

**CITY OF CLARKSVILLE, TENNESSEE**  
**GAS DEPARTMENT AND**  
**WATER & SEWER DEPARTMENT**  
**AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION**  
**JUNE 30, 2013 AND 2012**



CITY OF CLARKSVILLE, TENNESSEE  
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

Financial Section

Independent Auditor's Report	3
Management's Discussion and Analysis (Unaudited)	6
Gas Department:	
Statements of Net Position	13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15
Water and Sewer Department:	
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	19
Statements of Cash Flows	20
Notes to Financial Statements	22

Required Supplementary Information

Schedule of Funding Progress for Pension Plan (Unaudited)	35
Schedule of Funding Progress for Other Post-Employment Benefits (Unaudited)	36

Other Information

Schedule of Expenditures of Federal Awards and State Financial Assistance	37
Directory of Utility Committee and Management Personnel (Unaudited)	38
Schedule of Bonds and Interest Maturities (Jointly Issued) (Unaudited)	39
Schedule of Notes and Interest Maturities (Jointly Issued) (Unaudited)	40
Other Supplemental Information (Unaudited)	41

Other Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
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## INDEPENDENT AUDITOR'S REPORT

To the Utility Committee  
Clarksville Gas, Water & Sewer  
Clarksville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Gas Department, and Water and Sewer Department (collectively, "the Departments") proprietary funds of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Departments basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 Gas Department, and Water and Sewer Department of the City of Clarksville, Tennessee, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2013, the Department's adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Prior Period Financial Statements*

The financial statements of the Departments as of June 30, 2012 were audited by predecessor auditors who issued an unqualified opinion dated November 28, 2012.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress for Pension Plan, and the Schedule of Funding Progress for other Post-Employment Benefits, 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 the Department's basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance, Directory of Utility Committee and Management Personnel, Schedule of Bonds, Notes, and Interest Maturities, and Other Supplemental Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 2013 audit 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, the Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



To the Utility Committee  
Clarksville Gas, Water & Sewer

The Directory of Utility Committee and Management Personnel, Schedule of Bonds, Notes, and Interest Maturities, and Other Supplemental Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Departments 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 the Departments internal control over financial reporting and compliance.

*Crosslin + Associates, P.C.*

Nashville, Tennessee  
December 20, 2013

CITY OF CLARKSVILLE, TENNESSEE  
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 2012

The Gas Department and Water and Sewer Department of the City of Clarksville Management's Discussion and Analysis is an overview of financial activities for the fiscal year ending June 30, 2013. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and resulting changes, please read this information in conjunction with accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The Gas Department's total net position increased by \$1.26M (2.6%) due to higher gas sales (9.0%) and lower operating costs (2.5%).
- Water and Sewer Department's total net position increased by \$17.76M (9.2%) primarily as a result of \$17.45M in contributed capital for the Water Plant expansion, paid for by the State.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements that give information about the Gas, Water, and Sewer Departments' activities. Comparative summaries and tables are provided to aid in the discussion and analysis of such activities.

The Statements of Net Position include all of the Departments' assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and obligations (liabilities).

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 measure the success of the Departments' operations over the past year and can be used to determine if the Departments recovered all of their operating cost through sales and other charges.

The primary purpose of the Statement of Cash Flows is to provide information about the Departments' cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital and capital financing activities. This statement also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The financial statements are prepared in accordance with generally accepted accounting principles. The Departments use the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

As required by state law, each entity is accounted for separately. However, state law allows water and sewer activities to be combined for the audited financial statements and are presented as such by the Departments. Accordingly, water and sewer activities will be combined in the discussion and analysis that follows.

FINANCIAL ANALYSIS OF THE DEPARTMENTS

The Financial Statements of the Departments include only activities from our gas operations and our water & sewer operations; however, the Departments have inter-fund transfers with the City of Clarksville for payments in lieu of taxes (PILOTS). The PILOTS are similar in purpose to property taxes. The Departments also pay a portion of the City Attorney Department, Human Resources Department, Internal Audit Department and the Purchasing Department expenses.

NET POSITION

The Departments' net position is one way to measure the Departments' financial health. Over time, increases or decreases in net position can show whether the business is improving or deteriorating. However, other non- financial factors such as economic conditions, weather, and changes in legislation should be considered.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Departments' activities for the year. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Departments are improving or deteriorating.

Summaries of each department's Statement of Net Position are presented below. As shown, total net position of the Gas Department increased by \$1.25 million from 2012 to 2013. The increase is attributed to a 13.5% increase in volumetric gas sales combined with lower commodity prices and lower operating costs.

The Water & Sewer Department's net position increased by \$17.76 million from 2012 to 2013. Capital assets increased from \$396.77 million in 2012 to \$422.56 million in 2013. For the year-ended 2013, the department received contributions of \$17.45 million in capital assets (in 2012 capital contributions were \$34.11 million). The decline in contributed capital is related to the completion of infrastructure projects to supporting the new Hemlock Semiconductor facility. The expansion of the water treatment plant was the final phase of the overall infrastructure improvements.

Table A-1

City of Clarksville, Tennessee  
Gas Department and Water & Sewer Department  
Condensed Statements of Net Position (In Millions)  
6/30/2013

	<b>Gas Department</b>			<b>Water &amp; Sewer Department</b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 25.28	\$ 23.39	\$ 25.42	\$ 36.75	\$ 36.70	\$ 28.59
Capital Assets	42.66	43.19	44.07	422.56	396.77	353.40
<b>Total Assets</b>	<b>67.94</b>	<b>66.58</b>	<b>69.49</b>	<b>459.31</b>	<b>433.47</b>	<b>381.99</b>
Current and other liabilities	5.60	4.80	4.63	28.23	28.49	25.27
Long-term liabilities	11.27	11.96	12.51	221.29	212.94	202.61
<b>Total liabilities</b>	<b>16.87</b>	<b>16.76</b>	<b>17.14</b>	<b>249.52</b>	<b>241.43</b>	<b>227.88</b>
Net investment in capital assets - as restated	30.84	30.73	31.03	189.90	174.69	141.65
Restricted net position	1.57	1.57	1.53	16.12	14.95	14.50
Unrestricted net position (deficit)	18.66	17.52	17.63	3.77	2.40	(2.04)
<b>Total net position - as restated</b>	<b>51.07</b>	<b>49.82</b>	<b>50.19</b>	<b>209.79</b>	<b>192.04</b>	<b>154.11</b>
<b>Total liabilities and net position</b>	<b>\$ 67.94</b>	<b>\$ 66.58</b>	<b>\$ 67.33</b>	<b>\$ 459.31</b>	<b>\$ 433.47</b>	<b>\$ 381.99</b>

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the Statements of Net Position shows the change in assets and liabilities, the Statements of Revenue, Expenses and Changes in Net Position detail the nature and source of these changes. Revenues for the Gas Department are generated primarily by gas usage. Weather conditions also can have a significant impact on revenue since heating accounts for a significant portion of gas usage. The method used to determine gas usage for heating is degree-days.

Degree-days measure how much the average daily temperature varies from 65 degrees. This temperature is the value in which heating should not be needed. The heating degree-days for FYE 2013 were 4,197; and for FYE 2012 there were 3,231 degree-days.

Operating expenses include work done on the system in the form of repairs and maintenance. Capital assets that are added to the system are capitalized as are the man-hours used to construct capital assets. However, repairs and maintenance and the man-hours used therein are operating expenses. During FYE 2013, the Gas Department responded to 851 odor complaints. A total of 122 regulator stations and 219 large commercial and industrial gas meters were tested and maintained.

The water construction department made 125 main repairs and 179 service line repairs in FYE 2013. They also replaced 161 service lines and 15 valves. There were 97 repairs and 20 replacements of fire hydrants. The water construction crews made 229 water taps and 18 sewer taps on existing lines.

The sewer construction department scheduled and cleaned 181,560 feet of mains. They also cleaned 136,831 feet on an emergency basis. They inspected, by closed circuit television, 84,538 feet and repaired 1,354 feet as well as installing 310 feet of mains. Further, the sewer construction department located 127 services and installed 244 clean outs. The sewer construction department also raised, lowered, or located 134 manholes and installed or replaced 7 manholes. Other work included smoke testing 26 lines and cleaning 28 rights of way.

