

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2014 AND 2013

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION

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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, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Electric Division and Broadband Division of CDE Lightband as of June 30, 2014 and 2013, 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, 2014 and 2013, 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 November 25, 2014, 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 + Associates, P.C.

November 25, 2014
Nashville, Tennessee

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

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, 2014 and 2013, as compared to fiscal years 2013 and 2012, respectively. This discussion and analysis includes information regarding the Electric Division and the recently formed 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 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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

GENERAL HIGHLIGHTS

The financial statements of each Division include activities from electric operations and recently formed 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 have been 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 49,000 customers at June 30, 2014, compared to more than 42,000 customers at June 30, 2013.

The infrastructure also allows the Broadband Division to offer digital cable, high speed internet and phone services to 17,643 customers at June 30, 2014, compared to 14,855 at June 30, 2013. The Broadband Division uses the fiber infrastructure upon the payment of a monthly use charge to the Electric Division equal to the portion of the cost allocable to the Broadband Division based on the number of services provided.

The Electric Division has loaned the Broadband Division just under \$18 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.

In October 2009, the Electric Division implemented a retail rate increase of five percent. This had the intended consequence of improving operating income and strengthening cash position and cash inflows through fiscal years 2014 and 2013.

STATEMENTS OF 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, 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 were \$251.7 million in fiscal year 2013 and increased 4.69% to \$263.5 million in fiscal year 2014. Current assets decreased slightly due primarily to timing of setting aside money for debt service. Restricted assets increased 33.88% for the same reason.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

Table 1

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

ASSETS	June 30,			Dollar Change	Total Percent Change
	2014	2013	2012		
Current assets	\$ 65,887,755	\$ 66,305,878	\$ 56,675,578	\$(418,123)	(0.63)%
Restricted assets	10,824,690	8,085,229	14,879,107	2,739,461	33.88%
Capital assets (net)	160,791,871	152,214,300	147,000,442	8,577,571	5.64%
Other assets	<u>25,981,673</u>	<u>25,086,157</u>	<u>24,547,644</u>	<u>895,516</u>	<u>3.57%</u>
TOTAL ASSETS	<u>\$263,485,989</u>	<u>\$251,691,564</u>	<u>\$243,102,771</u>	<u>\$ 11,794,425</u>	<u>4.69%</u>
LIABILITIES AND NET POSITION					
Current liabilities	\$ 28,910,234	\$ 27,435,095	\$ 28,478,097	\$ 1,475,139	5.38%
Noncurrent liabilities	15,346,592	13,884,068	12,902,197	1,462,524	10.53%
Long-term debt	<u>79,868,111</u>	<u>82,383,491</u>	<u>84,720,952</u>	<u>(2,515,380)</u>	<u>(3.05)%</u>
TOTAL LIABILITIES	<u>124,124,937</u>	<u>123,702,654</u>	<u>126,101,246</u>	<u>422,283</u>	<u>0.34%</u>
Net investment in capital assets	78,078,340	66,944,219	63,572,631	11,134,121	16.63%
Restricted for debt service	10,822,922	6,739,353	10,608,505	4,083,569	60.59%
Unrestricted net position	<u>50,459,790</u>	<u>54,305,338</u>	<u>42,820,389</u>	<u>(3,845,548)</u>	<u>(7.08)%</u>
NET POSITION	<u>139,361,052</u>	<u>127,988,910</u>	<u>117,001,525</u>	<u>11,372,142</u>	<u>8.89%</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$263,485,989</u>	<u>\$251,691,564</u>	<u>\$243,102,771</u>	<u>\$ 11,794,425</u>	<u>4.69%</u>

Summaries of the Broadband Division Statements of Net Position are presented in Table 2. Current assets decreased 24.99%, as a result of less cash on hand, which is attributable to current payments of cost allocations of the Broadband Division from the Electric Division. Noncurrent assets decreased 47.70%, even though capital assets increased by \$206,465. This is due to the Broadband Division recognizing depreciation on a larger balance in capital assets while controlling current spending on set top boxes. Total liabilities increased only 0.33%, due primarily to the Broadband Division paying for its monthly cost allocations, rather than increasing the interdivisional loan.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

Table 2

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

ASSETS	<u>June 30,</u>			<u>Dollar Change</u>	<u>Total Percent Change</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Current assets	\$2,798,313	\$3,108,832	\$3,570,661	\$(310,519)	(9.99)%
Noncurrent assets	<u>1,063,626</u>	<u>2,033,508</u>	<u>2,778,526</u>	<u>(969,882)</u>	<u>(47.70)%</u>
TOTAL ASSETS	<u>\$3,861,939</u>	<u>\$5,142,340</u>	<u>\$6,349,187</u>	<u>\$(1,280,401)</u>	<u>(24.90)%</u>
LIABILITIES AND NET POSITION					
Current liabilities	\$ 2,298,149	\$ 3,095,695	\$ 2,780,516	\$(797,546)	(25.76)%
Noncurrent liabilities	<u>17,381,249</u>	<u>16,519,157</u>	<u>16,720,124</u>	<u>862,092</u>	<u>5.22%</u>
TOTAL LIABILITIES	<u>19,679,398</u>	<u>19,614,852</u>	<u>19,500,640</u>	<u>64,546</u>	<u>0.33%</u>
Net investment in capital assets	1,063,626	2,033,508	2,778,526	(969,882)	(47.70)%
Unrestricted net position	<u>(16,881,085)</u>	<u>(16,506,020)</u>	<u>(15,929,979)</u>	<u>(375,065)</u>	<u>2.27%</u>
NET POSITION	<u>(15,817,459)</u>	<u>(14,472,512)</u>	<u>(13,151,453)</u>	<u>(1,344,947)</u>	<u>9.29%</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,861,939</u>	<u>\$ 5,142,340</u>	<u>\$ 6,349,187</u>	<u>\$(1,280,401)</u>	<u>(24.90)%</u>

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 increased by 6.90%, with a similar increase in cost of power of 7.44%. Revenue for the Electric Division is generated primarily by electric consumption. Weather conditions have a significant effect on revenue since heating and air conditioning account for the majority of electric consumption.

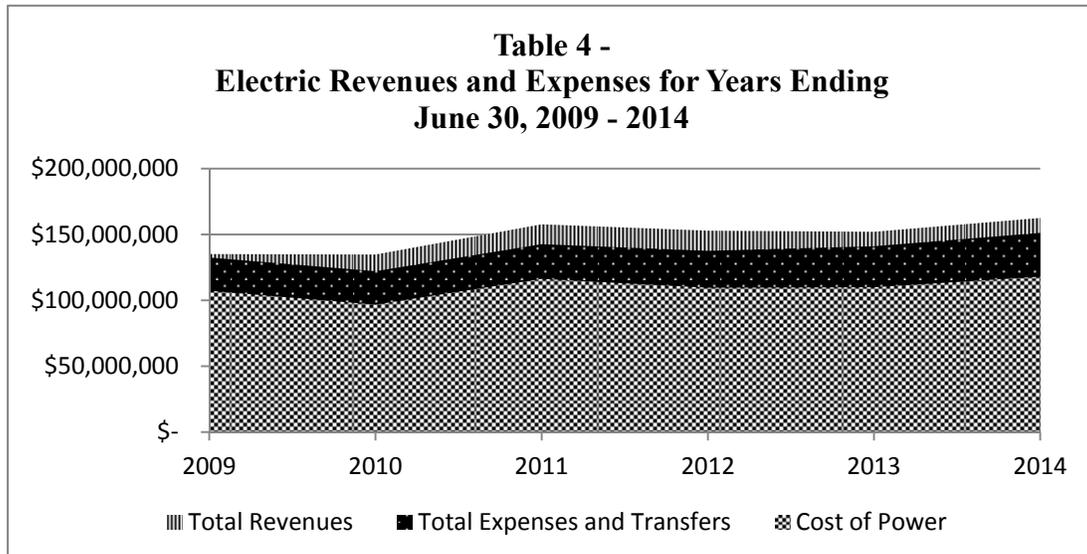
CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

Table 3

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

	<u>Year Ended June 30,</u>			<u>Dollar Change</u>	<u>Total Percent Change</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Operating Revenues	\$162,603,188	\$152,108,989	\$152,858,073	\$10,494,199	6.90%
Cost of power	118,027,137	109,852,732	109,576,993	8,174,405	7.44%
Other operating expenses	25,850,779	24,098,901	21,478,295	1,751,878	7.27%
Non-operating expenses	<u>3,368,033</u>	<u>3,304,431</u>	<u>3,199,197</u>	<u>63,602</u>	<u>1.92%</u>
Total Expenses	<u>147,245,949</u>	<u>137,256,064</u>	<u>134,254,485</u>	<u>9,989,885</u>	<u>7.28%</u>
Transfers to other funds	<u>3,985,097</u>	<u>3,865,540</u>	<u>3,236,653</u>	<u>119,557</u>	<u>3.09%</u>
Changes in Net Position	11,372,142	10,987,385	15,366,935	384,757	3.50%
Net Position - Beginning	<u>127,988,910</u>	<u>117,001,525</u>	<u>101,634,590</u>	<u>10,987,385</u>	<u>9.39%</u>
Net Position - Ending	<u>\$139,361,052</u>	<u>\$127,988,910</u>	<u>\$117,001,525</u>	<u>\$11,372,142</u>	<u>8.89%</u>

Being an electric power distributor, operating revenues will increase directly in relationship to the cost of purchased power, when fuel cost adjustments are passed through directly. The 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. The positive effects of these increases can be seen in Table 4 below.



CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

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 \$1.1 million, or 8.17%, while the cost of services and total expenses only increased 11.80% and 7.84%, respectively. This is due to the Division growing its subscriber base and keeping its fixed costs under control such as the applicable share of rental of the fiber optics and electronics, administrative and general salaries, overheads, and related expenses. The one cost that grew at a greater pace than did revenue is the cost of services. This is due to programming costs growing at a faster rate than expected.

Table 5

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

	<u>Year Ended June 30,</u>			<u>Dollar Change</u>	<u>Total Percent Change</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Operating Revenues	\$ 15,081,851	\$ 13,943,243	\$ 12,060,459	\$ 1,138,608	8.17%
Cost of services	8,921,421	7,979,519	7,053,859	941,902	11.80%
Network expense	1,676,079	1,763,850	1,255,905	(87,771)	(4.98)%
Other operating expenses	5,675,880	5,245,522	4,741,408	430,358	8.20%
Non-operating expenses	<u>109,932</u>	<u>203,789</u>	<u>298,366</u>	<u>(93,857)</u>	<u>(46.06)%</u>
Total Expenses	<u>16,383,312</u>	<u>15,192,680</u>	<u>13,349,538</u>	<u>1,190,632</u>	<u>7.84%</u>
Transfers to other funds	<u>43,486</u>	<u>71,622</u>	<u>53,257</u>	<u>(28,136)</u>	<u>(39.28)%</u>
Changes in Net Position	(1,344,947)	(1,321,059)	(1,342,336)	(23,888)	1.81%
Net Position - Beginning	<u>(14,472,512)</u>	<u>(13,151,453)</u>	<u>(11,809,117)</u>	<u>(1,321,059)</u>	<u>10.04%</u>
Net Position - Ending	<u>\$(15,817,459)</u>	<u>\$(14,472,512)</u>	<u>\$(13,151,453)</u>	<u>\$(1,344,947)</u>	<u>9.29%</u>

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; therefore it is not subject to U. S. generally accepted accounting principles. The budget is not an official financial statement and is not shown in the financial statement section of this report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal year 2014, the Electric Division had net capital assets of \$160.8 million. This is an increase of 5.64% from 2013. Total plant assets include land, poles, substation equipment, conductor, hardware, buildings, communications equipment and various office and computer equipment. Construction work in progress decreased \$1.2 million, due mainly to the completion of work in progress items being transferred to capital assets and being placed into service during the year. Please see Table 6 below for an analysis of net capital asset.

Table 6

**City of Clarksville, Tennessee
CDE Lightband
Electric Division
Capital Assets**

	<u>2014</u>	<u>June 30, 2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Transmission and distribution plant	\$124,385,346	\$113,315,861	\$109,795,981	\$ 11,069,485	9.77%
General plant	92,204,192	86,529,249	80,511,609	5,674,943	6.56%
Construction work in progress	<u>8,696,203</u>	<u>9,855,309</u>	<u>6,740,551</u>	<u>(1,159,106)</u>	<u>(11.76)%</u>
Total Plant	<u>225,285,741</u>	<u>209,700,419</u>	<u>197,048,141</u>	<u>15,585,322</u>	<u>7.43%</u>
Unamortized acquisition adjustment	590,317	716,487	882,357	(126,170)	(17.61)%
Less: Accumulated depreciation	<u>65,084,187</u>	<u>58,202,606</u>	<u>50,930,056</u>	<u>6,881,581</u>	<u>11.82%</u>
Net Capital Assets	<u>\$160,791,871</u>	<u>\$152,214,300</u>	<u>\$147,000,442</u>	<u>\$ 8,577,571</u>	<u>5.64%</u>

The Broadband Division had a decrease in net capital assets of \$969,882, even though gross capital assets increased by \$206,465. This is due to the Broadband Division recognizing a full year's worth of depreciation on a larger balance in capital assets. Please see Table 7.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

Table 7

**City of Clarksville, Tennessee
CDE Lightband
Broadband Division
Capital Assets**

	<u>2014</u>	<u>June 30, 2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operations plant	\$7,624,821	\$7,342,452	\$6,990,286	\$ 282,369	3.85%
General plant	154,142	142,135	97,493	12,007	8.45%
Construction work in progress	<u>42,109</u>	<u>130,020</u>	<u>165,911</u>	<u>(87,911)</u>	<u>(67.61)%</u>
Total Plant	7,821,072	7,614,607	7,253,690	206,465	2.71%
Less: Accumulated depreciation	<u>6,757,446</u>	<u>5,581,099</u>	<u>4,475,164</u>	<u>1,176,347</u>	<u>21.08%</u>
Net Capital Assets	<u>\$1,063,626</u>	<u>\$2,033,508</u>	<u>\$2,778,526</u>	<u>\$(969,882)</u>	<u>(47.70)%</u>

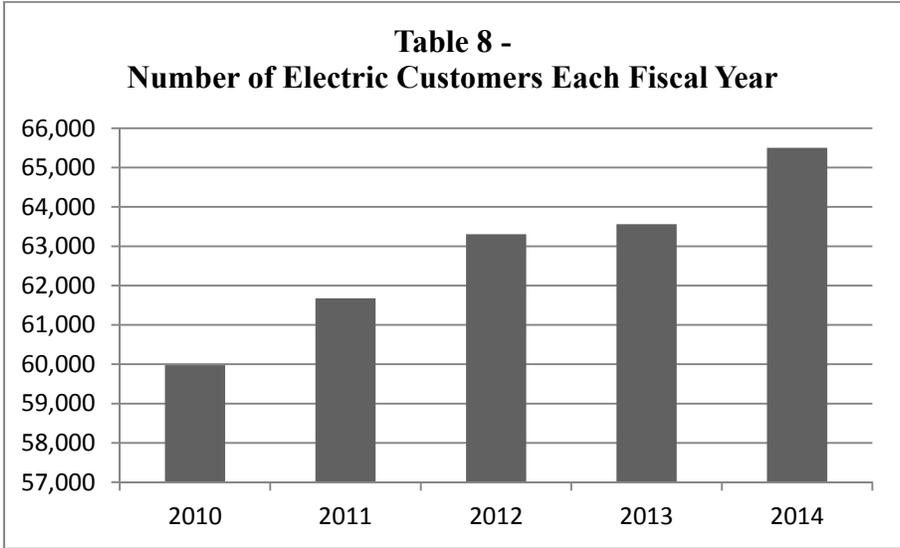
LONG TERM DEBT

At the end of fiscal year 2014, the Electric Division had total principal long-term debt of \$82,123,214, including current portion of \$2,255,103. 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. CDE did not incur a loss on refunding; therefore, CDE did not have deferred outflows of resources as of June 30, 2014 or 2013. The bonds are due in annual installments through September 1, 2023. All operating revenues of the Electric Division are security for the bonds. 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 2032. 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.

