

Annual Report

Audited Financial Statements for Electric and Broadband Divisions
June 30, 2020 & 2019
www.cdelightband.com
2021 Wilma Rudolph Blvd. Clarksville, TN 37040

A SPECIAL MESSAGE

This past fiscal year has been described as “unprecedented times”, “uncharted waters” and “uncertain times”. I am of course speaking about the COVID-19 pandemic. We even learned an entirely new vocabulary. We had to practice “social distancing” and go into “lockdown” so we might “flatten the curve”. If we came in contact with a possible positive COVID-19 case we had to go into “self-isolation” and “quarantine”, all to help “stop the spread” of the virus. Who would have ever thought our entire country would go on “shutdown,” and our number one priority was finding toilet paper. A toilet paper shortage, really? We were forced to learn new technologies as many worked from home; video conferencing became the norm and the most commonly used words were “you’re on mute”. I’m not making light of the pandemic, it is very serious, but we have to find a little humor in this just to maintain our sanity.

We also learned a little more about who truly are essential workers. While our doctors, nurses and health care facilities were treating people with COVID-19, our electric division employees were keeping the electricity flowing so they might perform their critical tasks. While millions of people worked from home and held countless virtual meetings, our Broadband Division employees kept our Fiber-Fast Internet service up and running. Yes, our employees are essential workers.

I am so proud of our employees as they stepped up and designed programs to assist our customers in this time of need. We discontinued cutoffs for nonpay for a month and established a 12-month deferred payment program. We also partnered with TVA, Google, and United Way to contribute over \$54,000 to assist customers with paying their bills. Our employees once again stepped up and contributed over \$2,000 to the fund.

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.

Our employees are the lifeblood of our organization; they are always surpassing my expectations when it comes to their commitment to CDE Lightband and the residents of Clarksville. 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.



General Manager
Brian Taylor

BOARD MEMBERS



01
Mayor Joe Pitts
Ex-Officio



02
Ron Jackson
Chairman



03
Jeff Burkhardt
Board Member



04
Sally Castleman
Board Member



05
Darla Knight
Board Member



06
Kunal Shah
Board Member

ADMINISTRATIVE TEAM



Left to Right: Sally Martino (Executive Assistant), Bruce Walker (Electric Division Director), David Johns (Chief Financial Officer), Brian Taylor (General Manager), Christy Batts (Broadband Division Director), Jim Manning (Customer Resources Division Director), Privott Stroman (Human Resources Director)



**#
MISSION**

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

CUSTOMER FOCUSED

We've made significant changes to our systems to improve the customer experience.



My Energy Advisor

An online portal for business customers offering an energy use benchmarking tool, energy usage data visualization and a direct connection to CDE Lightband energy specialists.



Phone System

Launched a new and improved auto-attendant phone menu to route customers to the right destination more efficiently.



Customer Survey

Launched a real time text message survey to collect immediate feedback from customers regarding their transaction experience with the Customer Service Department. The results reflect an average customer satisfaction rating of 94%!



Online ID Verification

Began offering customers the ability to complete their ID verification for new service over the phone. This allows customers to confirm their name and social security number via a secure website versus coming into office. This is also beneficial in reducing person-to-person interaction during the ongoing pandemic.



Recognition

Brian D. Taylor, General Manager of CDE Lightband, received the James D. Donovan Individual Achievement Award during the American Public Power Association's Public Power Connect: Virtual Summit & Business Meeting. Brian Solsbee, Executive Director of TMEPA, presented the award to Taylor at the June 2020 Power Board meeting. The award recognizes individuals who have made significant contributions to the electric utility industry and to public power.

Brian has been dedicated to CDE Lightband and electric utilities for 38 years. He has a wide range of experience and knowledge that has helped him lead the organization and the many associations with

which he is involved. He played a key role in taking CDE Lightband into the broadband business and through dedication and focus he was able to grow a struggling business to one that is successful and well managed. He has led a thriving organization that is known as a premier leader in the AMI, SCADA and other utility best practices that many organizations model themselves after.

Brian is a tireless advocate for all things and all people in the electric utility world. He is dedicated to not only his employees but works to represent all industry employees. Brian's leadership serves as an example for many young leaders entering the industry, and he has become a strong mentor to many of them.

DONOVAN AWARD



(L to R): CDE Lightband GM, Brian Taylor, and ED of TMEPA, Brian Solsbee

TREELINE USA



The Arbor Day Foundation has named CDE Lightband a 2020 Tree Line USA® in honor of its commitment to proper tree pruning, planting and care in the provider's service area.

Tree Line USA, a partnership between the Foundation and the National Association of State Foresters, recognizes public and private utilities for pursuing practices that protect and enhance America's urban trees. Tree Line USA promotes the dual goals of delivering safe and reliable electricity while maintaining healthy community forests.

"Trees are a critical part of urban landscapes all across the United States," said Dan Lambe, president of the Arbor Day Foundation. "They provide important benefits to residents, including clean air, clean water and a tolerable climate. Service providers like CDE Lightband demonstrate that it's possible for trees and utilities to co-exist for the benefit of communities and citizens."

CDE Lightband achieved Tree Line USA by meeting five program standards. Utilities must follow industry standards for quality tree care, provide annual worker training in best tree care practices, sponsor a tree planting and public education program, maintain a tree-based energy conservation program and participate in an Arbor Day celebration.

"It is an honor to be recognized for the 2020 Tree Line USA® for the seventh consecutive year. Our dedication to vegetation management provides reliable electric and broadband services to our customers. Without the support of the Power Board and the diligent work of the right-of-way maintenance team, this program would not be possible."

SMART ENERGY



Energy Service team L to R: Jared Combs, John Jackson, and Rob Denson

CDE Lightband earned a Smart Energy Provider designation from American Public Power Association

CDE Lightband earned a Smart Energy Provider (SEP) designation from the American Public Power Association for demonstrating commitment to and proficiency in energy efficiency, distributed generation and environmental initiatives that support a goal of providing low-cost, quality, safe and reliable electric service.

CDE Lightband is one of two Local Power Companies (LPCs) in the TVA service territory to earn this award. Chris Van Dokkumburg, Planning Analyst at Holland Board of Public Works

and Chair of the Energy Services Committee, in Michigan presented the designations on October 29, 2019 during the Association's annual Customer Connections Conference held in New Orleans, Louisiana.

The SEP designation, which lasts for two years (December 1st, 2019 to November 30th, 2021) recognizes public power utilities for demonstrating leading practices in four key disciplines: smart energy program structure, energy efficiency and distributed energy programs, environmental and sustainability initiatives

and the customer experience. This is the first year the Association has offered the SEP designation. CDE Lightband joins more than 60 public power utilities nationwide that received the inaugural SEP designation.

"This designation highlights utilities that are really stepping up to deliver their customers top-notch programs and services," said Van Dokkumburg. "These utilities are going beyond 'keeping the lights on,' and their communities should be proud."



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RELIABLE PUBLIC POWER

“This is a great honor. We take a lot of pride in the work we do to power our community. It’s nice to be recognized as among the ‘best of the best’ on a national level and it would not be possible without our employees and their commitment to our customers.”

Brian Taylor

American Public Power Association presents CDE Lightband with the highest achievable Reliable Public Power Provider (RP3)[®] designation, the Diamond Level, for providing reliable and safe electric service.

The RP3 designation, which lasts for three years, recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability,

safety, workforce development and system improvement. Criteria include sound business practices and a utility-wide commitment to safe and reliable delivery of electricity.

CDE Lightband joins more than 275 public power utilities nationwide that hold the RP3 designation. “Receiving an RP3 designation is a great honor and demonstrates a utility’s commitment to

implementing industry best practices in utility operations,” says Aaron Haderle, chair of the association’s RP3 Review Panel and manager of Transmission and Distribution Operations at Kissimmee Utility Authority, Florida.

“RP3 utilities are consistently looking to improve their workforce, system reliability and safety to serve their communities better.”



CDE Lightband Employees Left to Right: Brian Taylor, Chris Brandon, Chase Bearden, Annette Allen, Sherena Simons, Tammy Hogue, Barbara Petrik, Geraldine Appleton, Kim Greene



GIVING BACK

TVA, United Way, CDE Lightband, Google and the Clarksville community team up to raise money for those affected by COVID-19 and needing help with their utility bills.

With diligent efforts, United Way of the Greater Clarksville Region raised \$54,948 for TVA's COVID-19 Community Care Fund, which will assist the critical work done by nonprofit organizations to provide relief to CDE Lightband customers affected by the pandemic.

"With the love, support and encouragement of our generous contributors, we have reached our goal! We are excited to be able to help the families affected by this pandemic. As a community, we work better together," said Valerie Guzman, CEO of United Way of the Greater Clarksville Region.

With their extraordinary generosity, Google LLC donated a \$25,000 grant through their donor advised fund at Tides Foundation. In their philanthropic giving, Google LLC collectively supports the charitable mission of United Way as they tackle the aftermath of COVID-19.

"During these uncertain times, we believe it is more important than ever to give back to our local community," said John Link, the site lead at Google's data center in Clarksville. "Google is proud to support the efforts of United Way, as they provide relief to those in need across the Greater Clarksville region."

