Other Information," and the Directory of Clarksville Power Board and Management (Unaudited) as 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 Schedules of Operating Revenues - Electric Division, Schedules of Operating Expenses - Electric Division, Schedules of Operating Revenues and Costs of Services - Broadband Division, Schedule of Bond Principal and Interest Maturities - Electric Division, Schedule of Note Principal and Interest Maturities - Electric Division, Schedule of Interdivisional Loan Maturities - Electric Division and Broadband Division and the Schedule of Changes in Long-term Debt by Individual Issue 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 audits 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Directory of Clarksville Electric Power Board and Management, Schedules of Statistical Data - Electric Division and Broadband Division, Schedule of Rates - Electric Division, and Schedule of Rates - Broadband Division have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of CDE'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 CDE's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

October 15, 2019
Jackson, Tennessee

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

As financial management of the City of Clarksville Department of Electricity Lightband ("CDE"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of CDE for the fiscal years ending June 30, 2019 and 2018, as compared to fiscal years 2018 and 2017, respectively. This discussion and analysis includes information regarding the Electric Division and the Broadband Division (collectively, the "Divisions"). CDE formed the Broadband Division to achieve organizational and accounting separation from its electric power service operations. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. Please consider this information in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of each Division report information about the Division using U. S. generally accepted accounting principles. These statements are comprised of the basic financial statements and the notes to the financial statements. Since CDE is an enterprise fund, no fund-level financial statements are shown.

REQUIRED FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of CDE's finances in a manner similar to that of a private-sector business.

The *Statements of Net Position* include all of each Division's assets, deferred outflows of resources (when applicable), liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CDE is improving or deteriorating. Net position increases when revenues exceed expenses.

All of the current year's revenues and expenses are accounted for in the *Statements of Revenues, Expenses, and Changes in Net Position*. These statements present information showing how net position changed during the fiscal year. These statements measure the success of the Divisions' operations over the past year and can be used to determine if each Division recovered all its cost through power sales and other charges.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, financing and investing activities. These statements present cash receipts and cash disbursements information, without consideration as to the timing for the earnings event, when an obligation arises, or depreciation of capital assets.

FINANCIAL ANALYSIS OF THE DIVISIONS

The financial statements can show whether a business is improving or deteriorating. In CDE's industries, other non-financial factors such as economic conditions, weather, customer growth and changes in legislation can have a great impact on the financial statements and should be considered.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

GENERAL HIGHLIGHTS

The financial statements of each Division include activities from electric operations and broadband operations.

CDE issued Electric Revenue Bonds in the amount of \$28,650,000 in January of 2010 to finance continued improvements to the electric transmission and distribution system, and to fund the debt service reserve fund. In particular, proceeds were used to construct two new substations and to continue the Fiber to the Home infrastructure project. The fiber infrastructure primarily benefits the electric system and is an asset of the Electric Division. The Fiber to the Home infrastructure project consists of the installation of a fiber optic communications infrastructure and the purchase of equipment and materials. The Fiber infrastructure has allowed CDE to enhance the quality and efficiency of the electric service with remote meter reading, connects and disconnects to substantially all of its approximately 70,800 customers at June 30, 2019.

The infrastructure also allows the Broadband Division to offer digital video, high speed internet and phone services to 22,381 customers at June 30, 2019, compared to 20,920 at June 30, 2018. The Broadband Division uses the fiber infrastructure upon the payment of a monthly use charge to the Electric Division equal to the portion of the cost allocable to the Broadband Division based on the number of services provided.

The Electric Division has loaned the Broadband Division just over \$17 million for equipment solely for the delivery of broadband services and for working capital expenses of the Broadband Division. The Electric Division may make additional loans up to an aggregate of just more than \$20 million. Interest is charged on the interdivisional loan at the highest rate earned by the Electric Division. The last draw made by the Broadband Division on this loan was in April 2011. As of June 30, 2019, the Broadband Division has paid back more than \$9 million on this loan. Though the last payment is not due until 2038, Management anticipates this loan being repaid in full by June 30, 2022.

STATEMENTS OF NET POSITION AND STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The *Statements of Net Position* and the *Statements of Revenues, Expenses, and Changes in Net Position* report information about the respective Division's finances. These analyses can determine if the Division is better or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources (when applicable), liabilities, revenues and expenses using the accrual basis of accounting. Accrual of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

Summaries of the Electric Division Statements of Net Position are presented in Table 1. Total assets and deferred outflows of resources increased 2.24% to \$294.6 million in fiscal year 2019. Capital Assets increased due to normal plant activity, as well as the construction of the new Dalton B. Smith substation. Other assets decreased primarily due to collection of \$3.65 million on the interdivisional loan to Broadband, as well as the continuing attrition on the TVA Residential Energy Services Program.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

Table 1
City of Clarksville, Tennessee
CDELightband
Electric Division
Condensed Statements of Net Position

	June 30,			Dollar Change	Total Percent Change
	2019	2018	2017		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets	\$ 75,397,102	\$ 75,187,339	\$ 69,641,522	\$ 209,763	0.28%
Restricted Assets	10,615,925	10,942,087	11,168,646	(326,162)	-2.98%
Capital Assets (Net)	195,272,373	184,047,563	178,670,479	11,224,810	6.10%
Other Assets	9,888,910	14,677,036	18,513,575	(4,788,126)	-32.62%
Deferred Outflows of Resources	3,411,535	3,268,284	2,008,020	143,251	4.38%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 294,585,845	\$ 288,122,309	\$ 280,002,242	\$ 6,463,536	2.24%
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities	\$ 32,503,845	\$ 31,759,532	\$ 29,266,392	\$ 744,313	2.34%
Other - Noncurrent Liabilities	12,547,162	13,118,533	14,102,005	(571,371)	-4.36%
Long Term Debt	67,571,950	71,256,167	73,278,366	(3,684,217)	-5.17%
Deferred Inflows of Resources	308,023	-	-	308,023	100.00%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	112,930,980	116,134,232	116,646,763	(3,203,252)	-2.76%
Net investment in Capital Assets	127,581,126	112,948,974	104,433,226	14,632,152	12.95%
Restricted for Debt Service	10,615,925	10,942,087	11,168,646	(326,162)	-2.98%
Unrestricted net position	43,457,814	48,097,016	47,753,607	(4,639,202)	-9.65%
NET POSITION	181,654,865	171,988,077	163,355,479	9,666,788	5.62%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 294,585,845	\$ 288,122,309	\$ 280,002,242	\$ 6,463,536	2.24%

Summaries of the Broadband Division Statements of Net Position are presented in Table 2. Noncurrent Liabilities decreased significantly, due to normal loan repayments, as well as an additional loan repayment made to the Electric Division, due to several years of positive income and increased cash on hand. Net Position carried a positive ending balance as of June 30, 2019, for the first time, due to 5 years of positive income.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

Table 2
City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Condensed Statements of Net Position

	June 30,			Dollar Change	Total Percent Change
	2019	2018	2017		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets	\$ 7,809,243	\$ 7,845,866	\$ 7,928,726	\$ (36,623)	-0.47%
Non Current Assets	2,855,781	2,500,772	1,324,138	355,009	14.20%
TOTAL ASSETS	\$ 10,665,024	\$ 10,346,638	\$ 9,252,864	\$ 318,386	3.08%
DEFERRED OUTFLOWS OF RESOURCES	\$ 79,332	\$ -	\$ -	\$ 79,332	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,744,356	\$ 10,346,638	\$ 9,252,864	\$ 397,718	3.84%
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities	\$ 2,983,201	\$ 2,743,865	\$ 2,851,052	\$ 239,336	8.72%
Noncurrent Liabilities	6,852,701	10,606,276	13,144,344	(3,753,575)	-35.39%
TOTAL LIABILITIES	9,835,902	13,350,141	15,995,396	(3,514,239)	-26.32%
DEFERRED INFLOWS OF RESOURCES	104,614	7,994	-	96,620	0.00%
Net investment in Capital Assets	2,855,781	2,500,772	1,324,138	355,009	14.20%
Unrestricted net position	(2,051,941)	(5,512,269)	(8,066,670)	3,460,328	-62.78%
NET POSITION	803,840	(3,011,497)	(6,742,532)	3,815,337	-126.69%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 10,744,356	\$ 10,346,638	\$ 9,252,864	\$ 397,718	3.84%

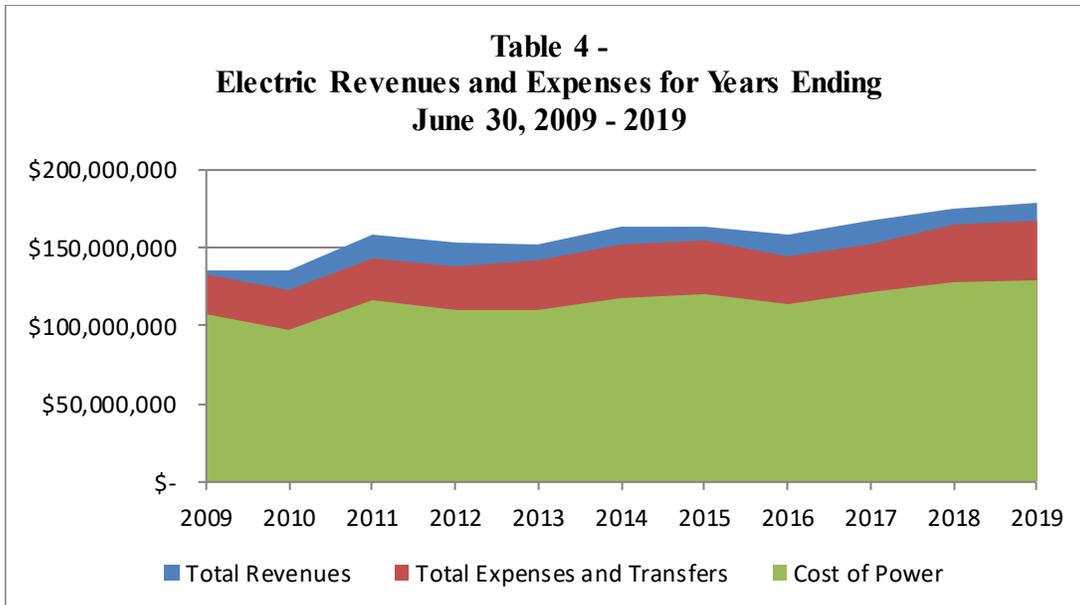
While the Statements of Net Position show the change in net position, the Statements of Revenue and Expenses and Changes in Net Position detail the nature and source of these changes. As shown in Table 3, operating revenue increased by 1.78%, with a similar increase in total expenses of 1.31%. Revenue and expense for the Electric Division are driven primarily by electric consumption, which, per customer, was flat compared to 2018. The similarity to 2018 was driven largely by similar weather conditions. These conditions can have a significant effect on revenue since heating and air conditioning account for the majority of electric consumption.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

Table 3
City of Clarksville, Tennessee
CDE Lightband
Electric Division
Condensed Statements of Revenues, Expenses,
and Changes in Net Position

	Year ending June 30,			Dollar Change	Total Percent Change
	2019	2018	2017		
Operating Revenues	\$ 178,130,793	\$ 175,017,285	\$ 166,376,978	\$ 3,113,508	1.78%
Cost of Power	129,181,812	127,828,533	120,799,510	1,353,279	1.06%
Other Operating Expenses	33,193,641	31,655,569	31,021,136	1,538,072	4.86%
Non Operating (Revenues) Expenses	1,442,340	2,219,983	2,500,674	(777,643)	-35.03%
Total Expenses	163,817,793	161,704,085	154,321,320	2,113,708	1.31%
Transfers to Other Funds	4,646,212	4,680,602	4,580,551	(34,390)	-0.73%
Change in Net Position	9,666,788	8,632,598	7,475,107	1,034,190	11.98%
Net Position - Beginning	171,988,077	163,355,479	155,880,372	8,632,598	5.28%
Net Position - Ending	\$ 181,654,865	\$ 171,988,077	\$ 163,355,479	\$ 9,666,788	5.62%

Being an electric power distributor, operating revenues will increase directly in relationship to the cost of purchased power, when fuel cost adjustments are passed through directly. The last major rate increases were made in 2009, when it was evident that expenses were outpacing revenues. The lasting positive effects of these increases can be seen in Table 4 below.



CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

Revenue for the Broadband Division is generated from the sale of video, internet and phone services. Billing for services began in February 2008. As shown in Table 5, the Division's operating revenue increased by 6.27%, with a similar increase in total expenses of 7.04%. This is due to the Division growing its internet subscriber base and implementing a video rate increase in March 2019 to counter the effects of rapidly increasing video programming costs in recent years.

