CDE LIGHTBAND

ELECTRIC DIVISION AND BROADBAND DIVISION

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2016 AND 2015

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 accompanying schedule of expenditures of federal awards and state financial assistance (also included in "Other Information") is presented for purposes of additional analysis as required by the State of Tennessee and is also not a required part of the basic financial statements.

The Schedules of Operating Revenues - Electric Division, Schedules of Operating Expenses - Electric Division, Schedules of Operating Revenues and Costs of Services - Broadband Division, Schedule of Bond Principal and Interest Maturities - Electric Division, Schedule of Note Principal and Interest Maturities - Electric Division, Schedule of Interdivisional Loan Maturities - Electric Division and Broadband Division, and the Schedule of Expenditures of Federal Awards and State Financial Assistance 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 24, 2016, 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 24, 2016
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, 2016 and 2015, as compared to fiscal years 2015 and 2014, 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 more than 63,000 customers out of approximately 68,000 customers at June 30, 2016.

The infrastructure also allows the Broadband Division to offer digital cable, high speed internet and phone services to 18,677 customers at June 30, 2016, compared to 18,203 at June 30, 2015. 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.

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 1.38% to $275.6 million in fiscal year 2016. Current assets and restricted assets decreased due primarily to spending funds on hand to rebuild a substation and construct a new SCADA center, warehouse, and drive though.

Table 1

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

ASSETS	June 30, 2016	June 30, 2015	June 30, 2014	Dollar Change	Total Percent Change
Current assets	$ 63,822,608	$ 64,522,109	$ 65,887,755	$(699,501)	(1.08)%
Restricted assets	10,998,393	13,091,311	10,824,690	(2,092,918)	(15.99)%
Capital assets (net)	175,129,762	166,499,577	160,791,871	8,630,185	5.18%
Other assets	23,500,658	25,435,862	25,981,673	(1,935,204)	(7.61)%
Deferred outflows of resources	2,149,763	2,291,506	-	(141,743)	(6.19)%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$275,601,184	$271,840,365	$263,485,989	$ 3,760,819	1.38%
LIABILITIES AND NET POSITION					
Current liabilities	$ 27,890,723	$ 28,562,586	$ 28,910,234	$(671,863)	(2.35)%
Noncurrent liabilities	14,601,186	15,750,664	15,346,592	(1,149,478)	(7.30)%
Long-term debt	76,494,945	79,626,525	79,868,111	(3,131,580)	(3.93)%
TOTAL LIABILITIES	118,986,854	123,939,775	124,124,937	(4,952,921)	(4.00)%
Net investment in capital assets	97,776,503	86,094,314	78,078,340	11,682,189	13.57%
Restricted for debt service	10,998,393	12,901,596	10,822,922	(1,903,203)	(14.75)%
Unrestricted net position	47,839,434	48,904,680	50,459,790	(1,065,246)	(2.18)%
NET POSITION	156,614,330	147,900,590	139,361,052	8,713,740	5.89%
TOTAL LIABILITIES AND NET POSITION	$275,601,184	$271,840,365	$263,485,989	$ 3,760,819	1.38%

Summaries of the Broadband Division Statements of Net Position are presented in Table 2. Current assets increased 58.56%, due largely to a higher cash balance, which is attributable to increased video service rates, as well as growth in internet subscribers. Noncurrent assets increased 18.48%, due to purchases of set top boxes. Current liabilities increased 38.70%, due to an additional $1,000,000 payment on the interdivisional loan being committed to in 2017, due to strong financial performance and cash on hand in excess of $1,000,000 through June 30, 2016. Noncurrent liabilities decreased for the same reason, as well as the normal payment on the interdivisional loan made in 2016.

Table 2

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

	June 30,				Total
ASSETS	**2016**	**2015**	**2014**	**Dollar Change**	**Percent Change**
Current assets	$7,345,645	$4,632,852	$2,798,313	$ 2,712,793	58.56%
Noncurrent assets	1,136,889	959,538	1,063,626	177,351	18.48%
TOTAL ASSETS	$8,482,534	$5,592,390	$3,861,939	$ 2,890,144	51.68%
LIABILITIES AND NET POSITION					
Current liabilities	$ 3,559,383	$ 2,566,163	$ 2,298,149	$ 993,220	38.70%
Noncurrent liabilities	15,480,811	16,872,461	17,381,249	(1,391,650)	(8.25)%
TOTAL LIABILITIES	19,040,194	19,438,624	19,679,398	(398,430)	(2.05)%
Net investment in capital assets	1,136,889	959,538	1,063,626	177,351	18.48%
Unrestricted net position	(11,694,549)	(14,805,772)	(16,881,085)	3,111,223	(21.01)%
NET POSITION	(10,557,660)	(13,846,234)	(15,817,459)	3,288,574	(23.75)%
TOTAL LIABILITIES AND NET POSITION	$ 8,482,534	$ 5,592,390	$ 3,861,939	$ 2,890,144	51.68%

