

CITY OF CLARKSVILLE, TENNESSEE

GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT

AUDITED FINANCIAL STATEMENTS AND OTHER INFORMATION JUNE 30, 2015 AND 2014



CITY OF CLARKSVILLE, TENNESSEE
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
JUNE 30, 2015 AND 2014

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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 years ended June 30, 2015 and 2014, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gas Department, and Water and Sewer Department of the City of Clarksville, Tennessee, as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America



Emphasis of Matters

As discussed in Note 1-A, the financial statements present only the Gas Department, and Water and Sewer Departments' proprietary funds of the City of Clarksville, Tennessee, and do not purport to, and do not present fairly the financial position of the City of Clarksville, TN, as of June 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 7, in fiscal year 2015, the Departments adopted Governmental Accounting Standards ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios based on participation in the public employee pension plan of TCRS, the schedule of pension contributions based on participation in the public employee pension plan of TCRS, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Departments' basic financial statements. The schedule of non-revenue water, directory of utility committee and management personnel, schedule of bonds and interest maturities, schedule of 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Tennessee, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates 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 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 schedule of non-revenue water, directory of utility committee and management personnel, schedule of bonds and interest maturities, schedule of notes and interest maturities, and other supplemental information have not been subjected to the auditing procedures applied in the audits 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 21, 2015, 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 21, 2015

CITY OF CLARKSVILLE, TENNESSEE
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015 AND 2014

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 ended June 30, 2015 and 2014. 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 \$1.27M (2.3%). Volumes were down slightly and commodity prices averaged 12.7% lower than the previous year.
- Water and Sewer Department's total net position increased by \$9.23M (3.9%) and operating income was \$4.33M (39.5%) higher than last year primarily due to an increase in sewer service charges.

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 deferred outflows of resources less liabilities and deferred inflows of resources with the difference being net position. Net position is presented in three components: net investment in capital assets, restricted and unrestricted. This report provides 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 U.S. 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 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. However, other non-financial factors such as economic conditions, weather, and changes in legislation should be considered.

Summaries of each department's Statement of Net Position are presented below. As shown, the net position of the Gas Department increased by \$1.27 million from 2014 to 2015. Volumetric gas sales were relatively flat compared to 2014 and while commodity prices were lower.

The net position of the Water & Sewer Department increased by \$9.23 million from 2014 to 2015. Capital assets increased from \$446.50 million in 2014 to \$476.23 million in 2015. For the year-ended 2015, the department received contributions of \$7.48 million in capital assets (in 2014 capital contributions were \$8.50 million). The decline from 2013 to 2014 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)
6/30/2015

	Gas Department			Water & Sewer Department		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 29.51	\$ 27.44	\$ 25.28	\$ 61.97	\$ 55.73	\$ 36.75
Capital assets	42.24	43.02	42.66	476.23	446.50	422.56
Deferred outflows	0.38	-	-	1.15	-	-
Total assets and deferred outflows	<u>\$ 72.13</u>	<u>\$ 70.46</u>	<u>\$ 67.94</u>	<u>\$ 539.35</u>	<u>\$ 502.23</u>	<u>\$ 459.31</u>
Current and other liabilities	\$ 2.08	\$ 2.51	\$ 5.59	\$ 21.72	\$ 25.78	\$ 28.23
Long-term liabilities	13.88	13.81	11.27	268.98	239.37	221.29
Deferred inflows	0.77	-	-	2.34	-	-
Total liabilities and deferred inflows	<u>16.73</u>	<u>16.32</u>	<u>16.86</u>	<u>293.04</u>	<u>265.15</u>	<u>249.52</u>
Net investment in capital assets	31.68	31.68	30.82	205.09	196.35	187.86
Restricted net position	1.62	1.58	1.57	19.03	18.50	16.12
Unrestricted net position	<u>22.10</u>	<u>20.87</u>	<u>18.69</u>	<u>22.19</u>	<u>22.23</u>	<u>5.81</u>
Total net position	<u>55.40</u>	<u>54.13</u>	<u>51.08</u>	<u>246.31</u>	<u>237.08</u>	<u>209.79</u>
Total liabilities, deferred inflows and net position	<u>\$ 72.13</u>	<u>\$ 70.45</u>	<u>\$ 67.94</u>	<u>\$ 539.35</u>	<u>\$ 502.23</u>	<u>\$ 459.31</u>

REVENUES, EXPENSES AND CHANGES IN NET POSITION

While the Statements of Net Position shows the change in assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 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 2015 were 4,401 and for FYE 2014 there were 4,652 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 2015, the Gas Department responded to 804 odor complaints. A total of 123 regulator stations and 228 large commercial and industrial gas meters were tested and maintained.

The water construction department made 173 main repairs and 228 service line repairs in FYE 2015. They also replaced 1,820 feet of service lines. There were 47 repairs and 12 replacements of fire hydrants.

The sewer construction department scheduled and cleaned 171,210 feet of main and 6,718 feet of lateral lines. On an emergency basis, 87,531 feet of mains and 8,374 feet of laterals were cleaned. They inspected, by closed circuit television, 99,133 feet of mains and 23,673 feet of laterals. Repairs were made to 645 feet and 8,818 feet of main and lateral lines respectively. Further, the sewer construction department located 87 services and installed 213 clean outs. The sewer construction department also raised, lowered, or located 151 manholes and installed or replaced 3 manholes. Other work included smoke testing 30 lines and cleaning 18 rights of way.