Table 5
City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Condensed Statements of Revenues, Expenses,
and Changes in Net Position

	<u>Year ending June 30,</u>			Dollar Change	Total Percent Change
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Operating Revenues	\$ 21,825,043	\$ 20,537,601	\$ 19,930,258	\$ 1,287,442	6.27%
Cost of Services	10,072,294	9,382,428	9,186,929	689,866	7.35%
Network Expense	1,769,529	1,735,484	1,425,880	34,045	1.96%
Other Operating Expenses	5,974,683	5,535,650	5,276,910	439,033	7.93%
Non Operating (Revenues) Expenses	142,387	124,424	95,747	17,963	14.44%
Total Expenses	17,958,893	16,777,986	15,985,466	1,180,907	7.04%
Transfers to other Funds	50,813	28,580	24,754	22,233	77.79%
Change in Net Position	3,815,337	3,731,035	3,920,038	84,302	2.26%
Net Position - Beginning	(3,011,497)	(6,742,532)	(10,662,570)	3,731,035	-55.34%
Net Position - Ending	\$ 803,840	\$ (3,011,497)	\$ (6,742,532)	\$ 3,815,337	-126.69%

BUDGETARY INFORMATION

The Divisions adopt an Operating and Capital Expenses Budget to assist in planning and forecasting for the fiscal year. The Budget is assembled with input from the Management Staff. The Budget is then approved by the Power Board and is in effect for the entire fiscal year. Management uses the budget as a planning tool for the coming year. CDE's budget is on a cash basis rather than an accrual basis. The budget is not an official financial statement and is not shown in the financial statement section of this report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2019, the Electric Division had net capital assets of \$195 million. This is an increase of 6.10% from 2018. This growth is due mainly to the construction of the new Dalton B. Smith substation, as well as the commencement of the main campus building expansion. All capital projects completed in 2019 and 2018 were built without issuing bonds or raising rates. Please see Table 6 below for an analysis of net capital assets.

Table 6
City of Clarksville, Tennessee
CDE Lightband
Electric Division
Capital Assets

	June 30,			Dollar Change	Total Percent Change
	2019	2018	2017		
Transmission and Distribution Plant	\$ 153,796,367	\$ 149,607,085	\$ 145,503,137	\$ 4,189,282	2.80%
General Plant	123,013,118	118,660,806	114,452,439	4,352,312	3.67%
Construction Work in Progress	19,414,897	10,745,058	5,783,480	8,669,839	80.69%
Total Plant	296,224,382	279,012,949	265,739,056	17,211,433	6.17%
Unamortized Acquisition Adjustment	72,109	108,163	211,804	(36,054)	-33.33%
Less Accum Depr	101,024,118	95,073,549	87,280,381	5,950,569	6.26%
Net Capital Assets	\$ 195,272,373	\$ 184,047,563	\$ 178,670,479	\$ 11,224,810	6.10%

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

The Broadband Division had an increase in net capital assets of \$355,000, due to purchases of set top boxes, and the retirement of fully depreciated video hardware and set top boxes. Please see Table 7.

Table 7
City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Capital Assets

	June 30,			Dollar Change	Total Percent Change
	2019	2018	2017		
Operations Plant	\$ 7,770,957	\$ 7,320,125	\$ 7,105,383	\$ 450,832	6.16%
General Plant	394,352	335,528	249,596	58,824	17.53%
Construction Work in Progress	41,740	396,505	101	(354,765)	-89.47%
Total Plant	8,207,049	8,052,158	7,355,080	154,891	1.92%
Less Accumulated Depreciation	5,351,268	5,551,386	6,030,942	(200,118)	-3.60%
Net Capital Assets	\$ 2,855,781	\$ 2,500,772	\$ 1,324,138	\$ 355,009	14.20%

LONG TERM DEBT

At the end of fiscal year 2019, the Electric Division had total principal long-term debt of \$70,662,945, including current portion of \$3,090,995.

The purpose of the Series 2010 Bonds was to finance improvements to the transmission and distribution system, retire the 2009 short term bonds, and fund the debt service fund. The portion of these bonds callable after September 1, 2021, were advance refunded on October 23, 2017, with the issuance of the 2017 Series Electric System Revenue Refunding Bonds.

The purpose of the Series 2014 Bonds was to refund all of the 2004 Series Electric System Revenue and Improvement Bonds, pay the costs of issuance, and recognize interest savings.

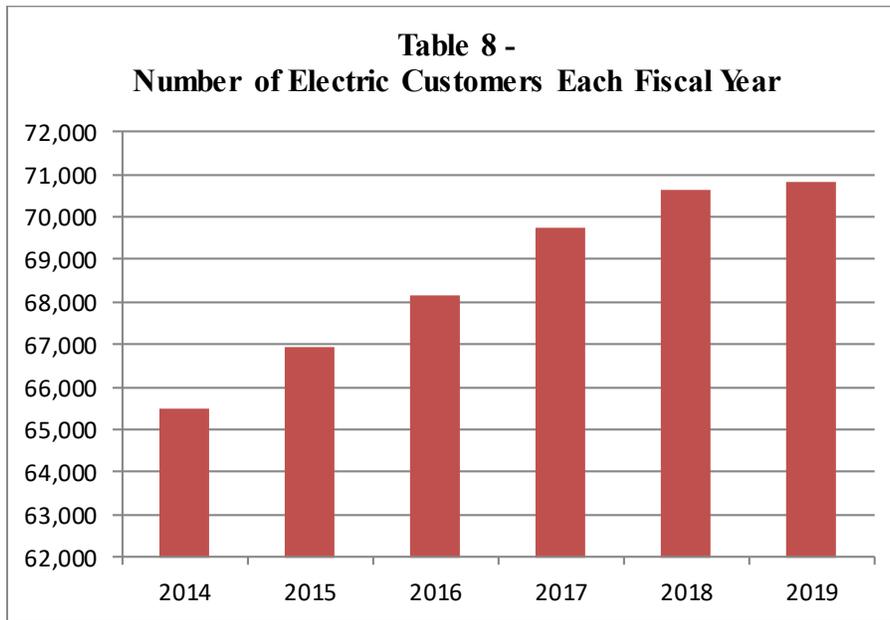
The purpose of the Series 2015 Bonds was to refund part of the 2007 Series Electric System Revenue and Improvement Bonds, pay the costs of issuance, and recognize interest savings.

The purpose of the Series 2017 Bonds was to refund part of the 2010 Series Electric System Revenue and Improvement Bonds, pay the costs of issuance, and recognize interest savings.

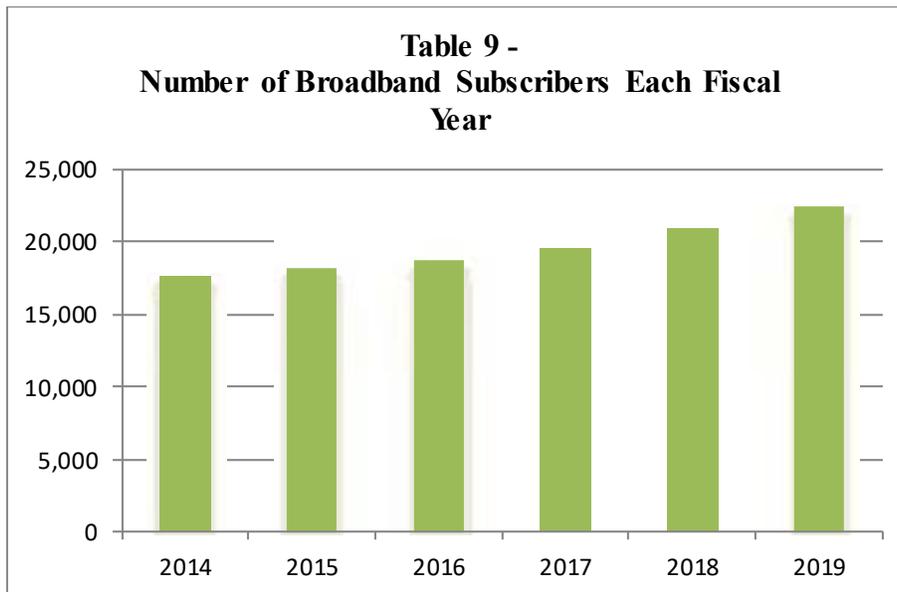
CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

CDE Lightband continuously plans for future activities and projects. The overall goal is to provide reliable and affordable electric and broadband services and enhance the quality of life through those services. CDE can expect and plan for the number of electric customers to increase by about 1.5% through normal growth over a period of 5 to 10 years. External factors such as annexation, weather, economic factors, interest rates, military deployment, and new sources of jobs will have a great effect on growth rates and revenues.



There is continued customer growth in the Broadband Division, driven primarily by internet services subscribers:



CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019 AND 2018

CONTACTING THE DIVISIONS' FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Electric and Broadband Divisions' finances. If you have any questions about this report or need any additional information, please contact:

Chief Financial Officer
Clarksville Department of Electricity Lightband
P. O. Box 31509
Clarksville, Tennessee 37040-0026

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CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 35,612,836	\$ 40,285,719
Accounts receivable	18,556,179	20,048,660
Materials and supplies	3,461,505	3,105,398
TVA prepayments and other	17,766,582	11,747,562
Total current assets	75,397,102	75,187,339
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	10,615,925	10,942,087
Total restricted assets	10,615,925	10,942,087
Capital assets - at cost:		
Electric plant in service	276,809,485	268,267,891
Construction work in progress	19,414,897	10,745,058
Total electric plant	296,224,382	279,012,949
Less: Accumulated depreciation	(101,024,118)	(95,073,549)
	195,200,264	183,939,400
Add: Unamortized plant acquisition adjustments	72,109	108,163
Net capital assets	195,272,373	184,047,563
Other assets:		
Receivables - TVA Residential Energy Services Program	2,543,107	3,697,166
Interdivisional receivable - Broadband Division	7,247,333	10,912,827
Other	98,470	67,043
Total other assets	9,888,910	14,677,036
Total noncurrent assets	215,777,208	209,666,686
TOTAL ASSETS	291,174,310	284,854,025
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts on bond refundings	3,043,807	3,266,736
Other postemployment benefits experience gains	367,728	1,548
Total deferred outflows of resources	3,411,535	3,268,284
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 294,585,845	\$ 288,122,309

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 25,341,502	\$ 24,971,525
Current portion of long-term debt	3,090,995	3,000,995
Accrued interest	961,493	983,356
Current portion of accrued leave	939,528	830,105
Accrued wages and payroll withholdings	325,464	144,564
Other	36,637	43,217
Interdivisional temporary advances	1,808,226	1,785,770
Total current liabilities	32,503,845	31,759,532
NONCURRENT LIABILITIES:		
Long-term debt:		
Bonds payable	67,571,950	71,225,171
Notes payable	-	30,996
Total long-term debt	67,571,950	71,256,167
Other noncurrent liabilities:		
Customer deposits	6,726,737	6,358,632
Advances - TVA Residential Energy Services Program	2,630,810	3,818,864
Accrued leave	1,532,915	1,475,740
Net OPEB liability	1,629,153	1,453,445
Other	27,547	11,852
Total other noncurrent liabilities	12,547,162	13,118,533
Total noncurrent liabilities	80,119,112	84,374,700
TOTAL LIABILITIES	112,622,957	116,134,232
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefits related	308,023	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	112,930,980	116,134,232
NET POSITION:		
Net investment in capital assets	127,653,235	112,948,974
Restricted for debt service	10,615,925	10,942,087
Unrestricted net position	43,385,705	48,097,016
Total net position	181,654,865	171,988,077
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 294,585,845	\$ 288,122,309

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,691,885	\$ 3,967,393
Accounts receivable	1,551,272	1,443,675
Interdivisional temporary advances	1,808,226	1,785,770
Prepaid expense	350,910	218,008
Materials and supplies	406,950	431,020
Total current assets	7,809,243	7,845,866
NONCURRENT ASSETS:		
Capital assets - at cost:		
Equipment	8,165,309	7,655,653
Construction work in progress	41,740	396,505
Total capital assets	8,207,049	8,052,158
Less: accumulated depreciation	(5,351,268)	(5,551,386)
Net capital assets	2,855,781	2,500,772
TOTAL ASSETS	\$ 10,665,024	\$ 10,346,638
DEFERRED OUTFLOWS OF RESOURCES:		
Other postemployment benefits experience gains	79,332	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,744,356	\$ 10,346,638
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,550,703	\$ 1,484,825
Current portion of interdivisional payable - Electric Division	750,000	650,000
Unearned revenue	682,498	609,040
Total current liabilities	2,983,201	2,743,865
NONCURRENT LIABILITIES:		
Interdivisional payable - Electric Division	6,497,333	10,262,827
Net OPEB liability	352,669	339,803
Customer deposits	2,699	3,646
Total noncurrent liabilities	6,852,701	10,606,276
Total liabilities	9,835,902	13,350,141
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefits related	104,614	7,994
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	9,940,516	13,358,135
NET POSITION:		
Net investment in capital assets	2,855,781	2,500,772
Unrestricted net position	(2,051,941)	(5,512,269)
Total net position	803,840	(3,011,497)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 10,744,356	\$ 10,346,638

