CDE LIGHTBAND®

Connecting You at the Speed of Light.™

ANNUAL REPORT

Audited Financial Statements for Electric and Broadband Divisions

June 30, 2017 and 2016

CROSSLIN

SPECIAL MESSAGE
FROM THE GENERAL MANAGER

Reflecting on my time at CDE Lightband, I can't believe how fast time has flown by. What I can believe, however, is just how much we have accomplished as an organization.

Today, CDE Lightband is an organization firmly focused on its customers. Our mission, to improve the community through the reliable and affordable delivery of electric and broadband services, permeates everything we do. In 2017, we received the Reliable Public Power (RP3) Diamond award from the American Public Power Association for our safe, reliable service, recognizing us as earning a spot in the very top tier of all public power providers in the nation.

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 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' enthusiasm for our community shines through even outside our walls. For example, we were recognized by the Clarksville Montgomery County School System as its STEM partner of the year for both 2016 and 2017, reflecting countless hours spent meeting with and shaping future leaders of Clarksville.

I want to credit our accomplishments to the outstanding employees who work here. I can tell you they work hard every day to deliver electric and broadband services to Clarksville. I am especially proud of the accomplishments made in improving our finances. CDE Lightband has dramatically improved its finances through paying down debt, tightly controlling costs, and paying for every new capital project with cash.

We have included many interesting facts in this report, as well as detailed financial information. As we cross the 70,000 customer threshold for electric services, and the 20,000 customer threshold for broadband services, I hope you will join us in celebrating our success in the community we serve.

Brian Taylor
General Manager

CDE LIGHTBAND MANAGEMENT & POWER BOARD

EXECUTIVE 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)

MAYOR KIM MCMILLAN, EX-OFFICIO

WAYNE WILKINSON, CHAIR

SALLY CASTLEMAN

RON JACKSON

BILL POWERS

LEO MILLAN

CDE Lightband
A History

Left: The first electric trolley rolled onto Franklin Street in August of 1896.

Below: A new transformer sits parked on Third Street in the 1930s.

Left: A page from the publication **A History of The Tennessee Valley Authority** sums up the consumers' feelings in the early days of affordable electric power.

An excerpt from The Leaf Chronicle's report on the 15th anniversary of CDE:

Excerpts from The Leaf Chronicle's November 30, 1953 issue:

Herman Taylor

Left: Receptionist Margaret Brown at the new building on Guthrie Highway. The spacious structure has conveniences such as locker rooms for employees and customer conference rooms.

1886
Electricity was first supplied to the City of Clarksville

1933
The Tennessee Valley Authority is established

1939
First CDE logo designed by James Gray

1940
CDE moves from North Third Street to Second and Commerce with 2,811 customers

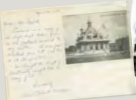
(Today the Customs House Museum)

1953
CDE celebrates 15 years with approx. 6,000 customers

1972
Herman Taylor, Second General Manager

1983
CDE moves to Guthrie Highway and features a drive-up window

(St. Bethlehem)



One of Dalton Smith's first challenges as CDE's new General Manager was the issue of consolidation with Cumberland Electric Membership Corporation.

Dalton Smith

1964 - These men were in attendance for the energizing of a Clarksville Department of Electricity substation.

1896
Electric utility privately owned by Queen City Electric Light and Power Company

1912
Electric contract turned over to Kentucky Public Service Company

1938
CDE is formed

Clarksville purchased lines from KY/TN Light & Power

Served by TVA with 2,565 customers

1938
Jesse Perry, First General Manager

Jesse Perry

1939-1941
Street lighting approved for Madison and North Second

1963
CDE celebrates 25 years with 8,222 customers

1979
Dalton Smith, Third General Manager

1982
'Cable'-cutting ceremony for St. Bethlehem building dedication

1987
CDE has grown to 24,226 customers

Above: Meter Readers in 1981. These five CDE employees read all meters for the company. They worked from the basement of the CDE building on 2nd and Commerce Streets.

Right: Statistics comparison of 1938 and 1987.

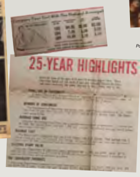
Above: Mayor Ted Crozier (left) talks with General Manager Dalton Smith (center) and Power Board member Victor Albright (right) at the grand opening of CDE's new facility.

Above: Signing the contract for street lighting of Madison Street and North Second Street. Written on the reverse of the photo, "Approx. 1939-1941"

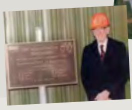
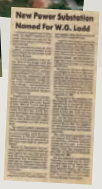
Right: Jesse Perry and Everett Moore of Frosty Morn.

Below: Franklin Street in downtown Clarksville, 1941, shines at night under the 'White Way' lighting.

Handwritten on image reverse side: 1937 - Old Ky-Tenn Light & Power Co. Steam Plant, 11th and Commerce Streets.



CDE LIGHTBAND

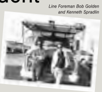
December of 1988 marked the completion of W.G. Ladd, Sr. Substation on Highway 41-A North.

1988
W.G. Ladd, Sr. Substation opened

1988
CDE celebrates 50 years with 71 employees

December 1988 Employee Photo

1994
Kenneth Spradlin, Fourth President

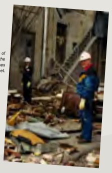


1994
On February 11 an ice storm, described as the state's most expensive natural disaster, left 25,000 of 33,000 CDE customers without power.


1997
Office expansion added 14,000 sq. ft. to main office

1998
CDE has grown to 41,643 customers

1999
On February 22, an F3 Tornado destroyed several historic buildings in downtown Clarksville, including the Montgomery County Courthouse. Over 60% of CDE customers lost power, half of which were restored next day.



2006
Election reveals that the community wants CDE to offer broadband services

2007
CDE Lightband new branding unveiled with new signage, uniforms, and vehicles

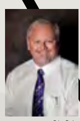
2008
Rick Ingram, Fifth President

2008
CDE Lightband began offering customers broadband services which include digital video, internet and phone

2010
The 'Great Flood' swamps over 400 business owners and leaves major areas underwater. CDE Lightband crews worked with EMS to disconnect homes and businesses in the flooded areas.

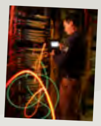
2010
Johnny Piper, Sixth Superintendent

2011
Strong storms packed with 82 mph winds on April 20th and 26th left 25,000 customers without power and not fully restored till April 29. This storm system left TVA with the worst disaster in their history with more than 850,000 customers left without power.



2012
Brian Taylor, Seventh Superintendent/ General Manager

2013
CDE Lightband celebrates 75 years with 63,732 electric customers, 14,855 broadband customers and 196 employees



2013
Began offering 1 gig of internet

2013
Becomes first city department to earn green certification


2014
Received the Reliable Public Power Provider Platinum Award from American Public Power Association

2014
Received the first Tree Line USA Award

2014
Received the TMEPA Community Service Award

2015
Construction of safety demo trailer to educate the community on electrical safety

2015
Hybrid vehicles introduced to CDE Lightband's fleet and 2 electric vehicle charging stations added in our community

2016
(CMCSS) STEM Partner of the Year

2016
American Public Power Association Community Service Award

2016
New SCADA Dispatch Center opens to improve system reliability to our customers

2017
Received Reliable Public Power Provider Diamond Award from American Public Power Association

2017
Began offering 10 gig of internet

2017
Grown to 69,079 electric customers and celebrates 20,000 residential broadband customers

cdelightband.com

FOCUSING ON
SYSTEM RELIABILITY

ELECTRIC DIVISION GROWTH & DEVELOPMENT

In 2017, CDE Lightband served approximately 69,000 electric customers. We take all the measures necessary to ensure our customers get the best experiences from our services.

ELECTRIC & FIBER INFRASTRUCTURE

Ensure that technology and maintenance practices are equipped to maximize the abilities of electric and fiber infrastructure

INDUSTRY STANDARDS

Measure system reliability utilizing industry standard performance indices

GROWTH & IMPROVEMENT

Drive system growth and improvement for future generations

STRIVING TO PROVIDE THE BEST IN QUALITY SERVICES

One hundred percent of our electricity is purchased from the Tennessee Valley Authority; 91% of which is generated themselves.

NEW SUBSTATION

Construction has already begun on a new substation off of Tylertown Road to be named in honor of former manager Dalton Smith. This will prepare us for the annual 2.5% customer growth we have seen over the past 20 years.

EAST SUBSTATION UPGRADE

Staying true to our committment to improve system reliability, we are converting our East Substation from a 69kV service to a 161kV service.

SELF-HEALING GRID

In order to decrease outages and improve response times, we are working to increase the use of smart grid technologies within our distribution system. A pilot has been implemented to test the "self-healing" grid in a designated area.

NEW WIRELESS AMI SYSTEM

The next generation AMI system is being implemented by the meter department. The new system is a wireless mesh system that will capitalize on our fiber backbone. Meters will easily interface with our reporting system to automatically report power outages. This also allows us to be able to identify voltage issues atthe customer level and provide time of use rates.

BUILDING UPON RELATIONSHIPS

WITH OUR CUSTOMERS

+ 19,000+

Our Broadband Division is on the brink of reaching a 20,000 customer milestone.