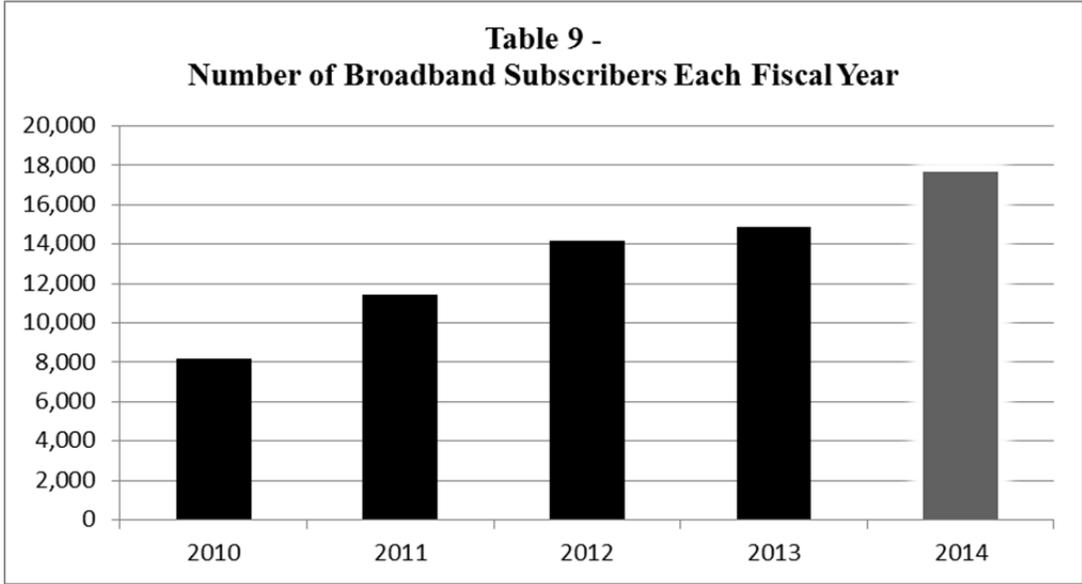
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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 2.5% through normal growth over a period of 5 to 10 years. External factors such as annexation, weather, economic factors, interest rates, military deployment, and new sources of jobs will have a great effect on growth rates and revenues. 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 plans to implement any rate increases, other than to pass along TVA increases, if any occur.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014



There is continued customer growth in the Broadband Division.



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, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,316,473	\$ 33,915,386
Accounts receivable	18,743,479	17,800,845
Materials and supplies	3,200,245	4,571,023
Prepayments	9,627,558	10,018,624
Total current assets	65,887,755	66,305,878
NONCURRENT ASSETS:		
Restricted assets:		
Cash and cash equivalents	10,824,690	8,085,229
Total restricted assets	10,824,690	8,085,229
Capital assets - at cost:		
Electric plant in service	216,589,538	199,845,110
Construction work in progress	8,696,203	9,855,309
Total electric plant	225,285,741	209,700,419
Less: Accumulated depreciation	(65,084,187)	(58,202,606)
	160,201,554	151,497,813
Add: Unamortized plant acquisition adjustments	590,317	716,487
Net capital assets	160,791,871	152,214,300
Other assets:		
Receivables - TVA Residential Energy Services Program	8,048,417	7,080,044
Interfund receivables - City General Fund	74,675	217,092
Interdivisional receivable - Broadband Division	17,600,881	17,766,687
Other	257,700	22,334
Total other assets	25,981,673	25,086,157
Total noncurrent assets	197,598,234	185,385,686
TOTAL ASSETS	\$ 263,485,989	\$ 251,691,564

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2014 AND 2013

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES:		
Accounts payable	\$ 23,318,961	\$ 22,045,908
Current portion of long-term debt	2,255,103	2,170,103
Accrued interest	1,327,102	1,382,175
Current portion of accrued leave	545,033	481,306
Accrued wages and payroll withholdings	107,308	114,231
Other	56,426	56,126
Interfund temporary advances	1,300,301	1,185,246
Total current liabilities	28,910,234	27,435,095
NONCURRENT LIABILITIES:		
Long-term debt:		
Bonds payable	79,460,809	81,861,086
Notes payable	407,302	522,405
Total long-term debt	79,868,111	82,383,491
Other noncurrent liabilities:		
Customer deposits	5,293,137	4,973,885
Advances - TVA Residential Energy Services Program	8,225,244	7,249,122
Accrued leave	1,185,080	1,231,707
Other postemployment benefits	487,715	428,206
Other	155,416	1,148
Total other noncurrent liabilities	15,346,592	13,884,068
Total noncurrent liabilities	95,214,703	96,267,559
TOTAL LIABILITIES	124,124,937	123,702,654
NET POSITION:		
Net investment in capital assets	78,078,340	66,944,219
Restricted for debt service (expendable)	10,822,922	6,739,353
Unrestricted net position	50,459,790	54,305,338
Total net position	139,361,052	127,988,910
TOTAL LIABILITIES AND NET POSITION	\$ 263,485,989	\$ 251,691,564

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 97,684	\$ 400,057
Accounts receivable	1,141,068	1,117,329
Interfund temporary advances	1,300,301	1,185,246
Prepaid expense	96,380	32,241
Materials and supplies	162,880	373,959
Total current assets	2,798,313	3,108,832
NONCURRENT ASSETS:		
Capital assets - at cost:		
Equipment	7,778,963	7,484,587
Construction work in progress	42,109	130,020
Total capital assets	7,821,072	7,614,607
Less: accumulated depreciation	(6,757,446)	(5,581,099)
Net capital assets	1,063,626	2,033,508
TOTAL ASSETS	\$ 3,861,939	\$ 5,142,340
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	1,485,039	1,288,451
Current portion of interdivisional payable - Electric Division	250,000	1,250,000
Unearned revenue	563,110	557,244
Total current liabilities	2,298,149	3,095,695
NONCURRENT LIABILITIES:		
Interdivisional payable - Electric Division	17,350,881	16,516,687
Other postemployment benefits	22,124	-
Customer deposits	8,244	2,470
Total noncurrent liabilities	17,381,249	16,519,157
Total liabilities	19,679,398	19,614,852
NET POSITION:		
Net investment in capital assets	1,063,626	2,033,508
Unrestricted net position	(16,881,085)	(16,506,020)
Total net position	(15,817,459)	(14,472,512)
TOTAL LIABILITIES AND NET POSITION	\$ 3,861,939	\$ 5,142,340

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Charges for power	\$ 157,725,641	\$ 147,478,546
Other operating revenues	<u>4,877,547</u>	<u>4,630,443</u>
Total operating revenues	<u>162,603,188</u>	<u>152,108,989</u>
OPERATING EXPENSES:		
Cost of power	118,027,137	109,852,732
Distribution	3,258,513	3,001,825
Transmission	86,869	83,717
Customer accounts	3,046,949	2,979,497
Sales and customer service	421,357	377,491
Administrative and general	3,150,864	2,996,189
Maintenance	5,063,053	4,442,319
Taxes	1,773,027	1,722,340
Depreciation and amortization	<u>9,050,147</u>	<u>8,495,523</u>
Total operating expenses	<u>143,877,916</u>	<u>133,951,633</u>
Operating income	<u>18,725,272</u>	<u>18,157,356</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	(3,621,493)	(3,660,431)
Interest and investment earnings	250,954	357,542
Loss on disposition of property	-	(4,107)
Miscellaneous	<u>2,506</u>	<u>2,565</u>
Total non-operating expenses	<u>(3,368,033)</u>	<u>(3,304,431)</u>
Income before transfers	15,357,239	14,852,925
Transfers to other funds	<u>3,985,097</u>	<u>3,865,540</u>
INCREASE IN NET POSITION	11,372,142	10,987,385
NET POSITION - BEGINNING	<u>127,988,910</u>	<u>117,001,525</u>
NET POSITION - ENDING	<u>\$ 139,361,052</u>	<u>\$ 127,988,910</u>

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Charges for service	\$ 13,537,548	\$ 12,636,863
Other operating revenues	<u>1,544,303</u>	<u>1,306,380</u>
Total operating revenues	<u>15,081,851</u>	<u>13,943,243</u>
OPERATING EXPENSES:		
Cost of service	8,921,421	7,979,519
Network expense	1,676,079	1,763,850
Fiber rent	1,832,612	1,717,989
Equipment expense	43	279
Marketing expense	149,516	195,939
Customer service	513,934	416,725
Administrative and general	889,383	768,976
Taxes	171,544	159,520
Employee benefits	320,954	234,541
Depreciation and amortization expense	<u>1,797,894</u>	<u>1,751,553</u>
Total operating expenses	<u>16,273,380</u>	<u>14,988,891</u>
Operating loss	<u>(1,191,529)</u>	<u>(1,045,648)</u>
NON-OPERATING EXPENSES:		
Interest expense	<u>(109,932)</u>	<u>(203,789)</u>
Total non-operating expenses	<u>(109,932)</u>	<u>(203,789)</u>
Loss before transfers	(1,301,461)	(1,249,437)
Transfers to other funds	<u>43,486</u>	<u>71,622</u>
CHANGE IN NET POSITION	(1,344,947)	(1,321,059)
NET POSITION - BEGINNING	<u>(14,472,512)</u>	<u>(13,151,453)</u>
NET POSITION - ENDING	<u><u>\$ (15,817,459)</u></u>	<u><u>\$ (14,472,512)</u></u>