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Charges for power, net	\$ 172,778,754	\$ 169,444,701
Other operating revenues	5,352,039	5,572,584
Total operating revenues	178,130,793	175,017,285
OPERATING EXPENSES:		
Cost of power	129,181,812	127,828,533
Distribution	4,004,489	3,925,528
Transmission	78,642	58,172
Customer accounts	3,863,177	3,432,231
Sales and customer service	508,280	445,620
Administrative and general	4,631,599	4,059,660
Maintenance	5,932,510	6,003,332
Taxes	1,951,283	1,913,657
Depreciation and amortization	12,223,661	11,817,369
Total operating expenses	162,375,453	159,484,102
Operating income	15,755,340	15,533,183
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(2,261,181)	(2,718,661)
Interest and investment earnings	832,333	515,406
Miscellaneous	(13,492)	(16,728)
Total non-operating revenues (expenses)	(1,442,340)	(2,219,983)
Income before transfers	14,313,000	13,313,200
Transfers to other funds	4,646,212	4,680,602
INCREASE IN NET POSITION	9,666,788	8,632,598
NET POSITION - BEGINNING	171,988,077	163,355,479
NET POSITION - ENDING	\$ 181,654,865	\$ 171,988,077

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Charges for service	\$ 20,258,543	\$ 19,007,621
Other operating revenues	1,566,500	1,529,980
Total operating revenues	21,825,043	20,537,601
OPERATING EXPENSES:		
Cost of service	10,072,294	9,382,428
Network expense	1,769,529	1,735,484
Fiber rent	2,144,634	2,084,512
Equipment expense	321	244
Marketing expense	518,268	402,867
Customer service	851,804	795,144
Administrative and general	1,228,684	1,194,969
Taxes	240,191	207,426
Employee benefits	587,573	482,112
Depreciation and amortization expense	403,208	368,376
Total operating expenses	17,816,506	16,653,562
Operating income	4,008,537	3,884,039
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(241,310)	(173,665)
Interest and investment earnings	98,923	49,241
Total non-operating expenses	(142,387)	(124,424)
Income before transfers	3,866,150	3,759,615
Transfers to other funds	50,813	28,580
CHANGE IN NET POSITION	3,815,337	3,731,035
NET POSITION - BEGINNING	(3,011,497)	(6,742,532)
NET POSITION - ENDING	\$ 803,840	\$ (3,011,497)

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 174,639,340	\$ 168,456,438
Cash paid for power	(136,195,371)	(127,595,421)
Cash paid to suppliers	(6,558,579)	(7,619,753)
Cash paid to employees	(12,090,141)	(10,536,933)
Interdivisional payable	22,456	102,746
Other receipts	4,447,930	4,678,041
Net cash provided by operating activities	24,265,635	27,485,118
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments from Broadband Division, net	3,665,494	2,473,496
Transfers to other funds	(4,646,212)	(4,680,602)
Other	(13,492)	(16,728)
Net cash used in noncapital financing activities	(994,210)	(2,223,834)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(23,448,471)	(17,194,453)
Payment of long-term debt	(3,371,288)	(2,755,103)
Interest paid	(2,283,044)	(3,113,009)
Net cash used in capital and related financing activities	(29,102,803)	(23,062,565)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	832,333	515,406
Net cash provided by investing activities	832,333	515,406
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,999,045)	2,714,125
CASH AND CASH EQUIVALENTS - BEGINNING	51,227,806	48,513,681
CASH AND CASH EQUIVALENTS - ENDING	\$ 46,228,761	\$ 51,227,806

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

During 2019 and 2018, \$593,221 and \$538,325 was recorded to interest expense for amortization of bond premiums.

During 2019 and 2018, \$222,929 and \$189,102 was recorded to interest expense for amortization of deferred outflows for refunding debt.

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 15,755,340	\$ 15,533,183
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	12,223,661	11,817,369
Changes in:		
Accounts receivable	1,492,481	(1,218,581)
Materials and supplies	(356,107)	789,393
Receivables - TVA Residential Energy Services Program	1,154,059	1,356,652
Advances - TVA Residential Energy Services Program	(1,188,054)	(1,385,587)
Accounts payable	369,977	2,062,836
Accrued expenses	347,498	243,820
Customer deposits	368,105	230,318
Prepayments	(6,019,020)	(2,175,945)
Other postemployment benefits	175,708	129,388
Interdivisional temporary advance	22,456	102,746
Deferred inflows/outflows of resources - OPEB	(80,469)	(474)
Net cash provided by operating activities	\$ 24,265,635	\$ 27,485,118

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 20,223,457	\$ 18,945,262
Cash paid to suppliers	(13,289,973)	(12,956,083)
Cash paid to employees	(3,895,934)	(3,374,137)
Interdivisional temporary advances	(22,456)	(102,746)
Other receipts	1,326,309	1,322,554
Net cash provided by operating activities	<u>4,341,403</u>	<u>3,834,850</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments to Electric Division, net	(3,665,494)	(2,473,496)
Transfers to other funds	(50,813)	(28,580)
Net cash used in noncapital financing activities	<u>(3,716,307)</u>	<u>(2,502,076)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(758,217)	(1,545,010)
Interest paid	(241,310)	(173,665)
Net cash used in capital and related financing activities	<u>(999,527)</u>	<u>(1,718,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	98,923	49,241
Net cash provided by investing activities	<u>98,923</u>	<u>49,241</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(275,508)	(336,660)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>3,967,393</u>	<u>4,304,053</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,691,885</u>	<u>\$ 3,967,393</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 4,008,537	\$ 3,884,039
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	403,208	368,376
Changes in:		
Accounts receivable	(107,597)	(54,673)
Materials and supplies	24,070	(186,154)
Prepaid assets	(132,902)	89,773
Accounts payable	65,878	(201,332)
Unearned revenue	73,458	(5,855)
Interdivisional temporary advances	(22,456)	(102,746)
Other postemployment benefits	12,866	37,259
Deferred inflows of resources	96,620	7,994
Deferred outflows of resources	(79,332)	-
Customer deposits	(947)	(1,831)
Net cash provided by operating activities	<u>\$ 4,341,403</u>	<u>\$ 3,834,850</u>

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Electric Division began operations in December 1938, purchasing the distribution facilities of the Kentucky-Tennessee Light and Power Company, and entering into a contract with the Tennessee Valley Authority (“TVA”) for the purchase of power. Provisions of the contract with TVA require that all revenue derived from the operations of the Electric Division be kept separate and apart from other funds of the City. The Broadband Division was added to the Department in April 2007, and began operating in February 2008. The Electric Division and the Broadband Division (collectively, the “Divisions”), by City Ordinance, operate under the Electric Power Board whose members are appointed by the Mayor and approved by the City Council for three-year terms.

Basis of Presentation and Scope of Reporting Entity - The accounting system is organized and operated on a fund basis. A fund is designed as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Divisions are proprietary funds of the City of Clarksville, Tennessee. No other funds of the City of Clarksville are included in the financial statements of CDE Lightband.

The financial statements of CDE Lightband have been prepared in conformity with accounting principles generally accepted in the United States of America. As proprietary funds, the Divisions use the economic resources measurement focus and the accrual basis of accounting. The Electric Division maintains its accounts in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates in the near term and these variations could have a material effect on amounts and disclosures in the financial statements.

Concentrations of Credit Risk - Financial instruments that potentially subject the Divisions to significant concentrations of credit risk consist principally of cash and accounts receivable. The Divisions place cash with federally-insured financial institutions and limit the amount of credit exposure to any one institution by requiring collateral. See Note #2. With respect to accounts receivable, credit risk is dispersed across a large number of customers who are geographically concentrated in the Clarksville, Tennessee service area. The Divisions perform an initial credit evaluation for new customers and obtain a security deposit or third-party guaranty, where appropriate. Customers of the Broadband Division prepay each month of service.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Divisions consider all highly-liquid debt instruments with original maturities of 90 days or less to be cash equivalents.

Materials and supplies inventories - Inventories are stated at average cost and are determined by the moving average inventory method. A perpetual inventory is maintained by the Divisions with a physical inventory being taken annually.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Assets - Restricted assets represent cash and investments legally required to be set aside for the retirement of bonds and the construction of plant assets. Bond principal payments are made from these assets annually; interest payments are made semi-annually. Assets restricted for retirement of bonds were \$10,368,988 and \$10,904,806 at June 30, 2019 and 2018, respectively. Assets restricted for construction of plant assets were \$246,937 and \$37,281 at June 30, 2019 and 2018, respectively.

When an expense is incurred for which both restricted and unrestricted resources are available, the Divisions first apply restricted resources to those expenses. Substantially all interest and bond payments are made from restricted assets.

Electric Plant - All assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years are capitalized. Capitalized costs include contracted work, direct labor, materials, allocable overhead and, where applicable, interest costs incurred during the period of construction. No interest was capitalized in 2019 or 2018. Capitalized costs are reduced by contributions to aid in construction. Costs of depreciable retired property, plus removal costs, less salvage value, are charged to accumulated depreciation.

Maintenance and Repairs - Maintenance and repairs, including the renewal of minor items of plant not comprising a plant unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Unamortized Plant Acquisition Adjustments - Unamortized plant acquisition adjustments represent compensation, for plant acquired through annexation, in excess of the book value of the plant. These adjustments are amortized because no tangible asset is specifically identified with these amounts. The adjustments are amortized over a period of ten to twenty years.

Depreciation (Electric Division) - The electric plant is depreciated, by classification, on a straight-line basis using rates which estimate the useful life of each classification. Estimated useful lives range from three to fifty years, depending on the classification of the asset. The provision for depreciation and amortization was \$12,223,661 and \$11,817,369 for the years ended June 30, 2019 and 2018, respectively.

Broadband Plant - The broadband plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, material and overhead items. All assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year are capitalized.

Depreciation (Broadband Division) - The broadband plant is depreciated, by classification, on a straight-line basis using rates which estimate the useful life of each classification. Estimated useful lives range from three to twenty years depending on the classification of the asset. The provision for depreciation and amortization was \$403,208 and \$368,376 for the years ended June 30, 2019 and 2018, respectively.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position report a separate section for deferred outflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. CDE has two items that qualify for reporting in this category. It includes the deferred amounts on bond refundings, as reported in the statements of net position. A deferred charge on refunding results from the difference between the net carrying amount of the original debt and the reacquisition price. This amount is deferred and amortized over the term of the new bonds or old bonds, whichever is shorter, using the effective interest method or the straight-line method, when not materially different. It also includes other postemployment benefit gains.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. CDE has one item that qualifies for reporting in this category. It includes other postemployment benefits experience losses.

Operating Revenues and Expenses - CDE's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Divisions consist of charges for services (further described as delivery of electricity, cable television, internet, and phone services) and the costs of providing those services, including depreciation, but excluding interest costs. Phone services are provided through a relationship with a third-party Competitive Local Exchange Carrier ("CLEC"), under which CDE rents its fiber network and connections to the CLEC, who provides the actual services. Operating revenues and expenses also include revenue/costs of collecting landfill fees, rents associated with operations, connection/installation fees, and late fees. Non-operating revenues/expenses include all revenue and expenses related to capital and related financing, noncapital financing, or investing activities.

Recognition of Revenue and Cost of Power (Electric Division) - Prior to October 2010, as was the general practice of the power system industry, unbilled power revenue and the related unbilled cost of power were not recorded. Therefore, only billed revenue was recognized in the financial statements.

During October 2010, CDE Lightband (Electric Division) implemented a new accounting policy concerning revenue and power cost recognition. Historically, CDE Lightband (Electric Division) had recognized revenue and power costs when those revenues/costs were billed. In October 2010, CDE Lightband (Electric Division) began recognizing revenue and related power costs on the full accrual basis of accounting. As of October 15, 2010, CDE Lightband (Electric Division) recognizes all revenue earned and power costs incurred through the date of each financial statement.