+ 92%

Ninety-two percent of our broadband customers are residential and the remaining 8% are commercial and small business.

At CDE Lightband, we strive to improve all communications through all channels. We are excited to begin redesigning our Interactive Voice Response (IVR) system to allow our customers to automatically submit broadband issues as they occur.

We continue to not only drive deeper connections with our residential customers, but also with commercial and small business as well. An aggressive sales and support program helps the Broadband Division provide a competitively priced and reliable service.

MAKING THINGS EASIER AND MORE EFFICIENT FOR OUR CUSTOMERS

SAVING OUR CUSTOMERS MONEY

Energy Services facilitated and completed over $200,000 worth of heat pump loan payoffs.

IMPROVING PAYMENT OPTIONS

Completed a new drive thru and added a 24 hour self service bill pay kiosk for customer convenience.

SAVING OUR CUSTOMERS ENERGY

3,705,000 kWh in energy savings through programs such as eScore, EnergyRight Solutions for Business, Concentrating Solar Power, and EnerNOC.

BROADBAND GROWTH & DEVELOPMENT

5,625
NEW SERVICE CONNECTS

533
NEW CUSTOMERS AND TRACKING A 3% GROWTH

200
INSTALLED OVER 200 BROCADE ICX SWITCHES

30,000
UPGRADED ZHONE ONT DEVICES

OUR COMMUNITY, OUR VALUES

CONNECTING PEOPLE BY BUILDING COMMUNITY RELATIONSHIPS

We are proud to partner with Clarksville-Montgomery County School System's STEM program to engage our youth to be critical thinkers in Science, Technology, Engineering and Math. We 've had the honor of receiving the STEM Partner of the Year Award for the past two years in a row.

PROJECT HELP

CDE Lightband was able to put over $9,000 back into the community through Project Help, a program which assists qualifying residents in our community with their utility bills.

EXTERNSHIPS

Each year, we host a number of teachers at our facility for a summer externship. Each of them get to spend one-on-one time with experts from all departments. The things learned are taken back to school and applied inside their classrooms.

PINK PORCH PROJECT

Throughout the months of September and October, we sell pink lightbulbs in our lobbies to not only help promote breast cancer awareness, but also to raise funds for survivors in the After Breast Cancer program at the YMCA.

SPECIAL RECOGNITION

We proudly accepted the American Public Power Association (APPA) Community Service Award in 2016 and the Tennessee Municipal Electric Power Association (TMEPA) Community Service Award in 2017 .

WHAT DOES IT MEAN TO BE AWARDED THE RP3?

Once again, CDE Lightband has been honored with the RP3 award from the American Public Power Association. This means our customers can trust CDE Lightband to offer only the safest, most reliable services by well-trained professionals and that we remain devoted to finding new ways to improve all our systems.

CDE LIGHTBAND

ELECTRIC DIVISION AND BROADBAND DIVISION

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2017 AND 2016

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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Table of Contents - Continued

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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.

The Astoria • 3803 Bedford Avenue, Suite 103 • Nashville, Tennessee 37215 • phone: 615-320-5500 • fax: 615-329-9465 • www.crosslinpc.com
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2017 and 2016, 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, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CDE's basic financial statements. The items identified under the caption "Other Information," as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Revenues - Electric Division, Schedules of Operating Expenses - Electric Division, Schedules of Operating Revenues and Costs of Services - Broadband Division, Schedule of Bond Principal and Interest Maturities - Electric Division, Schedule of Note Principal and Interest Maturities - Electric Division, and Schedule of Interdivisional Loan Maturities - Electric Division and Broadband Division 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 5, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CDE's internal control over financial reporting and compliance.

Crosslin, PLLC

October 5, 2017
Nashville, Tennessee

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, 2017 and 2016, as compared to fiscal years 2016 and 2015, 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), and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of CDE is improving or deteriorating. Net position increases when revenues exceed expenses.

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

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

FINANCIAL ANALYSIS OF THE DIVISIONS

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

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 69,700 customers at June 30, 2017.

The infrastructure also allows the Broadband Division to offer digital video, high speed internet and phone services to 19,549 customers at June 30, 2017, compared to 18,677 at June 30, 2016. 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 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. As of June 30, 2017, the Broadband Division has paid back more than $3.6 million on this loan.

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 1.60% to $280 million in fiscal year 2017. Current assets and restricted assets increased due primarily to receiving more than $3 million in loan repayments from the Broadband Division, and stocking of an additional $1 million in materials and supplies in anticipation of upcoming system projects.

Table 1

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

ASSETS	June 30, 2017	2016	2015	Dollar Change	Total Percent Change
Current assets	$ 69,641,522	$ 63,822,608	$ 64,522,109	$ 5,818,914	9.12%
Restricted assets	11,168,646	10,998,393	13,091,311	170,253	1.55%
Capital assets (net)	178,670,479	175,129,762	166,499,577	3,540,717	2.02%
Other assets	18,513,575	23,500,658	25,435,862	(4,987,083)	(21.22)%
Deferred outflows of resources	2,008,020	2,149,763	2,291,506	(141,743)	(6.59)%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$280,002,242	$275,601,184	$271,840,365	$ 4,401,058	1.60%
LIABILITIES AND NET POSITION					
Current liabilities	$ 29,266,392	$ 27,890,723	$ 28,562,586	$ 1,375,669	4.93%
Noncurrent liabilities	13,368,047	14,601,186	15,750,664	(1,233,139)	(8.45)%
Long-term debt	73,278,366	76,494,945	79,626,525	(3,216,579)	(4.20)%
TOTAL LIABILITIES	115,912,805	118,986,854	123,939,775	(3,074,049)	(2.58)%
Net investment in capital assets	104,433,226	97,776,503	86,094,314	6,656,723	6.81%
Restricted for debt service	11,168,646	10,998,393	12,901,596	170,253	1.55%
Unrestricted net position	48,487,565	47,839,434	48,904,680	648,131	1.35%
NET POSITION	164,089,437	156,614,330	147,900,590	7,475,107	4.77%
TOTAL LIABILITIES AND NET POSITION	$280,002,242	$275,601,184	$271,840,365	$ 4,401,058	1.60%

Summaries of the Broadband Division Statements of Net Position are presented in Table 2. Current assets increased 7.94%, due largely to a higher cash balance, which is attributable to increased video service rates, as well as growth in internet subscribers. Both Current Liabilities and 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.

Table 2

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

	June 30,				Total
ASSETS	**2017**	**2016**	**2015**	**Dollar Change**	**Percent Change**
Current assets	$ 7,928,726	$ 7,345,645	$ 4,632,852	$ 583,081	7.94%
Noncurrent assets	1,324,138	1,136,889	959,538	187,249	16.47%
TOTAL ASSETS	$ 9,252,864	$ 8,482,534	$ 5,592,390	$ 770,330	9.08%
LIABILITIES AND NET POSITION					
Current liabilities	$ 2,851,052	$ 3,559,383	$ 2,566,163	$(708,331)	(19.90)%
Noncurrent liabilities	13,039,434	15,480,811	16,872,461	(2,441,377)	(15.77)%
TOTAL LIABILITIES	15,890,486	19,040,194	19,438,624	(3,149,708)	(16.54)%
Net investment in capital assets	1,324,138	1,136,889	959,538	187,249	16.47%
Unrestricted net position	(7,961,760)	(11,694,549)	(14,805,772)	3,732,789	(31.92)%
NET POSITION	(6,637,622)	(10,557,660)	(13,846,234)	3,920,038	(37.13)%
TOTAL LIABILITIES AND NET POSITION	$ 9,252,864	$ 8,482,534	$ 5,592,390	$ 770,330	9.08%

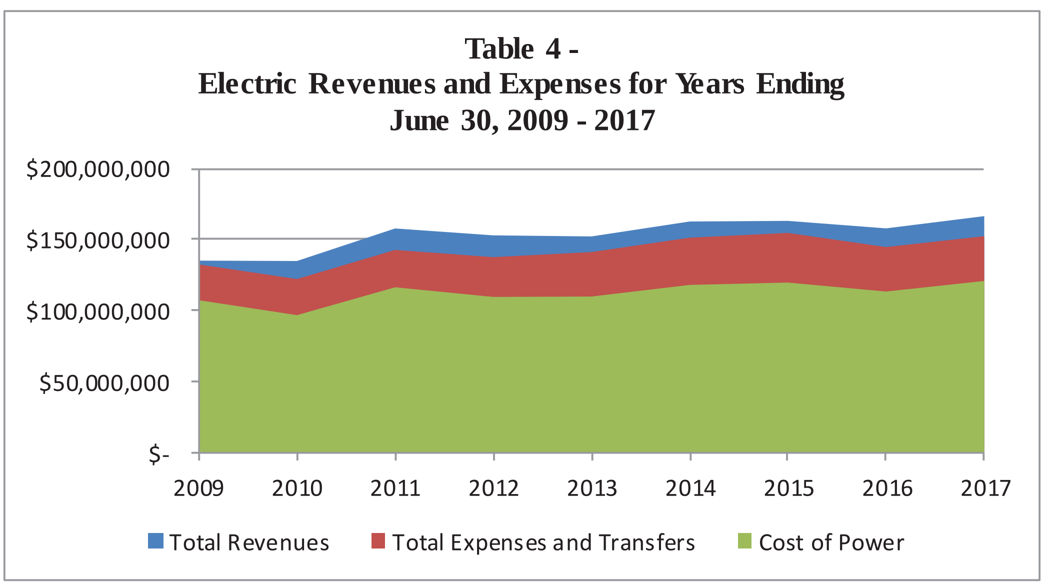
While the Statements of Net Position show the change in financial position of net position, the Statements of Revenue, Expenses and Changes in Net Position detail the nature and source of these changes. As shown in Table 3, total revenue increased by 5.45%, with a similar increase in total expenses of 6.69%. Revenue and expense for the Electric Division are driven primarily by electric consumption, which, per customer, was flat compared to 2017. The increases in 2017 were driven by customer count growth and TVA charges, which are passed on directly to the customer. Weather conditions also have a significant effect on revenue since heating and air conditioning account for the majority of electric consumption.