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 157,102,259	\$ 147,396,285
Cash paid for power	(116,038,691)	(110,542,658)
Cash paid to suppliers	(8,019,387)	(3,887,597)
Cash paid to employees	(8,892,064)	(8,374,628)
Interdivisional payable	115,055	116,351
Other receipts	6,031,454	1,710,672
Net cash provided by operating activities	30,298,626	26,418,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances to Broadband Division	-	(250,000)
Repayments from Broadband Division	165,806	201,057
Transfers to other funds	(3,985,097)	(3,865,540)
Other	2,506	2,565
Net cash used in noncapital financing activities	(3,816,785)	(3,911,918)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(17,627,718)	(13,713,488)
Payment of long-term debt	(2,170,103)	(2,095,103)
Net cash used in debt refundings	(88,711)	-
Interest paid	(3,848,132)	(3,866,367)
Net cash used in capital and related financing activities	(23,734,664)	(19,674,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	250,954	357,542
Principal collection on interfund receivable - City General Fund	142,417	135,396
Net cash provided by investing activities	393,371	492,938
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,140,548	3,324,487
CASH AND CASH EQUIVALENTS - BEGINNING	42,000,615	38,676,128
CASH AND CASH EQUIVALENTS - ENDING	\$ 45,141,163	\$ 42,000,615
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
During 2014 and 2013, \$171,566 and \$167,358 was recorded to interest expense for amortization of bond premiums.		

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

CDE LIGHTBAND
ELECTRIC DIVISION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 18,725,272	\$ 18,157,356
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	9,050,147	8,495,523
Changes in:		
Accounts receivable	(942,634)	(279,780)
Materials and supplies	1,370,778	29,979
Receivables - TVA Residential Energy Services Program	(968,373)	(654,803)
Advances - TVA Residential Services Program	976,122	670,681
Accounts payable	1,273,053	(1,254,883)
Accrued expenses	10,177	156,931
Customer deposits	319,252	197,519
Prepayments	391,066	737,866
Other postemployment benefits	59,509	14,691
Interfund temporary advance	115,055	116,351
Other	(80,798)	30,994
Net cash provided by operating activities	<u>\$ 30,298,626</u>	<u>\$ 26,418,425</u>

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

CDE LIGHTBAND
BROADBAND DIVISION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 13,525,449	\$ 12,488,116
Cash paid to suppliers	(11,279,997)	(10,610,971)
Cash paid to employees	(2,658,293)	(2,279,549)
Interdivisional temporary advances	(115,055)	(116,351)
Other receipts	1,372,759	1,146,860
Net cash provided by operating activities	844,863	628,105
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Advances from Electric Division	-	250,000
Repayments to Electric Division	(165,806)	(201,057)
Transfers to other funds	(43,486)	(71,622)
Net cash used in noncapital financing activities	(209,292)	(22,679)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to plant	(828,012)	(1,006,535)
Interest paid	(109,932)	(203,789)
Net cash used in capital and related financing activities	(937,944)	(1,210,324)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(302,373)	(604,898)
CASH AND CASH EQUIVALENTS - BEGINNING	400,057	1,004,955
CASH AND CASH EQUIVALENTS - ENDING	\$ 97,684	\$ 400,057
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,191,529)	\$ (1,045,648)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	1,797,894	1,751,553
Changes in:		
Accounts receivable	(23,739)	(116,556)
Materials and supplies	211,079	52,857
Prepaid assets	(64,139)	36,981
Accounts payable	196,588	97,460
Unearned revenue	5,866	(32,281)
Interdivisional temporary advances	(115,055)	(116,351)
Other postemployment benefits	22,124	-
Customer deposits	5,774	90
Net cash provided by operating activities	\$ 844,863	\$ 628,105

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 \$10,822,922 and \$6,739,353 at June 30, 2014 and 2013, respectively. Assets restricted for construction of plant assets were \$1,768 and \$1,345,876 at June 30, 2014 and 2013, 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 2014 or 2013. 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 \$9,050,147 and \$8,495,523 for the years ended June 30, 2014 and 2013, 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 \$1,797,894 and \$1,751,553 for the years ended June 30, 2014 and 2013, respectively.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 has 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 has 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 has 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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Interfund Transfers - Permanent reallocations of resources between funds of the City of Clarksville are classified as interfund transfers. The transfers of \$3,985,097 and \$43,486, for the year ended June 30, 2014; \$3,865,540 and \$71,622 for the year ended June 30, 2013; 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, 2014 and 2013, respectively, were reported in the Statements of Net Position, net of allowances of \$142,721 and \$194,379 in the Electric Division and \$198,149 and \$227,079 in the Broadband Division.

Allocated Costs Electric/Broadband Divisions:

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

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

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

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fiber - The Broadband Division is allocated a portion of the costs associated with the operation of the fiber ring installed in Clarksville, Tennessee by the Electric Division. The asset, representing the ring itself, and the associated debt remain in the financial statements of the Electric Division. Costs associated with the fiber ring include depreciation, property taxes, financing costs, and a pole attachment fee. These costs have been charged to the Broadband Division based upon projected service levels in 2016. Services have been defined as the ability to read a meter remotely, over the internet (fiber ring), by the Electric Division; and services provided (Telephone, Internet, and Video – one each) by the Broadband Division. At capacity (defined as 70,000 Electric services and 44,000 Broadband services), this allocation methodology will yield an allocation ratio of approximately 60% Electric and 40% Broadband. This allocation method resulted in a per unit cost of \$5.96 through December 31, 2012. On January 1, 2013, the “rent” cost increased from \$5.96 to \$6.14. Therefore, a blended rate of \$6.05 per unit cost was used as of June 30, 2013. For the year ended June 30, 2014, a rate of \$6.14 per unit cost was used. See Note #13. 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.”

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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,			
	2014		2013	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Tennessee Local Government Investment Pool	<u>\$59,515</u>	<u>\$59,515</u>	<u>\$59,461</u>	<u>\$59,461</u>

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, 2014 and 2013, respectively, the Electric Division's cash and other deposits, reported in the financial statements at \$45,141,163 and \$42,000,615, were represented by bank balances of \$44,743,167 and \$41,835,066, all of which were insured or collateralized by the FDIC or the State of Tennessee Collateral Pool.

At June 30, 2014 and 2013, respectively, the Broadband Division's cash and other deposits, reported at \$97,684 and \$400,057, were represented by bank balances of \$183,992 and \$879,301, all of which was insured by FDIC coverage.