This change in revenue and power cost recognition was implemented in response to regulatory changes implemented by the Tennessee Valley Authority ("TVA"). Since 1992, TVA had used an "End-Use" wholesale rate schedule to bill CDE Lightband for wholesale power purchases. Under this rate structure, TVA billed CDE Lightband based upon CDE Lightband's sales of power to retail customers. Traditionally, TVA had billed CDE Lightband on or about the 19th of each month for the thirty day period ending on that day.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In April 2011, TVA implemented a new wholesale rate structure and billing schedule that resulted in TVA billing CDE Lightband on a calendar month basis. The new wholesale rate structure applies to metered wholesale energy sales from TVA to CDE Lightband. This decoupling of wholesale and retail power consumption is expected to create significant monthly fluctuations in margins between power sales revenue and power costs, when compared to the relative consistency CDE Lightband had experienced since 1992.

Substantially all power is purchased from TVA.

Recognition of Revenue (Broadband Division) - Revenue is recognized in the period in which it is earned. A bundle package consisting of internet, video, and telephone services is provided to customers at a discount. This discount is applied to the revenue from internet services.

Interdivisional Transfers - Permanent reallocations of resources between funds of the City of Clarksville are classified as interfund transfers. The transfers of \$4,646,212 and \$50,813, for the year ended June 30, 2019; \$4,680,602 and \$28,580 for the year ended June 30, 2018; recorded in the Electric and Broadband Division's respective financial statements, are the City of Clarksville's portion of in-lieu-of taxes. These in-lieu-of taxes occur on a routine basis and are similar in purpose to property taxes assessed by the City to nongovernmental entities. Payments in-lieu-of taxes for other governmental entities, outside of the City of Clarksville, are classified as an operating expense.

Uncollectible Accounts - CDE has established an allowance for estimated uncollectible accounts. CDE estimates uncollectible accounts based on historical trends. Accounts receivable as of June 30, 2019 and 2018, respectively, were reported in the statements of net position, net of allowances of \$55,884 and \$64,530 in the Electric Division and \$50,699 and \$47,844 in the Broadband Division.

Allocated Costs Electric/Broadband Divisions:

Direct Costs - When possible and practicable, costs incurred directly by each Division are charged directly to that Division. Otherwise, costs are allocated according to the following criteria:

Personnel - All personnel costs originate in the Electric Division. Direct labor costs are charged to the Broadband Division based upon employee time card entries. Management salaries are allocated to the Broadband Division based upon fixed-percentage estimates provided by individual managers. Customer service personnel costs are allocated based upon telephone call logs. Customer accounting, cashiers, and billing personnel costs are allocated based on the numbers of customer bills sent to Electric versus Broadband customers. Pension costs, accrued sick pay, vacation pay, payroll taxes, and other employee benefits are allocated based upon their respective ratios to direct labor costs.

Administrative and General - Administrative and general costs including customer accounting, data processing, office supplies, outside services, rents, and miscellaneous fiber expenses are allocated based on total allocated labor costs for the period.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Administrative and general cost allocations serve to reduce expenses charged to the Electric Division and increase those same expense categories in the Broadband Division.

Maintenance Costs - Maintenance costs associated with the fiber system, including meter reading expenses, general plant maintenance, and maintenance of fiber to the home plant assets, are allocated based on monthly services provided. Services have been defined as the ability to read a meter remotely, over the internet (fiber ring), by the Electric Division, and services provided (Telephone, Internet, and Video - one each) by the Broadband Division. Maintenance costs allocations serve to reduce maintenance costs charged to the Electric Division and increase maintenance costs charged to the Broadband Division.

Building - The Broadband Division is charged \$2,944 per month for the use of an office building located on Madison Street in Clarksville, Tennessee. This building is owned and carried on the books of the Electric Division. This charge is approximately 71% of the cost of depreciation, insurance and property taxes on this building. Also, the Broadband Division is charged \$5,103 per month for the use of the main office building on Wilma Rudolph Boulevard in Clarksville, Tennessee. This building is owned and carried on the books of the Electric Division. This charge is approximately 34% of the cost of depreciation, insurance and property taxes on this building. This rent charge is recorded as other operating revenue by the Electric Division, and as administrative and general expense by the Broadband Division.

Fiber - The Broadband Division is allocated a portion of the costs associated with the operation of the fiber ring installed in Clarksville, Tennessee by the Electric Division. The asset, representing the ring itself, and the associated debt remain in the financial statements of the Electric Division. Costs associated with the fiber ring include depreciation, property taxes, financing costs, and a pole attachment fee. These costs have been charged to the Broadband Division based upon projected service levels in 2016. Services have been defined as the ability to read a meter remotely, over the internet (fiber ring), by the Electric Division; and services provided (Telephone, Internet, and Video - one each) by the Broadband Division. At capacity (defined as 70,000 Electric services and 44,000 Broadband services), this allocation methodology will yield an allocation ratio of approximately 60% Electric and 40% Broadband. This allocation method resulted in a per unit cost of \$6.14 for both June 30, 2019 and 2018. See Note #12. These charges are recorded as other operating revenue by the Electric Division and fiber rent expense by the Broadband Division.

Components of Net Position - The Divisions' net position classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, capital lease obligations or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for debt service - This component of net position represents restrictions imposed by bond agreements for the retirement of bonds.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unrestricted net position - This component of net position consists of net position that do not meet the definition of “restricted for debt service” or “net investment in capital assets.”

GASB Statement No. 75 – The Divisions have implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions.

GASB Statement No. 88 – The Divisions have implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for financial statements for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management has implemented this statement in the current financial statements.

2. INVESTMENTS AND OTHER DEPOSITS

Investments and other deposits are restricted by State Law to deposits with financial institutions and certain obligations guaranteed by the United States Government. Investments and other deposits are stated at cost or amortized cost, which approximates fair value.

CDE Lightband has no formal deposit or investment policy.

The following is a schedule of the Electric Division’s investments and other deposits:

	June 30,			
	2019		2018	
	Amount	Fair Value	Amount	Fair Value
Tennessee Local Government				
Investment Pool	\$ 62,157	\$ 62,157	\$ 60,796	\$ 60,796

The amounts deposited with the Tennessee Local Government Investment Pool, which is overseen by the Tennessee Department of Treasury, are cash equivalents. The Electric Division’s investment in the Tennessee Local Government Investment Pool represents funds that are pooled with other public funds to maximize the return on those investments. The fair value of this investment is equal to the value of the pool shares.

At June 30, 2019 and 2018, respectively, the Electric Division’s cash and other deposits, reported in the financial statements at \$46,228,761 and \$51,227,806, were represented by bank balances of \$45,741,263 and \$51,181,734, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

At June 30, 2019 and 2018, respectively, the Broadband Division’s cash and other deposits, reported at \$3,691,885 and \$3,967,393 were represented by bank balances of \$3,788,852 and \$4,042,561, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. JOINT VENTURE

The Electric Division and Pennyryle Rural Electric Cooperative Corporation (the Cooperative) have constructed jointly-owned electric facilities. Under the terms of the joint venture, the Electric Division owns 54% of the facilities and the Cooperative owns 46%. The amount of the Electric Division's plant covered by this agreement was \$979,661 at both June 30, 2019 and 2018. This amount is included in electric plant. The Electric Division's ongoing financial responsibility for the joint venture is the maintenance of its share of the electric facilities. All transactions related to the Electric Division's portion of these facilities are recorded in the financial statements.

4. CAPITAL ASSETS

Electric Division - A summary of changes in Electric Plant as of June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
NON-DEPRECIABLE ELECTRIC PLANT				
General plant land & land rights	\$ 735,887	\$ -	-	\$ 735,887
Transmission land & land rights	97,322	-	-	97,322
Distribution land & land rights	1,164,415	-	-	1,164,415
Work in progress	10,745,058	34,108,537	(25,438,698)	19,414,897
	<u>12,742,682</u>	<u>34,108,537</u>	<u>(25,438,698)</u>	<u>21,412,521</u>
GENERAL PLANT				
Structures and improvements	11,086,437	13,500	-	11,099,937
Transportation equipment	4,770,170	601,578	(274,574)	5,097,174
Communication equipment	98,012,545	6,706,120	(3,217,448)	101,501,217
Furniture & equipment	4,055,767	540,848	(17,712)	4,578,903
	<u>117,924,919</u>	<u>7,862,046</u>	<u>(3,509,734)</u>	<u>122,277,231</u>
TRANSMISSION				
Poles & fixtures	1,557,812	29,157	(1,852)	1,585,117
Overhead conductors & devices	568,289	-	(7,916)	560,373
	<u>2,126,101</u>	<u>29,157</u>	<u>(9,768)</u>	<u>2,145,490</u>
DISTRIBUTION				
Station equipment	37,655,025	195,508	(89,834)	37,760,699
Electric transmission systems	108,564,222	6,636,804	(2,572,585)	112,628,441
	<u>146,219,247</u>	<u>6,832,312</u>	<u>(2,662,419)</u>	<u>150,389,140</u>
TOTAL ELECTRIC PLANT IN SERVICE	279,012,949	48,832,052	(31,620,619)	296,224,382
Unamortized plant acquisition adjustments	<u>108,163</u>	<u>-</u>	<u>(36,054)</u>	<u>72,109</u>
TOTAL ELECTRIC PLANT	<u>\$ 279,121,112</u>	<u>\$ 48,832,052</u>	<u>\$ (31,656,673)</u>	<u>\$ 296,296,491</u>

The estimated costs to complete Electric Division work in progress are approximately \$7,000,000 as of June 30, 2019.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. CAPITAL ASSETS - Continued

Electric Division - A summary of changes in accumulated depreciation on Electric Plant as of June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
GENERAL PLANT				
Structures and improvements	\$ 3,520,817	\$ 332,640		\$ 3,853,457
Transportation equipment	2,500,979	445,409	(249,504)	2,696,884
Communication equipment	34,406,591	5,749,205	(3,264,230)	36,891,566
Furniture & equipment	1,913,892	271,989	(17,272)	2,168,609
	<u>42,342,279</u>	<u>6,799,243</u>	<u>(3,531,006)</u>	<u>45,610,516</u>
TRANSMISSION				
Poles & fixtures	943,726	42,965	(3,921)	982,770
Overhead conductors & devices	567,106	1,183	(8,387)	559,902
	<u>1,510,832</u>	<u>44,148</u>	<u>(12,308)</u>	<u>1,542,672</u>
Distribution				
Station equipment	12,475,452	1,129,807	(109,102)	13,496,157
Electric transmission system	38,744,986	4,659,817	(3,030,030)	40,374,773
	<u>51,220,438</u>	<u>5,789,624</u>	<u>(3,139,132)</u>	<u>53,870,930</u>
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	<u>\$95,073,549</u>	<u>\$ 12,633,015</u>	<u>\$(6,682,446)</u>	<u>\$ 101,024,118</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. CAPITAL ASSETS - Continued

Electric Division - A summary of changes in Electric Plant as of June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
NON-DEPRECIABLE ELECTRIC PLANT				
General plant land & land rights	\$ 735,887	\$ -	-	\$ 735,887
Transmission land & land rights	97,322	-	-	97,322
Distribution land & land rights	1,164,415	-	-	1,164,415
Work in progress	5,783,480	27,147,952	(22,186,374)	10,745,058
	<u>7,781,104</u>	<u>27,147,952</u>	<u>(22,186,374)</u>	<u>12,742,682</u>
GENERAL PLANT				
Structures and improvements	11,075,047	12,500	(1,110)	11,086,437
Transportation equipment	4,957,085	370,856	(557,771)	4,770,170
Communication equipment	94,133,483	5,154,075	(1,275,013)	98,012,545
Furniture & equipment	3,550,937	504,830	-	4,055,767
	<u>113,716,552</u>	<u>6,042,261</u>	<u>(1,833,894)</u>	<u>117,924,919</u>
TRANSMISSION				
Poles & fixtures	1,659,184	-	(101,372)	1,557,812
Overhead conductors & devices	627,589	-	(59,300)	568,289
	<u>2,286,773</u>	<u>-</u>	<u>(160,672)</u>	<u>2,126,101</u>
DISTRIBUTION				
Station equipment	37,244,812	736,774	(326,561)	37,655,025
Electric transmission systems	104,709,815	5,197,814	(1,343,407)	108,564,222
	<u>141,954,627</u>	<u>5,934,588</u>	<u>(1,669,968)</u>	<u>146,219,247</u>
TOTAL ELECTRIC PLANT IN SERVICE	265,739,056	39,124,801	(25,850,908)	279,012,949
Unamortized plant acquisition adjustments	211,804	-	(103,641)	108,163
TOTAL ELECTRIC PLANT	<u>\$ 265,950,860</u>	<u>\$ 39,124,801</u>	<u>\$ (25,954,549)</u>	<u>\$ 279,121,112</u>