Funding from Google, CDE Lightband employees and the Clarksville community will be matched by the TVA Community Care Fund, dollar for dollar up to \$25,000. One hundred percent of the proceeds will help the local initiatives addressing the hardships by reducing or paying CDE Lightband utility bills.

"We are so thankful for our partnership with United Way of the Greater Clarksville Region and the generosity of TVA, Google and CDE Lightband employees to come together in a time of need," said Brian Taylor, general manager for CDE Lightband.

"In the spirit of public power, we are honored to partner with local power companies to address the unprecedented challenges facing those we serve," said Jeannette Mills, TVA executive vice president and chief external relations officer. "TVA has a mission of service to make life better for the people of the Valley, and providing these funds to address immediate needs is one way we can help ease the burdens on families and communities."

#

Thank you for your leadership

Farewell to Wayne



Charles Dickens wrote, "It was the best of times... it was the age of wisdom...it was the spring of hope..." It is with great adoration and sadness, CDE Lightband said farewell to Chairman Wayne Wilkinson at the Power Board Meeting Tuesday, June 23, 2020.

In honor of Wilkinson's departure, CDE Lightband dedicated their boardroom for his fifteen years of outstanding leadership, community commitment and as a respected advocate for the company.

During his tenure, Wilkinson

served as Power Board Chairman from 2008-2009 and 2011-2020. As a first-class leader, he was a visionary, never stopping in his endeavors to push CDE Lightband into the future.

WAYNE WILKINSON



He constantly researched, gathering knowledge regarding current trends in the electric field. Wilkinson vested himself into the company and had a heart for its employees. He was a Public Power advocate, political voice and a leader in the community.

“Wayne has led the Power Board with integrity and has made a positive impact on CDE Lightband, our employees and our community,” said Brian

Taylor, general manager of CDE Lightband. “We are a better company, and Clarksville has blossomed because of Wayne’s influence. His presence on the board will be missed.”

With his focus on system reliability, he oversaw the construction of three new substations and the rebuilding of three more. Wilkinson helped guide the evolution of the Broadband Division into one of the most successful municipal systems in the region. He

saw the system garner nationwide recognition for service and helped to foster its growth by over 20,000 customers. He also saw its journey from an income deficit, to operating with positive cash flow to eliminating all loans.

Wilkinson has been a beacon and guiding light during his years at CDE Lightband. He will truly be missed.



01



02



04

01. Crews are briefed by CDE Lightband General Manager, Brian Taylor

02. Electric lineworker Bryan Smith arriving at site to access the damage

03. Pole damage-one of the leading issues during restoration

04. Tree damage to a North Clarksville home



HISTORIC STORM

CDE Lightband faced a significant storm on Saturday, October 26, 2019 around 3:00 p.m. that caused the most distribution damage in its history. The storm caused over 32,000 customers to be without power, more than 61 broken poles and over 15 transformer replacements. In addition, with 20 areas of major damage, there were over 6,000 feet of fiber and over 500 individual customer lines that had to be replaced or repaired.

As crews geared up for long days and nights through rain and frigid temperatures, the Clarksville community came together as a pillar of encouragement during the storm. Outside utility companies gladly came to

the aid in the restoration process.

With kind hearts, many businesses and numerous families offered their support. During the long and weary hours, families brought food, water and coffee for the linemen. Businesses donated food and snacks. Many opened their doors to serve the rotating crews with meals and offered words of encouragement.

“As we faced this historic event, our community supported us and cheered us on through the restoration. Thank you to everyone who helped us during this entire process,” said Brian Taylor, general manager at CDE Lightband.

NETWORK LAUNCH

CCN

Clarksville Community Network



Because of the changing local media landscape, we need a video-driven resource for telling our community story, especially the people-centered good news that sometimes gets overlooked. CCN's focus is to be a mirror of the community as it evolves and changes, and to be a hyper-local source so residents can be informed, aware and engaged in their community.

Mayor Joe Pitts

CDE Lightband announced the debut of a new channel for the Clarksville community - Clarksville Community Network (CCN). CCN's mission is to provide local entertainment featuring the faces and places of our community to help you get to know and fall in love with our community all over again.

"Clarksville Community Network is a collaborative effort, and that's a big deal. It shows our commitment to working together for a better community," Mayor Pitts said. "CCN's mission is to use video content distributed by CDE Lightband's fiber optic network and other digital platforms to create a connected community experience for Clarksville-Montgomery County."

While the channel CCN has been a part of our video line up for quite some time, this newly revamped channel is the result of an exciting partnership with the local city and county governments. Both Clarksville Mayor

Joe Pitts and County Mayor Jim Durrett have collaborated with CDE Lightband to create this new, robust community channel. To ensure the quality of programming is held to the highest standards, CDE Lightband partnered with Rick Goodwin Productions for much of the channel's content.

"CCN is an outstanding way for us to share who we are and to build upon the pride and knowledge of the people who call Clarksville, Montgomery County home. My staff and I are looking forward to working with CDE Lightband to help share the stories of who we are through CCN - our local source for news about the community. This station is another tool we have the opportunity to use to share why we truly are the best place to live," said Mayor Durrett.

Rick Goodwin and his team have created shows featuring several well-known local artists, area high school sports and many other local favorites

such as the Mayor's Power Breakfast, Parks and Recreation's Boat Regatta Race and "The Local Dish"- highlighting some of Clarksville's best eateries. Other productions in the works include a talk show format with Roxy Regional Theatre Director Ryan Bowie and a local good news magazine show.

"By harnessing our resources, CDE Lightband is able to address a need in our community with this new channel, and we are happy to step up to the plate and share with our citizens great local news, features and places to visit. We have a fantastic community; we're here to be the storyteller for what we have to offer," said Brian Taylor, general manager for CDE Lightband.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2020 AND 2019

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, 2020

CLARKSVILLE POWER BOARD

Mayor Joe Pitts, Ex-Officio

Jeff Burkhart

Sally Castleman

Ron Jackson

Kunal Shah

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, 2020 and 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, 2020 and 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.

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, 2020 and 2019, 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.also

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 Interdivisional Loan Maturities - Electric Division and Broadband Division, the Schedule of Changes in Long-term Debt by Individual Issue and Schedule of Transfers 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 financials 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, 2020, 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

Jackson, Tennessee
October 15, 2020

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

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, 2020 and 2019, as compared to fiscal years 2019 and 2018, 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 deferred outflows of resources) and the obligations (liabilities) and deferred inflows of resources, with the difference 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, pandemics, weather, customer growth and changes in legislation can have a great impact on the financial statements and should be considered.

The unemployment rate for Montgomery County in June of 2020 was above 10%, compared to below 5% in June of 2019. The increase in unemployment is due to the impact of COVID-19 in the area. CDE is continuously monitoring the effects of COVID-19 on the service area and how they relate to the Divisions in order to, if needed, appropriately adjust budgets, rate setting, and other financial estimates.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

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, 2020.

The infrastructure also allows the Broadband Division to offer digital video, high speed internet and phone services to 23,913 customers at June 30, 2020, compared to 22,381 at June 30, 2019. 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 had, at one time, 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, 2020, the Broadband Division has paid back more than \$13 million on this loan. Though the last payment is not due until 2038, Management anticipates this loan being repaid in full by June 30, 2021.

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 1.44% to \$298.8 million in fiscal year 2020. Capital Assets increased due to normal plant activity, as well as construction of the new office space and massive plant restoration after the October 2019 storm. Other assets decreased primarily due to collection of \$3.75 million on the interdivisional loan to Broadband, as well as the continuing attrition on the TVA Residential Energy Services Program.

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 also increased significantly, the result of 6 years of positive income.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

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

	<u>June 30,</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	Dollar	Total
				Change	Percent
					Change
ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES					
Current Assets	\$ 70,237,694	\$ 75,397,102	\$ 75,187,339	\$(5,159,408)	-6.84%
Restricted Assets	10,717,155	10,615,925	10,942,087	101,230	0.95%
Capital Assets (Net)	209,368,182	195,272,373	184,047,563	14,095,809	7.22%
Other Assets	5,383,108	9,888,910	14,677,036	(4,505,802)	-45.56%
Deferred Outflows of Resources	<u>3,115,227</u>	<u>3,411,535</u>	<u>3,268,284</u>	<u>(296,308)</u>	<u>-8.69%</u>
TOTAL ASSETS AND					
DEFERRED OUTFLOWS					
OF RESOURCES	<u>\$ 298,821,366</u>	<u>\$ 294,585,845</u>	<u>\$ 288,122,309</u>	<u>\$ 4,235,521</u>	<u>1.44%</u>
LIABILITIES, DEFERRED INFLOWS					
OF RESOURCES, AND NET POSITION					
Current Liabilities	\$ 30,789,652	\$ 32,503,845	\$ 31,759,532	\$(1,714,193)	-5.27%
Other - Noncurrent Liabilities	12,253,178	12,547,162	13,118,533	(293,984)	-2.34%
Long Term Debt	63,823,730	67,571,950	71,256,167	(3,748,220)	-5.55%
Deferred Inflows of Resources	<u>246,418</u>	<u>308,023</u>	<u>-</u>	<u>(61,605)</u>	<u>-20.00%</u>
TOTAL LIABILITIES AND DEFERRED					
INFLOWS OF RESOURCES	<u>107,112,978</u>	<u>112,930,980</u>	<u>116,134,232</u>	<u>(5,818,002)</u>	<u>-5.15%</u>
Net investment in Capital Assets	145,210,330	127,653,235	112,948,974	17,557,095	13.75%
Restricted for Debt Service	10,717,155	10,615,925	10,942,087	101,230	0.95%
Unrestricted net position	<u>35,780,903</u>	<u>43,385,705</u>	<u>48,097,016</u>	<u>(7,604,802)</u>	<u>-17.53%</u>
NET POSITION	<u>191,708,388</u>	<u>181,654,865</u>	<u>171,988,077</u>	<u>10,053,523</u>	<u>5.53%</u>
TOTAL LIABILITIES, DEFERRED					
INFLOWS OF RESOURCES AND					
NET POSITION	<u>\$ 298,821,366</u>	<u>\$ 294,585,845</u>	<u>\$ 288,122,309</u>	<u>\$ 4,235,521</u>	<u>2.24%</u>