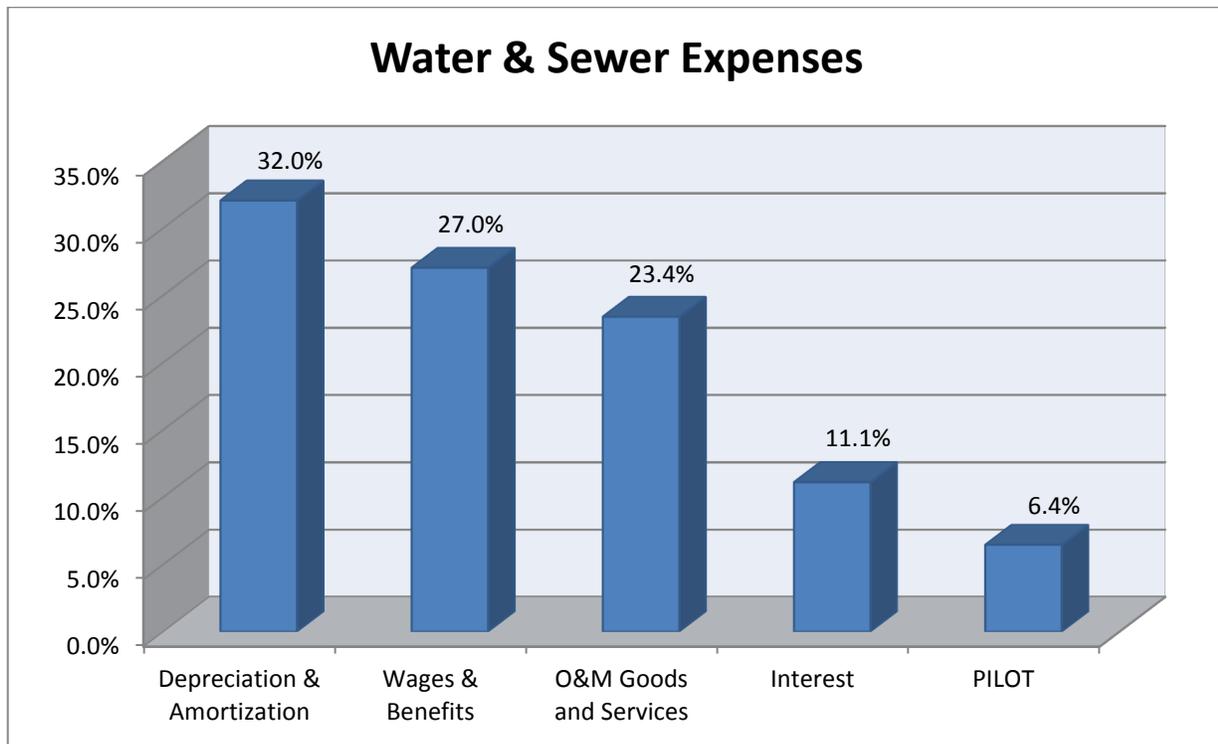
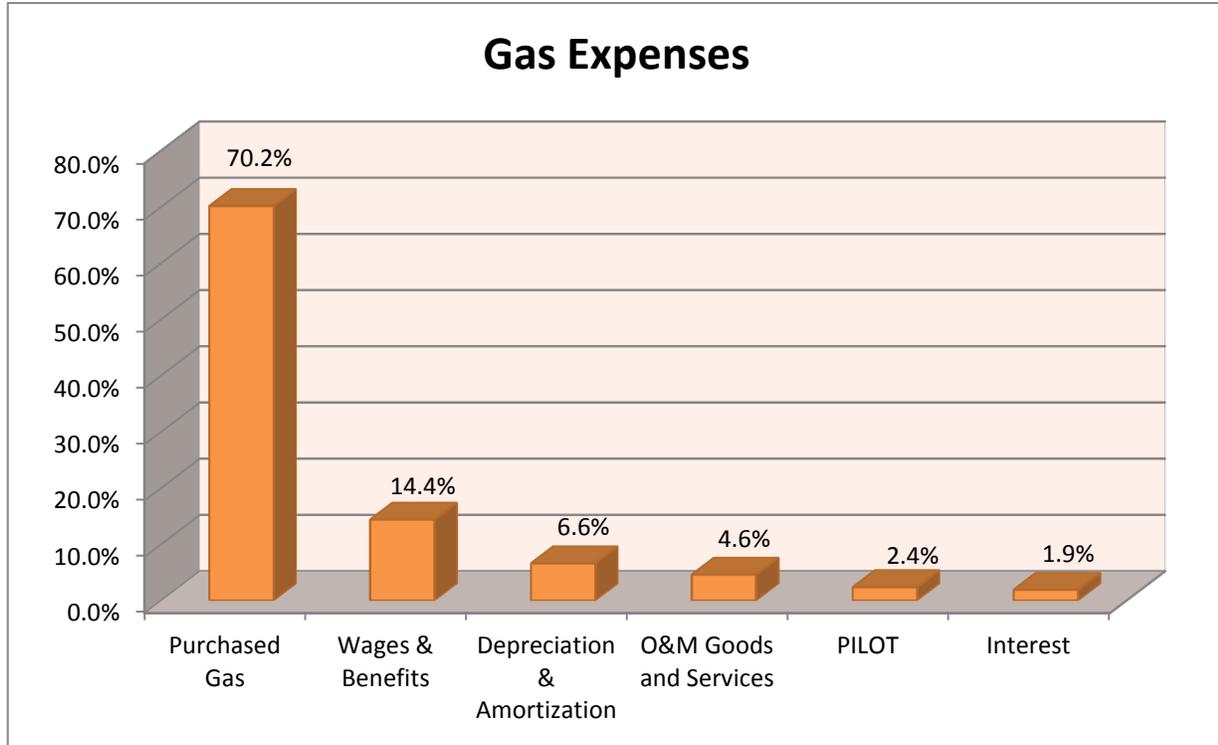
Table A-2