Table 3

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

	Year Ended June 30, 2017	2016	2015	Dollar Change	Total Percent Change
Operating Revenues	**$166,376,978**	**$157,782,181**	**$163,046,997**	**$ 8,594,797**	**5.45%**
Cost of power	120,799,510	113,374,054	119,676,371	7,425,456	6.55%
Other operating expenses	31,021,136	28,766,711	27,322,021	2,254,425	7.84%
Non-operating expenses	2,500,674	2,501,770	3,357,153	(1,096)	(0.04)%
Total Expenses	154,321,320	144,642,535	150,355,545	9,678,785	6.69%
Transfers to other funds	4,580,551	4,425,906	4,151,914	154,645	3.49%
Changes in Net Position	**7,475,107**	**8,713,740**	**8,539,538**	**(1,238,633)**	**(14.21)%**
Net Position - Beginning	156,614,330	147,900,590	139,361,052	8,713,740	5.89%
Net Position - Ending	$164,089,437	$156,614,330	$147,900,590	$ 7,475,107	4.77%

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 Electric Division effectively implemented a retail rate adjustment in the amount of 7% in January 2009. The Tennessee Valley Authority had a fuel cost adjustment reduction of 7% in January 2009, therefore, making the rate adjustment revenue neutral to the customer with implementation the same month. In addition, the Division implemented a 5% rate increase in October 2009, which was the last rate increase. The lasting positive effects of these increases can be seen in Table 4 below.



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 revenues increased $900,043, or 4.73%, while the cost of services basically stayed flat. This is due to the Division growing its internet subscriber base and implementing a video rate increase in March 2017 to counter the effects of rapidly increasing video programming costs in recent years. The Division lost video customers, in line with the rest of the video industry, which accounted for most of the decrease in cost of services.

Table 5

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

	Year Ended June 30,				Total
					Percent
	2017	**2016**	**2015**	**Dollar Change**	**Change**
Operating Revenues	**$ 19,930,258**	**$ 19,030,215**	**$ 18,316,799**	**$ 900,043**	**4.73%**
Cost of services	9,186,929	9,140,246	9,924,281	46,683	0.51%
Network expense	1,425,880	1,249,521	1,086,193	176,359	14.11%
Other operating expenses	5,276,910	5,139,220	5,219,741	137,690	2.68%
Non-operating expenses	95,747	193,253	93,599	(97,506)	(50.46)%
Total Expenses	15,985,466	15,722,240	16,323,814	263,226	1.67%
Transfers to other funds	24,754	19,401	21,760	5,353	27.59%
Changes in Net Position	**3,920,038**	**3,288,574**	**1,971,225**	**631,464**	**19.20%**
Net Position - Beginning	(10,557,660)	(13,846,234)	(15,817,459)	3,288,574	(23.75)%
Net Position - Ending	$(6,637,622)	$(10,557,660)	$(13,846,234)	$ 3,920,038	(37.13)%

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2017, the Electric Division had net capital assets of $178.7 million. This is an increase of 2.02% from 2016. This growth is due mainly to the completion of the new SCADA center, drive through, and warehouse, and the commencement of the new Dalton B. Smith substation build. Please see Table 6 below for an analysis of net capital assets.

Table 6

City of Clarksville, Tennessee
CDE Lightband
Electric Division
Capital Assets

	June 30,				Total
	2017	2016	2015	Dollar Change	Percent Change
Transmission and distribution plant	$145,503,137	$139,527,262	$129,712,797	$ 5,975,875	4.28%
General plant	114,452,439	103,680,103	98,221,317	10,772,336	10.39%
Construction work in progress	5,783,480	11,140,082	11,595,237	(5,356,602)	(48.08)%
Total Plant	265,739,056	254,347,447	239,529,351	11,391,609	4.48%
Unamortized acquisition adjustment	211,804	337,975	464,146	(126,171)	(37.33)%
Less: Accumulated depreciation	87,280,381	79,555,660	73,493,920	7,724,721	9.71%
Net Capital Assets	$178,670,479	$175,129,762	$166,499,577	$ 3,540,717	2.02%

The Broadband Division had an increase in net capital assets of $187,249, due to purchases of set top boxes, and the retirement of fully depreciated video hardware. Please see Table 7.

Table 7

City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Capital Assets

	June 30, 2017	June 30, 2016	June 30, 2015	Dollar Change	Total Percent Change
Operations plant	$7,105,383	$8,052,689	$7,633,270	$(947,306)	(11.76)%
General plant	249,596	160,869	160,869	88,727	55.15%
Construction work in progress	101	16,800	160,569	(16,699)	(99.40)%
Total Plant	**7,355,080**	**8,230,358**	**7,954,708**	**(875,278)**	**(10.63)%**
Less: Accumulated depreciation	6,030,942	7,093,469	6,995,170	(1,062,527)	(14.98)%
Net Capital Assets	$1,324,138	$1,136,889	$ 959,538	$ 187,249	16.47%

LONG-TERM DEBT

At the end of fiscal year 2017, the Electric Division had total principal long-term debt of $76,033,469, including current portion of $2,755,103.

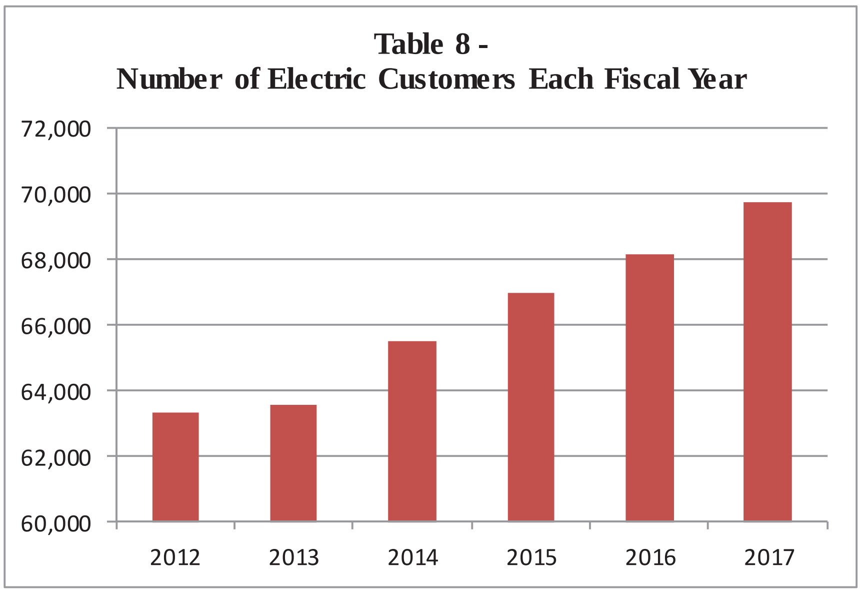
The purpose of the Series 2004 Bonds was to finance the costs of constructing improvements to the electric and distribution system, refund the outstanding Series 1993 Bonds, and construct a new facility to house the broadband operations. On January 29, 2014, these bonds were called and refunded with the 2014 Series Electric System Revenue Refunding Bonds. The 2014 bonds are due in annual installments through September 1, 2024.

The purpose of the Series 2007 Bonds was to finance improvements to the transmission and distribution system. The bonds are due in annual installments through September 2017. The portion of these bonds callable after September 1, 2017, were advance refunded on January 28, 2015, with the issuance of the 2015 Series Electric System Revenue Refunding Bonds. The bonds are due in annual installments through September 1, 2031.