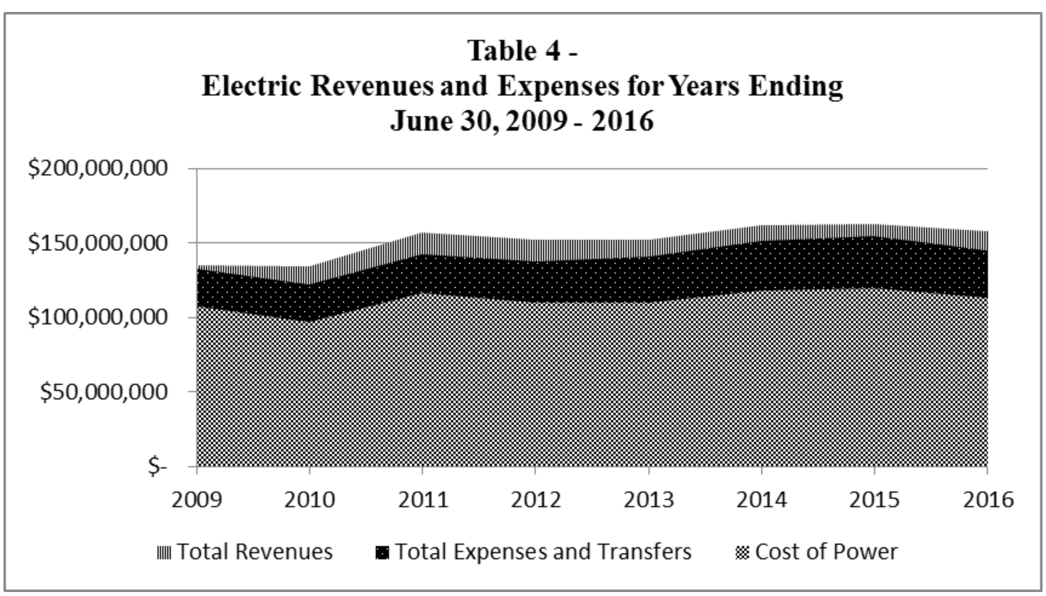
While the Statements of Net Position show the change in financial position of net position, the Statements of Revenue and Expenses and Changes in Net Position detail the nature and source of these changes. As shown in Table 3, total revenue decreased by 3.23%, with a similar decrease in total expenses of 3.80%. Revenue and expense for the Electric Division are driven primarily by electric consumption, which was down compared to 2015. Weather conditions 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,				Total Percent
	2016	2015	2014	Dollar Change	Change
Operating Revenues	**$157,782,181**	**$163,046,997**	**$162,603,188**	**$(5,264,816)**	**(3.23)%**
Cost of power	113,374,054	119,676,371	118,027,137	(6,302,317)	(5.27)%
Other operating expenses	28,766,711	27,322,021	25,850,779	1,444,690	5.29%
Non-operating expenses	2,501,770	3,357,153	3,368,033	(855,383)	(25.48)%
Total Expenses	144,642,535	150,355,545	147,245,949	(5,713,010)	(3.80)%
Transfers to other funds	4,425,906	4,151,914	3,985,097	273,992	6.60%
Changes in Net Position	**8,713,740**	**8,539,538**	**11,372,142**	**174,202**	**2.04%**
Net Position - Beginning	147,900,590	139,361,052	127,988,910	8,539,538	6.13%
Net Position - Ending	$156,614,330	$147,900,590	$139,361,052	$ 8,713,740	5.89%

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. 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 $713,416, or 3.89%, while the cost of services decreased 7.90%. This is due to the Division growing its internet subscriber base and implementing a video rate increase in January 2015 to counter the effects of rapidly increasing video programming costs in recent years. The full effect of that increase was felt in 2016. The Division lost video customers, 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
	2016	**2015**	**2014**	**Dollar Change**	**Change**
Operating Revenues	**$ 19,030,215**	**$ 18,316,799**	**$ 15,081,851**	**$ 713,416**	**3.89%**
Cost of services	9,140,246	9,924,281	8,921,421	(784,035)	(7.90)%
Network expense	1,249,521	1,086,193	1,676,079	163,328	15.04%
Other operating expenses	5,139,220	5,219,741	5,675,880	(80,521)	(1.54)%
Non-operating expenses	193,253	93,599	109,932	99,654	106.47%
Total Expenses	15,722,240	16,323,814	16,383,312	(601,574)	(3.69)%
Transfers to other funds	19,401	21,760	43,486	(2,359)	(10.84)%
Changes in Net Position	**3,288,574**	**1,971,225**	**(1,344,947)**	**1,317,349**	**66.83%**
Net Position - Beginning	(13,846,234)	(15,817,459)	(14,472,512)	1,971,225	(12.46)%
Net Position - Ending	$(10,557,660)	$(13,846,234)	$(15,817,459)	$ 3,288,574	(23.75)%

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 2016, the Electric Division had net capital assets of $175.1 million. This is an increase of 5.18% from 2015. This growth is due mainly to the Primary Substation rebuild and the construction of the new SCADA center, drive through, and warehouse. 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, 2016	June 30, 2015	June 30, 2014	Dollar Change	Total Percent Change
Transmission and distribution plant	$139,527,262	$129,712,797	$124,385,346	$ 9,814,465	7.57%
General plant	103,680,103	98,221,317	92,204,192	5,458,786	5.56%
Construction work in progress	11,140,082	11,595,237	8,696,203	(455,155)	(3.93)%
Total Plant	254,347,447	239,529,351	225,285,741	14,818,096	6.19%
Unamortized acquisition adjustment	337,975	464,146	590,317	(126,171)	(27.18)%
Less: Accumulated depreciation	79,555,660	73,493,920	65,084,187	6,061,740	8.25%
Net Capital Assets	$175,129,762	$166,499,577	$160,791,871	$ 8,630,185	5.18%

The Broadband Division had an increase in net capital assets of $177,351, due to purchases of set top boxes. Please see Table 7.

Table 7

City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Capital Assets

	June 30, 2016	June 30, 2015	June 30, 2014	Dollar Change	Total Percent Change
Operations plant	$8,052,689	$7,633,270	$7,624,821	$ 419,419	5.49%
General plant	160,869	160,869	154,142	-	-
Construction work in progress	16,800	160,569	42,109	(143,769)	(89.54)%
Total Plant	**8,230,358**	**7,954,708**	**7,821,072**	**275,650**	**3.47%**
Less: Accumulated depreciation	7,093,469	6,995,170	6,757,446	98,299	1.41%
Net Capital Assets	$1,136,889	$ 959,538	$1,063,626	$ 177,351	18.48%

LONG TERM DEBT

At the end of fiscal year 2016, the Electric Division had total principal long-term debt of $79,165,048, including current portion of $2,670,103.

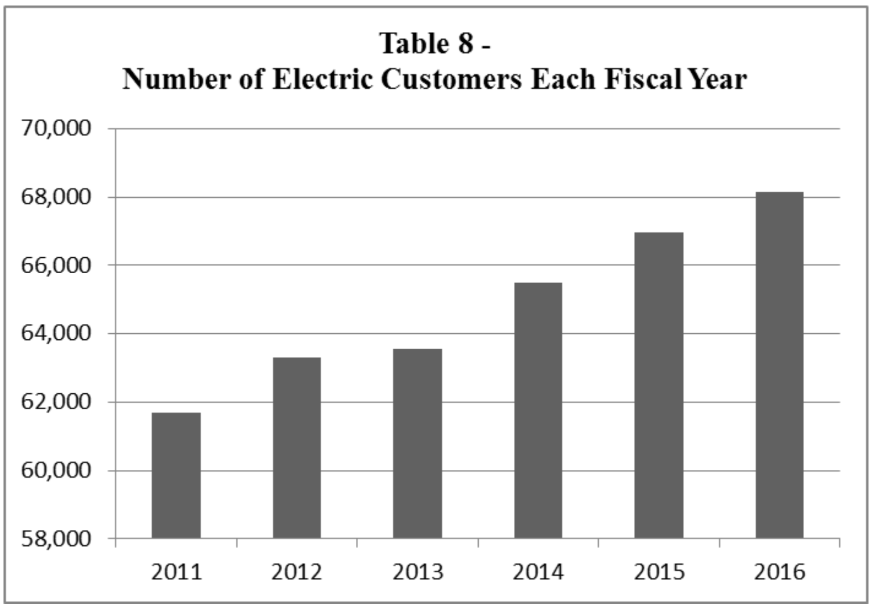
The purpose of the Series 2004 Bonds was to finance the costs of constructing improvements to the electric and distribution system, refund the outstanding Series 1993 Bonds, and construct a new facility to house the broadband operations. On January 29, 2014, these bonds were called and refunded with 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.