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 decreased by 2.68%, with a similar decrease in total expenses of 3.28%. Revenue and expense for the Electric Division are driven primarily by electric consumption, which, per customer, was flat compared to 2019. The decrease from 2019 was driven largely by two factors: COVID-19 closing many businesses temporarily from March through June, and milder 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, 2020 AND 2019**

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

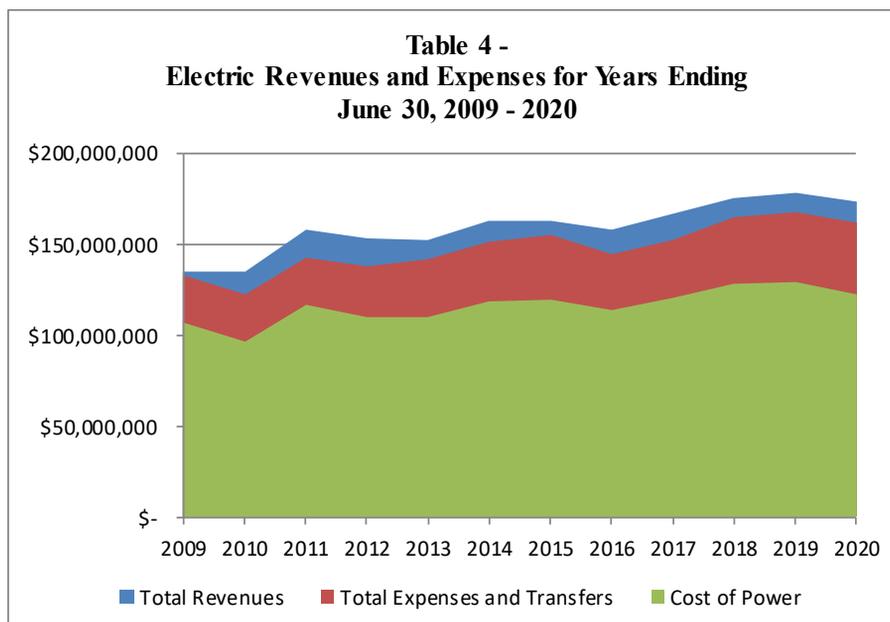
	June 30,			Dollar Change	Total Percent Change
	2020	2019	2018		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets	\$ 8,296,789	\$ 7,809,243	\$ 7,845,866	\$ 487,546	5.88%
Non Current Assets	3,588,097	2,855,781	2,500,772	732,316	25.64%
TOTAL ASSETS	\$ 11,884,886	\$ 10,665,024	\$ 10,346,638	\$ 1,219,862	10.26%
DEFERRED OUTFLOWS OF RESOURCES	\$ 63,466	\$ 79,332	\$ -	\$ (15,866)	-25.00%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,948,352	\$ 10,744,356	\$ 10,346,638	\$ 1,203,996	10.08%
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
Current Liabilities	\$ 3,648,351	\$ 2,983,201	\$ 2,743,865	\$ 665,150	18.23%
Noncurrent Liabilities	3,228,975	6,852,701	10,606,276	(3,623,726)	-112.23%
TOTAL LIABILITIES	6,877,326	9,835,902	13,350,141	(2,958,576)	-43.02%
DEFERRED INFLOWS OF RESOURCES	84,552	104,614	7,994	(20,062)	-23.73%
Net investment in Capital Assets	3,588,097	2,855,781	2,500,772	732,316	20.41%
Unrestricted net position	1,398,377	(2,051,941)	(5,512,269)	3,450,318	246.74%
NET POSITION	4,986,474	803,840	(3,011,497)	4,182,634	83.88%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 11,948,352	\$ 10,744,356	\$ 10,346,638	\$ 1,203,996	10.08%

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

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
	2020	2019	2018		
Operating Revenues	\$ 173,358,347	\$ 178,130,793	\$ 175,017,285	\$ (4,772,446)	-2.68%
Cost of Power	121,847,741	129,181,812	127,828,533	(7,334,071)	-5.68%
Other Operating Expenses	35,063,475	33,193,641	31,655,569	1,869,834	5.63%
Non Operating (Revenues) Expenses	1,536,336	1,442,340	2,219,983	93,996	6.52%
Total Expenses	158,447,552	163,817,793	161,704,085	(5,370,241)	-3.28%
Transfers to Other Funds	4,857,272	4,646,212	4,680,602	211,060	4.54%
Change in Net Position	10,053,523	9,666,788	8,632,598	386,735	4.00%
Net Position - Beginning	181,654,865	171,988,077	163,355,479	9,666,788	5.62%
Net Position - Ending	<u>\$ 191,708,388</u>	<u>\$ 181,654,865</u>	<u>\$ 171,988,077</u>	<u>\$ 10,053,523</u>	<u>5.53%</u>

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, 2020 AND 2019

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 7.26%, with a similar, somewhat smaller increase in total expenses of 6.75%. This is due to the Division growing its internet subscriber base and implementing a video rate increase in March 2020 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

	Year ending June 30,			Dollar Change	Total Percent Change
	2020	2019	2018		
Operating Revenues	\$ 23,408,909	\$ 21,825,043	\$ 20,537,601	\$ 1,583,866	7.26%
Cost of Services	10,066,322	10,072,294	9,382,428	(5,972)	-0.06%
Network Expense	2,266,154	1,769,529	1,735,484	496,625	28.07%
Other Operating Expenses	6,771,043	5,974,683	5,535,650	796,360	13.33%
Non Operating (Revenues) Expenses	66,854	142,387	124,424	(75,533)	-53.05%
Total Expenses	19,170,373	17,958,893	16,777,986	1,211,480	6.75%
Transfers to other Funds	55,902	50,813	28,580	5,089	10.02%
Change in Net Position	4,182,634	3,815,337	3,731,035	367,297	9.63%
Net Position - Beginning	803,840	(3,011,497)	(6,742,532)	3,815,337	-126.69%
Net Position - Ending	\$ 4,986,474	\$ 803,840	\$ (3,011,497)	\$ 4,182,634	520.33%

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, 2020 AND 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2020, the Electric Division had net capital assets of \$209 million. This is an increase of 7.22% from 2019. This growth is due mainly to the construction of the main campus building expansion, as well as normal plant growth, and major storm restoration in October 2019. All capital projects completed in 2020 and 2019 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

	<u>June 30,</u>			Dollar Change	Total Percent Change
	2020	2019	2018		
Transmission and Distribution Plant	\$ 162,644,061	\$ 153,796,367	\$ 149,607,085	\$ 8,847,694	5.75%
General Plant	128,707,341	123,013,118	118,660,806	5,694,223	4.63%
Construction Work in Progress	<u>25,425,437</u>	<u>19,414,897</u>	<u>10,745,058</u>	<u>6,010,540</u>	<u>30.96%</u>
Total Plant	316,776,839	296,224,382	279,012,949	20,552,457	6.94%
Unamortized Acquisition Adjustment	36,054	72,109	108,163	(36,055)	-50.00%
Less Accum Depr	<u>107,444,711</u>	<u>101,024,118</u>	<u>95,073,549</u>	<u>6,420,593</u>	<u>6.36%</u>
Net Capital Assets	<u>\$ 209,368,182</u>	<u>\$ 195,272,373</u>	<u>\$ 184,047,563</u>	<u>\$ 14,095,809</u>	<u>7.22%</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

The Broadband Division had an increase in net capital assets of 25.64%, due to purchases of set top boxes, as well as hosted PBX phone equipment. Please see Table 7.