City of Clarksville, Tennessee
Gas Department and Water & Sewer Department
Condensed Statements of Revenues, Expenses & Changes in Net Position (In Millions)
6/30/2015

	Gas Department			Water & Sewer Department		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 28.74	\$ 30.28	\$ 24.91	\$ 53.80	\$ 50.16	\$ 47.74
Operating expenses	25.12	26.23	22.57	38.51	39.20	38.14
Operating income	3.62	4.05	2.34	15.29	10.96	9.60
Non-operating expenses	(0.39)	(0.44)	(0.46)	(7.12)	(7.49)	(6.71)
Income before contributions and transfers	3.23	3.61	1.88	8.17	3.47	2.89
Capital contributions	-	0.07	-	7.48	8.50	17.45
Inter-fund transfers	(0.60)	(0.63)	(0.62)	(2.97)	(2.84)	(2.58)
Federal awards	-	-	-	0.69	18.16	-
Changes in net position	2.63	3.05	1.26	13.37	27.29	17.76
Net position - beginning, as restated	52.77	51.08	49.82	232.94	209.79	192.03
Net position - ending	<u>\$ 55.40</u>	<u>\$ 54.13</u>	<u>\$ 51.08</u>	<u>\$ 246.31</u>	<u>\$ 237.08</u>	<u>\$ 209.79</u>

EXPENSES

The following charts show the major areas of operating expenses of each of department for the year ended June 30, 2015.



CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2015, the Gas Department had \$42.24 million in net capital assets and the Water and Sewer Departments had \$476.23 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)
6/30/2015

	2015	2014	Dollar Change	Percent Change
Construction in Progress	\$ 2.64	\$ 2.03	\$ 0.61	30.0%
Land	0.23	0.23	-	0.0%
Building	1.52	1.58	(0.06)	-3.8%
Infrastructure	36.44	37.59	(1.15)	-3.1%
Machinery and Equipment	0.94	1.10	(0.16)	-14.5%
Vehicles	0.47	0.49	(0.02)	-4.1%
	<u>\$ 42.24</u>	<u>\$ 43.02</u>	<u>\$ (0.78)</u>	<u>-1.8%</u>

Table A-4
City of Clarksville, Tennessee
Water and Sewer Department
Capital Assets (in Millions)
6/30/2015

	2015	2014	Dollar Change	Percent Change
Construction in Progress	\$ 54.87	\$ 42.10	\$ 12.77	30.3%
Land	6.73	5.27	1.46	27.7%
Building	67.09	54.72	12.37	22.6%
Infrastructure	317.51	314.18	3.33	1.1%
Machinery and Equipment	28.93	28.69	0.24	0.8%
Vehicles	1.10	1.54	(0.44)	-29.6%
	<u>\$ 476.23</u>	<u>\$ 446.50</u>	<u>\$ 29.73</u>	<u>6.7%</u>

LONG-TERM DEBT

Long-term debt increased for FYE 2015 due to drawing funds from the Tennessee Municipal Bond Fund Loan to finance various projects at the waste-water treatment facility of the Municipality. At year-end, the Departments had long-term debt of \$269.98 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, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 25,661,053	\$ 23,585,296
Accounts Receivable, Net	1,223,039	1,209,573
Inventory	964,282	1,023,648
Prepaid Expense	38,809	37,239
Total Current Assets	27,887,183	25,855,756
Noncurrent Assets		
Restricted Assets		
Cash and Cash Equivalents	526,865	489,894
Investments	1,090,208	1,086,310
Total Restricted Assets	1,617,073	1,576,204
Capital Assets		
Capital Assets Not Depreciated	2,866,854	2,251,913
Capital Assets Depreciated, Net	39,376,129	40,772,183
Total Capital Assets	42,242,983	43,024,096
Total Noncurrent Assets	43,860,056	44,600,300
Total Assets	71,747,239	70,456,056
Deferred Outflows of Resources		
Pensions	377,783	-
Total Assets and Deferred Outflows of Resources	\$ 72,125,022	\$ 70,456,056