The estimated costs to complete Electric Division work in progress are approximately \$15,600,000 as of June 30, 2018.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. CAPITAL ASSETS - Continued

Electric Division - A summary of changes in accumulated depreciation on Electric Plant as of June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
GENERAL PLANT				
Structures and improvements	\$ 3,189,407	\$ 332,520	\$ (1,110)	\$ 3,520,817
Transportation equipment	2,559,143	499,607	(557,771)	2,500,979
Communication equipment	30,221,977	5,477,227	(1,292,613)	34,406,591
Furniture & equipment	1,734,137	179,755		1,913,892
	<u>37,704,664</u>	<u>6,489,109</u>	<u>(1,851,494)</u>	<u>42,342,279</u>
TRANSMISSION				
Poles & fixtures	999,469	45,628	(101,371)	943,726
Overhead conductors & devices	610,717	15,690	(59,301)	567,106
	<u>1,610,186</u>	<u>61,318</u>	<u>(160,672)</u>	<u>1,510,832</u>
Distribution				
Station equipment	11,767,501	1,117,654	(409,703)	12,475,452
Electric transmission system	36,198,030	4,624,865	(2,077,909)	38,744,986
	<u>47,965,531</u>	<u>5,742,519</u>	<u>(2,487,612)</u>	<u>51,220,438</u>
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	<u>\$ 87,280,381</u>	<u>\$ 12,292,946</u>	<u>\$ (4,499,778)</u>	<u>\$ 95,073,549</u>

Broadband Division - A summary of changes in Broadband Plant as of June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Circuit equipment	\$ 3,642,653	\$ 642,832	\$ (227,688)	\$ 4,057,797
Operation systems	533,223	10,240	(141,187)	402,276
Radio systems	118,049	-	-	118,049
Station apparatus	2,969,534	631,274	(464,641)	3,136,167
Other equipment	56,668	-	-	56,668
Office equipment	70,453	-	-	70,453
Motor vehicles	265,075	111,119	(52,295)	323,899
Work in progress	396,505	530,937	(885,702)	41,740
TOTAL CAPITAL ASSETS	<u>\$ 8,052,160</u>	<u>\$ 1,926,402</u>	<u>\$ (1,771,513)</u>	<u>\$ 8,207,049</u>
	Balance			Balance
	July 1, 2018	Additions	Deletions	June 30, 2019
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 5,551,386</u>	<u>\$ 513,580</u>	<u>\$ (713,698)</u>	<u>\$ 5,351,268</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. CAPITAL ASSETS - Continued

Broadband Division - A summary of changes in Broadband Plant as of June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Circuit equipment	\$ 3,439,563	\$ 359,681	\$ (156,591)	\$ 3,642,653
Operation systems	503,484	29,739	-	533,223
Radio systems	118,049	-	-	118,049
Station apparatus	2,987,619	859,160	(877,245)	2,969,534
Other equipment	63,489	-	-	63,489
Office equipment	63,632	-	-	63,632
Motor vehicles	179,143	85,932	-	265,075
Work in progress	101	1,304,558	(908,154)	396,505
TOTAL CAPITAL ASSETS	\$ 7,355,080	\$ 2,639,070	\$ (1,941,990)	\$ 8,052,160

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
TOTAL ACCUMULATED DEPRECIATION	\$ 6,030,942	\$ 433,057	\$ (912,613)	\$ 5,551,386

There are no substantial costs to complete Broadband Division work in progress as of June 30, 2019 or 2018.

Land and rights are not depreciated or amortized. Work in progress is not depreciated until it is placed in service.

5. TVA RESIDENTIAL ENERGY SERVICES PROGRAM

This program provides loans to consumers within the CDE service area for the purchase of qualified electric heating and cooling systems. The program is managed by Regions Bank and the loans are backed by TVA. CDE functions as a conduit for the servicing of these loans. Loan principal and interest payments are included in monthly utility bills. The loan payments are remitted to Regions Bank. Differences in the receivable/payable balances at June 30, 2019 and 2018, are timing differences.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION

Changes in the interdivisional payable/receivable account for the years ended June 30, 2019 and 2018 were as follows:

	Balance	Loan	Loan	Changes	Balance
	<u>July 1, 2018</u>	<u>Draws</u>	<u>Repayments</u>	in Current <u>Receivable</u> <u>Payable</u>	<u>June 30, 2019</u>
Interdivisional					
Receivable					
Payable	<u>\$ 10,912,827</u>	<u>\$ -</u>	<u>\$ (3,650,000)</u>	<u>\$ (15,494)</u>	<u>\$ 7,247,333</u>

	Balance	Loan	Loan	Changes	Balance
	<u>July 1, 2017</u>	<u>Draws</u>	<u>Repayments</u>	in Current <u>Receivable</u> <u>Payable</u>	<u>June 30, 2018</u>
Interdivisional					
Receivable					
Payable	<u>\$ 13,386,323</u>	<u>\$ -</u>	<u>\$ (2,550,000)</u>	<u>\$ 76,504</u>	<u>\$ 10,912,827</u>

The interdivisional payable represents allocated expenses and cash borrowed by the Broadband Division from the Electric Division plus accrued interest. The rate of interest is the highest interest rate earned by the Electric Division on deposited funds in the previous month. This rate of interest was 2.38% and 1.79% at June 30, 2019 and 2018, respectively.

On December 21, 2009, the City of Clarksville, Tennessee, the Clarksville Electric Power Board, and the Tennessee Valley Authority (“TVA”) entered into an agreement to specify the terms and conditions of interdivisional loans between the Electric Division and the Broadband Division. On March 20, 2014, the parties entered into an agreement amending certain aspects of the original agreement. These agreements defined two loans from the Electric Division to the Broadband Division and specified the terms of each loan, as follows:

2007 Loan - The aggregate amount of this interdivisional loan may not exceed \$16,000,000. Interest on the outstanding loan balance accrues monthly at the highest rate then being earned by the Electric Division on its investments, as required by Tennessee law. Repayment of this loan began during fiscal year 2013, when, according to the Broadband Division’s first business plan, the Division would generate positive cash flows. Per the new agreement with TVA signed on March 20, 2014, CDE was not required to make a loan repayment during fiscal year 2014 so that the Broadband Division could build their cash reserves to \$1,000,000. In addition, the previous loan repayment schedule was amended. The new repayment schedule calls for annual interest payments (based on the outstanding balance of the loan) and principal payments ranging in amount from \$750,000 in fiscal year 2020 to \$800,000 in fiscal year 2035. Further, the new agreement stipulates that the Broadband Division will apply any cash amount over and above the \$1,000,000 reserve noted previously towards payment on the loan principal each

CDE LIGHTBAND
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6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION - Continued

year. Required repayment of any cash amount over and above the \$1,000,000 reserve threshold is capped at \$1,000,000. The cash balance for the Broadband Division as of June 30, 2019 and 2018 was \$3,691,885 and \$3,967,393, respectively. Therefore, per the terms of the new agreement, an additional \$1,000,000 was paid towards the loan principal during fiscal year ending June 30, 2019 and 2018. Additionally, the Broadband Division made an additional voluntary payment of \$2,000,000 during the year ended June 30, 2019, for a total payment of \$3,650,000. This leaves the amount required to be paid in fiscal year 2020 at \$750,000. The balance of this loan was \$4,172,764 and \$8,197,111 at June 30, 2019 and 2018, respectively.

2009 Loan - Once the aggregate balance of the 2007 Loan reaches \$16,000,000, the Electric Division may make additional loan(s) to the Broadband Division up to an aggregate amount of \$4,500,000. The Electric Division will be under no obligation or responsibility to set aside any funds for this purpose. Interest shall be due and payable in annual installments (in arrears) due on June 30 of each year beginning June 30, 2011. The interest rate on this loan will be the highest interest rate being earned by CDE on invested funds, or the Constant Maturity Treasury rate for similar terms as CDE invested funds. All principal payments, along with accrued interest, must be repaid no later than June 30, 2038. Any loan(s) made under this provision of the agreement will be callable by the Electric Division with no more than 15 days' written notice. Other terms of this portion of the agreement include the establishment of a separate fund by the City of Clarksville for repayment of interest; a right of the Electric Division to first payment of Broadband Division revenues; and a guarantee that the City of Clarksville will make payment for any past due amounts from City General Funds. Repayment of this loan will begin during fiscal year 2036. The repayment schedule calls for annual interest payments (based on the outstanding balance of the loan) and principal payments of \$800,000 annually. The balance of this loan was \$2,621,584 and \$2,715,716 at June 30, 2019 and 2018, respectively.

7. ACCUMULATED VACATION AND SICK LEAVE

Accumulated unpaid vacation is accrued as it is earned. Employees earned 5 or more days of vacation each year depending on length of service. In February 2010, the vacation policy was revised. Under the new policy, no employees were allowed to carry leave from year to year with the exception of those employees who had accrued annual leave as of February 2010.

Those employees were permitted to carry over the leave they had accrued, but no additional leave could be carried forward from year to year. Prior to February 2010, each year employees were divested of all accumulated vacation in excess of 30 days on their earned benefit date. The earned benefit date is the anniversary date of being hired for some employees and January 1 of each year for others.

All full-time employees accrued sick leave at the rate of one day (eight hours) for each full month worked. In February 2010, the sick leave policy was revised to allow employees to accrue up to 90 days of leave. If an employee had accumulated more than 90 days at February 1, 2010, they could carryover all accumulated sick leave. Such employees were not entitled to additional sick leave until they had fewer than 90 days of accumulated leave. Prior to February 2010, employees could accrue up to a maximum of 132 days; however, an employee was not permitted to carry more than 120 days past November 30 of each year. Sick days in excess of 120 were purchased from the employee at a rate of 50% of wages on December 15 each year.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
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7. ACCUMULATED VACATION AND SICK LEAVE - Continued

Under the new policy, any sick leave accumulated *after* February 1, 2010 will be lost by the employee upon death, retirement or separation from CDE. Upon retirement, if an employee had accumulated leave from *before* February 1, 2010, they may utilize all of that sick leave prior to their retirement date. Upon death, all sick leave accrued *before* February 1, 2010 will be paid to the employee's estate. Prior to February 2010 upon retirement or death, the Divisions paid out accrued sick leave at a rate of 100% of wages.

Annual vacation leave and sick leave policies were updated effective July 1, 2012, and again on March 1, 2014. Both apply to active full-time employees. Annual vacation leave granted is earned based upon the employee's years of service with CDE Lightband. Leave accrual is awarded in the following manner: 1-9 Years: 80 Hours; 10-14 Years: 120 Hours; 15+ Years: 160 Hours. Leave is based upon the employee's standard workday and is paid at the employee's base hourly rate. The earned benefit date is the anniversary date of the employee.

Carry-over is allowed from year to year with a maximum carry-over of 200 hours. Any amount held above 200 hours shall be forfeited at the end of the anniversary year. At the time of termination or retirement, all accumulated vacation leave shall be paid to the employee.

Those employees with carry-over time above the 200 hours maximum from the previous January 2010 policy received two options to reduce their carry-over maximum down to the 200 limit. They were able to choose one of these two options before their next anniversary date and accruing more leave time. Option 1 was to payout all days beyond 200 hours at \$.50 on the \$1.00. Option 2 was to use the extra time above 200 hours within a 2 year period. If the time had not been utilized by 2 years of the employees next anniversary date, any time beyond 200 hours shall be forfeited. Time must be approved and scheduled according to policy.

Sick leave is based upon an employee's standard workday and is paid at the employee's hourly rate. Sick leave is accrued at a rate of 1 full day per full calendar month and begins on the first of the month following 60 days of employment.

Carry-over of sick leave is allowed until a maximum of 90 days is reached. Any days earned per year beyond the 90 day maximum will be paid out at a rate of \$.50 on the \$1.00 each year on December 15th. Those employees with balances from the previous policy's sick bank shall roll both balances into one to have one combined 'sick days' accrual. If the banked days total is above the 90 day maximum, the \$.50 on the \$1.00 payout made each year will only be on the days earned for that year (maximum of 12 days), not on the previously banked days.

At the time of termination, all sick leave is forfeited.