3. JOINT VENTURE

The Electric Division and Pennyriple Rural Electric Cooperative Corporation (the Cooperative) have constructed jointly-owned electric facilities. Under the terms of the joint venture, the Electric Division owns 54% of the facilities and the Cooperative owns 46%. The amount of the Electric Division's plant covered by this agreement was \$985,521 and \$934,734 at June 30, 2014 and 2013, respectively. 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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

4. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
NON-DEPRECIABLE				
ELECTRIC PLANT				
General plant land and land rights	\$ 672,730	\$ 63,157	\$ -	\$ 735,887
Transmission land and land rights	97,322	-	-	97,322
Distribution land and land rights	992,809	-	-	992,809
Work in progress	<u>9,855,309</u>	<u>22,059,341</u>	<u>(23,218,447)</u>	<u>8,696,203</u>
	<u>11,618,170</u>	<u>22,122,498</u>	<u>(23,218,447)</u>	<u>10,522,221</u>
GENERAL PLANT				
Structures and improvements	7,042,358	-	-	7,042,358
Transportation equipment	3,188,697	260,699	(108,220)	3,341,176
Communication equipment	72,998,547	5,506,811	(264,720)	78,240,638
Furniture and equipment	<u>2,626,917</u>	<u>228,201</u>	<u>(10,985)</u>	<u>2,844,133</u>
	<u>85,856,519</u>	<u>5,995,711</u>	<u>(383,925)</u>	<u>91,468,305</u>
TRANSMISSION				
Poles and fixtures	1,417,917	16,230	(2,467)	1,431,680
Overhead conductors and devices	<u>627,589</u>	<u>-</u>	<u>-</u>	<u>627,589</u>
	<u>2,045,506</u>	<u>16,230</u>	<u>(2,467)</u>	<u>2,059,269</u>
DISTRIBUTION				
Station equipment	28,484,410	3,938,089	(621,213)	31,801,286
Electric transmission systems	<u>81,695,814</u>	<u>8,741,613</u>	<u>(1,002,767)</u>	<u>89,434,660</u>
	<u>110,180,224</u>	<u>12,679,702</u>	<u>(1,623,980)</u>	<u>121,235,946</u>
TOTAL ELECTRIC PLANT				
IN SERVICE	209,700,419	40,814,141	(25,228,819)	225,285,741
Unamortized plant acquisition adjustments	<u>716,487</u>	<u>-</u>	<u>(126,170)</u>	<u>590,317</u>
TOTAL ELECTRIC PLANT	<u>\$210,416,906</u>	<u>\$40,814,141</u>	<u>\$(25,354,989)</u>	<u>\$225,876,058</u>

The estimated costs to complete Electric Division work in progress are approximately \$4,700,000.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

4. CAPITAL ASSETS - Continued

Electric Division - A summary of changes in Accumulated Depreciation on Electric Plant is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u> <u>and Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
GENERAL PLANT				
Structures and improvements	\$ 2,528,465	\$ 211,270	\$ -	\$ 2,739,735
Transportation equipment	1,832,375	229,890	(76,223)	1,986,042
Communication equipment	14,138,163	4,048,136	(262,088)	17,924,211
Furniture and equipment	<u>1,044,566</u>	<u>214,930</u>	<u>(12,848)</u>	<u>1,246,648</u>
	<u>19,543,569</u>	<u>4,704,226</u>	<u>(351,159)</u>	<u>23,896,636</u>
TRANSMISSION				
Poles and fixtures	877,570	38,993	(3,130)	913,433
Overhead conductors and devices	<u>547,958</u>	<u>15,689</u>	<u>-</u>	<u>563,647</u>
	<u>1,425,528</u>	<u>54,682</u>	<u>(3,130)</u>	<u>1,477,080</u>
DISTRIBUTION				
Station equipment	9,460,112	855,039	(731,428)	9,583,723
Electric transmission systems	<u>27,773,397</u>	<u>3,543,842</u>	<u>(1,190,491)</u>	<u>30,126,748</u>
	<u>37,233,509</u>	<u>4,398,881</u>	<u>(1,921,919)</u>	<u>39,710,471</u>
TOTAL ACCUMULATED DEPRECIATION ON ELECTRIC PLANT	<u>\$58,202,606</u>	<u>\$9,157,789</u>	<u>\$(2,276,208)</u>	<u>\$65,084,187</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

4. CAPITAL ASSETS - Continued

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

	Balance <u>July 1, 2013</u>	<u>Additions</u>	Deletions and Transfers	Balance <u>June 30, 2014</u>
Circuit equipment	\$2,892,366	\$ 155,280	\$(600)	\$3,047,046
Operation systems	503,484	-	-	503,484
Radio systems	118,049	-	-	118,049
Station apparatus	3,771,885	921,129	(793,440)	3,899,574
Other equipment	56,668	-	-	56,668
Office equipment	44,898	12,007	-	56,905
Motor vehicles	97,237	-	-	97,237
Work in progress	<u>130,020</u>	<u>906,323</u>	<u>(994,234)</u>	<u>42,109</u>
 TOTAL CAPITAL ASSETS	 <u>\$7,614,607</u>	 <u>\$1,994,739</u>	 <u>\$(1,788,274)</u>	 <u>\$7,821,072</u>
 TOTAL ACCUMULATED DEPRECIATION	 <u>\$5,581,099</u>	 <u>\$1,817,848</u>	 <u>\$(641,501)</u>	 <u>\$6,757,446</u>

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, 2014 and 2013, are timing differences.

6. INTERFUND RECEIVABLE - CITY GENERAL FUND

In July 2001, the Electric Division entered into an agreement to bury certain downtown Clarksville electrical lines. In exchange, the City of Clarksville agreed to an annual reduction of \$150,000 in the Electric Division's annual in-lieu of tax payment to cover the costs of burying these lines. The term of this agreement was for ten years and interest accrues on the unpaid balance at the rate of 5% per year.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

7. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION

Changes in the interdivisional payable/receivable account for the years ended June 30, 2014 and 2013 were as follows:

	<u>Balance July 1, 2013</u>	<u>Loan Draws</u>	<u>Loan Repayments</u>	<u>Changes in Current Receivable /Payable</u>	<u>Balance June 30, 2014</u>
Interdivisional Receivable/ Payable	<u>\$17,766,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(165,806)</u>	<u>\$17,600,881</u>
	<u>Balance July 1, 2012</u>	<u>Loan Draws</u>	<u>Loan Repayments</u>	<u>Changes in Current Receivable /Payable</u>	<u>Balance June 30, 2013</u>
Interdivisional Receivable/ Payable	<u>\$17,717,744</u>	<u>\$800,000</u>	<u>\$(1,000,000)</u>	<u>\$ 248,943</u>	<u>\$17,766,687</u>

The interdivisional payable represents allocated expenses and cash borrowed by the Broadband Division from the Electric Division plus accrued interest. The rate of interest is the highest interest rate earned by the Electric Division on deposited funds in the previous month. This rate of interest was 0.55% at June 30, 2014.

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 will begin to 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 and 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 \$250,000 in fiscal year 2015 to \$800,000 in fiscal year 2035. Since a loan repayment was not required in fiscal year 2014, the balance of this loan was \$15,000,000 at both June 30, 2014 and 2013.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

7. INTERDIVISIONAL RECEIVABLE/PAYABLE - BROADBAND DIVISION - Continued

- *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 \$2,600,881 and \$2,766,687 at June 30, 2014 and 2013, respectively.

8. 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.

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.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

8. ACCUMULATED VACATION AND SICK LEAVE - Continued

Annual vacation leave and sick leave policies were updated effective July 1, 2012. 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 90 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:

	2014	2013
Current portion	\$ 545,033	\$ 481,306
Noncurrent portion	1,185,080	1,231,707
Totals	\$1,730,113	\$1,713,013

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. 401(K) PLAN

The Electric Division maintains a deferred compensation, (401(k) plan), 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. 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.

CDE established a progress sharing plan as part of its 401(k) 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, 2014 and 2013.

	June 30,	
	2014	2013
CONTRIBUTIONS		
Employer 401(k)	\$201,105	\$175,561
Employer progress sharing	472,832	443,020
Employee 401(k)	305,959	256,439
Totals	\$979,896	\$875,020

The Plan is audited on a calendar year basis and the Plan's market value as of December 31, 2014 and 2013 is as follows:

Totals	\$11,404,149	\$9,883,489
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CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

10. 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 seven retired employees were covered for medical insurance at June 30, 2014 and 2013, 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:

	<u>Year Ending June 30,</u>	
	<u>2014</u>	<u>2013</u>
Normal cost	\$ 81,940	\$ 19,020
30 year amortization of accrued liability	21,190	18,572
Interest on net OPEB obligation	<u>15,859</u>	<u>14,174</u>
Annual OPEB expense	118,989	51,766
Contribution made	<u>(37,356)</u>	<u>(37,075)</u>
Increase in net OPEB obligation	81,633	14,691
Net OPEB obligation - beginning	<u>428,206</u>	<u>413,515</u>
 Net OPEB obligation - ending	 <u>\$ 509,839</u>	 <u>\$ 428,206</u>
 Electric Division	 \$ 487,715	 \$ 428,206
Broadband Division	<u>22,124</u>	<u>-</u>
 Total	 <u>\$ 509,839</u>	 <u>\$ 428,206</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

10. OTHER POSTEMPLOYMENT BENEFITS - Continued

The Electric Division's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for 2014, 2013, and 2012 are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$118,989	31.39%	\$509,839
2013	51,766	71.60%	428,206
2012	51,393	75.90%	413,515