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

	June 30,			Dollar Change	Total Percent Change
	2020	2019	2018		
Operations Plant	\$ 8,661,305	\$ 7,770,957	\$ 7,320,125	\$ 890,348	11.46%
General Plant	559,074	394,352	335,528	164,722	41.77%
Construction Work in Progress	8,323	41,740	396,505	(33,417)	-80.06%
Total Plant	9,228,702	8,207,049	8,052,158	1,021,653	12.45%
Less Accumulated Depreciation	5,640,605	5,351,268	5,551,386	289,337	5.41%
Net Capital Assets	\$ 3,588,097	\$ 2,855,781	\$ 2,500,772	\$ 732,316	25.64%

LONG TERM DEBT

At the end of fiscal year 2020, the Electric Division had total principal long-term debt of \$66,978,730; including current portion of \$3,155,000.

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.

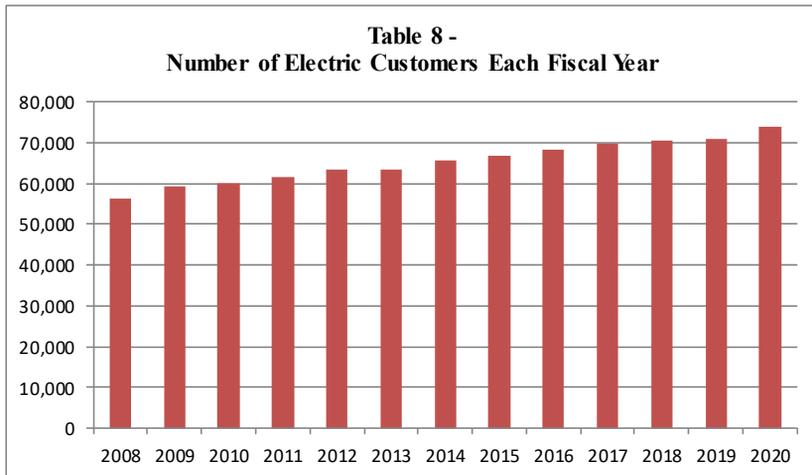
The purpose of the Series 2015 Bonds was to refund part of the 2007 Series Electric System Revenue and Improvement Bonds, pay the costs of issuance, and recognize interest savings.

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.

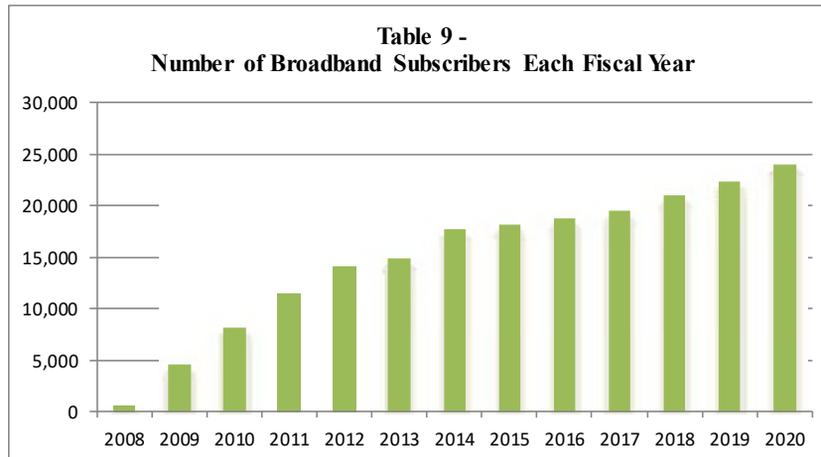
CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2020 AND 2019

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 2.0% 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:



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
CDE Lightband
P. O. Box 31509
Clarksville, Tennessee 37040-0026

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 32,508,965	\$ 35,612,836
Accounts receivable, net allowance of \$83,293 and \$55,884	20,240,072	18,556,179
Materials and supplies	3,136,915	3,461,505
TVA prepayments and other	14,351,742	17,766,582
Total current assets	70,237,694	75,397,102
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	10,717,155	10,615,925
Total restricted assets	10,717,155	10,615,925
Capital assets - at cost:		
Electric plant in service	291,351,402	276,809,485
Construction work in progress	25,425,437	19,414,897
Total electric plant	316,776,839	296,224,382
Less: Accumulated depreciation	(107,444,711)	(101,024,118)
	209,332,128	195,200,264
Add: Unamortized plant acquisition adjustments	36,054	72,109
Net capital assets	209,368,182	195,272,373
Other assets:		
Receivables - TVA Residential Energy Services Program	1,647,304	2,543,107
Interdivisional receivable - Broadband Division	3,637,278	7,247,333
Other	98,526	98,470
Total other assets	5,383,108	9,888,910
Total noncurrent assets	225,468,445	215,777,208
TOTAL ASSETS	295,706,139	291,174,310
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts on bond refundings	2,820,878	3,043,807
Other postemployment benefits related	294,349	367,728
Total deferred outflows of resources	3,115,227	3,411,535
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 298,821,366	\$ 294,585,845

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,288,301	\$ 25,341,502
Current portion of long-term debt	3,155,000	3,090,995
Accrued interest	936,010	961,493
Current portion of accrued leave	972,659	939,528
Accrued wages and payroll withholdings	268,686	325,464
Other	45,469	36,637
Interdivisional temporary advances	2,123,527	1,808,226
Total current liabilities	30,789,652	32,503,845
NONCURRENT LIABILITIES:		
Long-term debt:		
Bonds payable	63,823,730	67,571,950
Total long-term debt	63,823,730	67,571,950
Other noncurrent liabilities:		
Customer deposits	7,047,349	6,726,737
Advances - TVA Residential Energy Services Program	1,722,513	2,630,810
Accrued leave	1,729,171	1,532,915
Net OPEB liability	1,734,864	1,629,153
Other	19,281	27,547
Total other noncurrent liabilities	12,253,178	12,547,162
Total noncurrent liabilities	76,076,908	80,119,112
TOTAL LIABILITIES	106,866,560	112,622,957
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefits related	246,418	308,023
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	107,112,978	112,930,980
NET POSITION:		
Net investment in capital assets	145,210,330	127,653,235
Restricted for debt service	10,717,155	10,615,925
Unrestricted net position	35,780,903	43,385,705
Total net position	191,708,388	181,654,865
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 298,821,366	\$ 294,585,845

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,744,242	\$ 3,691,885
Accounts receivable, net allowance of \$58,776 and \$50,699	1,679,574	1,551,272
Interdivisional temporary advances	2,123,527	1,808,226
Prepaid expense	177,427	350,910
Materials and supplies	572,019	406,950
Total current assets	8,296,789	7,809,243
NONCURRENT ASSETS:		
Capital assets - at cost:		
Equipment	9,220,379	8,165,309
Construction work in progress	8,323	41,740
Total capital assets	9,228,702	8,207,049
Less: accumulated depreciation	(5,640,605)	(5,351,268)
Net capital assets	3,588,097	2,855,781
TOTAL ASSETS	11,884,886	10,665,024
DEFERRED OUTFLOWS OF RESOURCES:		
Other postemployment benefits related	63,466	79,332
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 11,948,352	\$ 10,744,356
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,046,775	\$ 1,550,703
Current portion of interdivisional payable - Electric Division	800,000	750,000
Unearned revenue	801,576	682,498
Total current liabilities	3,648,351	2,983,201
NONCURRENT LIABILITIES:		
Interdivisional payable - Electric Division	2,837,278	6,497,333
Net OPEB liability	390,710	352,669
Customer deposits	987	2,699
Total noncurrent liabilities	3,228,975	6,852,701
Total liabilities	6,877,326	9,835,902
DEFERRED INFLOWS OF RESOURCES:		
Other postemployment benefits related	84,552	104,614
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:	6,961,878	9,940,516
NET POSITION:		
Net investment in capital assets	3,588,097	2,855,781
Unrestricted net position	1,398,377	(2,051,941)
Total net position	4,986,474	803,840
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 11,948,352	\$ 10,744,356

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Charges for power, net uncollectible of \$278,101 and \$300,029	\$ 167,969,670	\$ 172,778,754
Other operating revenues	5,388,677	5,352,039
Total operating revenues	<u>173,358,347</u>	<u>178,130,793</u>
OPERATING EXPENSES:		
Cost of power	121,847,741	129,181,812
Distribution	3,851,882	4,004,489
Transmission	104,949	78,642
Customer accounts	3,518,665	3,863,177
Sales and customer service	567,382	508,280
Administrative and general	5,571,028	4,631,599
Maintenance	6,529,781	5,932,510
Taxes	2,079,122	1,951,283
Depreciation and amortization	12,840,666	12,223,661
Total operating expenses	<u>156,911,216</u>	<u>162,375,453</u>
Operating income	<u>16,447,131</u>	<u>15,755,340</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(2,172,487)	(2,261,181)
Interest and investment earnings	636,040	832,333
Miscellaneous	111	(13,492)
Total non-operating revenues (expenses)	<u>(1,536,336)</u>	<u>(1,442,340)</u>
Income before transfers	14,910,795	14,313,000
Transfers to other funds	<u>4,857,272</u>	<u>4,646,212</u>
INCREASE IN NET POSITION	10,053,523	9,666,788
NET POSITION - BEGINNING	<u>181,654,865</u>	<u>171,988,077</u>
NET POSITION - ENDING	<u>\$ 191,708,388</u>	<u>\$ 181,654,865</u>