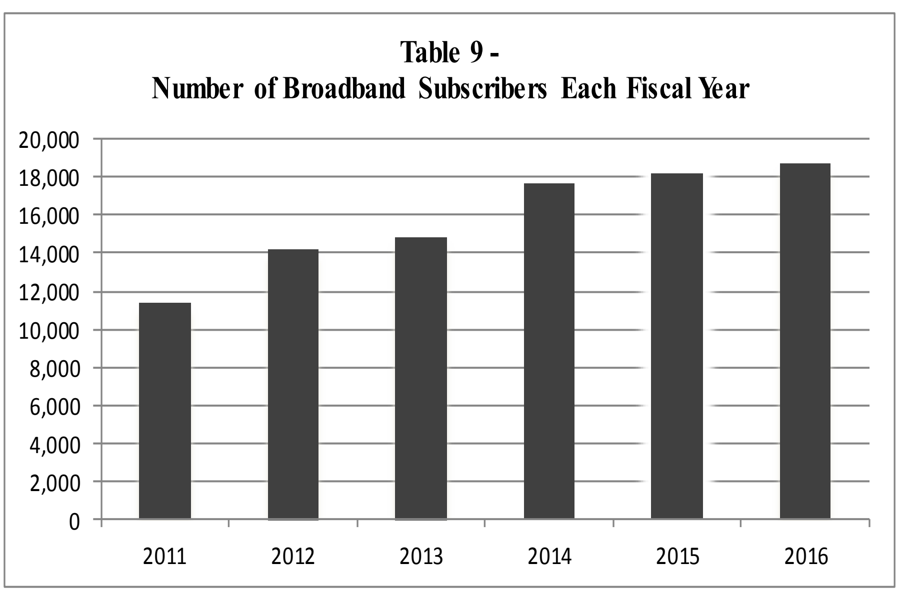
The purpose of the Series 2010 Bonds was to finance improvements to the transmission and distribution system, retire the 2009 short term bonds, and fund the debt service fund. The bonds are due in annual installments through fiscal year 2036.

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 33,670,138	$ 33,210,013
Accounts receivable	18,089,512	18,030,551
Materials and supplies	2,924,055	3,206,279
TVA prepayments and other	9,138,903	10,075,266
Total current assets	63,822,608	64,522,109
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	10,998,393	13,091,311
Total restricted assets	10,998,393	13,091,311
Capital assets - at cost:		
Electric plant in service	243,207,365	227,934,114
Construction work in progress	11,140,082	11,595,237
Total electric plant	254,347,447	239,529,351
Less: Accumulated depreciation	(79,555,660)	(73,493,920)
	174,791,787	166,035,431
Add: Unamortized plant acquisition adjustments	337,975	464,146
Net capital assets	175,129,762	166,499,577
Other assets:		
Receivables - TVA Residential Energy Services Program	6,684,623	8,113,257
Interdivisional receivable - Broadband Division	16,782,851	17,296,708
Other	33,184	25,897
Total other assets	23,500,658	25,435,862
Total noncurrent assets	209,628,813	205,026,750
TOTAL ASSETS	273,451,421	269,548,859
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts on bond refundings	2,149,763	2,291,506
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 275,601,184	$ 271,840,365

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

	2016	2015
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 21,635,105	$ 22,330,187
Current portion of long-term debt	2,670,103	2,606,098
Accrued interest	1,128,450	1,161,812
Current portion of accrued leave	639,994	573,924
Accrued wages and payroll withholdings	136,799	113,439
Other	41,924	57,817
Interdivisional temporary advances	1,638,348	1,719,309
Total current liabilities	27,890,723	28,562,586
NONCURRENT LIABILITIES:		
Long-term debt:		
Bonds payable	76,317,849	79,334,326
Notes payable	177,096	292,199
Total long-term debt	76,494,945	79,626,525
Other noncurrent liabilities:		
Customer deposits	5,907,566	5,631,632
Advances - TVA Residential Energy Services Program	6,883,300	8,315,114
Accrued leave	1,338,094	1,298,504
Other postemployment benefits	453,780	435,416
Other	18,446	69,998
Total other noncurrent liabilities	14,601,186	15,750,664
Total noncurrent liabilities	91,096,131	95,377,189
TOTAL LIABILITIES	118,986,854	123,939,775
NET POSITION:		
Net investment in capital assets	97,776,503	86,094,314
Restricted for debt service (expendable)	10,998,393	12,901,596
Unrestricted net position	47,839,434	48,904,680
Total net position	156,614,330	147,900,590
TOTAL LIABILITIES AND NET POSITION	$ 275,601,184	$ 271,840,365

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,992,026	$ 1,202,889
Accounts receivable	1,401,024	1,411,633
Interdivisional temporary advances	1,638,348	1,719,309
Interfund receivable - City General Fund	3,044	41,235
Prepaid expense	89,165	161,312
Materials and supplies	222,038	96,474
Total current assets	7,345,645	4,632,852
NONCURRENT ASSETS:		
Capital assets - at cost:		
Equipment	8,213,558	7,794,139
Construction work in progress	16,800	160,569
Total capital assets	8,230,358	7,954,708
Less: accumulated depreciation	(7,093,469)	(6,995,170)
Net capital assets	1,136,889	959,538
TOTAL ASSETS	$ 8,482,534	$ 5,592,390
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 1,293,017	$ 1,312,982
Current portion of interdivisional payable - Electric Division	1,450,000	552,889
Unearned revenue	816,366	700,292
Total current liabilities	3,559,383	2,566,163
NONCURRENT LIABILITIES:		
Interdivisional payable - Electric Division	15,332,851	16,743,819
Other postemployment benefits	140,704	120,154
Customer deposits	7,256	8,488
Total noncurrent liabilities	15,480,811	16,872,461
Total liabilities	19,040,194	19,438,624
NET POSITION:		
Net investment in capital assets	1,136,889	959,538
Unrestricted net position	(11,694,549)	(14,805,772)
Total net position	(10,557,660)	(13,846,234)
TOTAL LIABILITIES AND NET POSITION	$ 8,482,534	$ 5,592,390