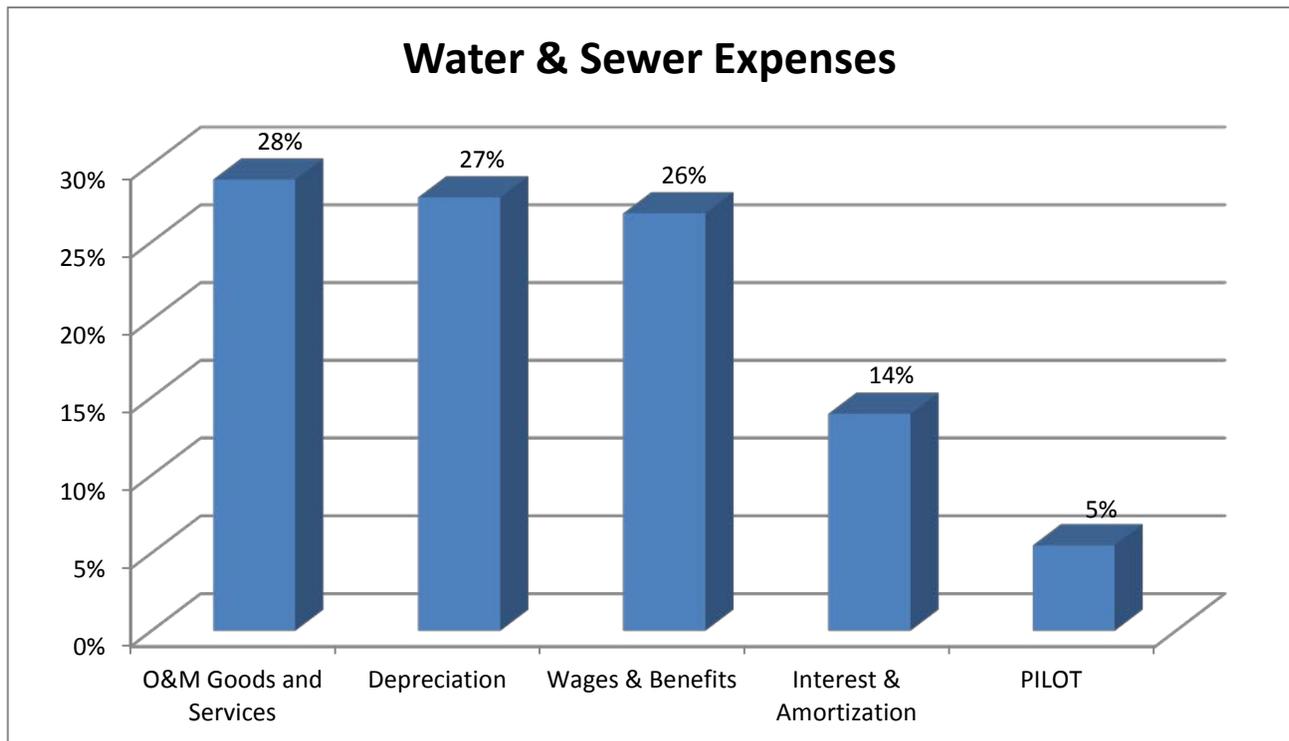
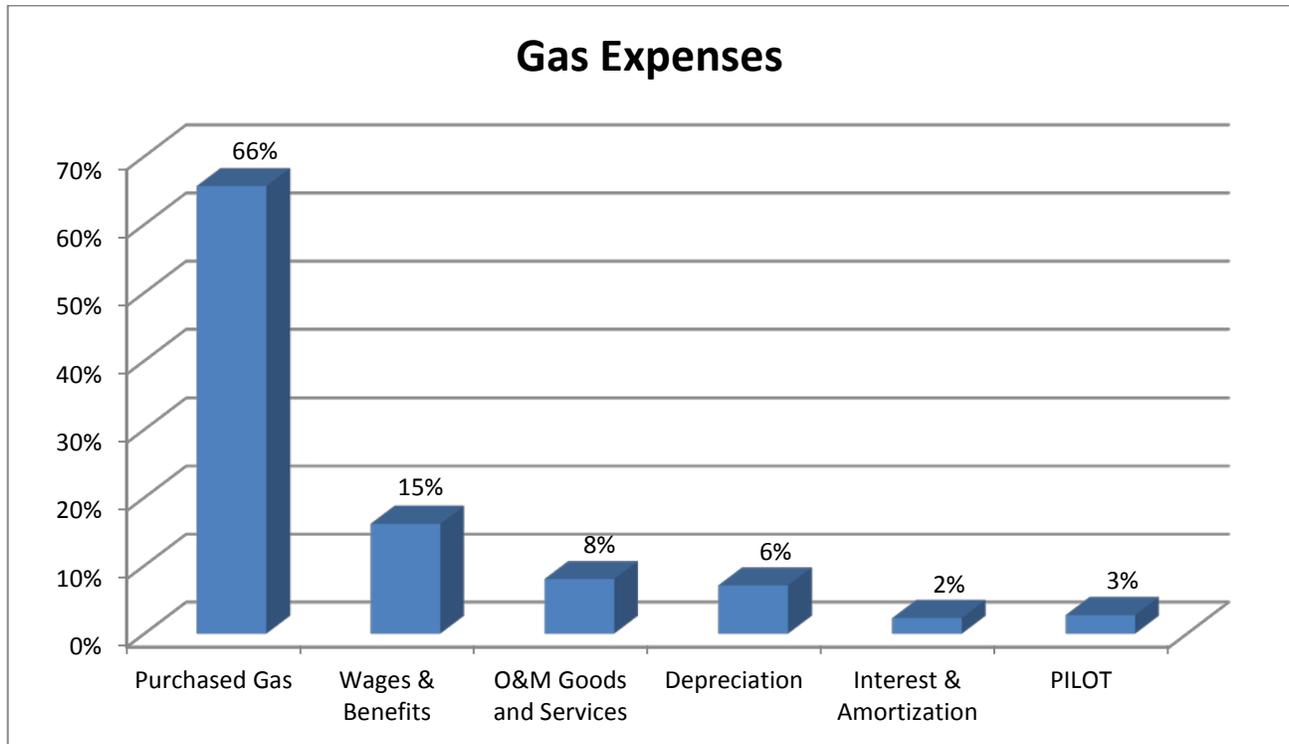
Table A-2

City of Clarksville, Tennessee  
Gas Department and Water & Sewer Department  
Condensed Statements of Revenues, Expenses & Changes in Net Position (In Millions)  
6/30/2013

	<b>Gas Department</b>			<b>Water &amp; Sewer Department</b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 24.91	\$ 23.71	\$ 32.66	\$ 47.74	\$ 50.08	\$ 47.25
Operating expenses	22.57	23.14	31.34	38.14	37.71	41.77
Operating income (loss)	2.34	0.57	1.32	9.60	12.37	5.48
Non-operating revenues (expenses)	(0.46)	(0.47)	(0.55)	(6.71)	(6.16)	(5.71)
Income (loss) before contributions and transfers	1.88	0.10	0.77	2.89	6.21	(0.23)
Capital contributions	-	0.03	1.10	17.45	34.11	17.34
Inter-fund transfers	(0.62)	(0.50)	(0.64)	(2.58)	(2.39)	(2.17)
Changes in net position	1.26	(0.37)	1.23	17.76	37.93	14.94
Net position - beginning	49.82	50.19	48.96	192.03	154.10	139.16
Net position - ending	51.08	49.82	50.19	209.79	192.03	154.10

## EXPENSES

The following charts show the major areas of operating expenses of each of the departments for the year ended June 30, 2013.



CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2013, the Gas Department had \$42.66 million in net capital assets and the Water and Sewer Departments had \$422.56 million of net capital assets. Capital assets include construction in progress, transmission lines, distribution lines, collection lines, manholes, fire hydrants, land, land rights, structures, office furniture, vehicles, and equipment. Please see Tables A-3 and A-4 for an analysis of capital assets for the Gas Department and the Water and Sewer Departments.

Table A-3  
City of Clarksville, Tennessee  
Gas Department  
Capital Assets ( in Millions)  
6/30/2013

	2013	2012	Dollar Change	Percent Change
Construction in Progress	0.60	0.91	(0.31)	-34.1%
Land	0.22	0.24	(0.02)	-8.3%
Building	1.42	1.47	(0.05)	-3.4%
Infrastructure	38.84	39.77	(0.93)	-2.3%
Machinery and Equipment	1.28	0.56	0.72	128.6%
Vehicles	0.30	0.24	0.06	25.0%
	<u>42.66</u>	<u>43.19</u>	<u>(0.53)</u>	<u>-1.2%</u>

Table A-4  
City of Clarksville, Tennessee  
Water and Sewer Department  
Capital Assets ( in Millions)  
6/30/2013

	2013	2012	Dollar Change	Percent Change
Construction in Progress	20.13	44.82	(24.69)	-55.1%
Land	4.93	3.67	1.26	34.3%
Building	56.05	56.08	(0.03)	-0.1%
Infrastructure	309.37	275.82	33.55	12.2%
Machinery and Equipment	30.59	15.34	15.25	99.4%
Vehicles	1.49	1.04	0.45	43.3%
	<u>422.56</u>	<u>396.77</u>	<u>25.79</u>	<u>6.5%</u>

### LONG-TERM DEBT

Long-term debt increased for FYE 2013 due to drawing funds from the Tennessee Municipal Bond Fund Loan to finance various projects constructing, improving, repairing, and equipping the water and sewer systems of the Municipality. At year-end, the Departments had long-term debt of \$244.48 million. All operating revenues of the Departments are security for the long-term debt, collectively. The Notes in the audited financial statements give the details of the various components of the long-term debt and a detailed schedule of long-term debt obligations of the Departments by year. Please read it in conjunction with this summary.

### CONTACTING THE DEPARTMENTS FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Departments finances. If you have any questions about this report or need any additional information contact the Chief Financial Officer, Clarksville Department of Gas, Water and Sewer, 2215 Madison Street, Clarksville, Tennessee 37043.

**City of Clarksville, Tennessee - Gas Department**  
**Statements of Net Position**

*June 30, 2013 and 2012*

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 20,894,368	\$ 19,043,397
Accounts Receivable, Net	1,351,430	872,771
Inventory	1,422,784	1,878,219
Prepaid Expense	35,047	24,372
Total Current Assets	23,703,629	21,818,759
Noncurrent Assets		
Restricted Assets		
Cash and Cash Equivalents	490,046	490,487
Investments	1,083,268	1,080,761
Total Restricted Assets	1,573,314	1,571,248
Capital Assets		
Capital Assets Not Depreciated	821,593	1,146,690
Capital Assets Depreciated, Net	41,843,299	42,040,815
Total Capital Assets	42,664,892	43,187,505
Total Noncurrent Assets	44,238,206	44,758,753
Total Assets	\$ 67,941,835	\$ 66,577,512

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Gas Department**  
**Statements of Net Position**

*June 30, 2013 and 2012*

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,355,236	\$ 1,027,006
Contracts and Retainage	2,058	536
Accrued Interest Payable	221,517	233,211
Current Portion of Bonds Payable	641,350	615,950
Current Portion of Accrued Compensated Absences	150,989	136,713
Total Current Liabilities	2,371,150	2,013,416
<b>Noncurrent Liabilities</b>		
Accrued Compensated Absences (less current portion)	84,748	121,130
Bonds Payable (less current portion)	11,180,869	11,841,897
Total Noncurrent Liabilities	11,265,617	11,963,027
<b>Other Noncurrent Liabilities</b>		
OPEB Liability	1,829,411	1,460,756
Customer Deposits	1,395,207	1,318,154
Total Other Liabilities	3,224,618	2,778,910
Total Liabilities	\$ 16,861,385	\$ 16,755,353
<b>Net Position</b>		
Net investment in Capital Assets - as restated	30,842,673	30,729,658
Restricted for Debt Reserve	1,573,314	1,571,248
Unrestricted Net Position	18,664,463	17,521,253
Total Net Position, as restated	51,080,450	49,822,159
Total Liabilities and Net Position	\$ 67,941,835	\$ 66,577,512