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Charges for service, net uncollectible of \$221,645 and \$206,355	\$ 21,942,068	\$ 20,258,543
Other operating revenues	1,466,841	1,566,500
Total operating revenues	<u>23,408,909</u>	<u>21,825,043</u>
OPERATING EXPENSES:		
Cost of service	10,066,322	10,072,294
Network expense	2,266,154	1,769,529
Fiber rent	2,235,525	2,144,634
Equipment expense	1,716	321
Marketing expense	663,570	518,268
Customer service	870,936	851,804
Administrative and general	1,499,164	1,228,684
Taxes	273,227	240,191
Employee benefits	734,313	587,573
Depreciation and amortization expense	492,592	403,208
Total operating expenses	<u>19,103,519</u>	<u>17,816,506</u>
Operating income	<u>4,305,390</u>	<u>4,008,537</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(123,115)	(241,310)
Interest and investment earnings	56,261	98,923
Total non-operating expenses	<u>(66,854)</u>	<u>(142,387)</u>
Income before transfers	4,238,536	3,866,150
Transfers to other funds	<u>55,902</u>	<u>50,813</u>
CHANGE IN NET POSITION	4,182,634	3,815,337
NET POSITION - BEGINNING	<u>803,840</u>	<u>(3,011,497)</u>
NET POSITION - ENDING	<u>\$ 4,986,474</u>	<u>\$ 803,840</u>

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 166,606,389	\$ 174,639,340
Cash paid for power	(120,718,946)	(136,195,371)
Cash paid to suppliers	(8,199,176)	(6,558,579)
Cash paid to employees	(13,997,712)	(12,090,141)
Interdivisional payable	315,301	22,456
Other receipts	6,198,300	4,447,930
Net cash provided by operating activities	<u>30,204,156</u>	<u>24,265,635</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments from Broadband Division, net	3,610,055	3,665,494
Transfers to other funds	(4,857,272)	(4,646,212)
Other	111	(13,492)
Net cash used in noncapital financing activities	<u>(1,247,106)</u>	<u>(994,210)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(26,936,475)	(23,448,471)
Payment of long-term debt	(3,461,286)	(3,371,288)
Interest paid	(2,197,970)	(2,283,044)
Net cash used in capital and related financing activities	<u>(32,595,731)</u>	<u>(29,102,803)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	636,040	832,333
Net cash provided by investing activities	<u>636,040</u>	<u>832,333</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,002,641)	(4,999,045)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>46,228,761</u>	<u>51,227,806</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 43,226,120</u>	<u>\$ 46,228,761</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

During 2020 and 2019, \$593,220 and \$593,221, respectively was recorded to interest expense for amortization of bond premiums.

During both 2020 and 2019, \$222,929 was recorded to interest expense for amortization of deferred outflows for refunding debt.

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 16,447,131	\$ 15,755,340
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	12,840,666	12,223,661
Changes in:		
Accounts receivable	(1,683,893)	1,492,481
Materials and supplies	324,590	(356,107)
Receivables - TVA Residential Energy Services Program	895,803	1,154,059
Advances - TVA Residential Energy Services Program	(908,297)	(1,188,054)
Accounts payable	(2,053,201)	369,977
Accrued expenses	173,119	347,498
Customer deposits	320,612	368,105
Prepayments	3,414,840	(6,019,020)
Other postemployment benefits	105,711	175,708
Interdivisional temporary advance	315,301	22,456
Deferred inflows/outflows of resources - OPEB	11,774	(80,469)
Net cash provided by operating activities	\$ 30,204,156	\$ 24,265,635

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 21,931,132	\$ 20,223,457
Cash paid to suppliers	(13,371,353)	(13,289,973)
Cash paid to employees	(4,428,016)	(3,895,934)
Interdivisional temporary advances	(315,301)	(22,456)
Other receipts	1,193,614	1,326,309
Net cash provided by operating activities	<u>5,010,076</u>	<u>4,341,403</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments to Electric Division, net	(3,610,055)	(3,665,494)
Transfers to other funds	(55,902)	(50,813)
Net cash used in noncapital financing activities	<u>(3,665,957)</u>	<u>(3,716,307)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(1,224,908)	(758,217)
Interest paid	(123,115)	(241,310)
Net cash used in capital and related financing activities	<u>(1,348,023)</u>	<u>(999,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	56,261	98,923
Net cash provided by investing activities	<u>56,261</u>	<u>98,923</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,357	(275,508)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>3,691,885</u>	<u>3,967,393</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,744,242</u>	<u>\$ 3,691,885</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 4,305,390	\$ 4,008,537
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	492,592	403,208
Changes in:		
Accounts receivable	(128,302)	(107,597)
Materials and supplies	(165,069)	24,070
Prepaid assets	173,483	(132,902)
Accounts payable	496,072	65,878
Unearned revenue	119,078	73,458
Interdivisional temporary advances	(315,301)	(22,456)
Other postemployment benefits	38,041	12,866
Deferred inflows of resources	(20,062)	96,620
Deferred outflows of resources	15,866	(79,332)
Customer deposits	(1,712)	(947)
Net cash provided by operating activities	<u>\$ 5,010,076</u>	<u>\$ 4,341,403</u>

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 AND 2019

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 \$10,313,171 and \$10,368,988 at June 30, 2020 and 2019, respectively. Assets restricted for construction of plant assets were \$403,984 and \$246,937 at June 30, 2020 and 2019, 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 2020 or 2019. 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 (Electric and Broadband Division)- 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 \$12,840,666 and \$12,223,661 for the years ended June 30, 2020 and 2019, 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 \$492,592 and \$403,208 for the years ended June 30, 2020 and 2019, respectively.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 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, 2020 AND 2019

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 \$4,857,272 and \$55,902, for the year ended June 30, 2020; \$4,646,212 and \$50,813 for the year ended June 30, 2019; 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, 2020 and 2019, respectively, were reported in the statements of net position, net of allowances of \$83,293 and \$55,884 in the Electric Division and \$58,776 and \$50,699 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, 2020 AND 2019

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 cost 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, 2020 and 2019. 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, 2020 AND 2019

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,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Tennessee Local Government				
Investment Pool	\$63,141	\$ 63,141	\$62,157	\$ 62,157

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, 2020 and 2019, respectively, the Electric Division’s cash and other deposits, reported in the financial statements at \$43,226,120 and \$46,228,761, were represented by bank balances of \$43,096,930 and \$45,741,263, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

At June 30, 2020 and 2019, respectively, the Broadband Division’s cash and other deposits, reported at \$3,744,242 and \$3,691,885 were represented by bank balances of \$3,786,666 and \$3,788,852, 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, 2020 AND 2019

3. JOINT VENTURE

The Electric Division and Pennyriple 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, 2020 and 2019. 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, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance 6/30/2020.
NON-DEPRECIABLE ELECTRIC PLANT				
General plant land & land rights	\$ 735,887	\$ 94	-	\$ 735,981
Transmission land & land rights	97,322	-	-	97,322
Distribution land & land rights	1,164,415	-	-	1,164,415
Work in progress	19,414,897	42,238,755	(36,228,215)	25,425,437
	<u>21,412,521</u>	<u>42,238,849</u>	<u>(36,228,215)</u>	<u>27,423,155</u>
GENERAL PLANT				
Structures and improvements	11,099,937	3,600	(687,169)	10,416,368
Transportation equipment	5,097,174	287,756	(378,554)	5,006,376
Communication equipment	101,501,217	6,395,052	(415,935)	107,480,334
Furniture & equipment	4,578,903	811,510	(322,131)	5,068,282
	<u>122,277,231</u>	<u>7,497,918</u>	<u>(1,803,789)</u>	<u>127,971,360</u>
TRANSMISSION				
Poles & fixtures	1,585,117	-	-	1,585,117
Overhead conductors & devices	560,373	-	-	560,373
	<u>2,145,490</u>	<u>-</u>	<u>-</u>	<u>2,145,490</u>
DISTRIBUTION				
Station equipment	37,760,699	5,212,104	-	42,972,803
Electric transmission systems	112,628,441	8,309,493	(4,673,903)	116,264,031
	<u>150,389,140</u>	<u>13,521,597</u>	<u>(4,673,903)</u>	<u>159,236,834</u>
TOTAL ELECTRIC PLANT IN SERVICE	296,224,382	63,258,364	(42,705,907)	316,776,839
Unamortized plant acquisition adjustments	72,109	-	(36,055)	36,054
TOTAL ELECTRIC PLANT	<u>\$ 296,296,491</u>	<u>\$ 63,258,364</u>	<u>\$ (42,741,962)</u>	<u>\$ 316,812,893</u>

The estimated costs to complete Electric Division work in progress are approximately \$13,000,000 as of June 30, 2020.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. CAPITAL ASSETS - Continued