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Charges for power, net	$ 152,730,465	$ 157,791,007
Other operating revenues	5,051,716	5,255,990
Total operating revenues	157,782,181	163,046,997
OPERATING EXPENSES:		
Cost of power	113,374,054	119,676,371
Distribution	3,448,177	3,178,958
Transmission	74,386	63,869
Customer accounts	3,038,872	3,031,421
Sales and customer service	564,166	418,011
Administrative and general	3,573,655	3,102,538
Maintenance	5,668,935	5,833,853
Taxes	1,774,207	1,746,266
Depreciation and amortization	10,624,313	9,947,105
Total operating expenses	142,140,765	146,998,392
Operating income	15,641,416	16,048,605
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(2,827,202)	(3,509,459)
Interest and investment earnings	319,167	154,673
Miscellaneous	6,265	(2,367)
Total non-operating expenses	(2,501,770)	(3,357,153)
Income before transfers	13,139,646	12,691,452
Transfers to other funds	4,425,906	4,151,914
INCREASE IN NET POSITION	8,713,740	8,539,538
NET POSITION - BEGINNING	147,900,590	139,361,052
NET POSITION - ENDING	$ 156,614,330	$ 147,900,590

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Charges for service	$ 17,191,964	$ 16,489,988
Other operating revenues	1,838,251	1,826,811
Total operating revenues	19,030,215	18,316,799
OPERATING EXPENSES:		
Cost of service	9,140,246	9,924,281
Network expense	1,249,521	1,086,193
Fiber rent	2,020,213	2,117,632
Equipment expense	831	228
Marketing expense	354,702	197,110
Customer service	621,490	608,046
Administrative and general	1,003,330	1,005,043
Taxes	186,055	173,396
Employee benefits	417,039	366,831
Depreciation and amortization expense	535,560	751,455
Total operating expenses	15,528,987	16,230,215
Operating income	3,501,228	2,086,584
NON-OPERATING EXPENSES:		
Interest expense	(193,253)	(93,599)
Total non-operating expenses	(193,253)	(93,599)
Income before transfers	3,307,975	1,992,985
Transfers to other funds	19,401	21,760
CHANGE IN NET POSITION	3,288,574	1,971,225
NET POSITION - BEGINNING	(13,846,234)	(15,817,459)
NET POSITION - ENDING	$ (10,557,660)	$ (13,846,234)

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 152,947,438	$ 158,842,430
Cash paid for power	(113,037,731)	(120,538,143)
Cash paid to suppliers	(5,639,230)	(6,873,003)
Cash paid to employees	(10,216,739)	(8,937,278)
Interdivisional payable	(80,961)	419,008
Other receipts	3,021,941	3,379,564
Net cash provided by operating activities	26,994,718	26,292,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Repayments from Broadband Division	513,857	304,173
Transfers to other funds	(4,425,906)	(4,151,914)
Other	6,265	(2,367)
Net cash used in noncapital financing activities	(3,905,784)	(3,850,108)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(19,254,498)	(15,654,811)
Payment of long-term debt	(2,606,098)	(2,224,108)
Proceeds from (cash used in) issuance of long-term debt, net of refundings	-	339,284
Interest paid	(3,180,298)	(3,972,022)
Net cash used in capital and related financing activities	(25,040,894)	(21,511,657)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	319,167	154,673
Principal collection on interfund receivable - City General Fund	-	74,675
Net cash provided by investing activities	319,167	229,348
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,632,793)	1,160,161
CASH AND CASH EQUIVALENTS - BEGINNING	46,301,324	45,141,163
CASH AND CASH EQUIVALENTS - ENDING	$ 44,668,531	$ 46,301,324

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

During 2016 and 2015, $461,477 and $293,273 was recorded to interest expense for amortization of bond premiums.

During 2016 and 2015, $141,743 and $59,059 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, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 15,641,416	$ 16,048,605
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	10,624,313	9,947,105
Changes in:		
Accounts receivable	(58,961)	712,928
Materials and supplies	282,224	(6,034)
Receivables - TVA Residential Energy Services Program	1,428,634	(64,840)
Advances - TVA Residential Energy Services Program	(1,431,814)	89,870
Accounts payable	(695,082)	(988,774)
Accrued expenses	129,020	148,446
Customer deposits	275,934	338,495
Prepayments	936,363	(447,708)
Other postemployment benefits	18,364	(52,299)
Interdivisional temporary advance	(80,961)	419,008
Other	(74,732)	147,776
Net cash provided by operating activities	$ 26,994,718	$ 26,292,578

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 17,317,415	$ 16,356,849
Cash paid to suppliers	(11,866,585)	(12,660,105)
Cash paid to employees	(2,955,428)	(2,759,047)
Interdivisional temporary advances	80,961	(419,008)
Other receipts	1,652,196	1,653,415
Net cash provided by operating activities	4,228,559	2,172,104
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES:		
Repayments to Electric Division	(513,857)	(304,173)
Transfers to other funds	(19,401)	(21,760)
Net cash used in noncapital financing activities	(533,258)	(325,933)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(712,911)	(647,367)
Interest paid	(193,253)	(93,599)
Net cash used in capital and related financing activities	(906,164)	(740,966)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,789,137	1,105,205
CASH AND CASH EQUIVALENTS - BEGINNING	1,202,889	97,684
CASH AND CASH EQUIVALENTS - ENDING	$ 3,992,026	$ 1,202,889
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 3,501,228	$ 2,086,584
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	535,560	751,455
Changes in:		
Accounts receivable	10,609	(270,565)
Materials and supplies	(125,564)	66,406
Prepaid assets	72,147	(64,932)
Accounts payable	(19,965)	(172,057)
Unearned revenue	116,074	137,182
Interdivisional temporary advances	80,961	(419,008)
Interfund receivable	38,191	(41,235)
Other postemployment benefits	20,550	98,030
Customer deposits	(1,232)	244
Net cash provided by operating activities	$ 4,228,559	$ 2,172,104

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 $10,799,906 and $12,901,596 at June 30, 2016 and 2015, respectively. Assets restricted for construction of plant assets were $198,487 and $189,715 at June 30, 2016 and 2015, 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 2016 or 2015. 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 $10,624,313 and $9,947,105 for the years ended June 30, 2016 and 2015, 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 $535,560 and $751,455 for the years ended June 30, 2016 and 2015, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position reports 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, 2016 and 2015.