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Gas Department**  
**Statements of Revenues, Expenses and Changes in Net Position**  
*Years ended June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Sales	23,554,670	\$ 21,618,128
Fort Campbell Operations	665,297	448,250
Other Income	693,218	1,648,150
Total Operating Revenues	<u>24,913,185</u>	<u>23,714,528</u>
Operating Expenses:		
Purchased Gas	15,246,226	15,385,323
Transmission and Distribution	3,117,636	3,081,952
Administrative and General	1,203,904	1,936,843
Customer Service	653,226	434,585
Engineering	159,725	171,617
Depreciation	1,645,386	1,666,483
Ft. Campbell Operations	443,874	370,608
Other Expenses	95,326	93,837
Total Operating Expenses	<u>22,565,303</u>	<u>23,141,248</u>
Operating Income	<u>\$ 2,347,882</u>	<u>\$ 573,280</u>
Non-operating Income (Expense)		
Interest Income	\$ 42,566	\$ 48,288
Other Income	23,948	22,427
Interest Expense	(548,013)	(566,883)
Amortization of Bond Premium	19,678	19,679
Total Non-operating Expense	<u>(461,821)</u>	<u>(476,489)</u>
Income before Contributions and Transfers	<u>\$ 1,886,061</u>	<u>\$ 96,791</u>
Contributions and Transfers		
Capital Contributions	4,180	29,181
Transfers to Primary Government	(631,950)	(497,905)
Total Contributions and Transfers	<u>(627,770)</u>	<u>(468,724)</u>
Change in Net Position	1,258,291	(371,933)
Net Position - Beginning of Year - as restated	<u>49,822,159</u>	<u>50,194,092</u>
Net Position - End of Year	<u>\$ 51,080,450</u>	<u>\$ 49,822,159</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Gas Department**  
**Statements of Cash Flows**

*Years ended June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 24,434,552	\$ 24,285,502
Payments to Suppliers of Goods or Services	(15,932,005)	(18,851,950)
Payments to Employees for Services	(3,694,471)	(3,824,815)
Payments Connected with Interfund Services	(95,326)	(93,837)
<i>Net cash provided by operating activities</i>	<u>4,712,750</u>	<u>1,514,900</u>
 <u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
Other Income (Expense)	(11,690)	1,319
Transfers to City General (In lieu of tax payment)	(631,950)	(497,905)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(643,640)</u>	<u>(496,586)</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>		
Capital Contributions	4,180	29,181
Proceeds from Sale of Capital Assets	22,656	21,680
Debt Service Interest Paid	(559,708)	(536,556)
Debt Service Principal Paid	(615,950)	(555,001)
Purchase of Fixed Assets	(1,112,324)	(780,164)
<i>Net cash used by capital and related financing activities</i>	<u>(2,261,146)</u>	<u>(1,820,860)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest Received	42,566	48,288
<i>Net cash provided from investng activity</i>	<u>42,566</u>	<u>48,288</u>
 Net Increase (Decrease) in Cash and Cash Equivilents	 1,850,530	 (754,258)
 Cash and Cash Equivilents - Beginning of Year	 <u>19,533,884</u>	 <u>20,288,142</u>
 Cash and Cash Equivilents - End of Year	 <u>\$ 21,384,414</u>	 <u>\$ 19,533,884</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Gas Department**  
**Statements of Cash Flows**

*Years ended June 30, 2013 and 2012*

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	<u>2013</u>	<u>2012</u>
Operating Income (Loss)	\$ 2,347,882	\$ 573,280
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,645,386	1,666,483
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(478,633)	570,976
(Increase) Decrease in Inventory	455,435	(1,329,355)
(Increase) Decrease in Prepaid Assets	(10,674)	12,824
Increase (Decrease) in Accounts Payable	328,230	(616,282)
Increase (Decrease) in Contracts and Retainage	1,522	(623)
Increase (Decrease) in Accrued Compensated Absences	(22,106)	22,360
Increase (Decrease) in OPEB Liability	368,655	307,328
Increase (Decrease) in Customer Deposits	77,053	307,909
Net cash provided (used) by operating activities	<u>\$ 4,712,750</u>	<u>\$ 1,514,900</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Water and Sewer Department**  
**Statements of Net Position**

*June 30, 2013 and FY 2012*

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and Cash Equivalents	\$ 16,848,579	\$ 15,536,134
Accounts Receivable, Net	2,781,202	5,278,315
Inventory	902,303	872,569
Prepaid Expense	105,515	55,903
Total Current Assets	20,637,599	21,742,921
Noncurrent Assets:		
Restricted Assets		
Cash and Cash Equivalents	4,385,579	4,390,783
Investments	11,734,190	10,557,231
Total Restricted Assets	16,119,769	14,948,014
Capital Assets:		
Capital Assets Not Depreciated	24,505,785	48,484,385
Capital Assets Depreciated, Net	398,050,834	348,290,004
Total Capital Assets	422,556,619	396,774,389
Total Noncurrent Assets	438,676,388	411,722,403
Total Assets	\$ 459,313,987	\$ 433,465,324

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Water and Sewer Department**  
**Statements of Net Position**

*June 30, 2013 and FY 2012*

LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
Current Liabilities		
Accounts Payable	\$ 3,728,387	\$ 6,880,762
Contracts and Retainage	1,655,748	1,689,820
Accrued Interest Payable	2,147,583	2,239,743
Current Portion of Bonds Payable	9,223,650	5,149,050
Current Portion of Notes Payable	2,213,409	4,192,311
Current Portion of Accrued Compensated Absences	481,635	369,928
Unearned Connection Fee Revenue	-	251,232
Total Current Liabilities	<u>19,450,412</u>	<u>20,772,846</u>
Noncurrent Liabilities		
Accrued Compensated Absences (less current portion)	68,562	192,016
Bonds Payable (less current portion)	179,323,179	117,345,741
Notes Payable (less current portion)	41,894,230	95,397,776
Total Noncurrent Liabilities	<u>221,285,971</u>	<u>212,935,533</u>
Other Noncurrent Liabilities		
OPEB Liability	4,860,481	3,761,693
Customer Deposits	3,924,026	3,960,822
Total Other Liabilities	<u>8,784,507</u>	<u>7,722,515</u>
Total Liabilities	<u>249,520,890</u>	<u>241,430,894</u>
Net Position		
Net investment in Capital Assets - as restated	189,902,151	174,689,511
Restricted for Debt Reserve	16,119,769	14,948,014
Unrestricted Net Assets (Deficit)	3,771,177	2,396,905
Total Net Position, as restated	<u>209,793,097</u>	<u>192,034,430</u>
Total Liabilities and Net Position	<u>\$ 459,313,987</u>	<u>\$ 433,465,324</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Water and Sewer Department**  
**Statements of Revenues, Expenses and Changes in Net Position**

*Years ended June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Water Sales	\$ 18,859,895	\$ 19,673,265
Sewer Service Charges	23,278,728	24,244,986
Other Income - Water	2,891,023	2,886,415
Other Income - Sewer	2,708,903	3,275,248
Total Operating Revenues	47,738,549	50,079,914
Operating Expenses:		
Water Plant Operations	3,681,064	3,737,683
Water Transmission & Distribution	2,755,998	2,261,887
Sewer Treatment Plant Operations	4,515,666	6,225,442
Sewer Discharge Collection and Pumping	4,988,060	4,451,331
Customer Service	3,738,291	1,663,168
Administrative & General	2,474,170	4,202,948
Engineering	1,721,863	2,335,859
Depreciation	13,108,393	12,572,818
Other Expenses	1,159,949	262,114
Total Operating Expenses	38,143,454	37,713,250
Operating Income	\$ 9,595,095	\$ 12,366,664
Nonoperating Income (Expenses)		
Interest Income	\$ 80,670	\$ 104,061
Other Income (Expense)	(432,584)	200,820
Interest Expense	(6,626,311)	(6,731,731)
Amortization of Bond Premium	275,236	275,236
Total Nonoperating Expense	(6,702,989)	(6,151,614)
Income (Loss) before Contributions and Transfers	\$ 2,892,106	\$ 6,215,050
Contributions and Transfers		
Capital Contributions - Water	10,932,945	26,049,080
Capital Contributions - Sewer	6,514,745	8,058,104
Transfers to Primary Government	(2,581,129)	(2,391,924)
Total Contributions and Transfers	14,866,561	31,715,260
Change in Net Position	17,758,667	37,930,310
Net Position - Beginning of Year - as restated	192,034,430	154,104,120
Net Position - End of Year	\$ 209,793,097	\$ 192,034,430

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Water and Sewer Department**  
**Statements of Cash Flows**

*Years ended June 30, 2013 and 2012*

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 50,235,663	\$ 49,329,395
Payments to Suppliers of Goods or Services	(15,774,835)	(12,569,280)
Payments to Employees for Services	(11,534,428)	(10,580,275)
Payments Connected with Interfund Services	(192,589)	(207,642)
<i>Net cash provided by operating activities</i>	22,733,811	25,972,198
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
Other Income (Expense)	37,655	279,871
Transfers to City General (In lieu of tax payment)	(2,581,129)	(2,391,924)
<i>Net cash used by noncapital financing activities</i>	(2,543,474)	(2,112,053)
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from Long Term Debt	92,749,851	19,333,487
Capital Contributions	6,906,820	21,121,804
Proceeds from Sale of Fixed Assets	23,457	32,675
Debt Service Interest Paid	(6,922,750)	(6,297,238)
Debt Service Principal Paid	(82,379,533)	(8,717,771)
Purchase of Fixed Assets	(29,341,611)	(43,019,166)
<i>Net cash used by capital and related financing activities</i>	(18,963,766)	(17,546,209)
<u>Cash Flows from Investing Activities:</u>		
Interest Received	80,670	104,062
<i>Net cash provided from investng activity</i>	80,670	104,062
Net Increase in Cash and Cash Equivalents	1,307,241	6,417,998
Cash and Cash Equivilents - Beginning of Year	19,926,917	13,508,919
Cash and Cash Equivilents - End of Year	\$ 21,234,158	\$ 19,926,917

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**City of Clarksville, Tennessee - Water and Sewer Department**  
**Statements of Cash Flows**

*Years ended June 30, 2013 and 2012*

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

	<u>2013</u>	<u>2012</u>
Operating Income (Loss)	\$ 9,595,095	\$ 12,366,664
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,108,393	12,572,818
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	2,497,114	(750,518)
(Increase) Decrease in Inventory	(29,741)	(149,331)
(Increase) Decrease in Prepaid Assets	(49,612)	13,247
Increase (Decrease) in Accounts Payable	(3,152,378)	504,250
Increase (Decrease) in Contracts and Retainage	(34,072)	781,622
Increase (Decrease) in Accrued Compensated Absences	(11,747)	36,955
Increase (decrease) in Deferred Connection Fees	(251,232)	(810,309)
Increase (Decrease) in OPEB Liability	1,098,788	741,420
Increase (Decrease) in Customer Deposits	(36,797)	665,380
Net cash provided (used) by operating activities	<u>\$ 22,733,811</u>	<u>\$ 25,972,198</u>
Noncash Capital and Related Financing Activities		
Capital Contributed	\$ 10,540,870	12,985,380

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Water and Sewer Departments were begun in 1893 when a private water system was purchased by the City of Clarksville. The Gas Department was added to the City utility system in 1953. The Departments operate under the authority of the Utility Committee of the City of Clarksville and of the City Council as a whole. The service area of the Departments includes the City of Clarksville and certain surrounding portions of Montgomery County as well as portions of Cheatham and Robertson counties in Tennessee and Christian and Logan counties of Kentucky. The Departments are proprietary funds of the City of Clarksville, Tennessee. No other funds of the City of Clarksville are included in the financial statements of the Departments.