As of June 30, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$817,274 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability ("UAAL") of \$817,274. The covered payroll (annual payroll of active employees covered by the plan) was \$7,394,000, the ratio of the UAAL to the covered payroll was 11.05 percent. The annual required contribution ("ARC") was 1.61 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, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumption for medical insurance included an annual healthcare cost trend rate of 6.0 percent initially, reduced by 0.25 percent until 3.0 percent is reached. This rate includes a 3.0 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, 2014, is twenty-three years.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

11. LONG-TERM DEBT

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

NOTES PAYABLE

<u>Description</u>	<u>Balance June 30, 2013</u>	<u>New Borrowings</u>	<u>Principal Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2014</u>
CEMC Note payable	\$ 637,508	\$ -	\$(115,103)	\$ -	\$ -	\$ 522,405
Total notes payable	637,508	\$ -	\$(115,103)	\$ -	\$ -	522,405
Less current portion	(115,103)					(115,103)
Total	<u>\$ 522,405</u>					<u>\$ 407,302</u>

<u>Description</u>	<u>Balance June 30, 2012</u>	<u>New Borrowings</u>	<u>Principal Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2013</u>
CEMC Note payable	\$ 752,611	\$ -	\$(115,103)	\$ -	\$ -	\$ 637,508
Total notes payable	752,611	\$ -	\$(115,103)	\$ -	\$ -	637,508
Less current portion	(115,103)					(115,103)
Total	<u>\$ 637,508</u>					<u>\$ 522,405</u>

BONDS PAYABLE

<u>Series Description</u>	<u>Balance June 30, 2013</u>	<u>New Borrowings</u>	<u>Principal Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2014</u>
Series 2004 Bonds	\$ 3,710,000	\$ -	\$(280,000)	\$(3,430,000)	\$ -	\$ -
Series 2007 Bonds	49,070,000	-	(1,530,000)	-	-	47,540,000
Series 2010A Bonds	27,860,000	-	(245,000)	-	-	27,615,000
Series 2014 Bonds	-	<u>3,215,000</u>	-	-	-	<u>3,215,000</u>
Bonds payable	80,640,000	3,215,000	(2,055,000)	(3,430,000)	-	78,370,000
Plus unamortized bond premium	<u>3,276,086</u>	<u>126,289</u>	<u>-</u>	<u>-</u>	<u>(171,566)</u>	<u>3,230,809</u>
	83,916,086	<u>\$3,341,289</u>	<u>\$(2,055,000)</u>	<u>\$(3,430,000)</u>	<u>\$(171,566)</u>	81,600,809
Less current portion	(2,055,000)					(2,140,000)
	<u>\$ 81,861,086</u>					<u>\$ 79,460,809</u>

<u>Series Description</u>	<u>Balance June 30, 2012</u>	<u>New Borrowings</u>	<u>Principal Payments</u>	<u>Refundings</u>	<u>Amortization</u>	<u>Balance June 30, 2013</u>
Series 2004 Bonds	\$ 3,980,000	\$ -	\$(270,000)	\$ -	\$ -	\$ 3,710,000
Series 2007 Bonds	50,540,000	-	(1,470,000)	-	-	49,070,000
Series 2010A Bonds	27,860,000	-	-	-	-	27,860,000
Series 2010B Bonds	<u>240,000</u>	<u>-</u>	<u>(240,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds payable	82,620,000	-	(1,980,000)	-	-	80,640,000
Plus unamortized bond premium	<u>3,443,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,358)</u>	<u>3,276,086</u>
	86,063,444	<u>\$ -</u>	<u>\$(1,980,000)</u>	<u>\$ -</u>	<u>\$(167,358)</u>	83,916,086
Less current portion	(1,980,000)					(2,055,000)
	<u>\$ 84,083,444</u>					<u>\$ 81,861,086</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

11. LONG-TERM DEBT - Continued

The note payable to CEMC is due in annual installments of \$115,103 through June 2018 and \$30,995 through 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 2004 Series Electric System Revenue and Improvement Bonds were due in annual installments of \$280,000 to \$410,000, through September 2023. These bonds had interest of rates ranging from 2.50% to 4.25%. Substantially all of the revenues of the Electric Division were security for these bonds. On January 29, 2014, these bonds were called and refunded with the 2014 Series Electric System Revenue Refunding Bonds.

The 2007 Series Electric System Revenue and Improvement Bonds are due in annual installments of \$1,605,000 to \$3,750,000 between September 1, 2014 and September 1, 2032. These bonds bear interest at rates ranging from 4% to 5%. Substantially all of the revenues of the Electric Division are security for these bonds.

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 \$250,000 to \$5,685,000 between September 1, 2014 and September 1, 2035. These bonds bear interest ranging from 2.5% to 5%. These bonds are secured 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 \$285,000 to \$365,000 between September 1, 2014 and September 1, 2023. These bonds bear interest ranging from 2% to 4%. These bonds are secured by a subordinate interest in substantially all of the net revenues of the Electric Division.

Future payments on Long-Term Debt are as follows:

<u>Fiscal Year Ending Year Ended June 30,</u>	<u>Bonds Payable</u>	<u>Note Payable</u>	<u>Total Principal</u>	<u>Total Interest</u>
2015	\$ 2,140,000	\$115,103	\$ 2,255,103	\$ 3,647,978
2016	2,225,000	115,103	2,340,103	3,552,750
2017	2,315,000	115,103	2,430,103	3,466,801
2018	2,395,000	115,103	2,510,103	3,375,750
2019	2,500,000	30,995	2,530,995	3,282,800
2020 - 2024	14,180,000	30,998	14,210,998	14,717,445
2025 - 2029	18,185,000	-	18,185,000	10,953,850
2030 - 2034	23,335,000	-	23,335,000	5,807,375
2035 - 2036	<u>11,095,000</u>	<u>-</u>	<u>11,095,000</u>	<u>561,625</u>
Totals	<u>\$78,370,000</u>	<u>\$522,405</u>	<u>\$78,892,405</u>	<u>\$49,366,374</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

11. LONG-TERM DEBT - Continued

Total interest costs incurred and charged to the Electric Division were \$3,621,493 and \$3,600,431 during 2014 and 2013, respectively. Interest costs of \$-0- were capitalized by the Electric Division during 2014 and 2013, respectively. 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 \$109,932 and \$203,789 during the fiscal years ended June 30, 2014 and 2013, respectively. Interdivisional interest income/expense was \$109,932 and \$203,789 during the fiscal years ended June 30, 2014 and 2013, respectively.

12. OTHER NONCURRENT LIABILITIES

Electric Division:

<u>Other Noncurrent Liabilities Description</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Customer deposits	\$ 4,973,885	\$2,297,332	\$(1,978,080)	\$ 5,293,137
TVA - RES program	7,249,122	3,206,025	(2,229,903)	8,225,244
Accrued leave	1,231,707	173,670	(220,297)	1,185,080
Other postemployment benefits	428,206	96,865	(37,356)	487,715
Other	<u>1,148</u>	<u>154,268</u>	<u>-</u>	<u>155,416</u>
	<u>\$13,884,068</u>	<u>\$5,928,160</u>	<u>\$(4,465,636)</u>	<u>\$15,346,592</u>

<u>Other Noncurrent Liabilities Description</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Customer deposits	\$ 4,776,366	\$1,829,243	\$(1,631,724)	\$ 4,973,885
TVA - RES program	6,578,441	2,063,135	(1,392,454)	7,249,122
Accrued leave	1,132,727	142,990	(44,010)	1,231,707
Other postemployment benefits	413,515	51,766	(37,075)	428,206
Other	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>1,148</u>
	<u>\$12,902,197</u>	<u>\$4,087,134</u>	<u>\$(3,105,263)</u>	<u>\$13,884,068</u>

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

13. 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.

For the fiscal years ended June 30, 2014 and 2013, allocated infrastructure costs were as follows:

	<u>Unit Costs</u>	Annual Broadband <u>Units</u>	Allocated <u>Costs</u>	<u>Unit Costs</u>	Annual Broadband <u>Units</u>	Allocated <u>Costs</u>
Depreciation	\$2.84	298,471	\$ 847,658	\$2.70	283,965	\$ 766,706
Interest	2.04	298,471	608,881	2.15	283,965	610,525
Taxes	0.78	298,471	232,807	0.85	283,965	241,370
Pole Attachment	<u>0.48</u>	298,471	<u>143,266</u>	<u>0.35</u>	283,965	<u>99,388</u>
Totals	<u>\$6.14</u>		<u>\$1,832,612</u>	<u>\$6.05</u>		<u>\$1,717,989</u>

On January 1, 2013, the “rent” cost increased from \$5.96 to \$6.14. Therefore, a blended rate of \$6.05 is presented above for June 30, 2013 and the full rate of \$6.14 is presented above for June 30, 2014.