City of Clarksville, Tennessee - Gas Department
Statements of Net Position
June 30, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts Payable	\$ 918,126	\$ 1,479,857
Contracts and Retainage	-	391
Accrued Interest Payable	194,407	208,590
Current Portion of Bonds Payable	792,600	670,900
Current Portion of Accrued Compensated Absences	167,117	152,961
Total Current Liabilities	<u>2,072,250</u>	<u>2,512,699</u>
Noncurrent Liabilities		
Accrued Compensated Absences (less current portion)	74,633	96,019
Bonds Payable (less current portion)	9,678,013	10,490,291
Net Pension Liability	747,836	-
OPEB Liability	2,228,454	2,004,042
Customer Deposits	1,155,176	1,218,985
Total Noncurrent Liabilities	<u>13,884,112</u>	<u>13,809,337</u>
Total Liabilities	<u>15,956,362</u>	<u>16,322,036</u>
Deferred Inflows of Resources		
Pensions	<u>766,105</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	31,680,360	31,680,071
Restricted for Debt Reserve	1,617,073	1,576,204
Unrestricted Net Position	22,105,122	20,877,745
Total Net Position, as restated	<u>55,402,555</u>	<u>54,134,020</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 72,125,022</u>	<u>\$ 70,456,056</u>

City of Clarksville, Tennessee - Gas Department
Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Sales	\$ 27,427,525	\$ 28,805,906
Fort Campbell Operations	642,458	612,864
Other Income	676,300	862,065
Total Operating Revenues	<u>28,746,283</u>	<u>30,280,835</u>
Operating Expenses:		
Purchased Gas	17,597,446	18,948,428
Transmission and Distribution	2,946,020	2,803,669
Administrative and General	1,083,923	1,140,215
Customer Service	1,014,528	827,909
Engineering	155,380	156,677
Depreciation	1,714,415	1,709,933
Fort Campbell Operations	495,420	525,985
Other Expenses	116,231	112,239
Total Operating Expenses	<u>25,123,363</u>	<u>26,225,055</u>
Operating Income	<u>3,622,920</u>	<u>4,055,780</u>
Non-operating Income (Expense)		
Interest Income	47,118	43,053
Other Income	25,672	20,064
Interest Expense	(486,433)	(518,713)
Amortization of Bond Premium	19,678	19,678
Total Non-operating Expense	<u>(393,965)</u>	<u>(435,918)</u>
Income before Contributions and Transfers	<u>3,228,955</u>	<u>3,619,862</u>
Contributions and Transfers		
Capital Contributions	-	71,252
Transfers to Primary Government	(603,310)	(637,544)
Total Contributions and Transfers	<u>(603,310)</u>	<u>(566,292)</u>
Change in Net Position	2,625,645	3,053,570
Net Position - Beginning of Year, as restated	<u>52,776,910</u>	<u>51,080,450</u>
Net Position - End of Year	<u>\$ 55,402,555</u>	<u>\$ 54,134,020</u>

City of Clarksville, Tennessee - Gas Department
Statements of Cash Flows
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 28,732,817	\$ 30,422,692
Payments to Suppliers of Goods or Services	(19,947,251)	(20,109,540)
Payments to Employees for Services	(3,826,078)	(3,921,169)
Payments Connected with Interfund Services	(116,231)	(112,239)
<i>Net cash provided by operating activities</i>	4,843,257	6,279,744
<u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
Other Income (Expense)	8,438	26,604
Transfers to City General (In lieu of tax payment)	(603,310)	(637,544)
<i>Net cash used by noncapital financing activities</i>	(594,872)	(610,940)
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Capital Contributions	-	71,252
Proceeds from Sale of Capital Assets	13,338	10,443
Debt Service Interest Paid	(500,616)	(531,640)
Debt Service Principal Paid	(670,900)	(641,350)
Purchase of Capital Assets	(1,024,597)	(1,929,786)
<i>Net cash used by capital and related financing activities</i>	(2,182,775)	(3,021,081)
<u>Cash Flows from Investing Activities:</u>		
Interest Received	47,118	43,053
<i>Net cash provided by investing activity</i>	47,118	43,053
Net Increase in Cash and Cash Equivalents	2,112,728	2,690,776
Cash and Cash Equivalents - Beginning of Year	24,075,190	21,384,414
Cash and Cash Equivalents - End of Year	\$ 26,187,918	\$ 24,075,190

City of Clarksville, Tennessee - Gas Department
Statements of Cash Flows
Years ended June 30, 2015 and 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

	<u>2015</u>	<u>2014</u>
Operating Income	\$ 3,622,920	\$ 4,055,780
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,714,415	1,709,933
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(13,466)	141,857
Decrease in Inventory	59,366	399,136
Increase in Prepaid Assets	(1,570)	(2,192)
(Decrease) Increase in Accounts Payable	(561,731)	124,621
Adjustment for Capital Asset Related Accounts Payable	90,824	(159,376)
Decrease in Contracts and Retainage	(391)	(1,667)
(Decrease) Increase in Accrued Compensated Absences	(7,230)	13,243
Increase in OPEB Liability	224,412	174,631
Increase in Pension Contribution vs Expense	(220,483)	-
Decrease in Customer Deposits	(63,809)	(176,222)
Net cash provided by operating activities	\$ 4,843,257	\$ 6,279,744