B. Basis of Presentation and Measurement Focus

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.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus used. As proprietary funds, the Departments use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds account for business-type operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Allocations of costs, such as depreciation, are recorded in proprietary funds. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

C. Reporting Entity

The Departments are proprietary funds of the City of Clarksville, Tennessee. No other funds of the City of Clarksville are presented.

D. 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.

E. Concentrations

Financial instruments that potentially subject the Departments to significant concentrations of credit risk consist principally of cash, cash equivalents, and accounts receivable. The Departments place cash and cash equivalents with federally insured financial institutions and limit the amount of credit exposure to any one institution by requiring collateral. 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 Departments perform an initial credit evaluation for new customers and obtain a security deposit or third-party guaranty where applicable.

F. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Departments consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and local government investment pool to be cash and cash equivalents.

G. Inventories

Inventories are stated at average cost and are determined by the moving average inventory method. A perpetual inventory is maintained by the Departments with a physical inventory taken annually.

H. Restricted Assets

Restricted assets represent cash, cash equivalents and investments as required by the bond covenants to be set aside for the retirement of bond obligations. Restricted assets at June 30, 2013 and 2012, were \$17,693,083 and \$16,519,262 respectively.

I. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Contributions from others toward the construction of an asset are charged to the applicable capital asset accounts. Maintenance and repairs are charged to the appropriate maintenance accounts.

The Departments capitalize assets with a cost greater than \$5,000. Donated capital assets are reported at the estimated fair value at the time of acquisition. Capital assets are valued for impairment or abandonment when necessary. Capital assets, excluding land, are depreciated using the straight-line method over the following estimated useful lives:

Main Lines	50 years
Land Improvements	50 years
Machinery and Equipment	10 years
Buildings	40 years
Vehicles	5 years
Computers	5 years

J. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses of the Departments are those that result from providing services and producing and delivering goods and/or services in connection with the departments ongoing operations. The principal operating revenues of the departments are charges for providing water and sewer services and natural gas supply. This also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

K. Recognition of Revenues and Expenses

As is the general practice of the industry, unbilled service revenue and the related unbilled cost from the date of the most recent meter reading to the balance sheet date is not recorded. Therefore, only billed revenues and expenses are recognized in the financial statements. However, the effect is considered immaterial.

L. Receivables

Accounts receivables are presented net of any allowance for uncollectible accounts. The allowance for doubtful accounts was \$105,628 and \$125,306 for the years ended June 30, 2013 and 2012, respectively. Bad debts are charged to expense using the allowance-for-bad-debt method. The Departments policy is to reserve 50% of accounts 60 to 90 days past due and 100% for accounts 90 days or more past due. The bad debt expense for the years ended June 30, 2013 and 2012 was \$91,548 and \$64,907, respectively.

M. Unearned Connection Fee Revenue

Prior to March 12, 2008, the Water and Sewer Departments issued "blue coupons" to contractors/sub-dividers for the value of "off-site-improvements", as defined in the Clarksville City Code, that they have installed and donated to the Departments. The contractor/sub-divider can use these "blue-coupons" later to offset connection fees otherwise due at that time. "Blue coupons" that are not expired or not redeemed are recorded as unearned connection fee revenue and expired and redeemed "blue coupons" are recorded as connection fee revenue. There are currently no "blue coupons" outstanding.

N. Interest Capitalization

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Total interest incurred for the Gas Department for the years ended June 30, 2013 and 2012, was \$548,013 and \$575,137 respectively. Interest capitalized was \$0 and \$8,254 and interest expense was \$548,013 and \$566,883, for the years ended June 30, 2013 and 2012, respectively.

Total interest incurred for the Water and Sewer Department for the years ended June 30, 2013 and 2012, was \$6,830,591 and \$6,864,028 respectively. Interest capitalized was \$204,280 and \$132,297 and interest expense was \$6,626,311 and \$6,731,731, for the years ended June 30, 2013 and 2012, respectively.

O. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Departments policy to use restricted resources first, and then unrestricted resources as they are needed.

P. Unamortized Discount, Premium and Debt Expense

Discounts and premiums are being amortized over the life of the bonds using the straight-line method which is not materially different from the interest method. Bonds payable are reported net of the applicable premiums and discounts. Debt issuance costs are expensed in the period that debt is incurred.

Q. GASB 65 and Restatement

The Departments have implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which mandates debt issuances cost be expensed rather than amortized. The restatement reduced amortization expense for the Gas Department by \$81,660 and by \$829,926 for the Water and Sewer Departments in both years 2013 and 2012. Opening net position in 2012 was reduced by \$1,073,986 for the Gas Department and \$10,343,713 for the Water and Sewer Department.

2. DEPOSITS AND INVESTMENTS

The City has adopted an official investment policy. The primary objectives of investment activities in order of priority are safety of principal, liquidity to meet obligations as they become due and a reasonable yield on the City's investments. Investment types permitted are consistent with Government Finance Officers Association (GFOA) Policy Statement on State and Local Laws Concerning Investment Practices, and included but are not limited to : (1) U.S. government securities and obligations guaranteed by the U.S. government, (2) deposit accounts at state and federally chartered banks and savings and loan associations, and (3) the Local Government Investment Pool of the State of Tennessee.

Statement No. 40, "Deposit and Investment Risk Disclosures", of the Governmental Accounting Standards Board (GASB 40), is designed to inform financial statement users about the deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. The Departments recognize their deposits and investments may have one or more of the following risks:

1. Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy minimizes this risk by limiting the types of securities to be purchased, pre-qualifying financial institutions, brokers/dealers, etc. that the City does business with and by requiring the diversification of the portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
2. Concentration of credit risk: A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations. Although the City's investment policy does not place a specific percentage limit on any type of investment, it recommends diversification, requires competitive biddings, and requires investment officials to operate under the prudent-person rule.

3. Interest rate risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. Investments of the Departments have average weighted maturity of one year. The City's investment policy provides that to the extent practicable, that investments should be matched with anticipated cash flow requirements and that a portion of the portfolio should be continuously invested in readily available funds such as a local government investment pool.
4. Custodial credit risk: Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments or collateral from the bank in the event of bank failure. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to one hundred five percent (105%) of the value of the state deposit secured thereby, less so much of such amount as is protected by the federal deposit insurance corporation.

As of June 30, 2013 and 2012, the carrying amount of the Departments deposits was \$42,618,572 and \$39,460,801 and the bank balance of \$42,658,395 and \$39,692,808 was categorized as follows:

	Bank Balances	
	<u>6/30/2013</u>	<u>6/30/2012</u>
Insured by FDIC	\$ 626,851	\$ 468,821
Insured by Tennessee Bank Collateral Pool	19,407,236	18,048,569
Local Government Investment Pool	22,624,308	21,175,418
Total	<u>\$ 42,658,395</u>	<u>\$ 39,692,808</u>

### 3. INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the City of Clarksville, Tennessee are classified as inter-fund transfers. The transfer recorded in the Departments financial statements is 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.

<u>Transfers From</u>	<u>Transfers To City of Clarksville-General Fund</u>	
	<u>06/30/2013</u>	<u>06/30/2012</u>
Gas Department	\$ 631,950	\$ 497,905
Water & Sewer Department	2,581,129	2,391,924
Total	<u>\$ 3,213,079</u>	<u>\$ 2,889,829</u>

#### 4. CAPITAL ASSETS

A summary of changes in capital assets are as follows:

<u>Gas Department</u>	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013
Capital Assets Not Depreciated:				
Land and Land Rights	\$ 236,659	\$ -	\$ (13,033)	223,626
Construction in Progress	<u>910,032</u>	<u>1,135,805</u>	<u>(1,447,870)</u>	<u>597,967</u>
Total Capital Assets Not Depreciated	<u>1,146,691</u>	<u>1,135,805</u>	<u>(1,460,903)</u>	<u>821,593</u>
Capital Assets Depreciated:				
Building, Plant and Equipment	61,838,735	1,447,870	(380,578)	62,906,027
Less: Accumulated Depreciation	<u>(19,797,920)</u>	<u>(1,644,455)</u>	<u>379,647</u>	<u>(21,062,728)</u>
Total Capital Assets Depreciated, Net	<u>42,040,815</u>	<u>(196,585)</u>	<u>(931)</u>	<u>41,843,299</u>
Total Capital Assets, Net	<u>\$ 43,187,506</u>	<u>\$ 939,220</u>	<u>\$ (1,461,834)</u>	<u>\$ 42,664,892</u>
<u>Water and Sewer Department</u>				
Capital Assets Not Depreciated:				
Land and Land Rights	\$ 3,661,601	\$ 736,054	\$ (26,067)	\$ 4,371,588
Construction in Progress	<u>44,822,784</u>	<u>39,146,427</u>	<u>(63,835,014)</u>	<u>20,134,197</u>
Total Capital Assets Not Depreciated	<u>48,484,385</u>	<u>39,882,481</u>	<u>(63,861,081)</u>	<u>24,505,785</u>
Capital Assets Depreciated:				
Building, Plant and Equipment	470,411,289	63,835,014	(2,020,936)	532,225,367
Less: Accumulated Depreciation	<u>(122,121,285)</u>	<u>(13,108,393)</u>	<u>1,055,145</u>	<u>(134,174,533)</u>
Total Capital Assets Depreciated, Net	<u>348,290,004</u>	<u>50,726,621</u>	<u>(965,791)</u>	<u>398,050,834</u>
Total Capital Assets, Net	<u>\$396,774,389</u>	<u>\$90,609,102</u>	<u>\$(64,826,872)</u>	<u>\$422,556,619</u>

Depreciation expense totaled \$14,753,779 and \$14,239,301 for the years ended June 30, 2013 and 2012, respectively. Of these amounts, \$1,645,386 and \$1,666,483 was charged to the Gas Department and \$13,108,393 and \$ 12,572,818 was charged to the Water and Sewer Departments for the years ended June 30, 2013 and 2012, respectively.

#### 5. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Eligible employees earn one day (eight hours) of vacation for each month of employment. For every year of service over ten years, 8 additional hours are accrued per year. On the employee's anniversary date, any unused vacation time over 240 hours is transferred to sick leave. Sick leave does not vest and is not limited in the amount that can accrue. Upon termination, the Departments pay out any accrued vacation pay but do not pay for unused sick leave.

6. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2013 is as follows:

	Gas	Water & Sewer
Series 2002 Water, Sewer, and Gas Revenue Refunding bonds due in annual installments of \$1,570,000 to \$1,920,000 to February 2018 at 5.15% to 5.25% interest	\$1,305,000	\$7,395,000
Series 2007 Water, Sewer, and Gas Revenue Bonds due in installments of \$1,270,000 to \$5,370,000 to February 2032 at 4.35% interest	5,804,150	46,960,850
Series 2011 Water, Sewer and Gas Revenue Refunding bonds due in annual installments of \$1,745,000 to \$12,550,000 to February 2025 at 3.00% to 5.00% interest	4,457,600	59,222,400
Series 2013A Water, Sewer and Gas Revenue Refunding bonds due in annual installments of \$375,000 to \$3,740,000 to February 2038 at 3.00% to 5.00% interest	-	46,535,000
Series 2013B Water, Sewer and Gas Revenue Refunding bonds due in annual installments of \$2,760,000 to \$3,880,000 to February 2019 at 2.00% to 5.00% interest	-	18,380,000
Series 1994 TML Bond Pool Loan due in annual installments of \$825,000 to \$882,000 to February 2015 at a variable rate of interest	-	1,707,000
Series 2005 Tennessee Municipal Bond Fund Loan due in annual installments of \$1,388,409 to \$3,341,373 to May 2032 at variable rate of interest	-	42,400,639
Face Value of Long-Term Debt	11,566,750	222,600,889
Add: Premium	255,469	10,053,579
Less: Current Portion	(641,350)	(11,437,059)
Net Long-Term Debt	\$11,180,869	\$221,217,409

The bonds are collateralized by the operating revenues of the Departments. Bond covenants also require the establishment of a debt service fund from which to pay interest and principal maturities as they become due. At June 30, 2013 and 2012, principal and interest to maturity was \$321,069,704 and \$290,997,974, respectively.

On the Series 1994 and Series 2005 TMBF Loans, the variable interest rate is based on the adjusted program loan rate plus a letter of credit fee of 0.20% and 0.15%, respectively.

Future payments on Long-Term Debt are as follows:

Year Ending June 30,	Bonds Payable	Notes Payable	Total Principal	Total Interest
2014	\$ 9,865,000	\$ 2,213,409	\$ 12,078,409	\$ 7,800,830
2015	9,010,000	2,339,831	11,349,831	8,621,255
2016	10,345,000	1,530,721	11,875,721	8,205,521
2017	10,830,000	1,607,257	12,437,257	7,700,560
2018	11,335,000	1,687,620	13,022,620	7,170,713
2019-2023	65,820,000	9,791,425	75,611,425	26,855,665
2024-2028	40,770,000	12,496,617	53,266,617	12,251,861
2029-2033	18,120,000	12,440,760	30,560,760	6,133,406
2034-2038	13,965,000	-	13,965,000	2,162,253
<b>Total Long-Term Debt Including Current Portions</b>	<b>\$ 190,060,000</b>	<b>\$ 44,107,640</b>	<b>\$ 234,167,640</b>	<b>\$ 86,902,064</b>

Changes in long-term debt and other noncurrent liabilities (including current portions) for the year ended June 30, 2013 were as follows:

<u>Gas Department and Water &amp; Sewer Department</u>	Balance 6/30/2012	Additions	Reductions	Balance 6/30/2013	Amount Due Year Ending 6/30/2014
Accrued compensated absences	\$ 819,787	\$ 586,366	\$ (620,219)	\$ 785,934	\$ 632,624
Customer deposits	5,278,976	1,828,164	(1,787,907)	5,319,233	-
<b><u>Bonds and notes payable:</u></b>					
Bonds and notes	\$ 230,500,087	\$ 86,663,036	\$ (82,995,483)	\$ 234,167,640	\$ 12,078,409
Premiums on bonds	4,042,639	6,561,323	(294,914)	10,309,048	-
Unamortized discount and deferred loss on defeasance	(751,774)	-	751,774	-	-
<b>Total bonds and notes payable</b>	<b>\$ 239,889,715</b>	<b>\$ 95,638,889</b>	<b>\$ (84,946,749)</b>	<b>\$ 250,581,855</b>	<b>\$ 12,711,033</b>

## 7. PENSION PLAN

### Plan Description

Employees of the Departments are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. The Departments have authorized Mandatory Retirement for its Public Safety Officers. Public Safety Officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and 62. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1,

1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Departments participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

#### Funding Policy

The Departments has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Departments are required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 and 2012 was 15.42% and 15.47%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Departments are established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the years ending June 30, 2013 and 2012 the Departments annual pension cost of \$7,061,753 and \$6,865,720, respectively to TCRS was equal to the Department required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Departments' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 17 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

#### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$7,061,753	100%	\$0.00
6/30/2012	\$6,865,720	100%	\$0.00
6/30/2011	\$6,655,681	100%	\$0.00

### Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 77.89% funded. The actuarial accrued liability for benefits was \$137.06 million, and the actuarial value of assets was \$106.75 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30.31 million. The covered payroll (annual payroll of active employees covered by the plan) was \$43.35 million, and the ratio of the UAAL to the covered payroll was 69.91 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to AAL's for benefits.

### 8. OTHER POST EMPLOYMENT BENEFITS

The Departments implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008. These provisions were applied prospectively with respect to the Departments' postemployment benefit plans. GASB Statement No. 45 requires the accrual of other postemployment benefit obligations over the working careers of plan members rather than benefits are paid.

Plan Description - The Departments are part of the City of Clarksville's Retired Employees' Benefit Plan ("Plan"), hereafter, the Plan will refer to the Departments portion of the City plan . The Plan is a single-employer defined benefit medical, dental, and life insurance plan administered by the City of Clarksville. The plan is provided for in Section 1-1340 through Section 1-1348 of the Official Code of the City of Clarksville. The Plan provides medical, dental, and life insurance benefits to eligible retirees. Retirees are able to obtain medical and dental insurance at the City group rates for their spouses. Employees hired prior to July 1, 1997 must have attained the age of 55 and accrued at least 5 years of service (including any unused sick leave) or have at least 20 years of service (including any unused sick leave) to be eligible for benefits provided by the Plan. Employees hired on or after July 1, 1997 but before July 1, 2006 must have attained the age of 55 and accrued at least 10 years of service (including any unused sick leave) to be eligible. Employees hired on or after July 1, 2006 are not eligible under the Plan. The Plan has a total of 222 participants of which 66 are retired participants and 156 are active participants. The Plan does not issue a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy - The contribution requirements of the Departments is determined by an actuary study performed as of July 1, 2010. The level of actual funding is determined by the Clarksville City Council during the budget process. The City Council approved funding the estimated cost of insurance for current premiums. The City will continue to pay current premiums on a pay-as-you-go basis. Funds approved in fiscal year 2013 were sufficient to pay the current cost of premiums for other post employment benefits for eligible retirees in fiscal year 2013. For fiscal year 2013 and 2012, the Departments paid a total of \$317,465 and \$309,776, respectively, for current premiums for retiree insurance coverage.

Annual OPEB Cost and Net OPEB Obligation - The Departments annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount that is 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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 14.27% of annual covered payroll.

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

Net OPEB Obligation- July 1	\$ 5,222,429
Annual Required Contribution	1,317,298
Interest on Net OPEB Obligation	220,017
Actuarial Adjustments	504,701
Adjustment on Annual Required Contribution	<u>(257,088)</u>
Annual OPEB Cost	<u>1,784,928</u>
Employer Payments for Retiree Benefits	<u>(317,465)</u>
Total Contribution	<u>(317,465)</u>
Increase in Net OPEB Obligation	<u>1,467,463</u>
Net OPEB Obligation- June 30	<u>\$ 6,689,892</u>

The Departments annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2012 and 2011 is as follows:

Fiscal Year End	Annual OPEB Cost	Annual Required Contribution	Actual Contributions	% of ARC Contributed	Net Ending OPEN Obligation (Asset)
6/30/2013	\$ 1,280,227	\$ 1,317,298	\$ 317,465	24.10%	\$ 6,689,892
6/30/2012	\$ 1,385,240	\$ 1,367,706	\$ 237,354	17.35%	\$ 5,222,449
6/30/2011	\$ 1,355,662	\$ 1,320,385	\$ 304,093	23.03%	\$ 4,173,700

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$14.94 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.94 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.73 million, and the ratio of the UAAL to the covered payroll was 153.50 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the health and dental care, and life insurance cost trend. Amounts actuarially 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 as 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.

Actuarial Methods and Assumptions - 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 cost sharing between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on the plan's assets, and an annual healthcare cost trend rate of 10.5 percent initially, reduced by uniform decrements to an ultimate rate of 5.0 percent over an eleven year period. Dental costs are assumed to increase 4.0 percent annually. The rate of inflation (assumed rate of increase in payroll) was assumed at 2.0 percent. The actuarial value of assets was not applicable to the actuarial valuation. The UAAL is being amortized as a level percentage of projected payroll. The plan is closed to any employees hired on or after July 1, 2006. The remaining amortization period as of the July 1, 2012 study date was 25 years.

9. SELF-INSURANCE

The Departments are part of the City of Clarksville self-insurance plan for workers compensation and automobile liability. The City withdrew from the Worker's Compensation statute and has implemented an "on-the-job" injury program. The City must pay all medical and related expenses of injured employees including 75% of the employee's salary. The City is subject to the Governmental Tort Liability Act (T.C.A. 29-20-101 to 29-20-407), which sets the maximum liability at \$700,000 per occurrence and \$300,000 per individual.

The Departments through the City are also self-insured on its general liability claims and maintains reinsurance for claims in excess of \$1,000,000 and up to \$5,000,000 annual aggregate. The policy of the City is to recognize as an expense, claims actually filed plus claims estimated by the City to have been incurred but not yet reported based on historical data. This expense is charged to other funds when claims are actually paid. At June 30, 2013, the amount of these estimated insurance liabilities recorded in the accounting records of the City was \$837,008. Changes in the reported liability are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2003-2004	902,409	358,474	416,213	844,670
2004-2005	844,670	2,251,075	738,245	2,357,500
2005-2006	2,357,500	1,010,989	1,062,389	2,306,100
2006-2007	2,306,100	2,494,262	1,365,362	3,435,000
2007-2008	3,435,000	333,897	3,197,336	571,561
2008-2009	571,561	1,918,111	464,324	2,025,348
2009-2010	2,025,348	3,076,110	1,983,450	3,118,008
2010-2011	3,118,008	(206,471)	710,537	2,201,000
2011-2012	2,201,000	895,127	1,522,215	1,573,912
2012-2013	1,573,912	229,388	966,292	837,008

10. COMMITMENTS AND CONTINGENCIES

The Departments have contractual commitments for various construction projects totaling \$76.4 million as of June 30, 2013.