Electric Division - A summary of changes in accumulated depreciation on Electric Plant as of June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
GENERAL PLANT				
Structures and improvements	\$ 3,853,457	\$ 333,097	\$ (687,169)	\$ 3,499,385
Transportation equipment	2,696,884	507,139	(378,554)	2,825,469
Communication equipment	36,891,566	5,939,521	(471,780)	42,359,307
Furniture & equipment	2,168,609	21,684	-	2,190,293
	<u>45,610,516</u>	<u>6,801,441</u>	<u>(1,537,503)</u>	<u>50,874,454</u>
TRANSMISSION				
Poles & fixtures	982,770	43,591	-	1,026,361
Overhead conductors & devices	559,902	-	-	559,902
	<u>1,542,672</u>	<u>43,591</u>	<u>-</u>	<u>1,586,263</u>
Distribution				
Station equipment	13,496,157	1,171,936	-	14,668,093
Electric transmission system	40,374,773	4,921,913	(4,980,785)	40,315,901
	<u>53,870,930</u>	<u>6,093,849</u>	<u>(4,980,785)</u>	<u>54,983,994</u>
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	<u>\$ 101,024,118</u>	<u>\$ 12,938,881</u>	<u>\$ (6,518,288)</u>	<u>\$ 107,444,711</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. CAPITAL ASSETS - Continued

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	108,163	-	(36,054)	72,109
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, 2020 AND 2019

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>

Broadband Division - A summary of changes in Broadband Plant as of June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Circuit equipment	\$ 4,057,797	\$ 792,037	\$ (11,871)	\$ 4,837,963
Operation systems	402,276	46,154	-	448,430
Radio systems	118,049	-	-	118,049
Station apparatus	3,136,167	313,174	(249,146)	3,200,195
Other equipment	56,668	-	-	56,668
Office equipment	70,453	11,820	(3,800)	78,473
Motor vehicles	323,899	156,702	-	480,601
Work in progress	41,740	315,083	(348,500)	8,323
TOTAL CAPITAL ASSETS	<u>\$ 8,207,049</u>	<u>\$ 1,634,970</u>	<u>\$ (613,317)</u>	<u>\$ 9,228,702</u>
	Balance			Balance
	July 1, 2019	Additions	Deletions	June 30, 2020
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 5,351,268</u>	<u>\$ 554,155</u>	<u>\$ (264,818)</u>	<u>\$ 5,640,605</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. CAPITAL ASSETS - Continued

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	396,503	530,937	(885,700)	41,740
TOTAL CAPITAL ASSETS	\$ 8,052,158	\$ 1,926,402	\$ (1,771,511)	\$ 8,207,049

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
TOTAL ACCUMULATED DEPRECIATION	\$ 5,551,386	\$ 513,580	\$ (713,698)	\$ 5,351,268

There are no substantial costs to complete Broadband Division work in progress as of June 30, 2020 or 2019.

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, 2020 and 2019, are timing differences.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION

Changes in the interdivisional payable/receivable account for the years ended June 30, 2020 and 2019 were as follows:

	Balance	Loan	Loan	Changes in Current	Balance
	<u>July 1, 2019</u>	<u>Draws</u>	<u>Repayments</u>	<u>Receivable</u>	<u>Payable</u>
	<u>June 30, 2020</u>				
Interdivisional Receivable					
Payable	\$ 7,247,333	\$ -	\$ (3,750,000)	\$ 139,945	\$ 3,637,278

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

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 1.35% and 2.38% at June 30, 2020 and 2019, 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 in the amount of \$800,000 from fiscal year 2021 to 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
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019 was \$3,744,242 and \$3,691,885, 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, 2020 and 2019. Additionally, the Broadband Division made an additional voluntary payment of \$2,000,000 during the year ended June 30, 2020, for a total payment of \$3,750,000. This leaves the amount required to be paid in fiscal year 2020 at \$800,000. The balance of this loan was \$1,237,278 and \$4,625,749 at June 30, 2020 and 2019, 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 \$2,400,000 and \$2,621,584 at June 30, 2020 and 2019, respectively.

Future payments on Interdivisional receivable/payable are as follows:

	Total	
	Principal	Interest
2021	800,000	49,103
2022	437,278	42,807
2023	-	32,400
2024	-	32,400
2025	-	32,400
2026-2030	-	162,000
2031-2035	-	162,000
2036-2038	2,400,000	108,000

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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. ACCUMULATED VACATION AND SICK LEAVE - Continued

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.

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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. ACCUMULATED VACATION AND SICK LEAVE - Continued

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:

	2020	2019
Current portion	\$ 972,659	\$ 939,528
Noncurrent portion	1,729,171	1,532,915
Totals	\$ 2,701,830	\$ 2,472,443

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, 2019 and 2018, there were \$-0- 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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. DEFINED CONTRIBUTION PENSION PLAN - Continued

Presented below is selected information relating to the plan for the years ended June 30, 2020 and 2019.

	June 30,	
	2020	2019
CONTRIBUTIONS		
Employer contributions	\$ 298,021	\$ 278,219
Employer progress sharing contributions	917,608	782,083
Employee contributions	541,674	517,160
 Totals	 \$ 1,757,303	 \$ 1,577,462

The Plan is audited on a calendar year basis and the market value of the Plan assets as of December 31, 2019 and 2018 is as follows:

	2019	2018
Market value of plan assets		
Totals	\$ 18,231,579	\$ 15,404,486

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.

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

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 as of June 30, 2020 and 2019 totaled \$2,125,574 and 1,981,822, respectively, with a measurement date of June 30, 2019. The net OPEB liability was determined by the actuarial valuation as of July 1, 2019.

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, 2020 AND 2019

9. OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net OPEB Liability as of June 30, 2020 is as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of 06/30/2019	\$1,981,822	\$ -	\$1,981,822
Changes for the year:			
Service cost	137,712	-	137,712
Interest	57,237	-	57,237
Benefit changes	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	51,197	(51,197)
Contributions - members	-	-	-
Net investment income	-	-	-
Refunds of contributions	-	-	-
Benefits paid	(51,197)	(51,197)	-
Administrative expenses and other	-	-	-
Net changes	143,752	-	143,752
Balances as of 06/30/2020	\$2,125,574	\$ -	\$2,125,574

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

9. OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net OPEB Liability as of June 30, 2019 is as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of 06/30/2018	\$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	188,574	-	188,574
Balances as of 06/30/2019	\$1,981,822	\$ -	\$1,981,822

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 1.79%	Current Rate 2.79%	1% Increase 3.79%
Net OPEB Liability	\$2,362,557	\$2,125,574	\$1,886,656

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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	Current		1% Increase
	6.50%, to 5.75% over 3 years and following the Getzen model thereafter	7.50%, to 6.75% over 3 years and following the Getzen model thereafter		8.50%, to 7.75% over 3 years and following the Getzen model thereafter
	<hr/>	<hr/>		<hr/>
Net OPEB Liability	\$1,807,672	\$2,125,574		\$2,481,796

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

For the years ended June 30, 2020 and 2019, the Divisions recognized OPEB expense of \$202,527 and \$191,209, respectively. At June 30, 2020, 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
	<hr/>	<hr/>
Difference between expected and actual experience	\$357,815	\$ 6,764
Change of assumptions or other inputs	-	324,206
	<hr/>	<hr/>
Total	<u>\$357,815</u>	<u>\$330,970</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>	
2021	\$ 7,578
2022	7,578
2023	7,578
2024	7,581
2025	(496)
Thereafter	(2,974)

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 2020 and 2019 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, 2020:</u>		
Net OPEB Liability	\$1,734,864	\$390,710
Deferred Inflows of Resources	246,418	84,552
Deferred Outflows of Resources	294,349	63,466
<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

10. LONG-TERM DEBT

Long-term debt consists of the following:

NOTES PAYABLE

	Balance		New		Principal		Balance
<u>Description</u>	<u>June 30, 2019</u>	<u>New</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>June 30, 2020</u>
CEMC note payable (direct borrowing)	\$ 30,995	\$ -	\$ (30,995)	\$ -	\$ -	\$ -	\$ -
Total notes payable	30,995						-
Less current portion	(30,995)						-
Total	<u>\$ -</u>						<u>\$ -</u>
<u>Description</u>	<u>June 30, 2018</u>	<u>New</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>June 30, 2019</u>
CEMC note payable (direct borrowing)	\$ 61,991	\$ -	\$ (30,996)	\$ -	\$ -	\$ -	\$ 30,995
Total notes payable	61,991						30,995
Less current portion	(30,995)						(30,995)
Total	<u>\$ 30,996</u>						<u>\$ -</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. LONG-TERM DEBT - Continued

BONDS PAYABLE

Series Description	Balance June 30, 2019	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2020
Series 2010A Bonds	\$ 585,000	\$ -	\$ (285,000)	\$ -	\$ -	\$ 300,000
Series 2014 Bonds	1,715,000	-	(325,000)	-	-	1,390,000
Series 2015 Bonds	35,685,000	-	(2,210,000)	-	-	33,475,000
Series 2017 Bonds	24,615,000	-	(240,000)	-	-	24,375,000
Bonds Payable	<u>62,600,000</u>	<u>-</u>	<u>(3,060,000)</u>	<u>-</u>	<u>-</u>	<u>59,540,000</u>
Plus unamortized bond premium	8,031,950	-	-	-	(593,220)	7,438,730
	<u>70,631,950</u>	<u>\$ -</u>	<u>\$(3,060,000)</u>	<u>\$ -</u>	<u>\$ (593,220)</u>	<u>66,978,730</u>
Less current portion	<u>(3,060,000)</u>					<u>(3,155,000)</u>
	<u>\$ 67,571,950</u>					<u>\$ 63,823,730</u>