Accumulated vacation and sick leave balances at June 30, were as follows:

	<u>2019</u>	<u>2018</u>
Current portion	\$ 939,528	\$ 830,105
noncurrent portion	<u>1,532,915</u>	<u>1,475,740</u>
Totals	<u>\$ 2,472,443</u>	<u>\$ 2,305,845</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. DEFINED CONTRIBUTION PENSION PLAN

The Electric Division maintains a defined contribution pension plan, (the Clarksville Department of Electricity 401(k) Retirement Plan or the “Plan”), which is administered by John Hancock USA, for all eligible employees. In order to be eligible to participate in the plan, employees must be at least 21 years old and have attained at least 12 months of service to CDE. Employees are eligible to contribute up to 100% of their base salary subject to the Internal Revenue Code limits. Vesting in the plan is full and immediate. Contributions and forfeitures are allocated to plan participants based on the proportion of their salary to the total salaries of all eligible plan participants. Employer contributions to this plan are discretionary. In addition, any forfeitures would be used to offset employer contributions; for the Plan year ended December 31, 2018 and 2017, there were \$-0- and \$19, respectively, in forfeitures applied.

CDE established a progress sharing plan as part of its Plan. Employees were divided into three groups, based upon date of hire, to determine the contribution by the Division for each employee. Those hired on or after July 1, 2009 receive 3% Progress Sharing Contribution. Those hired from January 1, 1998 – June 30, 2009, receive 5% Progress Sharing Contribution. Those hired prior to January 1, 1998, are in an Age Based Pool program with a guaranteed minimum contribution of 5%. On January 22, 2019, those employees hired on or after July 1, 2009 had their Progress Sharing Contribution changed from 3% to 5%. This change reduced the number of groups from three to two.

Additionally, CDE matches up to an additional 3% contribution to each employee’s 401(k) account. Employer contributions to this Plan are discretionary.

Presented below is selected information relating to the plan for the years ended June 30, 2019 and 2018.

	June 30,	
	2019	2018
CONTRIBUTIONS		
Employer contributions	\$ 278,219	\$ 260,050
Employer progress sharing contributions	782,083	603,243
Employee contributions	517,160	461,205
Totals	\$ 1,577,462	\$ 1,324,498

The Plan is audited on a calendar year basis and the market value of the Plan assets as of December 31, 2018 and 2017 is as follows:

Totals	\$ 15,404,486	\$ 15,459,921
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CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Plan Administration - The Electric Division, under authority of the Electric Power Board, provides a medical insurance coverage plan, established by the November 19, 1986, Board action, for substantially all retiring employees with thirty years of service until they reach age 65. Prior to March 1, 2011, retirement could begin at age 55. On March 1, 2011, the plan was amended so that retirement could begin at age 60. Ten employees were grandfathered under the prior age and service limit. On March 1, 2013, the plan was again amended so that retirement could begin at either age 55 and 30 years of service, or age 60 and 15 years of service.

The Divisions account for other post-employment benefits in accordance with GASB No. 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB) effective for fiscal years beginning after June 15, 2017. Prior to this date, the Divisions accounted for postemployment benefits other than pensions in accordance with GASB No. 45. GASB No. 75 establishes standards for recognizing and measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources and OPEB expense for employers who participate in a trusted or non-trusted single-employer, agent multiple-employer or cost-sharing multiple-employer plan.

The Divisions maintain a single-employer defined benefit plan for medical insurance administered by CDE Lightband. The provisions of the plan can be amended by the Electric Power Board at any time. There are no accumulated assets in a trust. The plan is funded on a pay-as-you-go basis when benefits become due and payable. The plan does not issue separate financial reports.

Plan Membership – Membership in the OPEB Plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	<u>178</u>
	<u>184</u>

Benefits Provided - Two high deductible medical plan options are offered to retirees with a health reimbursement arrangement ("HRA"). Retirees and eligible dependents can opt to remain on the group medical plan under either option.

Contributions - Retirees electing Plan 1 are not required to contribute towards the cost of coverage. Retirees electing Plan 2 are required to contribute the cost difference between monthly premiums of Plan 1 and Plan 2. Dependents of retirees are required to contribute 50% of the dependent portion of the cost of the premiums.

Net OPEB Liability

The Divisions' net OPEB liability of June 30, 2019 and 2018 totaled \$1,981,822 and 1,793,248, respectively, with a measurement date of June 30, 2019. The net OPEB liability was determined by the actuarial valuation as of July 1, 2019.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS - Continued

Actuarial Assumptions - The net OPEB liability as of the July 1, 2019 actuarial valuation was determined by using the Entry Age Normal, Level Percentage of Salary actuarial evaluation method with the following actuarial assumptions and inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not applicable
Salary Increases	Not applicable
Discount Rate	2.79%
Healthcare cost trend rates	7.50% grading uniformly to 6.75% over 3 years and following the Getzen model thereafter to an ultimate rate of 3.94% in the year 2075

The discount rate was based on the S&P Municipal Bond 20-Year High Grade index as of June 30, 2019. The disability, retirement, termination and mortality rates were based on the decrement rate studies for the State of Tennessee.

Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 6 years. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5 year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS - Continued

	Changes in the Net OPEB Liability		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances as 6/30/2018	\$ 1,793,248	\$ -	\$ 1,793,248
Changes for the year:			
Service cost	131,154	-	131,154
Interest	52,477	-	52,477
Benefit changes	-	-	-
Difference between expected and actual experience	534,757	-	534,757
Changes of assumptions	(486,309)	-	(486,309)
Contributions - employer	-	43,505	(43,505)
Contributions - members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(43,505)	(43,505)	-
Administrative expenses and other	-	-	-
Net changes	<u>188,574</u>	<u>-</u>	<u>188,574</u>
Balances as 6/30/2019	<u>\$ 1,981,822</u>	<u>\$ -</u>	<u>\$ 1,981,822</u>

Sensitivity of the Net OPEB Liability to Changes in Discount Rate – The following presents the net OPEB liability of CDE Lightband, as well as, what CDE Lightband’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79%) or 1-percentage-point higher (3.79%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
	<u>1.79%</u>	<u>2.79%</u>	<u>3.79%</u>
Net OPEB Liability	\$ 2,218,620	\$ 1,981,821	\$ 1,774,646

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

9. OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the net OPEB liability of CDE Lightband, as well as, what CDE Lightband’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50%, decreasing to 5.75% over 3 years and following the Getzen model thereafter) or 1-percentage-point higher (8.50%, decreasing to 7.75% over 3 years and following the Getzen model thereafter) than the current healthcare cost trend rates:

	1% Decrease 6.50%, to 5.75% over 3 years and following the Getzen model thereafter	Current 7.50%, to 6.75% over 3 years and following the Getzen model thereafter	1% Increase 8.50%, to 7.75% over 3 years and following the Getzen model thereafter
Net OPEB Liability	\$1,718,033	\$1,981,821	\$2,306,938

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

For the year ended June 30, 2019, the Divisions recognized OPEB expense of \$191,209. At June 30, 2019, the Divisions reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$447,060	\$ 7,379
Change of assumptions or other inputs	-	<u>405,258</u>
Total	<u>\$447,060</u>	<u>\$412,637</u>

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

<u>Year Ending June 30,</u>	
2020	\$ 7,578
2021	7,578
2022	7,578
2023	7,578
2024	7,581
Thereafter	(3,470)

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
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9. OTHER POSTEMPLOYMENT BENEFITS – Continued

Allocation of OPEB Related Activity to the Divisions – The OPEB related activity has been allocated to each of the Divisions by use of an allocation ratio of the fiscal years 2019 and 2018 OPEB contributions by Division. A summary of the OPEB related activity by Division follows:

	<u>Electric Division</u>	<u>Broadband Division</u>
<u>June 30, 2019:</u>		
Net OPEB Liability	\$1,629,153	\$352,669
Deferred Inflows of Resources	308,023	104,614
Deferred Outflows of Resources	367,728	79,332
<u>June 30, 2018:</u>		
Net OPEB Liability	\$1,453,445	\$339,803
Deferred Inflows of Resources	-	7,994
Deferred Outflows of Resources	1,548	-

10. LONG-TERM DEBT

Long-term debt consists of the following:

NOTES PAYABLE

<u>Description</u>	Balance June 30, 2018	New Borrowings	Principal Payments	Refunding's	Amortization	Balance June 30, 2019
CEMC Note payable	\$ 61,991	\$ -	\$(30,996)	\$ -	\$ -	\$ 30,995
Total notes payable	61,991	\$ -	\$(30,996)	\$ -	\$ -	30,995
Less current portion	(30,995)					(30,995)
Total	<u>\$ 30,996</u>					<u>\$ -</u>

<u>Description</u>	Balance June 30, 2017	New Borrowings	Principal Payments	Refunding's	Amortization	Balance June 30, 2018
CEMC Note payable	\$ 177,094	\$ -	\$(115,103)	\$ -	\$ -	\$ 61,991
Total notes payable	177,094	\$ -	\$(115,103)	\$ -	\$ -	61,991
Less current portion	(115,103)					(30,995)
Total	<u>\$ 61,991</u>					<u>\$ 30,996</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. LONG-TERM DEBT - Continued

BONDS PAYABLE

Series Description	Balance June 30, 2018	New Borrowings	Principal Payments	Refunding's	Amortization	Balance June 30, 2019
Series 2010A Bonds	\$ 860,000	\$ -	\$ (275,000)	\$ -	\$ -	\$ 585,000
Series 2014 Bonds	2,040,000	-	(325,000)	-	-	1,715,000
Series 2015 Bonds	37,825,000	-	(2,140,000)	-	-	35,685,000
Series 2017 Bonds	24,845,000	-	(230,000)	-	-	24,615,000
Bonds Payable	<u>65,570,000</u>	<u>-</u>	<u>(2,970,000)</u>	<u>-</u>	<u>-</u>	<u>62,600,000</u>
Plus unamortized bond premium	8,625,171	-	-	-	(593,221)	8,031,950
	<u>74,195,171</u>	<u>\$ -</u>	<u>\$(2,970,000)</u>	<u>\$ -</u>	<u>\$ (593,221)</u>	<u>70,631,950</u>
Less current portion	<u>(2,970,000)</u>					<u>(3,060,000)</u>
	<u>\$ 71,225,171</u>					<u>\$ 67,571,950</u>

Series Description	Balance June 30, 2017	New Borrowings	Principal Payments	Refunding's	Amortization	Balance June 30, 2018
Series 2007 Bonds	\$ 1,825,000	\$ -	\$(1,825,000)	\$ -	\$ -	\$ -
Series 2010A Bonds	26,845,000	-	(270,000)	(25,715,000)	-	860,000
Series 2014 Bonds	2,340,000	-	(300,000)	-	-	2,040,000
Series 2015 Bonds	38,070,000	-	(245,000)	-	-	37,825,000
Series 2017 Bonds	-	24,845,000	-	-	-	24,845,000
Bonds Payable	<u>69,080,000</u>	<u>24,845,000</u>	<u>(2,640,000)</u>	<u>(25,715,000)</u>	<u>-</u>	<u>65,570,000</u>
Plus unamortized bond premium	6,776,375	3,245,235	-	(858,114)	(538,325)	8,625,171
	<u>75,856,375</u>	<u>\$28,090,235</u>	<u>\$(2,640,000)</u>	<u>\$(26,573,114)</u>	<u>\$ (538,325)</u>	<u>74,195,171</u>
Less current portion	<u>(2,640,000)</u>					<u>(2,970,000)</u>
	<u>\$ 73,216,375</u>					<u>\$ 71,225,171</u>

The note payable to CEMC is due in one remaining annual installment of \$30,995 by June 30, 2020. The purpose of this loan was for the purchase of Electric Plant assets in areas annexed by the City of Clarksville. This is a non-interest bearing note.

The 2007 Series Electric System Revenue and Improvement Bonds were paid off entirely in the amount of \$1,825,000 on September 1, 2017. On January 28, 2015, the portion of these bonds callable after September 1, 2017 was called and advance refunded with the 2015 Series Electric System Revenue Refunding Bonds. The refunding occurred in order to take advantage of interest savings totaling approximately \$5,207,000 over the remaining term. The refunding of the 2007 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,350,565. This difference, reported in the Electric Division's accompanying statements of net position as deferred outflows of resources, is being amortized through fiscal year 2033.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. LONG-TERM DEBT - Continued

The 2010A Series Electric System Revenue and Improvement Bonds were issued on January 14, 2010 to finance improvements to the City's electric transmission and distribution system and retire the 2009 Series bonds. These bonds are due in annual installments of \$285,000 to \$300,000 between September 1, 2019 and September 1, 2020. These bonds bear interest ranging from 2.5% to 5%. These bonds are collateralized by a subordinate interest in substantially all of the net revenues of the Electric Division. On October 23, 2017, the portion of these bonds callable after September 1, 2020 was called and advance refunded with the 2017 Series Electric System Revenue Refunding Bonds. The refunding occurred in order to take advantage of interest savings and to shorten the life of the outstanding debt. The refunding of the 2010A Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,447,816. This difference, reported in the Electric Division's accompanying statements of net position as deferred outflows of resources, is being amortized through fiscal year 2034.