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 $4,425,906 and $19,401, for the year ended June 30, 2016; $4,151,914 and $21,760 for the year ended June 30, 2015; 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, 2016 and 2015, respectively, were reported in the statements of net position, net of allowances of $385,215 and $280,096 in the Electric Division and $225,521 and $147,039 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, 2016 and 2015. 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,			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Tennessee Local Government Investment Pool	$59,705	$59,705	$59,567	$59,567

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, 2016 and 2015, respectively, the Electric Division's cash and other deposits, reported in the financial statements at $44,668,531 and $46,301,324, were represented by bank balances of $44,920,170 and $47,017,710, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

At June 30, 2016 and 2015, respectively, the Broadband Division's cash and other deposits, reported at $3,992,026 and $1,202,889, were represented by bank balances of $4,051,796 and $1,459,443, 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, 2016 and 2015. 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, 2015	Additions	Deletions and Transfers	Balance June 30, 2016
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	992,809	171,606	-	1,164,415
Work in progress	11,595,237	25,331,917	(25,787,072)	11,140,082
	13,421,255	25,503,523	(25,787,072)	13,137,706
GENERAL PLANT				
Structures and improvements	7,141,672	38,700	(5,000)	7,175,372
Transportation equipment	3,762,759	708,934	(38,449)	4,433,244
Communication equipment	83,684,812	5,955,248	(1,277,573)	88,362,487
Furniture and equipment	2,896,187	136,156	(59,230)	2,973,113
	97,485,430	6,839,038	(1,380,252)	102,944,216
TRANSMISSION				
Poles and fixtures	1,425,941	-	-	1,425,941
Overhead conductors and devices	627,589	-	-	627,589
	2,053,530	-	-	2,053,530
DISTRIBUTION				
Station equipment	31,847,240	6,071,552	(702,375)	37,216,417
Electric transmission systems	94,721,896	6,452,500	(2,178,818)	98,995,578
	126,569,136	12,524,052	(2,881,193)	136,211,995
TOTAL ELECTRIC PLANT IN SERVICE	239,529,351	44,866,613	(30,048,517)	254,347,447
Unamortized plant acquisition adjustments	464,146	-	(126,171)	337,975
TOTAL ELECTRIC PLANT	$239,993,497	$44,866,613	$(30,174,688)	$254,685,422

The estimated costs to complete Electric Division work in progress are approximately $1,400,000.

4. CAPITAL ASSETS - Continued

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

	Balance July 1, 2015	Additions	Deletions and Transfers	Balance June 30, 2016
GENERAL PLANT				
Structures and improvements	$ 2,951,676	$ 214,250	$(5,000)	$ 3,160,926
Transportation equipment	2,192,541	311,891	(44,535)	2,459,897
Communication equipment	22,257,867	4,802,050	(1,284,058)	25,775,859
Furniture and equipment	1,452,749	185,819	(59,229)	1,579,339
	28,854,833	5,514,010	(1,392,822)	32,976,021
TRANSMISSION				
Poles and fixtures	952,791	39,213	-	992,004
Overhead conductors and devices	579,337	15,690	-	595,027
	1,532,128	54,903	-	1,587,031
DISTRIBUTION				
Station equipment	10,518,114	955,180	(822,375)	10,650,919
Electric transmission systems	32,588,845	4,285,940	(2,533,096)	34,341,689
	43,106,959	5,241,120	(3,355,471)	44,992,608
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	$73,493,920	$10,810,033	$(4,748,293)	$79,555,660

4. CAPITAL ASSETS - Continued

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

	Balance July 1, 2015	Additions	Deletions and Transfers	Balance June 30, 2016
Circuit equipment	$3,363,298	$ 471,464	$ -	$3,834,762
Operation systems	503,484	-	-	503,484
Radio systems	118,049	-	-	118,049
Station apparatus	3,591,771	396,156	(448,201)	3,539,726
Other equipment	56,668	-	-	56,668
Office equipment	63,632	-	-	63,632
Motor vehicles	97,237	-	-	97,237
Work in progress	160,569	252,386	(396,155)	16,800
TOTAL CAPITAL ASSETS	$7,954,708	$1,120,006	$(844,356)	$8,230,358
TOTAL ACCUMULATED DEPRECIATION	$6,995,170	$ 644,799	$(546,500)	$7,093,469

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, 2016 and 2015, are timing differences.

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION

Changes in the interdivisional payable/receivable account for the years ended June 30, 2016 and 2015 were as follows:

	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

	Balance July 1, 2014	Loan Draws	Loan Repayments	Changes in Current Receivable /Payable	Balance June 30, 2015
Interdivisional Receivable/ Payable	$17,600,881	$ -	$(250,000)	$(54,173)	$17,296,708

The interdivisional payable represents allocated expenses and cash borrowed by the Broadband Division from the Electric Division plus accrued interest. The rate of interest is the highest interest rate earned by the Electric Division on deposited funds in the previous month. This rate of interest was 1.25% and 0.50% at June 30, 2016 and 2015, respectively.

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

- *2007 Loan -* The aggregate amount of this interdivisional loan may not exceed $16,000,000. Interest on the outstanding loan balance accrues monthly at the highest rate then being earned by the Electric Division on its investments, as required by Tennessee law. Repayment of this loan began during fiscal year 2013, when, according to the Broadband Division's first business plan, the Division would generate positive cash flows. Per the new agreement with TVA signed on March 20, 2014, CDE was not required to make a loan repayment during fiscal year 2014 so that the Broadband Division could build their cash reserves to $1,000,000. In addition, the previous loan repayment schedule was amended. The new repayment schedule calls for annual interest payments (based on the outstanding balance of the loan) and principal payments ranging in amount from $450,000 in fiscal year 2017 to $800,000 in fiscal year 2035. Further, the new agreement stipulates that the Broadband Division will apply any cash amount over and above the $1,000,000 reserve noted previously towards payment on

6. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION - Continued

the loan principal each year. The cash balance for the Broadband Division as of June 30, 2016 was $3,992,026. Therefore, per the terms of the new agreement, an additional $1,000,000 will be paid towards the loan principal during fiscal year 2017 for a total payment of $1,450,000. Repayment of any cash amount over and above the $1,000,000 reserve threshold is capped at $1,000,000. The balance of this loan was $14,197,111 and $14,750,000 at June 30, 2016 and 2015, 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 $2,585,740 and $2,546,708 at June 30, 2016 and 2015, respectively.

7. ACCUMULATED VACATION AND SICK LEAVE

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

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

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

7. ACCUMULATED VACATION AND SICK LEAVE - Continued

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 employees next anniversary date, any time beyond 200 hours shall be forfeited. Time must be approved and scheduled according to policy.

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

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

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

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

	2016	2015
Current portion	$ 639,994	$ 573,924
Noncurrent portion	1,338,094	1,298,504
Totals	$1,978,088	$1,872,428

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, 2015 and 2014, there were no forfeitures.