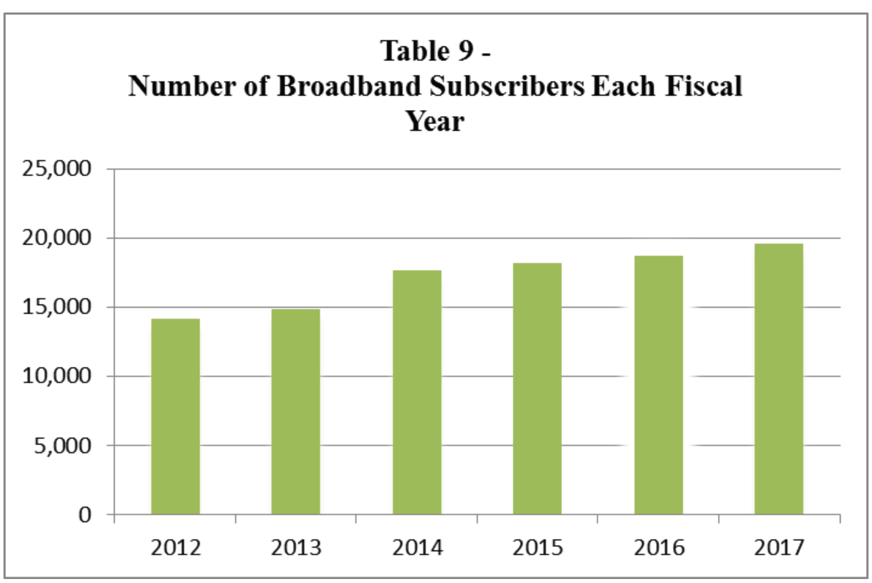
The purpose of the Series 2010 Bonds was to finance improvements to the transmission and distribution system, retire the 2009 short term bonds, and fund the debt service fund. The bonds are due in annual installments through fiscal year 2036.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

CDE Lightband continuously plans for future activities and projects. The overall goal is to educate and encourage customers to make efficient use of electric energy and enhance the quality of life through broadband products and services. CDE can expect and plan for the number of electric customers to increase by about 2% 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. With the continued growth of customers, the Electric Division implemented a retail rate increase of 5.0% effective October 1, 2009. The additional funds are being used to strengthen and replenish reserves. CDE has no immediate plans to implement any rate increases, other than to pass along TVA increases, if any occur.



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

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CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,345,035	$ 33,670,138
Accounts receivable	18,830,079	18,089,512
Materials and supplies	3,894,791	2,924,055
TVA prepayments and other	9,571,617	9,138,903
Total current assets	69,641,522	63,822,608
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	11,168,646	10,998,393
Total restricted assets	11,168,646	10,998,393
Capital assets - at cost:		
Electric plant in service	259,955,576	243,207,365
Construction work in progress	5,783,480	11,140,082
Total electric plant	265,739,056	254,347,447
Less: Accumulated depreciation	(87,280,381)	(79,555,660)
	178,458,675	174,791,787
Add: Unamortized plant acquisition adjustments	211,804	337,975
Net capital assets	178,670,479	175,129,762
Other assets:		
Receivables - TVA Residential Energy Services Program	5,053,818	6,684,623
Interdivisional receivable - Broadband Division	13,386,323	16,782,851
Other	73,434	33,184
Total other assets	18,513,575	23,500,658
Total noncurrent assets	208,352,700	209,628,813
TOTAL ASSETS	277,994,222	273,451,421
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts on bond refundings	2,008,020	2,149,763
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 280,002,242	$ 275,601,184

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

	2017	2016
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 22,908,689	$ 21,635,105
Current portion of long-term debt	2,755,103	2,670,103
Accrued interest	1,097,784	1,128,450
Current portion of accrued leave	655,846	639,994
Accrued wages and payroll withholdings	124,722	136,799
Other	41,224	41,924
Interdivisional temporary advances	1,683,024	1,638,348
Total current liabilities	29,266,392	27,890,723
NONCURRENT LIABILITIES:		
Long-term debt:		
Bonds payable	73,216,375	76,317,849
Notes payable	61,991	177,096
Total long-term debt	73,278,366	76,494,945
Other noncurrent liabilities:		
Customer deposits	6,128,314	5,907,566
Advances - TVA Residential Energy Services Program	5,204,451	6,883,300
Accrued leave	1,426,021	1,338,094
Other postemployment benefits	590,099	453,780
Other	19,162	18,446
Total other noncurrent liabilities	13,368,047	14,601,186
Total noncurrent liabilities	86,646,413	91,096,131
TOTAL LIABILITIES	115,912,805	118,986,854
NET POSITION:		
Net investment in capital assets	104,433,226	97,776,503
Restricted for debt service (expendable)	11,168,646	10,998,393
Unrestricted net position	48,487,565	47,839,434
Total net position	164,089,437	156,614,330
TOTAL LIABILITIES AND NET POSITION	$ 280,002,242	$ 275,601,184

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,304,053	$ 3,992,026
Accounts receivable	1,389,002	1,401,024
Interdivisional temporary advances	1,683,024	1,638,348
Interfund receivable - City General Fund	-	3,044
Prepaid expense	307,781	89,165
Materials and supplies	244,866	222,038
Total current assets	7,928,726	7,345,645
NONCURRENT ASSETS:		
Capital assets - at cost:		
Equipment	7,354,979	8,213,558
Construction work in progress	101	16,800
Total capital assets	7,355,080	8,230,358
Less: accumulated depreciation	(6,030,942)	(7,093,469)
Net capital assets	1,324,138	1,136,889
TOTAL ASSETS	$ 9,252,864	$ 8,482,534
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 1,686,157	$ 1,293,017
Current portion of interdivisional payable - Electric Division	550,000	1,450,000
Unearned revenue	614,895	816,366
Total current liabilities	2,851,052	3,559,383
NONCURRENT LIABILITIES:		
Interdivisional payable - Electric Division	12,836,323	15,332,851
Other postemployment benefits	197,634	140,704
Customer deposits	5,477	7,256
Total noncurrent liabilities	13,039,434	15,480,811
Total liabilities	15,890,486	19,040,194
NET POSITION:		
Net investment in capital assets	1,324,138	1,136,889
Unrestricted net position	(7,961,760)	(11,694,549)
Total net position	(6,637,622)	(10,557,660)
TOTAL LIABILITIES AND NET POSITION	$ 9,252,864	$ 8,482,534

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Charges for power, net	$ 161,310,898	$ 152,730,465
Other operating revenues	5,066,080	5,051,716
Total operating revenues	166,376,978	157,782,181
OPERATING EXPENSES:		
Cost of power	120,799,510	113,374,054
Distribution	3,583,640	3,448,177
Transmission	63,446	74,386
Customer accounts	3,144,667	3,038,872
Sales and customer service	411,771	564,166
Administrative and general	3,920,249	3,573,655
Maintenance	6,686,874	5,668,935
Taxes	1,832,783	1,774,207
Depreciation and amortization	11,377,706	10,624,313
Total operating expenses	151,820,646	142,140,765
Operating income	14,556,332	15,641,416
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(2,740,544)	(2,827,202)
Interest and investment earnings	251,267	319,167
Miscellaneous	(11,397)	6,265
Total non-operating expenses	(2,500,674)	(2,501,770)
Income before transfers	12,055,658	13,139,646
Transfers to other funds	4,580,551	4,425,906
INCREASE IN NET POSITION	7,475,107	8,713,740
NET POSITION - BEGINNING	156,614,330	147,900,590
NET POSITION - ENDING	$ 164,089,437	$ 156,614,330

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Charges for service	$ 18,291,174	$ 17,191,964
Other operating revenues	1,639,084	1,838,251
Total operating revenues	19,930,258	19,030,215
OPERATING EXPENSES:		
Cost of service	9,186,929	9,140,246
Network expense	1,425,880	1,249,521
Fiber rent	2,021,657	2,020,213
Equipment expense	210	831
Marketing expense	218,163	354,702
Customer service	647,633	621,490
Administrative and general	1,088,818	1,003,330
Taxes	186,869	186,055
Employee benefits	457,800	417,039
Depreciation and amortization expense	655,760	535,560
Total operating expenses	15,889,719	15,528,987
Operating income	4,040,539	3,501,228
NON-OPERATING EXPENSES:		
Interest expense	(104,681)	(193,253)
Interest and investment earnings	8,934	-
Total non-operating expenses	(95,747)	(193,253)
Income before transfers	3,944,792	3,307,975
Transfers to other funds	24,754	19,401
CHANGE IN NET POSITION	3,920,038	3,288,574
NET POSITION - BEGINNING	(10,557,660)	(13,846,234)
NET POSITION - ENDING	$ (6,637,622)	$ (10,557,660)

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 160,791,079	$ 152,947,438
Cash paid for power	(120,544,774)	(113,037,731)
Cash paid to suppliers	(7,860,364)	(5,639,230)
Cash paid to employees	(10,153,461)	(10,216,739)
Interdivisional payable	44,676	(80,961)
Other receipts	3,191,616	3,021,941
Net cash provided by operating activities	25,468,772	26,994,718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments from Broadband Division, net	3,396,528	513,857
Transfers to other funds	(4,580,551)	(4,425,906)
Other	(11,397)	6,265
Net cash used in noncapital financing activities	(1,195,420)	(3,905,784)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(14,918,423)	(19,254,498)
Payment of long-term debt	(2,670,105)	(2,606,098)
Interest paid	(3,090,941)	(3,180,298)
Net cash used in capital and related financing activities	(20,679,469)	(25,040,894)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	251,267	319,167
Net cash provided by investing activities	251,267	319,167
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,845,150	(1,632,793)
CASH AND CASH EQUIVALENTS - BEGINNING	44,668,531	46,301,324
CASH AND CASH EQUIVALENTS - ENDING	$ 48,513,681	$ 44,668,531

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

During 2017 and 2016, $461,474 and $461,477 was recorded to interest expense for amortization of bond premiums.