The 2014 Series Electric System Revenue Refunding Bonds were issued on January 29, 2014 to refund all of the 2004 Series Electric System Revenue and Improvement Bonds, pay the costs of issuance, and recognize interest savings. These bonds are due in annual installments of \$325,000 to \$365,000 between September 1, 2019 and September 1, 2023. These bonds bear interest ranging from 2% to 3%. These bonds are collateralized by a subordinate interest in substantially all of the net revenues of the Electric Division.

The 2015 Series Electric System Revenue Refunding Bonds were issued on January 28, 2015 to refund the part of the 2007 Series Electric System Revenue and Improvement Bonds callable after September 1, 2017, pay the costs of issuance, and recognize interest savings. These bonds are due in annual installments of \$2,210,000 to \$3,465,000 between September 1, 2019 and September 1, 2031. These bonds bear interest ranging from 2% to 5%. These bonds are collateralized by a subordinate interest in substantially all of the net revenues of the Electric Division.

The 2017 Series Electric System Revenue Refunding Bonds were issued on October 23, 2017 to refund the part of the 2010A Series Electric System Revenue and Improvement Bonds callable after September 1, 2020, pay the costs of issuance, and recognize interest savings. These bonds are due in annual installments of \$240,000 to \$5,430,000 between September 1, 2018 and September 1, 2034. These bonds bear interest ranging from 2% to 5%. These bonds are collateralized by a subordinate interest in substantially all of the net revenues of the Electric Division.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. LONG-TERM DEBT - Continued

Future payments on Long-Term Debt are as follows:

Fiscal Year Ending Year Ended June 30,	Bonds Payable	Note Payable	Total Principal	Total Interest
2020	\$ 3,060,000	\$ 30,995	\$ 3,090,995	\$ 2,554,769
2021	3,155,000	-	3,155,000	2,456,538
2022	3,245,000	-	3,245,000	2,367,175
2023	3,320,000	-	3,320,000	2,292,675
2024	3,420,000	-	3,420,000	2,193,725
2025 - 2029	19,620,000	-	19,620,000	8,440,650
2030 - 2034	24,965,000	-	24,965,000	3,098,000
2035	1,815,000	-	1,815,000	36,300
Totals	<u>\$ 62,600,000</u>	<u>\$ 30,995</u>	<u>\$ 62,630,995</u>	<u>\$ 23,439,832</u>

Total interest costs incurred and charged to the Electric Division were \$2,261,181 and \$2,718,661 during 2019 and 2018, respectively. Interest costs of \$-0- were capitalized by the Electric Division during both 2019 and 2018. Debt discount/premium and expense are being amortized over the life of the bonds using the straight-line method which is not materially different from the interest method.

Total interest expense allocated to the Broadband Division was \$241,310 and \$173,665 during the fiscal years ended June 30, 2019 and 2018, respectively. Interdivisional interest income/expense was \$241,310 and \$173,665 during the fiscal years ended June 30, 2019 and 2018, respectively.

The above bonds payable contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding bonds payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. OTHER NONCURRENT LIABILITIES

Electric Division:

<u>Other Noncurrent Liabilities Description</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Customer deposits	\$ 6,358,632	\$2,514,647	\$(2,146,542)	\$ 6,726,737
TVA - RES program	3,818,864	233,707	(1,421,761)	2,630,810
Accrued leave	1,475,740	738,014	(680,839)	1,532,915
Other postemployment benefits	1,453,445	208,890	(33,182)	1,629,153
Other	<u>11,852</u>	<u>258,710</u>	<u>(243,015)</u>	<u>27,547</u>
	<u>\$13,118,533</u>	<u>\$3,953,968</u>	<u>\$(4,525,339)</u>	<u>\$12,547,162</u>

<u>Other Noncurrent Liabilities Description</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Customer deposits	\$ 6,128,314	\$2,296,577	\$(2,066,259)	\$ 6,358,632
TVA - RES program	5,204,451	324,636	(1,710,223)	3,818,864
Accrued leave	1,426,021	770,625	(720,906)	1,475,740
Other postemployment benefits	1,324,057	156,107	(26,719)	1,453,445
Other	<u>19,162</u>	<u>122,968</u>	<u>(130,278)</u>	<u>11,852</u>
	<u>\$14,102,005</u>	<u>\$3,670,913</u>	<u>\$(4,654,385)</u>	<u>\$13,118,533</u>

12. INTERDIVISIONAL ALLOCATIONS

The Electric Division formed the Broadband Division on April 1, 2007, to provide video, internet and telephone services to existing electric customers. Also in April 2007, the Electric Division began installing a fiber network that allowed the Electric Division to remotely perform electric related functions. During the 2008 fiscal year, the Broadband Division began “renting” a portion of the fiber network on a per connection basis to provide the broadband services listed above to existing electric customers. The “rent” cost allocated to the Broadband Division was based upon an allocation formula applied to the costs of the fiber infrastructure. Fiber infrastructure costs, for the purpose of this allocation, included depreciation, taxes, interest, and a pole attachment fee. This allocation methodology has evolved, along with the development of the Broadband project, over the previous years, and is currently calculated as described in Note #1, above.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

12. INTERDIVISIONAL ALLOCATIONS - Continued

For the fiscal years ended June 30, 2019 and 2018, allocated infrastructure costs were as follows:

	June 30, 2019			June 30, 2018		
	Unit Costs	Annual Broadband Units	Allocated Costs	Unit Costs	Annual Broadband Units	Allocated Costs
Depreciation	\$2.84	349,289	\$ 991,981	\$2.84	339,497	\$ 964,171
Interest	2.04	349,289	712,550	2.04	339,497	692,574
Taxes	0.78	349,289	272,445	0.78	339,497	264,808
Pole Attachment	<u>0.48</u>	349,289	<u>167,658</u>	<u>0.48</u>	339,497	<u>162,959</u>
Totals	<u>\$6.14</u>		<u>\$2,144,634</u>	<u>\$6.14</u>		<u>\$2,084,512</u>

During the 2008 fiscal year, the Broadband Division began “renting” an office building from the Electric Division for Broadband operations. During the 2019 and 2018 fiscal years, approximately 71% of the depreciation, property tax, and insurance costs associated with this building were allocated to the Broadband Division. During the 2014 fiscal year, the Electric Division began allocating some costs as “rent” to the Broadband Division for the office building on Wilma Rudolph Boulevard. During the 2019 and 2018 fiscal years, approximately 34% of the depreciation, property tax and insurance costs associated with this building were allocated to the Broadband Division. Costs allocated from the Electric Division to the Broadband Division, for these buildings, were \$96,564 for both of the years ended June 30, 2019 and 2018.

At June 30, 2019 and 2018, the Electric Division owed the Broadband Division \$1,808,226 and \$1,785,770, respectively. These amounts represent payments for broadband services the Electric Division had collected on behalf of the Broadband Division. These amounts are typically remitted to the Broadband Division the month after they are collected by the Electric Division. These amounts are other than the Interdivisional Receivable/Payable discussed in Note #6.

13. CONTINGENCIES

The Divisions’ exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past four fiscal years. The Divisions do not carry insurance on trucks other than liability insurance. Management does not believe additional insurance is cost effective. The Electric Division participates in the Distributors’ Self-Insurance Fund for workers compensation insurance coverage. Participants in this plan remain liable for underfunding. The Divisions are reimbursable entities for unemployment purposes and thus pay all claims as they occur.

CDE LIGHTBAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB PLAN
(Unaudited)

	Fiscal Years Ending June 30,	
	2019	2018
Total OPEB liability		
Service Cost	\$ 131,154	\$ 153,465
Interest	52,477	55,054
Change in benefit terms	-	-
Differences between expected and actual experience	534,757	(6,942)
Change of assumptions	(486,309)	-
Benefit payments, including refunds of employee contributions	(43,505)	(34,930)
Net change in total OPEB liability	188,574	166,647
Total OPEB liability - beginning	1,793,248	1,626,601
Total OPEB liability - ending (a)	<u>\$ 1,981,822</u>	<u>\$ 1,793,248</u>
 Plan fiduciary net position		
Contributions-employer	\$ 43,505	\$ 34,930
Contributions-employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(43,505)	(34,930)
Administrative expenses	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position-beginning	-	-
Plan fiduciary net position-ending (b)	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB liability-ending (a) - (b)	<u>\$ 1,981,822</u>	<u>\$ 1,793,248</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
 Covered-employee payroll	\$ 11,336,119	\$ 10,856,577
 Net OPEB Liability as a percentage of covered-employee payroll	17.48%	16.52%

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.

CDE LIGHTBAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 OPEB PLAN
 (Unaudited)

	Fiscal Years Ending June 30,	
	2019	2018
Actuarially determined contribution	\$ 258,692	\$ 280,191
Contributions in relation to the actuarially determined contribution	43,505	34,930
Contribution deficiency (excess)	215,187	245,261
 Covered-employee payroll	 \$11,336,119	 \$10,856,577
 Contributions as a percentage of covered-employee payroll	 0.38%	 0.32%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial valuation method	Entry age normal, level percentage of salary
Asset valuation method	N/A
Remaining amortization period	Contributions: 20-year level percentage of salary (closed) beginning July 1, 2017, 18 years remaining Experience gains or losses: 6 years Amendments: recognized immediately Actuarial assumptions: over average working lifetime of all participants
Inflation Rate	N/A
Salary Increases	N/A
Expected long-term rate of return on plan assets	N/A
Healthcare cost trend rate	7.5% grading uniformly to 6.75% over 3 years, and following Getzen model thereafter to 3.94% in the year 2075
Discount Rate	2.79% based on S&P Municipal Bond 20-Year High Grade rate index as of June 30, 2019
Retirement age	Vary by age
Mortality	TCRS Local Government Rates

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.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING REVENUES
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Charges for power:		
Residential	\$ 103,443,446	\$ 101,550,601
Small commercial	17,450,636	17,101,278
Large commercial	49,101,042	48,136,711
Street and outdoor lights	1,665,929	1,655,834
Forfeited discounts	1,417,730	1,387,187
Uncollected accounts	(300,029)	(386,910)
Total charges for power	<u>172,778,754</u>	<u>169,444,701</u>
Other operating revenues:		
Rent	3,654,748	3,804,397
Miscellaneous	1,697,291	1,768,187
Total other operating revenues	<u>5,352,039</u>	<u>5,572,584</u>
TOTAL OPERATING REVENUES	<u><u>\$ 178,130,793</u></u>	<u><u>\$ 175,017,285</u></u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018		2019	2018
OPERATING EXPENSES:			OPERATING EXPENSES (continued)		
Cost of power	\$ 129,181,812	\$ 127,828,533	Administration and General:		
Distribution:			Salaries	992,748	869,630
Supervision and engineering	187,825	163,504	Office supplies and expenses	573,647	554,265
Station expense	312,251	302,325	Outside service	61,307	89,578
Overhead lines	1,526,358	1,417,624	Property insurance	246,855	230,079
Underground lines	335,159	264,275	Injuries and damages	370,675	394,597
Meters	735,280	733,208	Employee pensions and benefits	2,292,002	1,879,383
Rents	84,523	173,010	Miscellaneous	94,365	42,128
Miscellaneous	823,093	871,582	Total	4,631,599	4,059,660
Total	4,004,489	3,925,528	Maintenance:		
Transmission:			Supervision and engineering	37,934	32,656
Station expense	78,642	58,172	Station equipment	111,284	260,947
Total	78,642	58,172	Overhead lines	3,023,558	2,863,552
Customer Accounts:			Underground lines	192,375	125,124
Meter reading	1,037,096	611,920	Line transformers	57,149	179,183
Customer records and collection	2,826,081	2,820,311	Meters	221,150	253,778
Total	3,863,177	3,432,231	Security lights	74,406	63,013
Sales and Customer Service:			General plant	2,214,654	2,225,079
Supervision	78,477	73,265	Total	5,932,510	6,003,332
Customer assistance	258,815	213,436	Taxes:		
Advertising	166,894	157,639	Advalorem (in lieu of taxes)	1,354,492	1,362,925
Miscellaneous	4,094	1,280	Payroll	596,791	550,732
Total	508,280	445,620	Total	1,951,283	1,913,657
			Depreciation and amortization	12,223,661	11,817,369
			TOTAL OPERATING EXPENSES	\$ 162,375,453	\$ 159,484,102

See independent auditor's report.