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%.

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, 2016 and 2015.

	June 30,	
	2016	2015
CONTRIBUTIONS		
Employer contributions	$ 230,300	$ 223,897
Employer progress sharing contributions	498,104	477,393
Employee contributions	385,781	351,105
Totals	$1,114,185	$1,052,395

The Plan is audited on a calendar year basis and the market value of the Plan assets as of December 31, 2015 and 2014 is as follows:

Totals	$12,143,651	$12,001,485

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. Eight and ten retired employees were covered for medical insurance at June 30, 2016 and 2015, respectively.

The Divisions account for other post-employment 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.

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 Division’s annual medical insurance OPEB cost for the year, the amount actually contributed to the plan, and changes in the Division’s net OPEB obligation:

	Year Ending June 30,	
	2016	2015
Normal cost	$ 62,317	$ 60,502
30 year amortization of accrued liability	21,870	19,856
Interest on net OPEB obligation	16,667	15,295
Annual OPEB expense	100,854	95,653
Contribution made	(61,940)	(49,922)
Increase in net OPEB obligation	38,914	45,731
Net OPEB obligation - beginning	555,570	509,839
Net OPEB obligation - ending	$ 594,484	$ 555,570
Electric Division	$ 453,780	$ 435,416
Broadband Division	140,704	120,154
Total	$ 594,484	$ 555,570

9. OTHER POSTEMPLOYMENT BENEFITS - Continued

The Electric Division's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2016, 2015, and 2014 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$100,854	61.42%	$594,484
2015	95,653	52.19%	555,570
2014	118,989	31.39%	509,839

As of June 30, 2015, the most recent actuarial valuation date, the plan was unfunded. The estimated actuarial accrued liability for benefits as of June 30, 2016, was $943,548 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability ("UAAL") of approximately $943,548. The covered payroll (annual payroll of active employees covered by the plan) was $9,607,199, the ratio of the UAAL to the covered payroll was 9.82 percent. The annual required contribution ("ARC") was 1.05% 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, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumption for medical insurance included an annual healthcare cost trend rate of 4.0 percent initially, reduced by 0.25 percent until 2.0 percent is reached. This rate includes a 2.0 percent inflation assumption.

The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2016, is thirty years.

10. LONG-TERM DEBT

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

NOTES PAYABLE

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

Description	Balance June 30, 2014	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2015
CEMC Note payable	$ 522,405	$ -	$(84,108)	$ -	$ -	$ 438,297
Total notes payable	522,405	$ -	$(84,108)	$ -	$ -	438,297
Less current portion	(115,103)					(146,098)
Total	$ 407,302					$ 292,199

BONDS PAYABLE

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

Series Description	Balance June 30, 2014	New Borrowings	Principal Payments	Refundings	Amortization	Balance June 30, 2015
Series 2007 Bonds	$ 47,540,000	$ -	$(1,605,000)	$(40,680,000)	$ -	$ 5,255,000
Series 2010A Bonds	27,615,000	-	(250,000)	-	-	27,365,000
Series 2014 Bonds	3,215,000		(285,000)	-	-	2,930,000
Series 2015 Bonds	-	38,545,000	-	-	-	38,545,000
Bonds payable	78,370,000	38,545,000	(2,140,000)	(40,680,000)	-	74,095,000
Plus unamortized bond premium	3,230,809	6,776,459	-	(2,010,669)	(297,273)	7,699,326
	81,600,809	$45,321,459	$(2,140,000)	$(42,690,669)	$(297,273)	81,794,326
Less current portion	(2,140,000)					(2,460,000)
	$ 79,460,809					$ 79,334,326

10. LONG-TERM DEBT - Continued

The note payable to CEMC is due in annual installments of \$115,103 to \$30,998 between June 2017 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 annual installments of \$1,750,000 to \$1,825,000 between September 1, 2016 and 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 \$265,000 to \$5,685,000 between September 1, 2016 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, 2016 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 \$240,000 to \$3,000,000 between September 1, 2016 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:

Fiscal Year Ending Year Ended June 30,	Bonds Payable	Note Payable	Total Principal	Total Interest
2017	$ 2,555,000	$115,103	$ 2,670,103	$ 3,082,226
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	30,998	2,850,998	2,814,719
2021	2,910,000	-	2,910,000	2,723,763
2022 - 2026	16,100,000	-	16,100,000	12,184,075
2027 - 2031	20,400,000	-	20,400,000	8,019,250
2032 - 2036	21,470,000	-	21,470,000	3,057,000
Totals	$71,635,000	$292,199	$71,927,199	$37,764,183

Total interest costs incurred and charged to the Electric Division were $2,827,202 and $3,509,459 during 2016 and 2015, respectively. Interest costs of $-0- were capitalized by the Electric Division during both 2016 and 2015. 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 $193,253 and $93,599 during the fiscal years ended June 30, 2016 and 2015, respectively. Interdivisional interest income/expense was $193,253 and $93,599 during the fiscal years ended June 30, 2016 and 2015, respectively.

11. OTHER NONCURRENT LIABILITIES

Electric Division:

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

Other Noncurrent Liabilities Description	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Customer deposits	$ 5,293,137	$2,260,720	$(1,922,225)	$ 5,631,632
TVA - RES program	8,225,244	2,583,921	(2,494,051)	8,315,114
Accrued leave	1,185,080	201,750	(88,326)	1,298,504
Other postemployment benefits	487,715	78,002	(130,301)	435,416
Other	155,416	68,850	(154,268)	69,998
	$15,346,592	$5,193,243	$(4,789,171)	$15,750,664

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, 2016 and 2015, allocated infrastructure costs were as follows:

	June 30, 2016			June 30, 2015		
	Unit Costs	Annual Broadband Units	Allocated Costs	Unit Costs	Annual Broadband Units	Allocated Costs
Depreciation	$2.84	329,025	$ 934,431	$2.84	344,891	$ 979,490
Interest	2.04	329,025	671,211	2.04	344,891	703,578
Taxes	0.78	329,025	256,639	0.78	344,891	269,015
Pole Attachment	0.48	329,025	157,932	0.48	344,891	165,549
Totals	$6.14		$2,020,213	$6.14		$2,117,632

During the 2008 fiscal year, the Broadband Division began "renting" an office building from the Electric Division for Broadband operations. During the 2016 and 2015 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 2016 and 2015 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, 2016 and 2015.