During both 2017 and 2016, $141,743 was recorded to interest expense for amortization of deferred outflows for refunding debt.

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 14,556,332	$ 15,641,416
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	11,377,706	10,624,313
Changes in:		
Accounts receivable	(740,567)	(58,961)
Materials and supplies	(970,736)	282,224
Receivables - TVA Residential Energy Services Program	1,630,805	1,428,634
Advances - TVA Residential Energy Services Program	(1,678,849)	(1,431,814)
Accounts payable	1,273,584	(695,082)
Accrued expenses	91,702	129,020
Customer deposits	220,748	275,934
Prepayments	(432,714)	936,363
Other postemployment benefits	136,319	18,364
Interdivisional temporary advance	44,676	(80,961)
Other	(40,234)	(74,732)
Net cash provided by operating activities	$ 25,468,772	$ 26,994,718

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 18,099,946	$ 17,317,415
Cash paid to suppliers	(11,796,349)	(11,866,585)
Cash paid to employees	(3,039,071)	(2,955,428)
Interdivisional temporary advances	(44,676)	80,961
Other receipts	1,452,215	1,652,196
Net cash provided by operating activities	4,672,065	4,228,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES:		
Repayments to Electric Division	(3,396,528)	(513,857)
Transfers to other funds	(24,754)	(19,401)
Net cash used in noncapital financing activities	(3,421,282)	(533,258)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(843,009)	(712,911)
Interest paid	(104,681)	(193,253)
Net cash used in capital and related financing activities	(947,690)	(906,164)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,934	-
Net cash provided by investing activities	8,934	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	312,027	2,789,137
CASH AND CASH EQUIVALENTS - BEGINNING	3,992,026	1,202,889
CASH AND CASH EQUIVALENTS - ENDING	$ 4,304,053	$ 3,992,026
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 4,040,539	$ 3,501,228
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	655,760	535,560
Changes in:		
Accounts receivable	12,022	10,609
Materials and supplies	(22,828)	(125,564)
Prepaid assets	(218,616)	72,147
Accounts payable	393,140	(19,965)
Unearned revenue	(201,471)	116,074
Interdivisional temporary advances	(44,676)	80,961
Interfund receivable	3,044	38,191
Other postemployment benefits	56,930	20,550
Customer deposits	(1,779)	(1,232)
Net cash provided by operating activities	$ 4,672,065	$ 4,228,559

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

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.

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 $11,165,551 and $10,799,906 at June 30, 2017 and 2016, respectively. Assets restricted for construction of plant assets were $3,095 and $198,487 at June 30, 2017 and 2016, 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 2017 or 2016. Capitalized costs are reduced by contributions to aid in construction. Costs of depreciable retired property, plus removal costs, less salvage value, are charged to accumulated depreciation.

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

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

Depreciation (Electric Division) - The electric plant is depreciated, by classification, on a straight-line basis using rates which estimate the useful life of each classification. Estimated useful lives range from three to fifty years, depending on the classification of the asset. The provision for depreciation and amortization was $11,377,706 and $10,624,313 for the years ended June 30, 2017 and 2016, 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 $655,760 and $535,560 for the years ended June 30, 2017 and 2016, respectively.

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 one item that qualifies 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.

In addition to liabilities, the statements of net position will sometimes 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 does not have any items that qualify for reporting in this category at June 30, 2017 and 2016.

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

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

During October 2010, CDE Lightband (Electric Division) implemented a new accounting policy concerning revenue and power cost recognition. Historically, CDE Lightband (Electric Division) had recognized revenue and power costs when those revenues/costs were billed. In October 2010, CDE Lightband (Electric Division) began recognizing revenue and related power costs on the full accrual basis of accounting. As of October 31, 2010, CDE Lightband (Electric Division) recognizes all revenue earned and power costs incurred through the date of each financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 $4,580,551 and $24,754 for the year ended June 30, 2017 and $4,425,906 and $19,401 for the year ended June 30, 2016, 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, 2017 and 2016, respectively, were reported in the statements of net position, net of allowances of $43,201 and $385,215 in the Electric Division and $44,899 and $225,521 in the Broadband Division.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2017 and 2016. 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.

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."

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,			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Tennessee Local Government Investment Pool	$60,014	$60,014	$59,705	$59,705

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, 2017 and 2016, respectively, the Electric Division's cash and other deposits, reported in the financial statements at $48,513,681 and $44,668,531, were represented by bank balances of $48,283,211 and $44,920,170, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

At June 30, 2017 and 2016, respectively, the Broadband Division's cash and other deposits, reported at $4,304,053 and $3,992,026, were represented by bank balances of $4,576,021 and $4,051,796, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

3. JOINT VENTURE

The Electric Division and Pennyrile 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, 2017 and 2016. 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 is as follows:

	Balance July 1, 2016	Additions	Deletions and Transfers	Balance June 30, 2017
NON-DEPRECIABLE ELECTRIC PLANT				
General plant land and land rights	$ 735,887	$ -	$ -	$ 735,887
Transmission land and land rights	97,322	-	-	97,322
Distribution land and land rights	1,164,415	-	-	1,164,415
Work in progress	11,140,082	23,192,938	(28,549,540)	5,783,480
	13,137,706	23,192,938	(28,549,540)	7,781,104
GENERAL PLANT				
Structures and improvements	7,175,372	4,084,299	(184,624)	11,075,047
Transportation equipment	4,433,244	777,213	(253,372)	4,957,085
Communication equipment	88,362,487	6,397,566	(626,570)	94,133,483
Furniture and equipment	2,973,113	585,942	(8,118)	3,550,937
	102,944,216	11,845,020	(1,072,684)	113,716,552
TRANSMISSION				
Poles and fixtures	1,425,941	258,391	(25,148)	1,659,184
Overhead conductors and devices	627,589	-	-	627,589
	2,053,530	258,391	(25,148)	2,286,773
DISTRIBUTION				
Station equipment	37,216,417	28,395	-	37,244,812
Electric transmission systems	98,995,578	7,807,763	(2,093,526)	104,709,815
	136,211,995	7,836,158	(2,093,526)	141,954,627
TOTAL ELECTRIC PLANT IN SERVICE	254,347,447	43,132,507	(31,740,898)	265,739,056
Unamortized plant acquisition adjustments	337,975	-	(126,171)	211,804
TOTAL ELECTRIC PLANT	$254,685,422	$43,132,507	$(31,867,069)	$265,950,860

The estimated costs to complete Electric Division work in progress are approximately $9,300,000.

4. CAPITAL ASSETS - Continued

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

	Balance July 1, 2016	Additions	Deletions and Transfers	Balance June 30, 2017
GENERAL PLANT				
Structures and improvements	$ 3,160,926	$ 213,105	$(184,624)	$ 3,189,407
Transportation equipment	2,459,897	352,618	(253,372)	2,559,143
Communication equipment	25,775,859	5,108,691	(662,573)	30,221,977
Furniture and equipment	1,579,339	164,366	(9,568)	1,734,137
	32,976,021	5,838,780	(1,110,137)	37,704,664
TRANSMISSION				
Poles and fixtures	992,004	39,213	(31,748)	999,469
Overhead conductors and devices	595,027	15,690	-	610,717
	1,587,031	54,903	(31,748)	1,610,186
DISTRIBUTION				
Station equipment	10,650,919	1,116,582	-	11,767,501
Electric transmission systems	34,341,689	4,667,275	(2,810,934)	36,198,030
	44,992,608	5,783,857	(2,810,934)	47,965,531
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	$79,555,660	$11,677,540	$(3,952,819)	$87,280,381

4. CAPITAL ASSETS - Continued

Broadband Division - A summary of changes in Broadband Plant is as follows:

	Balance July 1, 2016	Additions	Deletions and Transfers	Balance June 30, 2017
Circuit equipment	$3,834,762	$ 421,113	$(816,312)	$3,439,563
Operation systems	503,484	-	-	503,484
Radio systems	118,049	-	-	118,049
Station apparatus	3,539,726	352,519	(904,626)	2,987,619
Other equipment	56,668	-	-	56,668
Office equipment	63,632	6,821	-	70,453
Motor vehicles	97,237	81,906	-	179,143
Work in progress	16,800	335,820	(352,519)	101
TOTAL CAPITAL ASSETS	$8,230,358	$1,198,179	$(2,073,457)	$7,355,080
TOTAL ACCUMULATED DEPRECIATION	$7,093,469	$ 658,410	$(1,720,937)	$6,030,942

There are no substantial costs to complete Broadband Division work in progress.

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, 2017 and 2016 are timing differences.