During the 2008 fiscal year, the Broadband Division began “renting” an office building from the Electric Division for Broadband operations. During the 2014 fiscal year, 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 2014 fiscal year, 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 \$74,376 and \$30,000 for the years ended June 30, 2014 and 2013, respectively.

At June 30, 2014 and 2013, the Electric Division owed the Broadband Division \$1,300,301 and \$1,185,246, 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 Interfund Receivable/Payable discussed in Note #7.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

14. 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, 2014

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

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]
6/30/2014	\$ -	\$ 817,274	\$ 817,274	0.00%	\$7,394,000	11.05%
6/30/2013	-	869,756	869,756	0.00%	7,173,000	12.13%
6/30/2011	-	678,431	678,431	0.00%	6,518,000	10.41%

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, 2014
Actuarial Cost Methods	Projected Unit Credit Method and Entry Age Normal Cost 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	6.0%; 3.0% ultimate

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
DIRECTORY OF CLARKSVILLE POWER BOARD AND MANAGEMENT (UNAUDITED)
JUNE 30, 2014

CLARKSVILLE POWER BOARD

Kim McMillan, Ex-Officio

Sally Castleman

Leo Millan

Bryce Sanders

Joel Wallace

Wayne Wilkinson

SUPERINTENDENT

Brian Taylor

CHIEF FINANCIAL OFFICER

David Johns

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULES OF OPERATING REVENUES
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Charges for power:		
Residential	\$ 94,322,998	\$ 85,052,092
Small commercial	16,289,075	15,680,511
Large commercial	44,415,444	44,114,597
Street and outdoor lights	1,739,014	1,726,853
Forfeited discounts	1,314,483	1,230,443
Uncollected accounts	(355,373)	(325,950)
Total charges for power	157,725,641	147,478,546
Other operating revenues:		
Rent	2,925,743	2,756,954
Billing fees	390,101	380,136
Miscellaneous	1,561,703	1,493,353
Total other operating revenues	4,877,547	4,630,443
TOTAL OPERATING REVENUES	\$ 162,603,188	\$ 152,108,989

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF OPERATING EXPENSES
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>
OPERATING EXPENSES:			OPERATING EXPENSES (continued)		
Cost of power	<u>\$ 118,027,137</u>	<u>\$ 109,852,732</u>	Administration and General:		
Distribution:			Salaries	591,228	584,724
Supervision and engineering	155,037	166,389	Office supplies and expenses	475,325	559,094
Station expense	332,470	311,460	Outside service	100,718	204,748
Overhead lines	1,142,734	947,941	Property insurance	230,642	308,110
Underground lines	151,920	159,302	Injuries and damages	412,265	190,781
Meters	682,050	629,371	Employee pensions and benefits	1,251,759	1,108,247
Rents	117,994	116,013	Miscellaneous	<u>88,927</u>	<u>40,485</u>
Miscellaneous	676,308	671,349	Total	<u>3,150,864</u>	<u>2,996,189</u>
Total	<u>3,258,513</u>	<u>3,001,825</u>	Maintenance:		
Transmission:			Supervision and engineering	28,047	28,357
Station expense	<u>86,869</u>	<u>83,717</u>	Station equipment	375,805	206,032
Total	<u>86,869</u>	<u>83,717</u>	Overhead lines	2,616,866	2,477,661
Customer Accounts:			Underground lines	277,739	180,456
Meter reading	634,174	603,419	Line Transformers	12,570	12,297
Customer records and collection	2,412,775	2,376,078	Meters	206,122	205,730
Total	<u>3,046,949</u>	<u>2,979,497</u>	Security lights	74,032	68,426
Sales and Customer Service:			General Plant	<u>1,471,872</u>	<u>1,263,360</u>
Supervision	65,281	53,405	Total	<u>5,063,053</u>	<u>4,442,319</u>
Customer assistance	212,787	199,065	Taxes:		
Advertising	142,289	105,923	Advalorem (in lieu of taxes)	1,312,642	1,280,888
Miscellaneous	1,000	19,098	Payroll	<u>460,385</u>	<u>441,452</u>
Total	<u>421,357</u>	<u>377,491</u>	Total	<u>1,773,027</u>	<u>1,722,340</u>
			Depreciation and amortization	<u>9,050,147</u>	<u>8,495,523</u>
			TOTAL OPERATING EXPENSES	<u>\$ 143,877,916</u>	<u>\$ 133,951,633</u>

See independent auditor's report.

CDE LIGHTBAND
 BROADBAND DIVISION
 SCHEDULES OF OPERATING REVENUES AND COSTS OF SERVICES
 YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Charges for services:		
Charges for video services	\$ 4,892,286	\$ 4,627,120
Charges for internet services	7,327,995	6,602,380
Charges for telephone services	1,630,799	1,548,613
Charges for installations	99,171	155,763
Uncollected accounts	(412,703)	(297,013)
Total charges for services	<u>13,537,548</u>	<u>12,636,863</u>
Other operating revenues:		
Rent	1,137,668	1,066,057
Other charges	406,635	240,323
Total other operating revenues	<u>1,544,303</u>	<u>1,306,380</u>
TOTAL OPERATING REVENUES	<u><u>\$ 15,081,851</u></u>	<u><u>\$ 13,943,243</u></u>
COSTS OF SERVICES:		
Costs of video services	\$ 5,472,428	\$ 4,902,227
Costs of internet services	923,826	689,204
Costs of telephone services	943,147	1,128,246
Costs of installations	<u>1,582,020</u>	<u>1,259,842</u>
TOTAL COSTS OF SERVICES	<u><u>\$ 8,921,421</u></u>	<u><u>\$ 7,979,519</u></u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2014

Year Ending June 30,	2007 Series		2010 Series A		2014 Series		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,605,000	\$ 2,242,225	\$ 250,000	\$ 1,318,688	\$ 285,000	\$ 87,065	\$ 2,140,000	\$ 3,647,978
2016	1,680,000	2,166,400	255,000	1,312,375	290,000	73,975	2,225,000	3,552,750
2017	1,750,000	2,093,513	265,000	1,305,213	300,000	68,075	2,315,000	3,466,801
2018	1,825,000	2,019,825	270,000	1,296,850	300,000	59,075	2,395,000	3,375,750
2019	1,900,000	1,945,325	275,000	1,287,650	325,000	49,825	2,500,000	3,282,800
2020	1,985,000	1,862,663	285,000	1,277,494	325,000	43,325	2,595,000	3,183,482
2021	2,080,000	1,766,000	300,000	1,266,150	325,000	36,013	2,705,000	3,068,163
2022	2,175,000	1,670,500	310,000	1,253,950	345,000	26,775	2,830,000	2,951,225
2023	2,275,000	1,570,125	325,000	1,241,250	355,000	16,275	2,955,000	2,827,650
2024	2,390,000	1,453,500	340,000	1,227,950	365,000	5,475	3,095,000	2,686,925
2025	2,515,000	1,330,875	775,000	1,205,650	-	-	3,290,000	2,536,525
2026	2,645,000	1,201,875	810,000	1,173,950	-	-	3,455,000	2,375,825
2027	2,780,000	1,066,250	845,000	1,136,625	-	-	3,625,000	2,202,875
2028	2,920,000	923,750	890,000	1,093,250	-	-	3,810,000	2,017,000
2029	3,070,000	774,000	935,000	1,047,625	-	-	4,005,000	1,821,625
2030	3,230,000	616,500	980,000	999,750	-	-	4,210,000	1,616,250
2031	3,395,000	450,875	1,035,000	949,375	-	-	4,430,000	1,400,250
2032	3,570,000	276,750	1,085,000	896,375	-	-	4,655,000	1,173,125
2033	3,750,000	93,750	1,145,000	840,625	-	-	4,895,000	934,375
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
	<u>\$ 47,540,000</u>	<u>\$ 25,524,701</u>	<u>\$ 27,615,000</u>	<u>\$ 23,375,795</u>	<u>\$ 3,215,000</u>	<u>\$ 465,878</u>	<u>\$ 78,370,000</u>	<u>\$ 49,366,374</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF NOTE PRINCIPAL AND INTEREST MATURITIES
JUNE 30, 2014

Years Ending June 30,	CEMC Annexation Note
	Principal
2015	\$ 115,103
2016	115,103
2017	115,103
2018	115,103
2019	30,995
2020	30,998
Totals	\$ 522,405

This is a non-interest bearing note.