City of Clarksville, Tennessee - Water and Sewer Department
Statements of Net Position
June 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 24,015,118	\$ 15,187,748
Accounts Receivable, Net	2,575,209	2,992,369
Receivable - Federal Awards	15,336,478	18,155,915
Inventory	891,171	779,939
Prepaid Expense	124,626	122,251
Total Current Assets	<u>42,942,602</u>	<u>37,238,222</u>
Noncurrent Assets:		
Restricted Assets		
Cash and Cash Equivalents	7,219,107	6,731,984
Investments	<u>11,809,362</u>	<u>11,767,140</u>
Total Restricted Assets	<u>19,028,469</u>	<u>18,499,124</u>
Capital Assets:		
Capital Assets Not Depreciated	59,545,753	46,546,576
Capital Assets Depreciated, Net	<u>416,684,231</u>	<u>399,950,272</u>
Total Capital Assets	<u>476,229,984</u>	<u>446,496,848</u>
Total Noncurrent Assets	<u>495,258,453</u>	<u>464,995,972</u>
Total Assets	<u>538,201,055</u>	<u>502,234,194</u>
Deferred Outflows of Resources		
Pensions	<u>1,149,008</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 539,350,063</u>	<u>\$ 502,234,194</u>

City of Clarksville, Tennessee - Water and Sewer Department
Statements of Net Position
June 30, 2015 and 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Accounts Payable	\$ 4,272,936	\$ 10,214,208
Contracts and Retainage	2,800,696	1,188,083
Accrued Interest Payable	3,087,695	3,239,591
Current Portion of Bonds Payable	9,552,400	8,339,100
Current Portion of Notes Payable	1,530,721	2,339,830
Current Portion of Accrued Compensated Absences	481,411	455,550
Total Current Liabilities	21,725,859	25,776,362
Noncurrent Liabilities		
Accrued Compensated Absences (less current portion)	105,407	126,502
Bonds Payable (less current portion)	159,916,884	170,226,681
Notes Payable (less current portion)	97,263,307	60,187,493
Net Pension Liability	2,284,751	-
OPEB Liability	6,196,530	5,445,167
Customer Deposits	3,210,343	3,387,096
Total Noncurrent Liabilities	268,977,222	239,372,939
Total Liabilities	290,703,081	265,149,301
Deferred Inflows of Resources		
Pensions	2,340,564	-
Net Position		
Net Investment in Capital Assets	205,091,605	196,352,600
Restricted for Debt Reserve	19,028,469	18,499,124
Unrestricted Net Position	22,186,344	22,233,169
Total Net Position	246,306,418	237,084,893
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 539,350,063	\$ 502,234,194 ¹

City of Clarksville, Tennessee - Water and Sewer Department
Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Water Sales	\$ 20,115,618	\$ 18,948,359
Sewer Service Charges	28,112,315	25,183,697
Other Income - Water	2,983,092	3,070,827
Other Income - Sewer	2,591,998	2,956,876
Total Operating Revenues	53,803,023	50,159,759
Operating Expenses:		
Water Plant Operations	3,183,279	3,357,137
Water Transmission & Distribution	3,927,001	3,639,151
Sewer Treatment Plant Operations	3,754,936	3,823,265
Sewer Discharge Collection and Pumping	4,550,794	4,822,097
Customer Service	4,014,981	3,983,865
Administrative & General	2,225,583	2,265,381
Engineering	1,541,916	1,721,257
Depreciation	15,051,933	15,341,259
Other Expenses	255,105	246,273
Total Operating Expenses	38,505,528	39,199,685
Operating Income	15,297,495	10,960,074
Nonoperating Income (Expenses)		
Interest Income	91,779	75,651
Other Expense	(88,894)	(126,110)
Interest Expense	(7,877,849)	(8,198,819)
Amortization of Bond Premium	757,397	757,399
Total Nonoperating Expense	(7,117,567)	(7,491,879)
Income before Contributions and Transfers	8,179,928	3,468,195
Contributions and Transfers		
Capital Contributions - Water	3,380,170	4,421,175
Capital Contributions - Sewer	4,097,160	4,078,857
Transfers to Primary Government	(2,972,974)	(2,837,484)
Federal Awards	685,557	18,161,053
Total Contributions and Transfers	5,189,913	23,823,601
Change in Net Position	13,369,841	27,291,796
Net Position - Beginning of Year, as restated	232,936,577	209,793,097
Net Position - End of Year	\$ 246,306,418	\$ 237,084,893