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION

Changes in the interdivisional payable/receivable account for the years ended June 30, 2017 and 2016 were as follows:

	Balance July 1, 2016	Loan Draws	Loan Repayments	Changes in Current Receivable /Payable	Balance June 30, 2017
Interdivisional Receivable/ Payable	$16,782,851	$ -	$(3,450,000)	$53,472	$13,386,323

	Balance July 1, 2015	Loan Draws	Loan Repayments	Changes in Current Receivable /Payable	Balance June 30, 2016
Interdivisional Receivable/ Payable	$17,296,708	$ -	$(552,889)	$39,032	$16,782,851

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 0.60% and 1.25% at June 30, 2017 and 2016, 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 loan repayment schedule was amended. 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 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, 2017 and 2016 was $4,304,053 and $3,992,026, respectively. Therefore, per the terms of the new agreement, an

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION - Continued

additional $1,000,000 was paid towards the loan principal during fiscal year 2017 for the year ending June 30, 2016. Based on the loan repayment schedule, $450,000 was paid during fiscal year 2017 with an additional payment of $1,000,000 for the year ended June 30, 2017. Additionally, due to a strong cash position, the Broadband made an additional advance payment of $1,000,000, for total payments of $3,450,000. The amount required to be paid in fiscal year 2018 totals $550,000. Based on the additional payments made, the contractual period remaining on the loan is through 2031. The balance of this loan was $10,747,111 and $14,197,111 at June 30, 2017 and 2016, 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 $2,639,212 and $2,585,740 at June 30, 2017 and 2016, respectively.

7. ACCUMULATED VACATION AND SICK LEAVE

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

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

7. ACCUMULATED VACATION AND SICK LEAVE - Continued

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 carry-over 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.

Sick leave was paid on the basis of straight time and was not used as a basis for overtime pay. 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 employee's 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.

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:

	2017	2016
Current portion	$ 655,846	$ 639,994
Noncurrent portion	1,426,021	1,338,094
Totals	$2,081,867	$1,978,088

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 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; however, for the Plan year ended December 31, 2016 and 2015, there were no forfeitures applied.

CDE established a progress sharing plan as part of its Plan. Employees are 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%.

8. DEFINED CONTRIBUTION PENSION PLAN - Continued

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

Presented below is selected information relating to the plan for the years ended June 30, 2017 and 2016.

	June 30,	
	2017	2016
CONTRIBUTIONS		
Employer contributions	$ 239,404	$ 230,300
Employer progress sharing contributions	546,764	498,104
Employee contributions	403,098	385,781
Totals	$1,189,266	$1,114,185

The Plan is audited on a calendar year basis and the market value of the Plan assets as of December 31, 2016 and 2015 is as follows:

Totals	$13,082,002	$12,143,651

9. OTHER POSTEMPLOYMENT BENEFITS

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. Six and eight retired employees were covered for medical insurance at June 30, 2017 and 2016, respectively.

The Divisions account for other postemployment benefits in accordance with GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." GASB No. 45 requires that employers who participate in single-employer or agent multiple-employer defined, other postemployment benefit ("OPEB") plans measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. The Divisions maintain a single-employer defined benefit plan for medical insurance. The provisions of the plan can be amended by the Electric Power Board at any time. The plan is funded on a pay-as-you-go basis with expense calculated under time provisions of GASB 45 as described below. The plans do not issue stand-alone financial reports.

9. OTHER POSTEMPLOYMENT BENEFITS - Continued

The annual OPEB expense is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Divisions' annual medical insurance OPEB cost for the year, the amount actually contributed to the plan, and changes in the Divisions' net OPEB obligation:

	Year Ending June 30,	
	2017	2016
Normal cost	$ 153,465	$ 62,317
30 year amortization of accrued liability	64,299	21,870
Interest on net OPEB obligation	18,846	16,667
Annual OPEB expense	236,610	100,854
Contribution made	(43,361)	(61,940)
Increase in net OPEB obligation	193,248	38,914
Net OPEB obligation - beginning	594,484	555,570
Net OPEB obligation - ending	$ 787,733	$ 594,484
Electric Division	$ 590,099	$ 453,780
Broadband Division	197,634	140,704
Total	$ 787,733	$ 594,484

The Divisions' annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2017, 2016, and 2015 were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$236,610	18.33%	$787,732
2016	100,854	61.42%	594,484
2015	95,653	52.19%	555,570

9. OTHER POSTEMPLOYMENT BENEFITS - Continued

As of June 30, 2017, the most recent actuarial valuation date, the plan was unfunded. The estimated actuarial accrued liability for benefits as of June 30, 2017, was $1,784,817 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability ("UAAL") of approximately $1,784,817. The covered payroll (annual payroll of active employees covered by the plan) was $10,027,393, the ratio of the UAAL to the covered payroll was 17.80 percent. The annual required contribution ("ARC") was 2.36 percent of covered payroll and the funding was determined on a pay-as-you-go basis.

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed consistent with the long-term perspective of the calculations.

In the June 30, 2017 actuarial valuation, the entry age normal actuarial funding method was used. The actuarial assumption for medical insurance included an annual healthcare cost trend rate of 8.0 percent initially, grading to 5.0 percent over 10 years beginning in 2017.

The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2017 is thirty years.

10. LONG-TERM DEBT

Electric Division - Long-term debt consists of the following:

NOTES PAYABLE

Description	Balance June 30, 2016	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2017
CEMC Note payable	$ 292,199	$ -	$(115,105)	$ -	$ -	$ 177,094
Total notes payable	292,199	$ -	$(115,105)	$ -	$ -	177,094
Less current portion	(115,103)					(115,103)
Total	$ 177,096					$ 61,991

Description	Balance June 30, 2015	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2016
CEMC Note payable	$ 438,297	$ -	$(146,098)	$ -	$ -	$ 292,199
Total notes payable	438,297	$ -	$(146,098)	$ -	$ -	292,199
Less current portion	(146,098)					(115,103)
Total	$ 292,199					$ 177,096

BONDS PAYABLE

Series Description	Balance June 30, 2016	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2017
Series 2007 Bonds	$ 3,575,000	$ -	$(1,750,000)	$ -	$ -	$ 1,825,000
Series 2010A Bonds	27,110,000	-	(265,000)	-	-	26,845,000
Series 2014 Bonds	2,640,000		(300,000)	-	-	2,340,000
Series 2015 Bonds	38,310,000	-	(240,000)	-	-	38,070,000
Bonds payable	71,635,000	-	(2,555,000)	-	-	69,080,000
Plus unamortized bond premium	7,237,849	-	-	-	(461,474)	6,776,375
	78,872,849	$ -	$(2,555,000)	$ -	$(461,474)	75,856,375
Less current portion	(2,555,000)					(2,640,000)
	$ 76,317,849					$ 73,216,375

Series Description	Balance June 30, 2015	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2016
Series 2007 Bonds	$ 5,255,000	$ -	$(1,680,000)	$ -	$ -	$ 3,575,000
Series 2010A Bonds	27,365,000	-	(255,000)	-	-	27,110,000
Series 2014 Bonds	2,930,000		(290,000)	-	-	2,640,000
Series 2015 Bonds	38,545,000	-	(235,000)	-	-	38,310,000
Bonds payable	74,095,000		(2,460,000)	-	-	71,635,000
Plus unamortized bond premium	7,699,326	-	-	-	(461,477)	7,237,849
	81,794,326	$ -	$(2,460,000)	$ -	$(461,477)	78,872,849
Less current portion	(2,460,000)					(2,555,000)
	$ 79,334,326					$ 76,317,849

10. LONG-TERM DEBT - Continued

The note payable to CEMC is due in annual installments of $115,103 to $30,996 between June 2018 and June 2020. The purpose of this loan was for the purchase of Electric Plant assets in areas annexed by the City of Clarksville. This is a non-interest bearing note.

The 2007 Series Electric System Revenue and Improvement Bonds are due in the amount of $1,825,000 on September 1, 2017. These bonds bear interest at rates ranging from 4% to 4.25%. Substantially all of the revenues of the Electric Division are security for these bonds. 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.

The 2010A Series Electric System Revenue and Improvement Bonds were issued on January 14, 2010 to finance improvements to the City's electric transmission and distribution system and retire the 2009 Series bonds. These bonds are due in annual installments of $270,000 to $5,685,000 between September 1, 2017 and September 1, 2035. These bonds bear interest ranging from 2.5% to 5%. These bonds are collateralized by a subordinate interest in substantially all of the net revenues of the Electric Division.

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 $300,000 to $365,000 between September 1, 2017 and September 1, 2023. These bonds bear interest ranging from 2% to 4%. 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 $245,000 to $3,465,000 between September 1, 2017 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.

10. LONG-TERM DEBT - Continued

Future payments on Long-Term Debt are as follows:

Year Ending June 30,	Bonds Payable	Note Payable	Total Principal	Total Interest
2018	$ 2,640,000	$115,103	$ 2,755,103	$ 2,986,325
2019	2,740,000	30,995	2,770,995	2,896,825
2020	2,820,000	30,996	2,850,996	2,814,719
2021	2,910,000	-	2,910,000	2,723,763
2022	3,000,000	-	3,000,000	2,637,425
2023 - 2027	16,785,000	-	16,785,000	11,548,025
2028 - 2032	20,800,000	-	20,800,000	6,989,250
2033 - 2036	17,385,000	-	17,385,000	2,085,625
Totals	$69,080,000	$177,094	$69,257,094	$34,681,957

Total interest costs incurred and charged to the Electric Division were $2,740,544 and $2,827,202 during 2017 and 2016, respectively. Interest costs of $-0- were capitalized by the Electric Division during both 2017 and 2016. 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 $104,681 and $193,253 during the fiscal years ended June 30, 2017 and 2016, respectively. Interdivisional interest income/expense was $104,681 and $193,253 during the fiscal years ended June 30, 2017 and 2016, respectively.