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULE OF INTERDIVISIONAL LOAN MATURITIES
JUNE 30, 2014

Year Ending June 30,	2007 Loan		2009 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 250,000	\$ 82,500	\$ -	\$ 14,305	\$ 250,000	\$ 96,805
2016	350,000	81,125	-	14,305	350,000	95,430
2017	450,000	79,200	-	14,305	450,000	93,505
2018	550,000	76,725	-	14,305	550,000	91,030
2019	650,000	73,700	-	14,305	650,000	88,005
2020	750,000	70,125	-	14,305	750,000	84,430
2021	800,000	66,000	-	14,305	800,000	80,305
2022	800,000	61,600	-	14,305	800,000	75,905
2023	800,000	57,200	-	14,305	800,000	71,505
2024	800,000	52,800	-	14,305	800,000	67,105
2025	800,000	48,400	-	14,305	800,000	62,705
2026	800,000	44,000	-	14,305	800,000	58,305
2027	800,000	39,600	-	14,305	800,000	53,905
2028	800,000	35,200	-	14,305	800,000	49,505
2029	800,000	30,800	-	14,305	800,000	45,105
2030	800,000	26,400	-	14,305	800,000	40,705
2031	800,000	22,000	-	14,305	800,000	36,305
2032	800,000	17,600	-	14,305	800,000	31,905
2033	800,000	13,200	-	14,305	800,000	27,505
2034	800,000	8,800	-	14,305	800,000	23,105
2035	800,000	4,400	-	14,305	800,000	18,705
2036	-	-	800,000	14,305	800,000	14,305
2037	-	-	800,000	9,905	800,000	9,905
2038	-	-	1,000,881	5,505	1,000,881	5,505
	<u>\$ 15,000,000</u>	<u>\$ 991,375</u>	<u>\$ 2,600,881</u>	<u>\$ 330,120</u>	<u>\$ 17,600,881</u>	<u>\$ 1,321,495</u>

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION AND BROADBAND DIVISION
SCHEDULES OF STATISTICAL DATA (UNAUDITED)
JUNE 30, 2014 AND 2013

	2014	2013	Increase (Decrease)
Number of electric customers:			
Residential	57,631	55,837	1,794
Commercial	6,700	6,580	120
Industrial	743	725	18
Public lighting	427	419	8
Total number of electric customers	<u>65,501</u>	<u>63,561</u>	<u>1,940</u>
Security lights	<u>5,080</u>	<u>5,110</u>	<u>(30)</u>
Number of kilowatt-hours purchased:			
Sales	1,482,722,452	1,406,335,366	76,387,086
Loss	60,587,074	49,354,944	11,232,130
Purchased for own use	<u>1,974,839</u>	<u>2,102,703</u>	<u>(127,864)</u>
Total number of kilowatt-hours purchased	<u>1,545,284,365</u>	<u>1,457,793,013</u>	<u>87,491,352</u>
Percent loss	<u>3.92%</u>	<u>3.39%</u>	<u>0.53%</u>
	<u>2014</u>	<u>2013</u>	Increase (Decrease)
Number of broadband customers	17,643	14,855	2,788

See independent auditor's report.

CDE LIGHTBAND
ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2014

Residential Rates (RS)

Customer Charge: \$16.16
Energy Charge: 10.100 cents/Kilowatthour (kWh)

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

Customer Charge \$22.34
Energy Charge: 11.430 cents/kWh

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

Customer Charge: \$121.11
Energy Charge: 0-15,000 kWh 11.430 cents/kWh
All additional kWh 7.042 cents/kWh
Demand Charge: 0-50 kW No charge
51-1,000 kW \$13.28 per kW

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

Customer Charge: \$242.23
Energy Charge: All kWh 7.376 cents/kWh
Demand Charge: 0-1,000 kW \$12.43 per kW
1,001-5,000 kW \$12.12 per kW

General Power Rate (SGSB) (5,001-15,000 kW)

Customer Charge: \$1,500.00
Energy Charge: All kWh 5.293 cents/kWh
Demand Charge: All kW \$22.16

Manufacturing Service Rate (SMSB) (5,001-15,000 kW)

Customer Charge: \$1,500.00
Energy Charge: All kWh 4.506 cents/kWh
Demand Charge: All kW \$19.19

Time Differentiated Hours Use of Demand Manufacturing Service Rate (TDMSA) (1,000-15,000 kW)

Customer Charge: \$1,500.00
Administrative Charge: \$350.00
Energy Charge:
Summer Period:
Onpeak: 8.571 cents/kWh
Offpeak: 5.051 cents/kWh
Winter Period:
Onpeak: 5.578 cents/kWh
Offpeak: 5.051 cents/kWh
Transition Period: 5.051 cents/kWh

Energy Charge - Offpeak Hours Use of Demand Adjustment:

Summer Period and Winter Period:
First 425 hours: 5.051 cents/kWh
Next 195 hours: 3.136 cents/kWh
Additional kWh: 1.510 cents/kWh

CDE LIGHTBAND

See independent auditor's report.

ELECTRIC DIVISION
SCHEDULE OF RATES (UNAUDITED) - Continued
JUNE 30, 2014

Transition Period:

First 425 hours: 5.051 cents/kWh

Next 195 hours: 3.136 cents/kWh

Additional kWh: 1.510 cents/kWh

Demand Charge:

Summer Period:

Onpeak: All kW \$16.84

Excess Offpeak: All kW \$4.07

Winter Period:

Onpeak: All kW \$9.56

Excess Offpeak: All kW \$4.07

Transition Period: All kW \$4.07

Outdoor Lighting (LS)

Customer Charge: \$3.15

Energy Charge: 7.347 cents/kWh

Security Lights (LS) (No Customer Charge)

Energy Charge: 7.347 cents/kWh

See independent auditor's report.

CDE LIGHTBAND
BROADBAND DIVISION
SCHEDULE OF RATES (UNAUDITED)
JUNE 30, 2014

SERVICE RATES

Lightband Basic	\$14.95
Lightband Plus	\$51.10
Lightband Extra	\$61.10
HBO	\$15.95
Cinemax	\$12.95
HBO/Cinemax Channels (all 10 screens)	\$21.95
Starz/Encore Channels (all 10 screens)	\$12.95
Showtime/TMC (all 8 screens)	\$12.95
Lightband High Speed Internet	\$34.95 - 249.95
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)	\$98.10
Power Pack II - (Lightband Extra, Internet, & Phone)	\$118.10
Sports Pack	\$7.99

EQUIPMENT RENTAL RATES (MONTHLY)

Standard Digital Converter - All Others	\$3.95
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 ala 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, 2014

Program Title	CFDA Number	Contract Number	Accrued Balance June 30, 2013	Cash Receipts	Expenditures and Adjustments	Accrued Balance June 30, 2014
FEDERAL AWARDS:						
Federal Emergency Management Agency ("FEMA") / TN Department of Military, Tennessee Emergency Management Agency	97.036	FEMA-1909-DR-TN	\$ 79,665	\$ 79,665	\$ -	\$ -
Federal Emergency Management Agency ("FEMA") / TN Department of Military, Tennessee Emergency Management Agency	97.036	PA-04-TN-1979-State-0020(19)	328,548	-	-	328,548
Federal Emergency Management Agency ("FEMA") / TN Department of Military, Tennessee Emergency Management Agency	97.036	PA-04-TN-1979-State-0026(27)	<u>432,720</u>	<u>18,977</u>	<u>-</u>	<u>413,743</u>
TOTAL FEDERAL AWARDS			<u>\$ 840,933</u>	<u>\$ 98,642</u>	<u>\$ -</u>	<u>\$ 742,291</u>

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, 2014

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, 2014. 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 OMB Circular A-133 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 OMB Circular A-133 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, 2014, and the related notes to the financial statements, which collectively comprise CDE's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Crosslin + Associates, P.C.

Nashville, Tennessee
November 25, 2014