City of Clarksville, Tennessee - Water and Sewer Department

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Customers	\$ 54,220,183	\$ 49,948,592
Payments to Suppliers of Goods or Services	(9,841,042)	(12,439,907)
Payments to Employees for Services	(11,714,560)	(11,977,216)
Payments Connected with Interfund Services	(255,105)	(247,841)
<i>Net cash provided by operating activities</i>	<u>32,409,476</u>	<u>25,283,628</u>
 <u>Cash Flows from Non-Capital and Related Financing Activities:</u>		
Other Income (Expense)	238,610	(331,000)
Transfers to City General (In lieu of tax payment)	(2,972,974)	(2,837,484)
<i>Net cash used by noncapital financing activities</i>	<u>(2,734,364)</u>	<u>(3,168,484)</u>
 <u>Cash flows from capital and related financing activities:</u>		
Proceeds from Long Term Debt	38,606,535	20,416,506
Proceeds from Federal Awards	3,504,994	-
Capital Contributions	-	1,203,687
Proceeds from Sale of Fixed Assets	18,964	18,655
Debt Service Interest Paid	(8,510,888)	(7,347,813)
Debt Service Principle Paid	(10,678,930)	(11,437,059)
Purchase of Capital Assets	(43,393,073)	(24,359,197)
<i>Net cash used by capital and related financing activities</i>	<u>(20,452,398)</u>	<u>(21,505,221)</u>
 <u>Cash Flows from Investing Activities:</u>		
Interest Received	91,779	75,651
<i>Net cash provided by investing activity</i>	<u>91,779</u>	<u>75,651</u>
 Net Increase in Cash and Cash Equivalents	9,314,493	685,574
 Cash and Cash Equivalents - Beginning of Year	<u>21,919,732</u>	<u>21,234,158</u>
 Cash and Cash Equivalents - End of Year	<u>\$ 31,234,225</u>	<u>\$ 21,919,732</u>

City of Clarksville, Tennessee - Water and Sewer Department

Statements of Cash Flows

Years ended June 30, 2015 and 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

	<u>2015</u>	<u>2014</u>
Operating Income	\$ 15,297,495	\$ 10,960,074
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	15,051,933	15,341,259
Changes in Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	417,160	(211,167)
(Increase) Decrease in Inventory	(111,232)	122,364
Increase in Prepaid Assets	(2,375)	(16,736)
(Decrease) Increase in Accounts Payable	(5,939,703)	6,488,958
Adjustment for Capital Asset Related Accounts Payable	6,176,077	(7,013,070)
Increase (Decrease) in Contracts and Retainage	1,612,613	(467,665)
Increase in Accrued Compensated Absences	4,766	31,855
Increase in OPEB Liability	751,363	584,686
Increase in Pension Contribution vs Expense	(671,868)	-
Decrease in Customer Deposits	(176,753)	(536,930)
Net cash provided (used) by operating activities	<u>\$ 32,409,476</u>	<u>\$ 25,283,628</u>
 Noncash Capital and Related Financing Activities		
Capital Contributed NonCash	\$ 7,477,330	7,296,345

GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 Todd 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 resources 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 U.S. 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, 2015 and June 30, 2014, were \$20,645,542 and \$20,075,328 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 and construction in progress 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 statement of net position 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 \$116,208 and \$146,104 as of June 30, 2015 and 2014, respectively. Bad debts are charged to expense using the allowance-for-bad-debt method. The Departments policy is to reserve 50% of all accounts 60 to 90 days past due and 100% for accounts more than 90 days past due. The bad debt expense for the years ended June 30, 2015 and 2014 was \$59,635 and \$92,760, respectively.

M. 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, 2015 and June 30, 2014, was \$486,433 and \$518,713 respectively. No interest was capitalized in either year. Interest expense was \$486,433 and \$518,713 for the years ended June 30, 2015 and June 30, 2014 respectively.

Total interest incurred for the Water and Sewer Department for the years ended June 30, 2015 and June 30, 2014, was \$8,358,992 and \$8,453,233 respectively. Interest capitalized was \$481,143 and \$254,414 and interest expense was \$7,877,849 and \$8,198,819, for the years ended June 30, 2015 and June 30, 2014, respectively.

N. 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.

O. 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.

P. GASB 68

The Departments have implemented GASB 68, Accounting and Financial Reporting for Pensions which separates accounting for pensions and funding of pensions for fiscal years beginning after June 15, 2014. The beginning net positions for fiscal year 2015 have been restated for the Gas Department and the Water and Sewer Department to establish the net pension liability. The net position of the Gas Department was reduced by \$1,357,110 and the Water and Sewer Department's net position was reduced by \$4,148,316. The restatements include amounts for deferred outflows of resources relating to employee contributions made after the measurement date. The beginning net position of each department as of 2014 has not been restated as it was not practical because the information was not available from TCRS

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:

- A. 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.

- B. 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.
- C. 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.
- D. 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, 2015 and 2014, the carrying amounts of the Departments' deposits were \$57,422,143 and \$45,994,992 and the bank balance of \$57,595,628 and \$46,074,332 was categorized as follows:

	Bank Balances	
	6/30/2015	6/30/2014
Insured by FDIC	\$ 445,598	\$ 448,747
Insured by Tennessee Bank Collateral Pool	29,089,772	19,372,492
Local Government Investment Pool	28,060,258	26,253,093
Total	<u>\$ 57,595,628</u>	<u>\$ 46,074,332</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>	Transfers To City of Clarksville - General Fund	
	6/30/2015	6/30/2014
Gas Department	\$ 603,310	\$ 637,544
Water & Sewer Department	2,972,974	2,837,484
	<u>\$ 3,576,284</u>	<u>\$ 3,475,028</u>

4. CAPITAL ASSETS

A summary of changes in capital assets are as follows:

<u>Gas Department</u>	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
Capital Assets Not Depreciated:				
Land and Land Rights	\$ 223,626	\$ -	\$ -	223,626
Construction in Progress	<u>2,028,287</u>	<u>933,303</u>	<u>(318,362)</u>	<u>2,643,228</u>
Total Capital Assets Not Depreciated	<u>2,251,913</u>	<u>933,303</u>	<u>(318,362)</u>	<u>2,866,854</u>
Capital Assets Depreciated:				
Building, Plant and Equipment	63,468,844	318,362	(98,352)	63,688,854
Less: Accumulated Depreciation	<u>(22,696,661)</u>	<u>(1,714,353)</u>	<u>98,289</u>	<u>(24,312,725)</u>
Total Capital Assets Depreciated, Net	<u>40,772,183</u>	<u>(1,395,991)</u>	<u>(63)</u>	<u>39,376,129</u>
Total Capital Assets, Net	<u>\$ 43,024,096</u>	<u>\$ (462,688)</u>	<u>\$ (318,425)</u>	<u>\$ 42,242,983</u>
<u>Water and Sewer Department</u>				
Capital Assets Not Depreciated:				
Land and Land Rights	\$ 4,446,103	\$ 226,367	\$ -	\$ 4,672,470
Construction in Progress	<u>42,100,473</u>	<u>44,694,186</u>	<u>(31,921,376)</u>	<u>54,873,283</u>
Total Capital Assets Not Depreciated	<u>46,546,576</u>	<u>44,920,553</u>	<u>(31,921,376)</u>	<u>59,545,753</u>
Capital Assets Depreciated:				
Building, Plant and Equipment	548,171,849	31,695,010	(105,685)	579,761,174
Less: Accumulated Depreciation	<u>(148,221,577)</u>	<u>(14,961,051)</u>	<u>105,685</u>	<u>(163,076,943)</u>
Total Capital Assets Depreciated, Net	<u>399,950,272</u>	<u>16,733,959</u>	<u>-</u>	<u>416,684,231</u>
Total Capital Assets, Net	<u>\$ 446,496,848</u>	<u>\$ 61,654,512</u>	<u>\$ (31,921,376)</u>	<u>\$ 476,229,984</u>

Depreciation expense totaled \$16,766,348 and \$17,051,192 for the years ended June 30, 2015 and June 30, 2014 respectively. Of these amounts, \$1,714,415 and \$1,709,933 was charged to the Gas Department and \$15,051,933 and \$ 15,341,259 was charged to the Water and Sewer Departments for the years ended June 30, 2015 and June 30, 2014, respectively. Included in depreciation expense are charges for assets that were impaired or abandoned. The Gas Department charges were \$62 for the year ended June 30, 2015 and \$0 for the year ended June 30, 2014. The Water and Sewer Department charges were \$90,882 for the year ended June 30, 2015 and \$788,784 and for the year ended June 30, 2014.

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, 2015 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	\$822,750	\$4,662,250
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	5,258,000	42,542,000
Series 2011 Water, Sewer and Gas Revenue Refunding bonds due in annual installments of \$1,950,000 to \$12,550,000 to February 2025 at 4.25% to 5.00% interest	4,173,750	55,451,250
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	-	11,740,000
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	-	39,554,400
Series 2013 Tennessee Municipal Bond Fund Loan due in a lump sum July 15, 2016 at variable rate of interest	-	46,586,913
Series 2014 Tennessee Municipal Bond Fund Loan due in a lump sum July 15, 2016 at variable rate of interest	-	12,652,715
Face Value of Long-Term Debt	10,254,500	259,724,528
Add: Premium	216,113	8,538,784
Less: Current Portion	(792,600)	(11,083,121)
Net Long-Term Debt	\$9,678,013	\$257,180,191

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, 2015 and June 30, 2014 principal and interest to maturity was \$341,134,771 and \$322,122,132 respectively.

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

Future payments on Long-Term Debt are as follows:

Year Ending June 30,	Bonds Payable	Notes Payable	Total Principal	Total Interest
2016	\$ 10,345,000	\$ 1,530,721	\$ 11,875,721	\$ 8,759,098
2017	10,830,000	60,846,885	71,676,885	7,733,625
2018	11,335,000	1,687,620	13,022,620	7,180,724
2019	11,905,000	1,772,001	13,677,001	6,594,695
2020	12,450,000	1,860,601	14,310,601	6,021,256
2021-2025	72,185,000	10,795,047	82,980,047	20,581,806
2026-2030	17,570,000	13,777,520	31,347,520	9,028,804
2031-2035	15,785,000	6,523,633	22,308,633	4,363,484
2036-2038	8,780,000	-	8,780,000	892,250
Total Long-Term Debt Including Current Portion	<u>\$ 171,185,000</u>	<u>\$ 98,794,028</u>	<u>\$ 269,979,028</u>	<u>\$ 71,155,742</u>

Changes in long-term debt and other noncurrent liabilities (including current portions) for the year ended June 30, 2015 were as follows:

<u>Gas Department and Water & Sewer Department</u>	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Amount Due Year Ending 6/30/2016
Accrued compensated absences	\$ 831,032	\$ 647,152	\$ (649,616)	\$ 828,568	\$ 648,528
Customer deposits	4,606,081	1,568,628	(1,809,190)	4,365,519	-
<u>Bonds and notes payable:</u>					
Bonds and notes	\$ 242,722,323	\$ 38,606,535	\$ (11,349,830)	\$ 269,979,028	\$ 11,875,721
Premiums on bonds	9,531,972	-	(777,075)	8,754,897	-
Total long-term debt and other non-current liabilities	<u>\$ 257,691,408</u>	<u>\$ 40,822,315</u>	<u>\$ (14,585,711)</u>	<u>\$ 283,928,012</u>	<u>\$ 12,524,249</u>