At June 30, 2016 and 2015, the Electric Division owed the Broadband Division $1,638,348 and $1,719,309, 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]
6/30/2016	$ -	$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%
6/30/2014	-	860,481	860,481	0.00%	8,754,533	9.83%

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, 2015
Actuarial Cost Methods	Projected Unit Credit Method
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	4.0%; 2.0% ultimate
Mortality Assumptions	SOA RP-2014 Total Data Set with fully generational projection using Scale MP-2014

CLARKSVILLE POWER BOARD

Kim McMillan, Ex-Officio

Sally Castleman

Ron Jackson

Leo Millan

Bill Powers

Wayne Wilkinson

SUPERINTENDENT

Brian Taylor

CHIEF FINANCIAL OFFICER

David Johns

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING REVENUES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Charges for power:		
Residential	$ 88,041,475	$ 93,408,521
Small commercial	15,751,602	16,173,737
Large commercial	46,281,260	45,594,659
Street and outdoor lights	1,718,966	1,746,370
Forfeited discounts	1,254,402	1,396,832
Uncollected accounts	(317,240)	(529,112)
Total charges for power	152,730,465	157,791,007
Other operating revenues:		
Rent	3,386,116	3,223,016
Billing fees	(1,556)	398,034
Miscellaneous	1,667,156	1,634,940
Total other operating revenues	5,051,716	5,255,990
TOTAL OPERATING REVENUES	$ 157,782,181	$ 163,046,997

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING EXPENSES:		
Cost of power	$ 113,374,054	$ 119,676,371
Distribution:		
Supervision and engineering	179,955	167,501
Station expense	272,250	297,557
Overhead lines	1,107,895	1,126,178
Underground lines	225,022	166,431
Meters	797,602	638,872
Rents	101,128	118,676
Miscellaneous	764,325	663,743
Total	3,448,177	3,178,958
Transmission:		
Station expense	74,386	63,869
Total	74,386	63,869
Customer Accounts:		
Meter reading	615,436	622,482
Customer records and collection	2,423,436	2,408,939
Total	3,038,872	3,031,421
Sales and Customer Service:		
Supervision	69,353	67,763
Customer assistance	232,605	211,017
Advertising	260,170	140,231
Miscellaneous	2,038	(1,000)
Total	564,166	418,011

	2016	2015
OPERATING EXPENSES (continued)		
Administration and General:		
Salaries	753,065	659,760
Office supplies and expenses	593,911	477,970
Outside service	97,053	74,128
Property insurance	226,284	231,369
Injuries and damages	376,695	362,477
Employee pensions and benefits	1,462,105	1,221,106
Miscellaneous	64,542	75,728
Total	3,573,655	3,102,538
Maintenance:		
Supervision and engineering	32,918	29,359
Station equipment	243,608	224,429
Overhead lines	2,456,617	3,393,324
Underground lines	185,566	168,566
Line transformers	13,768	26,992
Meters	309,638	306,508
Security lights	68,272	64,776
General plant	2,358,548	1,619,899
Total	5,668,935	5,833,853
Taxes:		
Advalorem (in lieu of taxes)	1,291,891	1,285,447
Payroll	482,316	460,819
Total	1,774,207	1,746,266
Depreciation and amortization	10,624,313	9,947,105
TOTAL OPERATING EXPENSES	$ 142,140,765	$ 146,998,392

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULES OF OPERATING REVENUES AND COSTS OF SERVICES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Charges for services:		
Charges for video services	$ 5,578,699	$ 5,980,878
Charges for internet services	9,914,420	8,634,893
Charges for telephone services	1,804,080	1,826,648
Charges for installations	177,208	290,798
Uncollected accounts	(282,443)	(243,229)
Total charges for services	17,191,964	16,489,988
Other operating revenues:		
Rent	1,310,019	1,322,757
Other charges	528,232	504,054
Total other operating revenues	1,838,251	1,826,811
TOTAL OPERATING REVENUES	$ 19,030,215	$ 18,316,799
COSTS OF SERVICES:		
Costs of video services	$ 6,383,699	$ 7,253,674
Costs of internet services	605,925	492,459
Costs of telephone services	853,076	829,654
Costs of installations	1,297,546	1,348,494
TOTAL COSTS OF SERVICES	$ 9,140,246	$ 9,924,281

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2016

Year Ending	2007 Series		2010 Series A		2014 Series		2015 Series		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,750,000	$ 110,188	$ 265,000	$ 1,305,213	$ 300,000	$ 68,075	$ 240,000	$ 1,598,750	$ 2,555,000	$ 3,082,226
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
	$ 3,575,000	$ 146,688	$ 27,110,000	$ 20,744,732	$ 2,640,000	$ 304,838	$ 38,310,000	$ 16,567,925	$ 71,635,000	$ 37,764,183

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF NOTE PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2016

	CEMC Annexation Note
Years Ending June 30,	Principal
2017	$ 115,103
2018	115,103
2019	30,995
2020	30,998
Totals	$ 292,199

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF INTERDIVISIONAL LOAN MATURITIES
JUNE 30, 2016

Year Ending	2007 Loan		2009 Loan		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 1,450,000	$ 177,464	$ -	$ 32,322	$ 1,450,000	$ 209,786
2018	550,000	159,339	-	32,322	550,000	191,661
2019	650,000	152,464	-	32,322	650,000	184,786
2020	750,000	144,339	-	32,322	750,000	176,661
2021	800,000	134,964	-	32,322	800,000	167,286
2022	800,000	124,964	-	32,322	800,000	157,286
2023	800,000	114,964	-	32,322	800,000	147,286
2024	800,000	104,964	-	32,322	800,000	137,286
2025	800,000	94,964	-	32,322	800,000	127,286
2026	800,000	84,964	-	32,322	800,000	117,286
2027	800,000	74,964	-	32,322	800,000	107,286
2028	800,000	64,964	-	32,322	800,000	97,286
2029	800,000	54,964	-	32,322	800,000	87,286
2030	800,000	44,964	-	32,322	800,000	77,286
2031	800,000	34,964	-	32,322	800,000	67,286
2032	800,000	24,964	-	32,322	800,000	57,286
2033	800,000	14,964	-	32,322	800,000	47,286
2034	397,111	4,964	-	32,322	397,111	37,286
2035	-	-	-	32,322	-	32,322
2036	-	-	800,000	32,322	800,000	32,322
2037	-	-	800,000	22,322	800,000	22,322
2038	-	-	985,740	12,322	985,740	12,322
	$ 14,197,111	$ 1,613,100	$ 2,585,740	$ 681,079	$ 16,782,851	$ 2,294,178