Effective January 31, 2004, the Gas Department entered into an easement agreement with the U.S. Department of the Army that expires on January 30, 2053. Pursuant to this contract, the Gas Department will manage the construction, operation, maintenance, repair or replacement of the natural gas utility system at Fort Campbell Army post. The Gas Department will be compensated for these services on a cost-plus basis.

The Departments are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. See note 9 for information on self-insurance.

The Departments are parties to various lawsuits, many of which occur in the normal course of governmental operations. The ultimate outcome of the actions is not determinable; however, the Departments' management and legal counsel believes that the ultimate outcome, either singularly or in the aggregate, will not have a material adverse effect on the accompanying financial statements. The Departments 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 three fiscal years.

On June 27, 2006, The Natural Gas Acquisition Corporation of the City of Clarksville issued bonds of \$240,525,000. The bonds were issued to purchase for the City of Clarksville Gas Department ("CGW") \$218,834,969 of prepaid natural gas and for the Humphreys County Utility District ("HCUD") \$21,216,030 of prepaid natural gas. The bonds were issued to purchase a 15-year supply of natural gas from Merrill Lynch Commodities, Inc. The contracts between NGAC and CGW and between NGAC and HCUD guarantee a minimum discount to index of thirty cents per MMBtu. An additional fifteen cents per MMBtu is available, first, to pay operating expenses of NGAC, and second, to provide CGW and HCUD additional savings at the discretion of the NGAC Board of Directors. In order to structure the initial prepayment, both CGW and HCUD determined the quantity of natural gas needed on a monthly basis for fifteen years. A fixed natural gas curve was then determined by Merrill Lynch Commodities, Inc., based on a proprietary forward natural gas curve at the time of the pricing of the bonds, which when multiplied by the prepaid quantity, resulted in the amount needed to fund the prepayment. On a monthly basis, over the life of the delivery schedule, if the current market price is less than the prepaid price then CGW and HCUD will receive additional gas up to the initial monthly dollar amount funded. Alternatively, if the market price is higher than the prepaid price then CGW and HCUD receive a lower quantity of gas. Over the 15-year period of the prepayment, CGW is expected to receive 37,362,903 MMBtus of natural gas and HCUD is expected to receive 3,786,410 MMBtus of natural gas. Those amounts will fluctuate based on future natural gas prices as described above.

On February 23, 2012 the Sewer Department received a Tennessee Department of Environment and Conservation (TDEC) Commissioner issued enforcement order (this order supersedes all requirements of previous Commissioner's order in 2004). From the period September 2011 through November 2011 the Sewer Department's wastewater discharges exceeded TDEC National Pollutant Discharge Elimination System Permit limits and provisions. In order to comply with TDEC Commissioner's order, the Sewer Department must develop several response and corrective action plans, complete assessments and maintenance, construct and rehabilitate flood damaged sewer treatment plants, and issue reports on the status of the compliance with the order. All projects are to be completed by December 31, 2016. The consequences of not complying with the Commissioner's order include civil penalties up to \$287,300 total. In addition, noncompliance with the order could be a factor in future enforcement actions. The Sewer Department currently estimates it will cost approximately \$15 million to comply with this consent order with \$2 million being spent in fiscal year 2013. Noncompliance with the order is not anticipated.

The Federal Energy Regulatory Commission (FERC) regulates the rates charged to the Department for the transportation and storage of natural gas. FERC has retroactively adjusted charges in the past and may do so in the future. No estimate of any future adjustments can be made. However, the Departments have been able to pass through past adjustments approved by FERC. Management believes any further rate adjustments will be recovered through amounts charged to affected customers.

#### 11. DEFEASED DEBT

On June 28, 2001, the Departments issued Sewer and Gas Revenue Refunding and Improvement Bonds, Series 2001, to, among other things, refund \$1,130,000 Series 1991 Bonds, refund \$7,244,138 Series 1992 capital appreciation bonds, and refund \$10,200,000 Series 1997 bonds. Sufficient proceeds were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the balance sheet. At June 30, 2013 and 2012, bonds outstanding of \$1,644,041 and \$2,046,947, respectively, were considered defeased.

On June 27, 2013 the City of Clarksville issued \$64,915,000 in water, sewer and gas revenue refunding bonds, series 2013, with interest rates ranging from 2% to 5%. The bonds were issued to (i) prepay a loan agreement with the Tennessee Municipal Bond Fund dated December 23, 2010 and a State of Tennessee loan dated October 17, 1997, (ii) fund a debt service reserve fund and (iii) pay the costs of issuance.

12. FLOOD RECOVERY

Excessive rainfall on May 1<sup>st</sup> and 2<sup>nd</sup>, 2010 resulted in the Cumberland River eventually cresting at 62.58 feet, well above the flood stage of 46 feet. This resulted in extensive damage to the wastewater treatment facility and several components of the wastewater collection system. Work is continuing on all the affected components of the treatment system and it will likely be 2015 before all permanent solutions are in place.

For funding purposes, the Federal Emergency Management Agency (FEMA) has divided the damages into smaller components referred to as projects. Since many of the projects are considered “improved projects” the Departments need to await approval from FEMA before beginning the work. The Departments were notified that many of the projects at the wastewater treatment plant had been defunded by FEMA. The reason for the defunding was related to flood plain elevations at the plant. The Departments have retained legal counsel and the defunded projects are currently being appealed.

The Departments estimate the total cost of the recovery will be in excess of \$130 million. The projects defunded represent the majority of the costs related to the flood. The approved projects total approximately \$1.4 million and the Departments expect to recover those costs. Completion of the projects at the Waste Water Treatment Plant is not anticipated before December 2015. The Departments have spent approximately \$55 million to date.

13. LEASES

The Departments have entered into a number of leases, and with the exception of the non-cancelable leases, these leases have cancellation provisions and are renewable on monthly basis. Rent payments for all types of leases during the years ended June 30, 2013 and 2012 were \$322,402 and \$957,682.

Future minimum lease payments under non-cancelable leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Minimum</u> <u>Lease Payments</u>
2014	\$ 4,740
2015	4,740
2016	4,740
2017	790
2018	-
Total	<u>\$ 15,010</u>

14. UNRESTRICTED NET ASSETS

The statement of net position-gas department reports unrestricted net assets of \$18,664,463 and \$17,521,253, of which \$1,925,362 and \$1,541,525 is designated by the management for meeting other post-employment benefits (OPEB) for the years ended June 30, 2013 and 2012, respectively.

The statement of net position-water and sewer department reports unrestricted net assets of \$3,771,177 all of which is designated by the management for meeting other post-employment benefits (OPEB) for the year ended June 30, 2013.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS (UNAUDITED)  
 JUNE 30, 2013

SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 106,753	\$ 137,058	\$ 30,306	77.89%	\$ 43,351	69.91%
July 1, 2009	\$ 84,793	\$ 88,205	\$ 3,412	96.13%	\$ 38,821	8.79%
July 1, 2007	\$ 77,538	\$ 81,212	\$ 3,674	95.48%	\$ 36,938	9.95%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation.

SEE AUDITOR'S REPORT.

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS (UNAUDITED)  
 JUNE 30, 2013

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

Plan Year Ending	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2013	\$ -	\$ 14,935,497	\$ 14,935,497	0.00%	\$ 9,728,782	153.52%
6/30/2012	\$ -	\$ 18,739,920	\$ 18,739,920	0.00%	\$ 8,831,152	212.20%
6/30/2011	\$ -	\$ 17,666,725	\$ 17,666,725	0.00%	\$ 8,475,429	208.45%

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	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Basis
Asset Valuation Method	Not Applicable

Actuarial Assumptions:

Investment Rate of Return	4%
Salary Increase Rate	2%
Health Care Cost Trend Rate	10.5%; 5% ultimate
Dental Insurance Cost Trend Rate	4%
Life Care Cost Trend Rate	3%

SEE AUDITOR'S REPORT.

## **SUPPLEMENTARY INFORMATION**

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 JUNE 30, 2013

CFDA Number	Governmental Agency/ Program Name	Contract Number	Beginning (Receivables) 7/1/2012	Receipts	Expenditures	Ending (Receivables) 6/30/2013
97.063	FEMA Disaster # 1909	34101-0000006186	(63,763)	-	-	(63,763)
<u>Tennessee Department of Finance and Administration</u>						
Passed through the Industrial Development Board of the Montgomery County						
N/A	State Reimbursement Grant-Hemlock	SBC Project No. 529/000-04-2009	<u>(2,486,993)</u>	<u>10,843,829</u>	<u>8,650,551</u>	<u>(293,715)</u>
Total Awards			<u>\$ (2,550,756)</u>	<u>\$ 10,843,829</u>	<u>\$ 8,650,551</u>	<u>\$ (357,478)</u>

NOTES – Basis of Presentation

This schedule of federal and state financial assistance includes the grant activity of the City of Clarksville, Tennessee, related to the Gas Department and Water and Sewer Department and is presented on the accrual basis of accounting.

Compliance Audit Scope

This schedule has been provided to comply with State of Tennessee reporting requirements. The audit report on compliance requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 will be issued in conjunction with the audit of the City of Clarksville and will encompass federal/state awards received by the Departments.