11. OTHER NONCURRENT LIABILITIES

Electric Division:

Other Noncurrent Liabilities Description	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Customer deposits	$ 5,907,566	$2,126,330	$(1,905,582)	$ 6,128,314
TVA - RES program	6,883,300	500,586	(2,179,435)	5,204,451
Accrued leave	1,338,094	198,429	(110,502)	1,426,021
Other postemployment benefits	453,780	179,679	(43,360)	590,099
Other	18,446	200,381	(199,665)	19,162
	$14,601,186	$3,205,405	$(4,438,544)	$13,368,047

Other Noncurrent Liabilities Description	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Customer deposits	$ 5,631,632	$2,366,365	$(2,090,431)	$ 5,907,566
TVA - RES program	8,315,114	962,803	(2,394,617)	6,883,300
Accrued leave	1,298,504	233,733	(194,143)	1,338,094
Other postemployment benefits	435,416	81,190	(62,826)	453,780
Other	69,998	281,951	(333,503)	18,446
	$15,750,664	$3,926,042	$(5,075,520)	$14,601,186

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.

12. INTERDIVISIONAL ALLOCATIONS - Continued

For the fiscal years ended June 30, 2017 and 2016, allocated infrastructure costs were as follows:

	June 30, 2017			June 30, 2016		
	Unit Costs	Annual Broadband Units	Allocated Costs	Unit Costs	Annual Broadband Units	Allocated Costs
Depreciation	$2.84	329,260	$ 935,098	$2.84	329,025	$ 934,431
Interest	2.04	329,260	671,690	2.04	329,025	671,211
Taxes	0.78	329,260	256,823	0.78	329,025	256,639
Pole Attachment	0.48	329,260	158,046	0.48	329,025	157,932
Totals	$6.14		$2,021,657	$6.14		$2,020,213

During the 2008 fiscal year, the Broadband Division began "renting" an office building from the Electric Division for Broadband operations. During the 2017 and 2016 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 2017 and 2016 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, 2017 and 2016.

At June 30, 2017 and 2016, the Electric Division owed the Broadband Division $1,683,024 and $1,638,348, respectively. These amounts represent payments for broadband services the Electric Division had collected on behalf of the Broadband Division. These amounts are typically remitted to the Broadband Division the month after they are collected by the Electric Division. These amounts are other than the Interdivisional Receivable/Payable discussed in Note #6.

13. CONTINGENCIES

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS (MEDICAL INSURANCE) (UNADUDITED)

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
6/30/2017	$ -	$1,784,817	$1,784,817	0.00%	$10,027,393	17.80%
6/30/2016	-	943,548	943,548	0.00%	9,607,199	9.82%
6/30/2015	-	916,452	916,452	0.00%	9,076,183	10.10%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Plan Description

The schedule of funding progress is reported as historical trend information. The schedule of funding progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due.

The comparability of trend information may be affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the net post employment benefit obligation as a factor.

B. Summary of Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2017
Actuarial Cost Methods	Entry Age Normal, Level Percentage of Salary
Amortization Method	Level
Asset Valuation Method	Not Applicable
Actuarial Assumptions:	
Investment Rate of Return	Not applicable
Salary Increase Rate	Not applicable
Health Care Cost Trend Rate	8.0%; 5.0% ultimate
Mortality Assumptions	SOA RP-2014 Total Data Set, adjusted back to base year 2006 using Improvement Scale MP-2014 and projected forward generationally using Improvement Scale MP-2016.

DIRECTORY OF CLARKSVILLE POWER BOARD AND MANAGEMENT (UNAUDITED)
JUNE 30, 2017

CLARKSVILLE POWER BOARD

Mayor Kim McMillan, Ex-Officio

Sally Castleman

Ron Jackson

Leo Millan

Bill Powers

Wayne Wilkinson, Chair

SUPERINTENDENT

Brian Taylor

CHIEF FINANCIAL OFFICER

David Johns

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING REVENUES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Charges for power:		
Residential	$ 93,632,392	$ 88,041,475
Small commercial	16,596,632	15,751,602
Large commercial	48,322,738	46,281,260
Street and outdoor lights	1,672,194	1,718,966
Forfeited discounts	1,329,909	1,254,402
Uncollected accounts	(242,967)	(317,240)
Total charges for power	161,310,898	152,730,465
Other operating revenues:		
Rent	3,289,141	3,386,116
Billing fees	-	(1,556)
Miscellaneous	1,776,939	1,667,156
Total other operating revenues	5,066,080	5,051,716
TOTAL OPERATING REVENUES	$ 166,376,978	$ 157,782,181

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING EXPENSES:		
Cost of power	$ 120,799,510	$ 113,374,054
Distribution:		
Supervision and engineering	171,834	179,955
Station expense	298,138	272,250
Overhead lines	1,355,513	1,107,895
Underground lines	236,685	225,022
Meters	675,745	797,602
Rents	4,466	101,128
Miscellaneous	841,259	764,325
Total	3,583,640	3,448,177
Transmission:		
Station expense	63,446	74,386
Total	63,446	74,386
Customer Accounts:		
Meter reading	554,167	615,436
Customer records and collection	2,590,500	2,423,436
Total	3,144,667	3,038,872
Sales and Customer Service:		
Supervision	70,940	69,353
Customer assistance	188,976	232,605
Advertising	152,365	260,170
Miscellaneous	(510)	2,038
Total	411,771	564,166

	2017	2016
OPERATING EXPENSES (continued):		
Administration and General:		
Salaries	770,411	753,065
Office supplies and expenses	605,967	593,911
Outside service	174,617	97,053
Property insurance	228,422	226,284
Injuries and damages	355,749	376,695
Employee pensions and benefits	1,719,619	1,462,105
Miscellaneous	65,464	64,542
Total	3,920,249	3,573,655
Maintenance:		
Supervision and engineering	31,820	32,918
Station equipment	343,684	243,608
Overhead lines	3,104,708	2,456,617
Underground lines	9,961	185,566
Line transformers	24,234	13,768
Meters	260,225	309,638
Security lights	71,414	68,272
General plant	2,840,828	2,358,548
Total	6,686,874	5,668,935
Taxes:		
Advalorem (in lieu-of-taxes)	1,334,149	1,291,891
Payroll	498,634	482,316
Total	1,832,783	1,774,207
Depreciation and amortization	11,377,706	10,624,313
TOTAL OPERATING EXPENSES	$ 151,820,646	$ 142,140,765

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULES OF OPERATING REVENUES AND COSTS OF SERVICES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES:		
Charges for services:		
Charges for video services	$ 5,209,703	$ 5,578,699
Charges for internet services	11,325,324	9,914,420
Charges for telephone services	1,842,862	1,804,080
Charges for installations	139,347	177,208
Uncollected accounts	(226,062)	(282,443)
Total charges for services	18,291,174	17,191,964
Other operating revenues:		
Rent	1,159,200	1,310,019
Other charges	479,884	528,232
Total other operating revenues	1,639,084	1,838,251
TOTAL OPERATING REVENUES	$ 19,930,258	$ 19,030,215
COSTS OF SERVICES:		
Costs of video services	$ 6,296,736	$ 6,383,699
Costs of internet services	821,918	605,925
Costs of telephone services	837,012	853,076
Costs of installations	1,231,263	1,297,546
TOTAL COSTS OF SERVICES	$ 9,186,929	$ 9,140,246

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2017

Year Ending	2007 Series		2010 Series A		2014 Series		2015 Series		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 1,825,000	$ 36,500	$ 270,000	$ 1,296,850	$ 300,000	$ 59,075	$ 245,000	$ 1,593,900	$ 2,640,000	$ 2,986,325
2019	-	-	275,000	1,287,650	325,000	49,825	2,140,000	1,559,350	2,740,000	2,896,825
2020	-	-	285,000	1,277,494	325,000	43,325	2,210,000	1,493,900	2,820,000	2,814,719
2021	-	-	300,000	1,266,150	325,000	36,013	2,285,000	1,421,600	2,910,000	2,723,763
2022	-	-	310,000	1,253,950	345,000	26,775	2,345,000	1,356,700	3,000,000	2,637,425
2023	-	-	325,000	1,241,250	355,000	16,275	2,395,000	1,306,800	3,075,000	2,564,325
2024	-	-	340,000	1,227,950	365,000	5,475	2,465,000	1,236,050	3,170,000	2,469,475
2025	-	-	775,000	1,205,650	-	-	2,570,000	1,130,000	3,345,000	2,335,650
2026	-	-	810,000	1,173,950	-	-	2,700,000	1,003,250	3,510,000	2,177,200
2027	-	-	845,000	1,136,625	-	-	2,840,000	864,750	3,685,000	2,001,375
2028	-	-	890,000	1,093,250	-	-	2,980,000	719,250	3,870,000	1,812,500
2029	-	-	935,000	1,047,625	-	-	3,135,000	566,375	4,070,000	1,614,000
2030	-	-	980,000	999,750	-	-	3,295,000	405,625	4,275,000	1,405,375
2031	-	-	1,035,000	949,375	-	-	3,465,000	236,625	4,500,000	1,186,000
2032	-	-	1,085,000	896,375	-	-	3,000,000	75,000	4,085,000	971,375
2033	-	-	1,145,000	840,625	-	-	-	-	1,145,000	840,625
2034	-	-	5,145,000	683,375	-	-	-	-	5,145,000	683,375
2035	-	-	5,410,000	419,500	-	-	-	-	5,410,000	419,500
2036	-	-	5,685,000	142,125	-	-	-	-	5,685,000	142,125
	$ 1,825,000	$ 36,500	$ 26,845,000	$ 19,439,519	$ 2,340,000	$ 236,763	$ 38,070,000	$ 14,969,175	$ 69,080,000	$ 34,681,957