Series Description	Balance June 30, 2018	New Borrowings	Principal Payments	Refundings	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>

The note payable to CEMC was 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 was 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, 2020 AND 2019

10. LONG-TERM DEBT - Continued

The 2010A Series Electric System Revenue and Improvement Bonds were issued on January 27, 2010 to finance improvements to the City's electric transmission and distribution system and retire the 2009 Series bonds. These bonds are due in one remaining annual installment of \$300,000 on September 1, 2020. These bonds bear interest at 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, 2020 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 \$2,285,000 to \$3,465,000 between September 1, 2020 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 \$245,000 to \$5,430,000 between September 1, 2020 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, 2020 AND 2019

10. LONG-TERM DEBT - Continued

Future payments on Long-Term Debt are as follows:

Year Ending June 30,	Bonds Payable	Notes Payable	Total Principal	Total Interest
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	3,555,000	-	3,555,000	2,058,575
2026-2030	20,610,000	-	20,610,000	7,449,750
2031-2035	22,235,000	-	22,235,000	2,066,625
Totals	<u>\$59,540,000</u>	<u>\$ -</u>	<u>\$59,540,000</u>	<u>\$20,885,063</u>

Total interest costs incurred and charged to the Electric Division were \$2,172,487 and \$2,261,181 during 2020 and 2019, respectively. Interest costs of \$-0- were capitalized by the Electric Division during both 2020 and 2019. 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 \$123,115 and \$241,310 during the fiscal years ended June 30, 2020 and 2019, respectively. Interdivisional interest income/expense was \$123,115 and \$241,310 during the fiscal years ended June 30, 2020 and 2019, 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, 2020 AND 2019

11. OTHER NONCURRENT LIABILITIES

Electric Division:

<u>Other Noncurrent Liabilities Description</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Customer deposits	\$ 6,726,737	\$2,410,525	\$(2,089,913)	\$ 7,047,349
TVA - RES program	2,630,810	189,368	(1,097,664)	1,722,513
Accrued leave	1,532,915	835,415	(639,159)	1,729,171
Other postemployment benefits	1,629,153	148,245	(42,534)	1,734,864
Other	<u>27,547</u>	<u>219,633</u>	<u>(227,899)</u>	<u>19,281</u>
	<u>\$12,547,162</u>	<u>\$3,803,186</u>	<u>\$(4,097,169)</u>	<u>\$12,253,178</u>

<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>

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, 2020 AND 2019

12. INTERDIVISIONAL ALLOCATIONS - Continued

For the fiscal years ended June 30, 2020 and 2019, allocated infrastructure costs were as follows:

	<u>June 30, 2020</u>			<u>June 30, 2019</u>		
	<u>Unit Costs</u>	Annual Broadband <u>Units</u>	Allocated <u>Costs</u>	<u>Unit Costs</u>	Annual Broadband <u>Units</u>	Allocated <u>Costs</u>
Depreciation	\$2.84	364,092	\$1,034,021	\$2.84	349,289	\$ 991,981
Interest	2.04	364,092	742,748	2.04	349,289	712,550
Taxes	0.78	364,092	283,992	0.78	349,289	272,445
Pole Attachment	<u>0.48</u>	364,092	<u>174,764</u>	<u>0.48</u>	349,289	<u>167,658</u>
Totals	<u>\$6.14</u>		<u>\$2,235,525</u>	<u>\$6.14</u>		<u>\$2,144,634</u>

During the 2008 fiscal year, the Broadband Division began “renting” an office building from the Electric Division for Broadband operations. During the 2020 and 2019 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 2020 and 2019 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, 2020 and 2019.

At June 30, 2020 and 2019, the Electric Division owed the Broadband Division \$2,123,527 and \$1,808,226, 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.

14. COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of October 15, 2020. As such, it is uncertain as to the full magnitude that the pandemic will have on the Divisions’ financial condition and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Divisions are not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year ending June 30, 2021. Management has evaluated subsequent events through October 15, 2020, the date which the financial statements were available to be issued.

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

	Fiscal Years Ending June 30,		
	2020	2019	2018
Total OPEB liability			
Service Cost	\$ 137,712	\$ 131,154	\$ 153,465
Interest	57,237	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	(51,197)	(43,505)	(34,930)
Net change in total OPEB liability	<u>143,752</u>	<u>188,574</u>	<u>166,647</u>
Total OPEB liability - beginning	<u>1,981,822</u>	<u>1,793,248</u>	<u>1,626,601</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,125,574</u></u>	<u><u>\$ 1,981,822</u></u>	<u><u>\$ 1,793,248</u></u>
Plan fiduciary net position			
Contributions-employer	\$ 51,197	\$ 43,505	\$ 34,930
Contributions-employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(51,197)	(43,505)	(34,930)
Administrative expenses	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position-beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position-ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability-ending (a) - (b)	<u><u>\$ 2,125,574</u></u>	<u><u>\$ 1,981,822</u></u>	<u><u>\$ 1,793,248</u></u>
Plan fiduciary net position as a percentage of the total OPEB liabi	0.00%	0.00%	0.00%
Covered-employee payroll	\$11,562,841	\$11,336,119	\$10,586,577
Net OPEB Liability as a percentage of covered-employee payroll	18.38%	17.48%	16.94%

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.

See independent auditor's report

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

	Fiscal Years Ending June 30,		
	2020	2019	2018
Actuarially determined contribution	\$ 279,235	\$ 258,692	\$ 280,191
Contributions in relation to the actuarially determined contribution	51,197	43,505	34,930
Contribution deficiency (excess)	\$ 228,038	\$ 215,187	\$ 245,261
Covered-employee payroll	\$ 11,562,841	\$ 11,336,119	\$ 10,586,577
Contributions as a percentage of covered-employee payroll	0.44%	0.38%	0.33%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the July 1, 2020 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. The Utility sponsors a single-employer defined benefit post-retirement medical plan known as the City of Clarksville department of Electricity Post-Employment Benefits Plan. The Utility currently does not have a trust for the plan.

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING REVENUES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Charges for power:		
Residential	\$ 102,226,853	\$ 103,443,446
Small commercial	17,363,076	17,450,636
Large commercial	45,706,606	49,101,042
Street and outdoor lights	1,646,607	1,665,929
Forfeited discounts	1,304,629	1,417,730
Uncollected accounts	(278,101)	(300,029)
Total charges for power	167,969,670	172,778,754
Other operating revenues:		
Rent	3,775,538	3,654,748
Miscellaneous	1,613,139	1,697,291
Total other operating revenues	5,388,677	5,352,039
TOTAL OPERATING REVENUES	\$ 173,358,347	\$ 178,130,793

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019		2020	2019
OPERATING EXPENSES:			OPERATING EXPENSES (continued)		
Cost of power	\$ 121,847,741	\$ 129,181,812	Administration and General:		
			Salaries	1,331,788	992,748
Distribution:			Office supplies and expenses	953,657	573,647
Supervision and engineering	244,783	187,825	Outside service	71,242	61,307
Station expense	332,554	312,251	Property insurance	265,200	246,855
Overhead lines	1,479,346	1,526,358	Injuries and damages	313,260	370,675
Underground lines	324,432	335,159	Employee pensions and benefits	2,560,799	2,292,002
Meters	483,997	735,280	Miscellaneous	75,082	94,365
Rents	103,208	84,523	Total	5,571,028	4,631,599
Miscellaneous	883,562	823,093			
Total	3,851,882	4,004,489	Maintenance:		
			Supervision and engineering	39,848	37,934
Transmission:			Station equipment	166,634	111,284
Station expense	104,949	78,642	Overhead lines	3,480,914	3,023,558
Total	104,949	78,642	Underground lines	40,713	192,375
			Line transformers	40,996	57,149
Customer Accounts:			Meters	262,075	221,150
Meter reading	1,103,846	1,037,096	Security lights	70,570	74,406
Customer records and collection	2,414,819	2,826,081	General plant	2,428,031	2,214,654
Total	3,518,665	3,863,177	Total	6,529,781	5,932,510
Sales and Customer Service:			Taxes:		
Supervision	82,384	78,477	Advalorem (in lieu of taxes)	1,416,211	1,354,492
Customer assistance	322,459	258,815	Payroll	662,911	596,791
Advertising	159,377	166,894	Total	2,079,122	1,951,283
Miscellaneous	3,162	4,094			
Total	567,382	508,280	Depreciation and amortization	12,840,666	12,223,661
			TOTAL OPERATING EXPENSES	\$ 156,911,216	\$ 162,375,453
			See independent auditor's report.		