CITY OF CLARKSVILLE, TENNESSEE  
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
DIRECTORY OF UTILITY COMMITTEE AND MANAGEMENT PERSONNEL  
JUNE 30, 2013

PUBLIC UTILITY COMMITTEE

Jeff Burkhart	Chairperson
Valerie Guzman	Committee Member
Marc Harris	Committee Member

MANAGEMENT PERSONNEL

Pat Hickey	General Manager
Fred Klein	Chief Financial Officer
Brian Goodwin	Engineering Manager
Michael Young	Manager - Gas Division
Chris Lambert	Manager - Water & Sewer Division
Charlie Gentry	Manager - Shared Services

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 SCHEDULE OF BONDS AND INTEREST MATURITIES (JOINTLY ISSUED) (UNAUDITED)  
 JUNE 30, 2013

FYE June 30	Series 2002		Series 2007		Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
	Fixed	4.65%-5.25%	Fixed	4.35%	Fixed	3.0%-5.0%
2014	\$ 1,570,000	\$ 453,500	\$ 2,420,000	\$ 2,433,800	\$ 1,995,000	\$ 2,798,550
2015	1,645,000	372,600	2,545,000	2,312,800	2,060,000	2,718,750
2016	1,735,000	287,100	3,220,000	2,185,550	2,545,000	2,615,750
2017	1,830,000	196,900	4,295,000	2,024,550	1,745,000	2,488,500
2018	1,920,000	100,800	4,505,000	1,809,800	1,830,000	2,401,250
2019	-	-	4,935,000	1,584,550	3,740,000	2,309,750
2020	-	-	5,145,000	1,374,813	3,915,000	2,122,750
2021	-	-	5,370,000	1,149,718	4,090,000	1,927,000
2022	-	-	4,780,000	908,069	5,210,000	1,722,500
2023	-	-	1,270,000	692,969	11,815,000	1,462,000
2024	-	-	1,325,000	637,406	12,185,000	989,400
2025	-	-	1,385,000	579,436	12,550,000	502,000
2026	-	-	1,445,000	518,844	-	-
2027	-	-	1,505,000	455,625	-	-
2028	-	-	1,575,000	387,900	-	-
2029	-	-	1,645,000	317,025	-	-
2030	-	-	1,720,000	243,000	-	-
2031	-	-	1,800,000	165,600	-	-
2032	-	-	1,880,000	84,600	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
	<u>\$ 8,700,000</u>	<u>\$ 1,410,900</u>	<u>\$ 52,765,000</u>	<u>\$ 19,866,055</u>	<u>\$ 63,680,000</u>	<u>\$ 24,058,200</u>

FYE June 30	Series 2013A		Series 2013B		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
	Fixed	3.0%-5.0%	Fixed	2.0%-5.0%		
2014	\$ -	\$ 1,343,266	\$ 3,880,000	\$ 409,780	\$ 9,865,000	\$ 7,438,896
2015	-	2,259,700	2,760,000	611,750	9,010,000	8,275,600
2016	-	2,259,700	2,845,000	528,950	10,345,000	7,877,050
2017	-	2,259,700	2,960,000	415,150	10,830,000	7,384,800
2018	-	2,259,700	3,080,000	296,750	11,335,000	6,868,300
2019	375,000	2,259,700	2,855,000	142,750	11,905,000	6,296,750
2020	3,390,000	2,240,950	-	-	12,450,000	5,738,513
2021	3,565,000	2,071,450	-	-	13,025,000	5,148,168
2022	3,740,000	1,893,200	-	-	13,730,000	4,523,769
2023	1,625,000	1,706,200	-	-	14,710,000	3,861,169
2024	1,605,000	1,624,950	-	-	15,115,000	3,251,756
2025	1,670,000	1,557,800	-	-	15,605,000	2,639,236
2026	1,755,000	1,474,300	-	-	3,200,000	1,993,144
2027	1,840,000	1,389,100	-	-	3,345,000	1,844,725
2028	1,930,000	1,297,100	-	-	3,505,000	1,685,000
2029	2,025,000	1,200,600	-	-	3,670,000	1,517,625
2030	2,130,000	1,099,350	-	-	3,850,000	1,342,350
2031	2,210,000	1,014,150	-	-	4,010,000	1,179,750
2032	2,300,000	925,750	-	-	4,180,000	1,010,350
2033	2,410,000	818,750	-	-	2,410,000	818,750
2034	2,530,000	698,250	-	-	2,530,000	698,250
2035	2,655,000	571,750	-	-	2,655,000	571,750
2036	2,785,000	439,000	-	-	2,785,000	439,000
2037	2,925,000	299,750	-	-	2,925,000	299,750
2038	3,070,000	153,500	-	-	3,070,000	153,500
	<u>\$ 46,535,000</u>	<u>\$ 35,117,666</u>	<u>\$ 18,380,000</u>	<u>\$ 2,405,130</u>	<u>\$ 190,060,000</u>	<u>\$ 82,857,951</u>

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 SCHEDULE OF NOTES AND INTEREST MATURITIES (JOINTLY ISSUED) (UNAUDITED) - CONTINUED  
 JUNE 30, 2013

FYE June 30	1994 TML		TMBF 2005		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
	Variable	0.5757%	Variable	0.8304%		
2014	\$ 825,000	\$ 9,826	\$ 1,388,409	\$ 352,106	\$ 2,213,409	\$ 361,933
2015	882,000	5,077	1,457,830	340,577	2,339,830	345,654
2016	-	-	1,530,721	328,470	1,530,721	328,470
2017	-	-	1,607,257	315,759	1,607,257	315,759
2018	-	-	1,687,620	302,412	1,687,620	302,412
2019	-	-	1,772,001	288,397	1,772,001	288,397
2020	-	-	1,860,601	273,682	1,860,601	273,682
2021	-	-	1,953,631	258,231	1,953,631	258,231
2022	-	-	2,051,313	242,008	2,051,313	242,008
2023	-	-	2,153,879	224,973	2,153,879	224,973
2024	-	-	2,261,573	207,087	2,261,573	207,087
2025	-	-	2,374,651	188,306	2,374,651	188,306
2026	-	-	2,493,384	168,586	2,493,384	168,586
2027	-	-	2,618,053	147,881	2,618,053	147,881
2028	-	-	2,748,956	126,140	2,748,956	126,140
2029	-	-	2,886,403	103,311	2,886,403	103,311
2030	-	-	3,030,724	79,342	3,030,724	79,342
2031	-	-	3,182,260	54,174	3,182,260	54,174
2032	-	-	3,341,373	27,748	3,341,373	27,748
	<u>\$ 1,707,000</u>	<u>\$ 14,903</u>	<u>\$ 42,400,639</u>	<u>\$ 4,029,191</u>	<u>\$ 44,107,639</u>	<u>\$ 4,044,094</u>

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

1. GAS RATES

Listed below are the gas rates per 100 cubic feet effective June 1, 2013

	<b><i>Residential</i></b>	
	Within the City of Clarksville	Outside the City of Clarksville
First 300 Cubic Feet (Flat Rate)	\$ 7.5200	\$ 8.1200
Next 3,700 Cubic Feet	0.6597	0.8251
All Over 4,000 Cubic Feet	0.5919	0.7475
Minimum Bill	7.5200	8.1200

	<b><i>General Commercial and Industrial</i></b>	
	Within the City of Clarksville	Outside the City of Clarksville
First 500 Cubic Feet (Flat Rate)	\$ 11.0400	\$ 12.3400
Next 19,500 Cubic Feet	0.8221	0.9822
Next 180,000 Cubic Feet	0.6584	0.7982
All Over 200,000 Cubic Feet	0.6161	0.7507
Minimum Bill	11.0400	12.3400

	<b><i>Large Commercial and Industrial</i></b>	
	Within the City of Clarksville	Outside the City of Clarksville
First 10,400 Cubic Feet (Flat Rate)	\$ 99.9000	\$ 116.7800
Next 49,600 Cubic Feet	0.5525	0.6703
All Over 60,000 Cubic Feet	0.5025	0.6146
Minimum Bill	99.9000	116.7800

**Number and Classification of Customers**

Residential	21,448
Commercial	3,191
Industrial	13
	24,652

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

2. GAS SYSTEM CUSTOMER BASE AND USAGE

Fiscal Year	Residential	Commercial & Industrial	Total Customers	Revenue Residential	Revenue Comm/Ind	Total Revenue	Miles of Gas
2013	21,448	3,204	24,652	\$ 7,569,057	\$ 15,954,301	\$ 23,523,358	904
2012	21,301	3,172	24,473	6,472,831	15,145,297	21,618,128	894
2011	20,967	3,143	24,110	8,412,564	22,222,684	30,635,248	895
2010	20,101	2,965	23,066	7,487,149	24,138,048	31,625,197	859
2009	19,314	2,909	22,223	11,699,017	33,678,410	45,377,427	859

3. TEN LARGEST GAS SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 FLORIM USA INC	\$ 3,481,243	15%
2 MW-MB LLC	1,638,473	7%
3 HEMLOCK SEMICONDUCTOR LLC	857,115	4%
4 BRIDGESTONE METALPHA USA	818,182	3%
5 AUSTIN PEAY STATE UNIVERSITY	612,193	3%
6 CLARKSVILLE MONTGOMERY CO SCHOOL	438,295	2%
7 CONWOOD TOBACCO	387,825	2%
8 CONTECH CASTINGS LLC	288,507	1%
9 TRANE COMPANY	286,074	1%
10 MCASPHALT LLC	264,579	1%
Total Top Ten Customers	\$ 9,072,486	39%
Total Revenue from All Customers	\$ 23,554,670	100%

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

4. OPERATING HISTORY OF GAS SYSTEM

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenue	\$ 24,913,185	\$ 23,714,528	\$ 32,664,392	\$ 33,756,182	\$ 47,274,234
Operating Expense	22,565,303	23,141,248	31,344,408	34,752,863	39,815,145
Operating Income (Loss)	2,347,882	573,280	1,319,984	(996,681)	7,459,089
Other Income (Expense)	(461,821)	(476,490)	(633,800)	(611,635)	(470,335)
Operating Income (Loss) Before Contributions and Transfers	1,886,061	96,790	686,184	(1,608,316)	6,988,754
Capital Contributions	4,180	29,181	1,105,324	2,120,942	107
Transfers to Primary Government	(631,950)	(497,905)	(643,332)	(662,070)	(688,857)
Extraordinary Loss	-	-	-	(12,499)	-
Change in Net Position	\$ 1,258,291	\$ (371,934)	\$ 1,148,176	\$ (161,943)	\$ 6,300,004

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

5. WATER RATES

**Residential and Commercial**

Listed below are the water rates per 1,000 gallons which became effective August 9, 2008

		Within the City of Clarksville	Outside the City of Clarksville
Per 1,000 gallons		\$ 3.54	\$ 7.08
		Within the City of Clarksville	Outside the City of Clarksville
Meter Charge per Month	<u>Meter Size</u>	\$	\$
	Up to 3/4"	3.00	3.00
	1"	5.00	5.00
	1 1/2"	10.00	10.00
	2"	16.00	16.00
	3"	44.00	44.00
	4"	84.00	84.00
	6"	175.00	175.00
	8"	175.00	175.00
	10"	175.00	175.00
	12" or Larger	Negotiated	Negotiated

**Industrial**

Listed below are the water rates per 1,000 gallons which became effective January 1, 2013

		Within the City of Clarksville	Outside the City of Clarksville
Per 1,000 gallons		\$ 4.0258	\$ 5.2335