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULES OF STATISTICAL DATA (UNAUDITED)
JUNE 30, 2016 AND 2015

	2016	2015	Increase (Decrease)
Number of electric customers:			
Residential	60,290	59,023	1,267
Commercial	6,688	6,754	(66)
Industrial	749	750	(1)
Public lighting	420	425	(5)
Total number of electric customers	68,147	66,952	1,195
Security lights	5,014	5,018	(4)
Number of kilowatt-hours purchased:			
Sales	1,487,849,968	1,541,523,635	(53,673,667)
Loss	50,792,573	60,836,926	(10,044,353)
Purchased for own use	2,178,825	1,418,781	760,044
Total number of kilowatt-hours purchased	1,540,821,366	1,603,779,342	(62,957,976)
Percent loss	3.30%	3.79%	-0.49%

	2016	2015	Increase (Decrease)
Number of broadband customers:			
Residential	17,264	16,931	333
Commercial	1,413	1,272	141
Total number of broadband customers	18,677	18,203	474

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2016

Residential Rates (RS)
Customer Charge: $18.16
Energy Charge: 9.502 cents/Kilowatthour (kWh)

General Power Rate (GSA1) (Not to exceed 50 kW or 15,000 kWh)
Customer Charge #1 0-500 kWh $22.34
Customer Charge #2 > 500 kWh $30.34
Energy Charge: 10.743 cents/kWh

General Power Rate (GSA2) (Greater than 50 kW up to 1,000 kW or greater than 15,000 kWh)
Customer Charge: $141.11
Energy Charge: 0-15,000 kWh 10.721 cents/kWh
All additional kWh 6.371 cents/kWh
Demand Charge: 0-50 kW No charge
51-1,000 kW $13.87 per kW

General Power Rate (GSA3) (1,001-5,000 kW)
Customer Charge: $342.23
Energy Charge: All kWh 6.759 cents/kWh
Demand Charge: 0-1,000 kW $13.02 per kW
1,001-5,000 kW $13.02 per kW

General Power Rate (SGSB) Time-of-Use (TOU)
Customer Charge: $1,500.00
Administrative Charge: $350.00
Energy Charge:
Summer Period:
Onpeak: 8.946 cents/kWh
Offpeak: 1st 200 hours 6.622 cents/kWh
Next 200 hours 2.306 cents/kWh
Additional hours 1.989 cents/kWh
Transition Period:
Onpeak: 6.449 cents/kWh
Offpeak: 1st 200 hours 6.449 cents/kWh
Next 200 hours 2.161 cents/kWh
Additional hours 1.844 cents/kWh
Winter Period:
Onpeak: 7.840 cents/kWh
Offpeak: 1st 200 hours 6.785 cents/kWh
Next 200 hours 2.261 cents/kWh
Additional hours 1.944 cents/kWh
Demand Charge:
Summer Period:
Onpeak: $10.12 kW
Max kW:$ 4.92 kW
Transition Period:
Onpeak: $9.22 kW
Max kW: $4.92 kW
Winter Period:
Onpeak: $9.22 kW
Max kW: $4.92 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: 7.150 cents/kWh
    - Offpeak: 1st 200 hours 4.827 cents/kWh
      Next 200 hours 2.069 cents/kWh
      Additional hours 1.831 cents/kWh
  - Transition Period:
    - Onpeak: 4.971 cents/kWh
    - Offpeak: 1st 200 hours 4.971 cents/kWh
      Next 200 hours 1.924 cents/kWh
      Additional hours 1.686 cents/kWh
  - Winter Period:
    - Onpeak: 6.045 cents/kWh
    - Offpeak: 1st 200 hours 4.990 cents/kWh
      Next 200 hours 2.024 cents/kWh
      Additional hours 1.786 cents/kWh
- Demand Charge:
  - Summer Period:
    - Onpeak: $9.52 kW
    - Max kW: $2.14 kW
  - Transition Period:
    - Onpeak: $8.63 kW
    - Max kW: $2.14 kW
  - Winter Period:
    - Onpeak: $8.63 kW
    - Max kW: $2.14 kW

Manufacturing Service Rate (SMSB) (5,001-15,000 kW)
- Customer Charge: $1,500.00
- Administrative Charge: $350.00
- Energy Charge: All kWh 3.854 cents/kWh
- Demand Charge: All kW $16.35

Outdoor Lighting (LS)
- Customer Charge: $3.15
- Energy Charge: 6.716 cents/kWh

Security Lights (LS) (No Customer Charge)
- Energy Charge: 6.716 cents/kWh

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2016

SERVICE RATES

Lightband Basic	$14.95
Lightband Plus	$59.10
Lightband Extra	$69.10
HBO	$15.95
Cinemax	$14.95
HBO/Cinemax Channels (all 10 screens)	$24.95
Starz/Encore Channels (all 10 screens)	$14.95
Showtime/TMC (all 8 screens)	$14.95
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)	$106.10
Power Pack II - (Lightband Extra, Internet, & Phone)	$126.10
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.

CDE LIGHTBAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor	Federal CFDA Number	Grant/Contract Number	Accrued Balance June 30, 2015	Cash Receipts	Expenditures and Adjustments	Accrued Balance June 30, 2016
FEDERAL AWARDS:						
US DEPARTMENT OF HOMELAND SECURITY						
Federal Emergency Management Agency ("FEMA") / Passed through Tennessee Department of Military	97.036	PA-04-TN-1974-State-0026(27)	$ 426,700	$ 504,840	$ 78,140	$ -
TOTAL FEDERAL AWARDS			$ 426,700	$ 504,840	$ 78,140	$ -

See notes to schedule of expenditures of federal awards and state financial assistance and independent auditor's report.

CDE LIGHTBAND ELECTRIC DIVISION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of CDE Lightband under programs of the federal and state governments for the year ended June 30, 2016. The schedule is presented using the accrual basis of accounting.

2. COMPLIANCE AUDIT SCOPE

Audit procedures on compliance requirements applicable to each major program and internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance")* are performed, when applicable, as part of the Single Audit of the City of Clarksville, Tennessee. These procedures encompass funds accounted for in the City's governmental and enterprise funds, including CDE Lightband's Electric Division and Broadband Division. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance has been provided only to comply with State of Tennessee reporting requirements. The audit Report on Compliance for Each Major Program and on Internal Controls Over Compliance Required by the Uniform Guidance will be issued in conjunction with the audit of the City of Clarksville and will encompass federal/state funds received by CDE Lightband, as applicable.

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, 2016, and the related notes to the financial statements, which collectively comprise CDE's basic financial statements, and have issued our report thereon dated October 24, 2016.

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.

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Compliance and Other Matters

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

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
October 24, 2016

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

There were no prior findings reported.