CDE LIGHTBAND
 BROADBAND DIVISION
 SCHEDULES OF OPERATING REVENUES AND COSTS OF SERVICES
 YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Charges for services:		
Charges for video services	\$ 5,229,549	\$ 4,957,267
Charges for internet services	14,966,407	13,561,992
Charges for telephone services	1,761,588	1,737,160
Charges for installations	206,169	208,479
Uncollected accounts	(221,645)	(206,355)
Total charges for services	21,942,068	20,258,543
Other operating revenues:		
Rent	992,409	1,058,519
Other charges	474,432	507,981
Total other operating revenues	1,466,841	1,566,500
TOTAL OPERATING REVENUES	\$ 23,408,909	\$ 21,825,043
COSTS OF SERVICES:		
Costs of video services	\$ 6,468,141	\$ 6,398,863
Costs of internet services	1,275,914	1,362,216
Costs of telephone services	760,507	719,081
Costs of installations	1,561,760	1,592,134
TOTAL COSTS OF SERVICES	\$ 10,066,322	\$ 10,072,294

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2020

Year Ending June 30,	2010 Series A		2014 Series		2015 Series		2017 Series		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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
	\$ 300,000	\$ 6,000	\$ 1,390,000	\$ 84,538	\$ 33,475,000	\$ 10,322,025	\$ 24,375,000	\$ 10,472,500	\$ 59,540,000	\$ 20,885,063

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF INTERDIVISIONAL LOAN MATURITIES
JUNE 30, 2020

Year Ending June 30,	2007 Loan		2009 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 800,000	\$ 16,703	-	\$ 32,400	\$ 800,000	\$ 49,103
2022	437,278	10,407	-	32,400	437,278	42,807
2023	-	-	-	32,400	-	32,400
2024	-	-	-	32,400	-	32,400
2025	-	-	-	32,400	-	32,400
2026	-	-	-	32,400	-	32,400
2027	-	-	-	32,400	-	32,400
2028	-	-	-	32,400	-	32,400
2029	-	-	-	32,400	-	32,400
2030	-	-	-	32,400	-	32,400
2031	-	-	-	32,400	-	32,400
2032	-	-	-	32,400	-	32,400
2033	-	-	-	32,400	-	32,400
2034	-	-	-	32,400	-	32,400
2035	-	-	-	32,400	-	32,400
2036	-	-	-	32,400	-	32,400
2037	-	-	800,000	32,400	800,000	32,400
2038	-	-	800,000	32,400	800,000	32,400
2038	-	-	800,000	10,800	800,000	10,800
	\$ 1,237,278	\$ 27,110	\$ 2,400,000	\$ 594,000	\$ 3,637,278	\$ 621,110

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC AND BROADBAND DIVISION
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
6/30/2020

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2019	Issued during period	Paid and/or		Outstanding 6/30/2020
							matured during period	Refunded during period	
Bonds Payable									
Electric Revenue Bonds - Series 2010A	\$ 28,576,000	5.00%	January 27, 2010	September 1, 2020	\$ 585,000	\$ -	\$ 285,000	\$ -	\$ 300,000
Electric Revenue Refunding Bonds - Series 2014	3,215,000	2.00-3.00%	January 29, 2014	September 1, 2023	1,715,000	-	325,000	-	1,390,000
Electric Revenue Refunding Bonds - Series 2015	38,545,000	2.00-5.00%	January 28, 2015	September 1, 2031	35,685,000	-	2,210,000	-	33,475,000
Electric Revenue Refunding Bonds - Series 2017	24,845,000	2.50%	October 23, 2017	September 1, 2034	24,615,000	-	240,000	-	24,375,000
Total Bonds Payable	<u>\$ 95,181,000</u>				<u>\$62,600,000</u>	<u>\$ -</u>	<u>\$3,060,000</u>	<u>\$ -</u>	<u>\$59,540,000</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC AND BROADBAND DIVISION
SCHEDULE OF TRANSFERS
6/30/2020

From Fund	To Fund	Purpose	Amount
CDE - Electric Division	City General Fund	Payments in Lieu of Taxes per TCA 7-52-304	\$ 4,857,272
CDE - Broadband Division	City General Fund	Payments in Lieu of Taxes per TCA 7-52-606	<u>\$ 55,902</u>
Total Transfers			<u><u>\$ 4,913,174</u></u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULES OF STATISTICAL DATA (UNAUDITED)
JUNE 30, 2020 AND 2019

	2020	2019	Increase (Decrease)
Number of electric customers:			
Residential	65,352	62,639	2,713
Commercial	7,183	6,950	233
Industrial	714	771	(57)
Public lighting	436	434	2
Total number of electric customers	<u>73,685</u>	<u>70,794</u>	<u>2,891</u>
Security lights	<u>4,866</u>	<u>4,882</u>	<u>(16)</u>
Number of kilowatt-hours purchased:			
Purchased power	1,590,373,721	1,622,506,390	(32,132,669)
Loss	54,161,972	44,664,094	9,497,878
Purchased for own use	2,717,862	4,166,323	(1,448,461)
Total number of kilowatt-hours purchased	<u>1,647,253,555</u>	<u>1,671,336,807</u>	<u>(24,083,252)</u>
Percent loss	<u>3.41%</u>	<u>2.75%</u>	<u>0.66%</u>
	2020	2019	Increase (Decrease)
Number of broadband customers:			
Residential	22,054	20,650	1,404
Commercial	1,859	1,731	128
Total number of broadband customers	<u>23,913</u>	<u>22,381</u>	<u>1,532</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2020

Residential Rates (RS)

Customer Charge: \$24.40

Energy Charge: 9.066 cents/Kilowatt hour (kWh)

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

Customer Charge #1 0-500 kWh \$30.50

Customer Charge #2 > 500 kWh \$49.00

Energy Charge: 10.289 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 9.615 cents/kWh

All additional kWh 6.158 cents/kWh

Demand Charge: 0-50 kW \$5.00 per kW

51-1,000 kW \$14.74 per kW

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

Customer Charge: \$700.00

Energy Charge: All kWh 6.584 cents/kWh

Demand Charge: 0-1,000 kW \$14.74 per kW

1,001-5,000 kW \$14.74 per kW

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

Customer Charge: \$1,500.00

Administrative Charge: \$350.00

Energy Charge:

Summer Period:

Onpeak: 10.519 cents/kWh

Offpeak: 1st 200 hours 7.170 cents/kWh

Next 200 hours 2.922 cents/kWh

Additional hours 2.619 cents/kWh

Transition Period:

Onpeak: 7.586 cents/kWh

Offpeak: 1st 200 hours 7.586 cents/kWh

Next 200 hours 2.923 cents/kWh

Additional hours 2.620 cents/kWh

Winter Period:

*New rate; not yet established

Demand Charge:

Summer Period:

Onpeak: \$10.95 kW

Max kW: \$ 6.23 kW

Transition Period:

Onpeak: \$9.99 kW

Max kW: \$6.23 kW

Winter Period:

*New rate; not yet established

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED) - Continued
JUNE 30, 2020

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

Customer Charge: \$1,500.00

Administrative Charge: \$350.00

Energy Charge:

Summer Period:

Onpeak: 7.842 cents/kWh

Offpeak: 1st 200 hours 5.351 cents/kWh

Next 200 hours 1.893 cents/kWh

Additional hours 1.552 cents/kWh

Transition Period:

Onpeak: 5.479 cents/kWh

Offpeak: 1st 200 hours 5.479 cents/kWh

Next 200 hours 2.053 cents/kWh

Additional hours 1.712 cents/kWh

Winter Period:

Onpeak: 7.261 cents/kWh

Offpeak: 1st 200 hours 6.127 cents/kWh

Next 200 hours 2.447 cents/kWh

Additional hours 2.060 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

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

Customer Charge: \$1,500.00

Administrative Charge: \$350.00

Energy Charge:

Summer Period:

Onpeak: 7.016 cents/kWh

Offpeak: 1st 200 hours 4.516 cents/kWh

Next 200 hours 1.547 cents/kWh

Additional hours 1.292 cents/kWh

Transition Period:

Onpeak: 5.063 cents/kWh

Offpeak: 1st 200 hours 5.063 cents/kWh

Next 200 hours 1.784 cents/kWh

Additional hours 1.529 cents/kWh

Winter Period:

Onpeak: 6.499 cents/kWh

Offpeak: 1st 200 hours 5.362 cents/kWh

Next 200 hours 2.170 cents/kWh

Additional hours 1.915 cents/kWh

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED) - Continued
JUNE 30, 2020

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: 6.675 cents/kWh

Security Lights (LS) (No Customer Charge)

Energy Charge: 6.675 cents/kWh

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2020

SERVICE RATES

Lightband Basic	\$15.95
Lightband Plus	\$75.95 - \$80.95
Lightband Extra	\$85.95 - \$90.95
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 - \$128.95
Power Pack II - (Lightband Extra, Internet, & Phone)	\$143.95 - \$148.95
Sports Pack	\$7.99
Wireless Connectivity	\$5.95
Smartband WiFi Home w/ 250 Mbps	\$11.95
Smartband WiFi Home w/ 500 Mbps	\$9.95
Additional WiFi Pods	\$3.00 each

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, 2020, 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, 2020.

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) as a basis for designing 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 financial statements. 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, 2020

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, 2020

There were no prior year findings reported.

Annual Report