**Number and Classification of Customers**

Residential	54,549
Commercial	4,137
Industrial	8
	58,694
	58,694

6. WATER SYSTEM CUSTOMER BASE AND USAGE

Fiscal Year	Number of Customers	Gallons into System (Thousands)	Gallons Sold (Thousands)	Total Revenue	Miles of Water Lines
2013	58,694	5,535,166	4,187,341	\$ 18,859,895	1,032
2012	58,405	5,847,638	4,434,753	19,673,265	1,030
2011	56,726	5,718,455	4,309,813	18,999,188	1,008
2010	52,588	5,483,395	4,011,681	17,497,501	992
2009	53,266	5,400,058	4,266,126	17,210,178	970

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

7. TEN LARGEST WATER SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 WOODLAWN UTILITY DISTRICT	\$ 1,011,017	5%
2 HEMLOCK SEMICONDUCTOR LLC	570,291	3%
3 AUSTIN PEAY STATE UNIVERSITY	253,885	1%
4 CLARKSVILLE MONTGOMERY CO SCHOOL	230,589	1%
5 BRIDGESTONE METALPHA USA	216,773	1%
6 MW-MB LLC	202,072	1%
7 FREEMAN WEBB CLARKSVILLE NINE LLC	184,358	1%
8 CLARKSVILLE HOUSING AUTHORITY	150,680	1%
9 FLORIM USA INC	143,286	1%
10 CITY OF CLARKSVILLE PARKS & REC	101,380	1%
Total Top Ten Customers	\$ 3,064,331	16%
Total Revenue from All Customers	\$ 18,859,895	100%

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WASv4.2

Back to

Click to access definition

Water Audit Report for: **Clarksville Gas & Water**  
 Reporting Year: **2013** / 7/2012 - 6/2013

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

**WATER SUPPLIED**

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="9"/>	<input type="text" value="5,535.166"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="10"/>	<input type="text" value=""/>	MG/Yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
<b>WATER SUPPLIED:</b>		<b>5,535.166</b>	MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:	<input type="text" value="10"/>	<input type="text" value="4,187.341"/>	MG/Yr
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="10"/>	<input type="text" value="131.783"/>	MG/Yr
<b>AUTHORIZED CONSUMPTION:</b>		<b>4,319.124</b>	MG/Yr

Click here:  for help using option buttons below

Pcnt:  Value:

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

**1,216.042** MG/Yr

**Apparent Losses**

Unauthorized consumption:   MG/Yr  
 Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:   MG/Yr  
 Systematic data handling errors:    MG/Yr

Apparent Losses:

Pcnt:  Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:   MG/Yr

**WATER LOSSES:**  **1,216.042** MG/Yr

**NON-REVENUE WATER**

NON-REVENUE WATER:   MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:	<input type="text" value="10"/>	<input type="text" value="1,032.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="9"/>	<input type="text" value="62,498"/>	
Connection density:	<input type="text" value=""/>	<input type="text" value="61"/>	conn./mile main
Average length of customer service line:	<input type="text" value="6"/>	<input type="text" value="10.0"/>	ft
Average operating pressure:	<input type="text" value="10"/>	<input type="text" value="75.8"/>	psi

(pipe length between curbstop and customer meter at property boundary)

**COST DATA**

Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$18,150,807"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/>	<input type="text" value="\$4.50"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="10"/>	<input type="text" value="\$300.58"/>	\$/Million gallons

**PERFORMANCE INDICATORS**

**Financial Indicators**

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="24.4%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="7.9%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$1,102,186"/>
Annual cost of Real Losses:	<input type="text" value="\$291,897"/>

**Operational Efficiency Indicators**

Apparent Losses per service connection per day:	<input type="text" value="10.74"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="42.57"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
Real Losses per service connection per day per psi pressure:	<input type="text" value="0.56"/>	gallons/connection/day/psi
<input type="text" value=""/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="438.40"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="971.11"/>	million gallons/year
<input type="text" value=""/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="2.22"/>	

\* only the most applicable of these two indicators will be calculated

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 87 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Customer metering inaccuracies
- 2: Volume from own sources
- 3: Unauthorized consumption

For more information, click here to see the Grading Matrix worksheet

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

9. SEWER RATES

**Residential and Commercial**

Listed below are the sewer rates per 1,000 gallons which became effective July 1, 2009

	Within the City of Clarksville	Outside the City of Clarksville	
First 2,000 gallons	\$ 5.61	\$ 10.45	
All over 2,000 gallons	5.61	9.34	

Minimum bill per month based on 2,000 gallons

**Industrial**

Listed below are the sewer rates per 1,000 gallons which became effective January 1, 2013

	Within the City of Clarksville	Outside the City of Clarksville	
Fist 300,000 gallons	\$ 8.5765	\$ 11.1494	
Next 700,000 gallons	8.5765	10.2917	
Next 2,000,000 gallons	8.5765	9.4341	
All over 3,000,000 gallons	8.5765	8.5765	

Minimum bill per month based on 300,000 gallons

**Number and Classification of Customers**

Residential	47,392
Commercial	3,229
Industrial	7
	50,628

10. SEWER SYSTEM CUSTOMER BASE AND USAGE

Fiscal Year	Number of Customers	Usage (Thousand Gallons)	Total Revenue	Miles of Sewer Lines
2013	50,628	3,241,508	\$ 23,278,727	906
2012	50,453	3,444,105	24,244,986	893
2011	48,964	3,289,675	22,875,390	871
2010	46,780	3,047,704	21,703,953	860
2009	45,578	3,106,280	19,865,731	781

CITY OF CLARKSVILLE, TENNESSEE  
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
JUNE 30, 2013

11. TEN LARGEST SEWER SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 TRANE COMPANY	\$ 325,745	1%
2 CLARKSVILLE MONT CO SCHOOL	306,046	1%
3 AKEBONO BRAKE CLARKSVILLE PLANT	274,522	1%
4 AUSTIN PEAY STATE UNIVERSITY	265,562	1%
5 FREEMAN WEBB CLARKSVILLE NINE LLC	252,644	1%
6 HEMLOCK SEMICONDUCTOR LLC	243,973	1%
7 CLARKSVILLE HOUSING AUTHORITY	229,904	1%
8 BRIDGESTONE METALPHA USA	208,186	1%
9 MW-MB LLC	192,801	1%
10 TN WASTE WATER SYSTEMS, INC	123,021	1%
Total Top Ten Customers	\$ 2,422,404	10%
Total Revenue from All Customers	\$ 23,278,728	100%

12. OPERATING HISTORY OF WATER AND SEWER SYSTEM

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenue	\$ 47,738,549	\$ 50,079,914	\$ 47,251,210	\$ 44,625,593	\$ 42,057,880
Operating Expense	38,143,454	37,713,250	41,772,987	34,216,295	30,525,061
Operating Income (Loss)	9,595,095	12,366,664	5,478,223	10,409,298	11,532,819
Other Income (Expense)	(6,702,989)	(6,151,614)	(6,541,185)	(6,769,033)	(8,322,782)
Operating Income (Loss) Before Contributions and Transfers	2,892,106	6,215,050	(1,062,962)	3,640,265	3,210,037
Capital Contributions	17,447,690	34,107,184	17,340,780	14,496,199	8,503,759
Transfers to Primary Government	(2,581,129)	(2,391,924)	(2,174,943)	(2,125,308)	(1,994,706)
Extraordinary Loss	-	-	-	(13,536,279)	-
Change in Net Position	\$ 17,758,667	\$ 37,930,310	\$ 14,102,875	\$ 2,474,877	\$ 9,719,090

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

13. HISTORICAL REVENUE COVERAGE- DEBT SERVICE REQUIREMENTS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenue	\$ 72,651,734	\$ 73,794,442	\$ 79,915,602	\$ 78,381,775	\$ 89,332,114
Operating Expense	<u>60,708,757</u>	<u>60,854,498</u>	<u>73,117,395</u>	<u>68,969,158</u>	<u>70,340,206</u>
Operating Income (Loss) (GAAP Basis)	11,942,977	12,939,944	6,798,207	9,412,617	18,991,908
Add: Depreciation	14,753,779	14,239,301	16,068,397	13,343,784	12,686,503
Add: Other Income (Expense) Excluding Interest Expense	<u>(285,400)</u>	<u>375,596</u>	<u>617,545</u>	<u>258,813</u>	<u>584,796</u>
Net Revenue per Bond Resolution	\$ 26,411,356	\$ 27,554,841	\$ 23,484,149	\$ 23,015,214	\$ 32,263,207
 <b><i>Debt Service Requirements</i></b>					
Principle	\$ 9,957,330	\$ 9,272,772	\$ 8,791,760	\$ 9,619,913	\$ 8,137,263
Interest	<u>7,482,417</u>	<u>7,439,165</u>	<u>7,557,135</u>	<u>7,388,097</u>	<u>9,097,355</u>
Total Debt Service	\$ 17,439,747	\$ 16,711,937	\$ 16,348,895	\$ 17,008,010	\$ 17,234,618
Debt Coverage	1.51	1.65	1.44	1.35	1.87

14. BILLING AND COLLECTIONS

Monthly bills for gas, water and sewer are calculated by the department. The data is then sent to a third party who prints and mails the invoices. Bills are due 10 days after the billing date. If a customer has not paid by the due date, a 10% penalty is applied. If a bill has not been paid 20 days after the bill is due, the customer's service is discontinued.

Unpaid bills are sent to a collection agency and if the bill remains outstanding after 1 year, the balance is charged to allowance for doubtful accounts.

**Amounts charged to Allowance for Doubtful Accounts**

Fiscal Year	Amount
2013	\$ 99,839
2012	150,601
2011	113,103
2010	201,729
2009	334,867

CITY OF CLARKSVILLE, TENNESSEE  
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT  
 OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)  
 JUNE 30, 2013

15. CAPITAL IMPROVEMENT PROGRAM

Proposed Water Projects

Fiscal Year	Amount
2014	\$ 2,250,000
2015	1,500,000
2016	1,500,000
2017	1,500,000
2018	3,000,000
Total	<u>\$ 9,750,000</u>

Proposed Sewer Projects

Fiscal Year	Amount
2014	\$ 41,485,000
2015	47,513,000
2016	12,750,000
2017	9,250,000
2018	6,250,000
Total	<u>\$ 117,248,000</u>

Proposed Gas Projects

Fiscal Year	Amount
2014	\$ 5,665,000
2015	13,900,000
2016	1,100,000
2017	1,100,000
2018	1,300,000
Total	<u>\$ 23,065,000</u>



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 Utility Committee  
Clarksville Gas, Water & Sewer  
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 Gas Department, and Water and Sewer Department (collectively, "the Departments"), propriety funds of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 the Department'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*.



To the Utility Committee  
Clarksville Gas, Water & Sewer

### **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crosslin + Associates, P.C.*

Nashville, Tennessee  
December 20, 2013