CDE LIGHTBAND
 BROADBAND DIVISION
 SCHEDULES OF OPERATING REVENUES AND COSTS OF SERVICES
 YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES:		
Charges for services:		
Charges for video services	\$ 4,957,267	\$ 5,040,943
Charges for internet services	13,561,992	12,252,277
Charges for telephone services	1,737,160	1,808,569
Charges for installations	208,479	155,008
Uncollected accounts	(206,355)	(249,176)
Total charges for services	20,258,543	19,007,621
Other operating revenues:		
Rent	1,058,519	1,067,841
Other charges	507,981	462,139
Total other operating revenues	1,566,500	1,529,980
TOTAL OPERATING REVENUES	\$ 21,825,043	\$ 20,537,601
COSTS OF SERVICES:		
Costs of video services	\$ 6,398,863	\$ 6,253,019
Costs of internet services	1,362,216	962,701
Costs of telephone services	719,081	792,751
Costs of installations	1,592,134	1,373,957
TOTAL COSTS OF SERVICES	\$ 10,072,294	\$ 9,382,428

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2019

Year Ending June 30,	2010 Series A		2014 Series		2015 Series		2017 Series		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 285,000	\$ 17,344	\$ 325,000	\$ 43,325	\$ 2,210,000	\$ 1,493,900	\$ 240,000	\$ 1,000,200	\$ 3,060,000	\$ 2,554,769
2021	300,000	6,000	325,000	36,013	2,285,000	1,421,600	245,000	992,925	3,155,000	2,456,538
2022	-	-	345,000	26,775	2,345,000	1,356,700	555,000	983,700	3,245,000	2,367,175
2023	-	-	355,000	16,275	2,395,000	1,306,800	570,000	969,600	3,320,000	2,292,675
2024	-	-	365,000	5,475	2,465,000	1,236,050	590,000	952,200	3,420,000	2,193,725
2025	-	-	-	-	2,570,000	1,130,000	985,000	928,575	3,555,000	2,058,575
2026	-	-	-	-	2,700,000	1,003,250	1,020,000	888,300	3,720,000	1,891,550
2027	-	-	-	-	2,840,000	864,750	1,070,000	836,050	3,910,000	1,700,800
2028	-	-	-	-	2,980,000	719,250	1,130,000	781,050	4,110,000	1,500,300
2029	-	-	-	-	3,135,000	566,375	1,190,000	723,050	4,325,000	1,289,425
2030	-	-	-	-	3,295,000	405,625	1,250,000	662,050	4,545,000	1,067,675
2031	-	-	-	-	3,465,000	236,625	1,305,000	604,700	4,770,000	841,325
2032	-	-	-	-	3,000,000	75,000	2,000,000	538,600	5,000,000	613,600
2033	-	-	-	-	-	-	5,220,000	394,200	5,220,000	394,200
2034	-	-	-	-	-	-	5,430,000	181,200	5,430,000	181,200
2035	-	-	-	-	-	-	1,815,000	36,300	1,815,000	36,300
	\$ 585,000	\$ 23,344	\$ 1,715,000	\$ 127,863	\$35,685,000	\$11,815,925	\$24,615,000	\$11,472,700	\$62,600,000	\$23,439,832

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF NOTE PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2019

Years Ending June 30, <u>2020</u>	CEMC Annexation Note <hr/>
	<u>Principal</u>
	<u>30,995</u>
Totals	<u>\$ 30,995</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF INTERDIVISIONAL LOAN MATURITIES
JUNE 30, 2019

Year Ending June 30,	2007 Loan		2009 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 750,000	\$ 110,093	\$ -	\$ 62,394	\$ 750,000	\$ 172,487
2021	800,000	92,243	-	62,394	800,000	154,637
2022	800,000	73,203	-	62,394	800,000	135,597
2023	800,000	54,163	-	62,394	800,000	116,557
2024	800,000	35,123	-	62,394	800,000	97,517
2025	675,749	16,083	-	62,394	675,749	78,477
2026	-	-	-	62,394	-	62,394
2027	-	-	-	62,394	-	62,394
2028	-	-	-	62,394	-	62,394
2029	-	-	-	62,394	-	62,394
2030	-	-	-	62,394	-	62,394
2031	-	-	-	62,394	-	62,394
2032	-	-	-	62,394	-	62,394
2033	-	-	-	62,394	-	62,394
2034	-	-	-	62,394	-	62,394
2035	-	-	-	62,394	-	62,394
2036	-	-	800,000	62,394	800,000	62,394
2037	-	-	800,000	43,354	800,000	43,354
2038	-	-	1,021,584	24,314	1,021,584	24,314
	\$ 4,625,749	\$ 380,907	\$ 2,621,584	\$ 1,128,360	\$ 7,247,333	\$ 1,509,267

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC AND BROADBAND DIVISION
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2018	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2019
Bonds Payable									
Electric Revenue Bonds - Series 2010A	\$ 28,576,000	3.75%	January 27, 2010	September 1, 2021	\$ 860,000	\$ -	\$ 275,000	\$ -	\$ 585,000
Electric Revenue Refunding Bonds - Series 2014	3,215,000	4.50%	January 29, 2014	September 1, 2024	2,040,000	-	325,000	-	1,715,000
Electric Revenue Refunding Bonds - Series 2015	38,545,000	5.00%	January 28, 2015	September 1, 2032	37,825,000	-	2,140,000	-	35,685,000
Electric Revenue Refunding Bonds - Series 2017	24,845,000	3.00%	November 7, 2017	September 1, 2035	24,845,000	-	230,000	-	24,615,000
Total Bonds Payable	<u>\$ 95,181,000</u>				<u>\$ 65,570,000</u>	<u>\$ -</u>	<u>\$ 2,970,000</u>	<u>\$ -</u>	<u>\$ 62,600,000</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULES OF STATISTICAL DATA (UNAUDITED)
JUNE 30, 2019 AND 2018

	2019	2018	Increase (Decrease)
Number of electric customers:			
Residential	62,639	62,609	30
Commercial	6,950	6,820	130
Industrial	771	775	(4)
Public lighting	434	428	6
Total number of electric customers	<u>70,794</u>	<u>70,632</u>	<u>162</u>
Security lights	<u>4,882</u>	<u>4,922</u>	<u>(40)</u>
Number of kilowatt-hours purchased:			
Purchased power	1,622,506,390	1,627,113,272	(4,606,882)
Loss	44,664,094	67,506,832	(22,842,738)
Purchased for own use	4,166,323	2,348,687	1,817,636
Total number of kilowatt-hours purchased	<u>1,671,336,807</u>	<u>1,696,968,791</u>	<u>(25,631,984)</u>
Percent loss	<u>2.75%</u>	<u>4.15%</u>	<u>-1.40%</u>
	2019	2018	Increase (Decrease)
Number of broadband customers:			
Residential	20,650	19,296	1,354
Commercial	1,731	1,624	107
Total number of broadband customers	<u>22,381</u>	<u>20,920</u>	<u>1,461</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2019

Residential Rates (RS)

Customer Charge: \$23.40
Energy Charge: 9.576 cents/Kilowatt hour (kWh)

General Power Rate (GSA1) (Not to exceed 50 kW or 15,000 kWh)

Customer Charge #1 0-500 kWh \$29.50
Customer Charge #2 > 500 kWh \$45.00
Energy Charge: 10.961 cents/kWh

General Power Rate (GSA2) (Greater than 50 kW up to 1,000 kW or greater than 15,000 kWh)

Customer Charge: \$175.00
Energy Charge: 0-15,000 kWh 10.204 cents/kWh
All additional kWh 6.405 cents/kWh
Demand Charge: 0-50 kW \$4.00 per kW
51-1,000 kW \$14.74 per kW

General Power Rate (GSA3) (1,001-5,000 kW)

Customer Charge: \$640.00
Energy Charge: All kWh 6.843 cents/kWh
Demand Charge: 0-1,000 kW \$14.74 per kW
1,001-5,000 kW \$14.74 per kW

General Power Rate (SGSB) Time-of-Use (TOU)

Customer Charge: \$1,500.00
Administrative Charge: \$350.00
Energy Charge:
Summer Period:
Onpeak: 8.169 cents/kWh
Offpeak: 1st 200 hours 5.678 cents/kWh
Next 200 hours 2.200 cents/kWh
Additional hours 1.879 cents/kWh
Transition Period:
Onpeak: 5.705 cents/kWh
Offpeak: 1st 200 hours 5.705 cents/kWh
Next 200 hours 2.279 cents/kWh
Additional hours 1.938 cents/kWh
Winter Period:
Onpeak: 7.578 cents/kWh
Offpeak: 1st 200 hours 6.444 cents/kWh
Next 200 hours 2.764 cents/kWh
Additional hours 2.423 cents/kWh

Demand Charge:

Summer Period:
Onpeak: \$10.87 kW
Max kW: \$ 5.21 kW
Transition Period:
Onpeak: \$9.90 kW
Max kW: \$5.21 kW
Winter Period:
Onpeak: \$9.90 kW
Max kW: \$5.21 kW

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED) - Continued
JUNE 30, 2019

Manufacturing Service Rate (SMSB) Time-of-Use (TOU)

Customer Charge: \$1,500.00

Administrative Charge: \$350.00

Energy Charge:

Summer Period:

Onpeak: 7.450 cents/kWh

Offpeak: 1st 200 hours 4.950 cents/kWh

Next 200 hours 1.981 cents/kWh

Additional hours 1.726 cents/kWh

Transition Period:

Onpeak: 5.281 cents/kWh

Offpeak: 1st 200 hours 5.281 cents/kWh

Next 200 hours 2.002 cents/kWh

Additional hours 1.747 cents/kWh

Winter Period:

Onpeak: 6.812 cents/kWh

Offpeak: 1st 200 hours 5.675 cents/kWh

Next 200 hours 2.483 cents/kWh

Additional hours 2.228 cents/kWh

Demand Charge:

Summer Period:

Onpeak: \$10.24 kW

Max kW: \$2.26 kW

Transition Period:

Onpeak: \$9.27 kW

Max kW: \$2.26 kW

Winter Period:

Onpeak: \$9.27 kW

Max kW: \$2.26 kW

Outdoor Lighting (LS)

Customer Charge: \$3.15

Energy Charge: 6.958 cents/kWh

Security Lights (LS) (No Customer Charge)

Energy Charge: 6.958 cents/kWh

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2019

SERVICE RATES

Lightband Basic	\$15.95
Lightband Plus	\$75.95
Lightband Extra	\$85.95
HBO	\$16.95
Cinemax	\$15.95
HBO/Cinemax Channels (all 10 screens)	\$25.95
Starz/Encore Channels (all 10 screens)	\$14.95
Showtime/TMC (all 8 screens)	\$16.95
Lightband High Speed Internet	\$39.95 – 90.95
Video On Demand (VOD) Movies	\$1.99 to \$12.99 per purchase

PACKAGES

Bronze (1 premium)	\$74.70
Silver (2 premiums)	\$84.70
Gold (4 premiums)	\$94.70
Power Pack I - (Lightband Extra & Internet)	\$123.95
Power Pack II - (Lightband Extra, Internet, & Phone)	\$143.95
Sports Pack	\$7.99

EQUIPMENT RENTAL RATES (MONTHLY)

Standard Digital Converter - All Others	\$7.95
Digital HD Converter	\$10.95
Digital HD/DVR Converter	\$13.95
Multi-room DVR Service	\$22.95
Remote	Included w/each digital converter

EQUIPMENT NOT RETURNED CHARGES (ONE TIME CHARGE)

Remote	\$25.00
Standard Digital Converter	\$200.00
Digital HD Converter	\$400.00
Digital HD/DVR Converter	\$500.00
Converter Cord Set	\$20.00
In-House Expansion Device	\$300.00

The above rates are based on a la carte charges. These rates may be bundled to offer customer discounts and may change in relation to market dynamics and competitive response. All above rates and any promotional rates are subject to state, local, and federal taxation and fees as required by law.

See independent auditor's report.



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*

To the Clarksville Electric Power Board
City of Clarksville, 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 the Electric Division and Broadband Division of CDE Lightband (collectively the “Divisions” or “CDE”), propriety funds of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise CDE’s basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CDE'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 entity'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 CDE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
October 15, 2019

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

There were no current year findings reported.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

There were no prior year findings reported.