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF NOTE PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2017

Year Ending June 30,	CEMC Annexation Note Principal
2018	$ 115,103
2019	30,995
2020	30,996
Totals	$ 177,094

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF INTERDIVISIONAL LOAN MATURITIES
JUNE 30, 2017

Year Ending	2007 Loan		2009 Loan		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 550,000	$ 64,483	$ -	$ 15,835	$ 550,000	$ 80,318
2019	650,000	61,183	-	15,835	650,000	77,018
2020	750,000	57,283	-	15,835	750,000	73,118
2021	800,000	52,783	-	15,835	800,000	68,618
2022	800,000	47,983	-	15,835	800,000	63,818
2023	800,000	43,183	-	15,835	800,000	59,018
2024	800,000	38,383	-	15,835	800,000	54,218
2025	800,000	33,583	-	15,835	800,000	49,418
2026	800,000	28,783	-	15,835	800,000	44,618
2027	800,000	23,983	-	15,835	800,000	39,818
2028	800,000	19,183	-	15,835	800,000	35,018
2029	800,000	14,383	-	15,835	800,000	30,218
2030	800,000	9,583	-	15,835	800,000	25,418
2031	797,111	4,783	-	15,835	797,111	20,618
2032	-	-	-	15,835	-	15,835
2033	-	-	-	15,835	-	15,835
2034	-	-	-	15,835	-	15,835
2035	-	-	-	15,835	-	15,835
2036	-	-	800,000	15,835	800,000	15,835
2037	-	-	800,000	11,035	800,000	11,035
2038	-	-	1,039,212	6,235	1,039,212	6,235
	$ 10,747,111	$ 499,562	$ 2,639,212	$ 318,135	$ 13,386,323	$ 817,697

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULES OF STATISTICAL DATA (UNAUDITED)
JUNE 30, 2017 AND 2016

	2017	2016	Increase (Decrease)
Number of electric customers:			
Residential	61,842	60,290	1,552
Commercial	6,722	6,688	34
Industrial	759	749	10
Public lighting	424	420	4
Total number of electric customers	69,747	68,147	1,600
Security lights	4,980	5,014	(34)
Number of kilowatt-hours purchased:			
Sales	1,517,618,126	1,487,849,968	29,768,158
Loss	50,240,100	50,792,573	(552,473)
Purchased for own use	2,322,798	2,178,825	143,973
Total number of kilowatt-hours purchased	1,570,181,024	1,540,821,366	29,359,658
Percent of losses to purchases	3.31%	3.41%	(0.10)%

	2017	2016	Increase (Decrease)
Number of broadband customers:			
Residential	18,021	17,264	757
Commercial	1,528	1,413	115
Total number of broadband customers	19,549	18,677	872

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2017

Residential Rates (RS)
- Customer Charge: $20.90
- Energy Charge: 9.628 cents/Kilowatthour (kWh)

General Power Rate (GSA1) (Not to exceed 50 kW or 15,000 kWh)
- Customer Charge #1: 0-500 kWh $25.00
- Customer Charge #2: > 500 kWh $36.00
- Energy Charge: 11.021 cents/kWh

General Power Rate (GSA2) (Greater than 50 kW up to 1,000 kW or greater than 15,000 kWh)
- Customer Charge: $165.00
- Energy Charge: 0-15,000 kWh 10.700 cents/kWh
  - All additional kWh 6.459 cents/kWh
- Demand Charge: 0-50 kW $2.00 per kW
  - 51-1,000 kW $14.13 per kW

General Power Rate (GSA3) (1,001-5,000 kW)
- Customer Charge: $440.00
- Energy Charge: All kWh 6.818 cents/kWh
- Demand Charge: 0-1,000 kW $14.13 per kW
  - 1,001-5,000 kW $14.13 per kW

General Power Rate (SGSB) Time-of-Use (TOU)
- Customer Charge: $1,500.00
- Administrative Charge: $350.00
- Energy Charge:
  - Summer Period:
    - Onpeak: 9.252 cents/kWh
    - Offpeak: 1st 200 hours 6.873 cents/kWh
      - Next 200 hours 2.453 cents/kWh
      - Additional hours 2.127 cents/kWh
  - Transition Period:
    - Onpeak: 6.868 cents/kWh
    - Offpeak: 1st 200 hours 6.868 cents/kWh
      - Next 200 hours 2.477 cents/kWh
      - Additional hours 2.151 cents/kWh
  - Winter Period:
    - Onpeak: 8.097 cents/kWh
    - Offpeak: 1st 200 hours 7.016 cents/kWh
      - Next 200 hours 2.385 cents/kWh
      - Additional hours 2.059 cents/kWh
- Demand Charge:
  - Summer Period:
    - Onpeak: $10.36 kW
    - Max kW:$ 5.00 kW
  - Transition Period:
    - Onpeak: $9.44 kW
    - Max kW: $5.00 kW
  - Winter Period:
    - Onpeak: $9.44 kW
    - Max kW: $5.00 kW

See independent auditor's report.

Manufacturing Service Rate (SMSB) Time-of-Use (TOU)
- Customer Charge: $1,500.00
- Administrative Charge: $350.00
- Energy Charge:
  - Summer Period:
    - Onpeak: 7.412 cents/kWh
    - Offpeak: 1st 200 hours 5.034 cents/kWh
      Next 200 hours 2.209 cents/kWh
      Additional hours 1.966 cents/kWh
  - Transition Period:
    - Onpeak: 5.354 cents/kWh
    - Offpeak: 1st 200 hours 5.354 cents/kWh
      Next 200 hours 2.233 cents/kWh
      Additional hours 1.990 cents/kWh
  - Winter Period:
    - Onpeak: 6.259 cents/kWh
    - Offpeak: 1st 200 hours 5.179 cents/kWh
      Next 200 hours 2.141 cents/kWh
      Additional hours 1.898 cents/kWh
- Demand Charge:
  - Summer Period:
    - Onpeak: $9.74 kW
    - Max kW: $2.16 kW
  - Transition Period:
    - Onpeak: $8.83 kW
    - Max kW: $2.16 kW
  - Winter Period:
    - Onpeak: $8.83 kW
    - Max kW: $2.16 kW

Manufacturing Service Rate (SMSB) (5,001-15,000 kW)
- Customer Charge: $1,500.00
- Administrative Charge: $350.00
- Energy Charge: All kWh 4.038 cents/kWh
- Demand Charge: All kW $16.71

Outdoor Lighting (LS)
- Customer Charge: $3.15
- Energy Charge: 6.982 cents/kWh

Security Lights (LS) (No Customer Charge)
- Energy Charge: 6.982 cents/kWh

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2017

SERVICE RATES

Lightband Basic	$14.95
Lightband Plus	$64.10
Lightband Extra	$74.10
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)	$15.95
Lightband High Speed Internet	$38.95 - 89.95
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)	$111.10
Power Pack II - (Lightband Extra, Internet, & Phone)	$131.10
Sports Pack	$7.99

EQUIPMENT RENTAL RATES (MONTHLY)

Standard Digital Converter - All Others	$6.95
Digital HD Converter	$9.95
Digital HD/DVR Converter	$12.95
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.

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, and the related notes to the financial statements, which collectively comprise CDE's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CDE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but one other matter that is required to be reported under the State of Tennessee Audit Manual is referenced as 2017-001 in the accompanying Schedule of Findings and Questioned Costs.

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.

Crosslin, PLLC

Nashville, Tennessee
October 5, 2017

FINDINGS AND QUESTIONED COSTS REQUIRED BY THE STATE OF TENNESSEE AUDIT MANUAL

2017-001-Employee Fraud

Condition, Criteria, Cause, Questioned Costs, and Effect: During October 2016, CDE's internal control reviews noted that a jump box valued at $500 was missing from CDE Lightband's maintenance garage. CDE Lightband believed the jump box had been pawned by an employee at a local pawn shop. In addition, the same employee had used a missing gas card on two occasions to put gas in his personal vehicle.

Recommendations: We recommend that management consider further controls that could prevent further fraudulent purchases.

Views of Responsible Officials and Planned Corrective Actions: This matter has already been investigated by CDE Lightband and the police. The employee suspected of pawning the missing jump box and using the gas card on two different occasions had been brought in, informed of the findings of the investigation, and been notified that the disciplinary process, including possible termination, had begun. The employee returned the missing jump box valued at $500, paid the restitution for the gas purchases for his personal vehicle totaling approximately $85, and resigned. Since full restitution has been made and the employee resigned, CDE considers this matter to be resolved and closed.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

The Divisions had no prior year findings or questioned costs.

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