7. PENSION PLAN

General - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Department's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Department's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Plan Description - Employees of the Departments are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	374
Inactive employees entitled to but not yet receiving benefits	686
Active employees	<u>1,096</u>
	2,156

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. This is a non-contributory plan. The Department's makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Departments were \$1,526,791 based on a rate of 17.32% of covered payroll for sworn personnel and 13.82% of covered payroll for all other employees. By law, employer contributions are required to be paid. The TCRS may intercept the City of Clarksville's state shared taxes if

required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability – The Department’s net pension liability (asset) was measured as of June 30, 2014 and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Department's will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Total Pension Liability	Plan Fuduciary Net Position	Net Pension Liability (Asset)
Balance at 6/30/13	\$ 30,736,834	\$ 23,773,066	\$ 6,963,768
Changes for the year:			
Service cost	731,989		731,989
Interest	2,319,042		2,319,042
Differences between expected and actual experience	(1,563,201)		(1,563,201)
Employer contributions		1,458,342	(1,458,342)
Employees contributions		-	-
Net investment income		3,969,792	(3,969,792)
Benefit payments including employee contributions refunded	(1,096,514)	(1,096,514)	-
Administrative expense		(9,123)	9,123
Net changes	391,316	4,322,497	(3,931,181)
Balance at 6/30/14	\$ 31,128,150	\$ 28,095,563	\$ 3,032,587

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net pension liability of Clarksville calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate	1% Increase (8.5%)
Net pension liability (asset)	\$ 7,359,295	\$ 3,032,587	\$ (569,438)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense - For the year ended June 30, 2015, the Department’s recognized pension expense of \$892,961.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2015 Clarksville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ -	\$ 1,367,801
Net difference between projected and actual earnings on pension plan earnings	-	1,738,868
Contributions subsequent to the measurement date of June 30, 2014	<u>1,526,791</u>	<u>-</u>
Total	<u>\$ 1,526,791</u>	<u>\$ 3,106,669</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (630,117)
2017	(630,117)
2018	(630,117)
2019	(630,117)
2020	(195,600)
Thereafter	(390,800)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Department’s reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Prior to April 1, 1993 the City of Clarksville was the administrator of a single employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees, excluding employees from the Department of Electricity. Current retirees and former employees vested in the City’s PERS were not eligible to join TCRS. Annuities were purchased for these individuals from Plan assets, effective September 1, 1993.

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 when 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 213 participants of which 68 are retired participants and 145 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, 2015. 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 2015 were sufficient to pay the current cost of premiums for other post-employment benefits for eligible retirees in fiscal year 2015. For fiscal year 2015 and 2014, the Departments paid a total of \$388,605 and \$380,251, 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 13.93% 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:

Annual Required Contribution	\$ 1,425,885
Interest on Net OPEB Obligation	297,968
Adjustment on Annual Required Contribution	<u>(359,473)</u>
Annual OPEB Expense	1,364,380
Contributions Made	<u>(388,605)</u>
Increase in Net OPEB Obligations	975,775
Net OPEB Obligation - beginning of year	<u>7,449,209</u>
Net OPEB Obligation - end of year	<u>\$ 8,424,984</u>

The Departments annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014 and 2013 is as follows:

Fiscal Year End	Annual OPEB Cost	Annual Required Contribution	Employer Contributions	% of ARC Contributed	Net Ending OPEB Obligation (Asset)
6/30/2015	\$ 1,364,380	\$ 1,425,885	\$ 388,605	27.25%	\$ 8,424,984
6/30/2014	1,139,568	1,415,610	380,251	26.86%	7,449,209
6/30/2013	1,784,928	1,317,298	317,465	24.10%	6,689,892

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The Departments' portion of actuarial accrued liability for benefits was \$18.85 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.85 million. The covered payroll (annual payroll of active employees covered by the plan) was \$10.24 million, and the ratio of the UAAL to the covered payroll was 184.1 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, 2015 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 9.0 percent initially, reduced by uniform decrements to an ultimate rate of 5.0 percent over an eight 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, 2015 study date was 22 years.

9. SELF-INSURANCE

The Departments are exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions; injury to employees; and natural disasters.

The Departments are part of the City of Clarksville self-insurance plan for workers compensation and automobile liability. The City chose not to participate in the Worker's Compensation program as allowed by State 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. At June 30, 2015, the amount of these estimated insurance liabilities recorded in the accounting records of the City was \$1,396,679. Changes in the reported liability for the last three fiscal years are as follows:

	Balance at Beginning of <u>Fiscal Year</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Balance at End of <u>Fiscal Year</u>
2012-2013	\$1,573,912	\$229,388	\$ 966,292	\$ 837,008
2013-2014	837,008	922,231	552,000	1,207,239
2014-2015	1,207,239	789,537	600,097	1,396,679

10. COMMITMENTS AND CONTINGENCIES

The Departments have contractual commitments for various construction projects totaling \$21.6 million as of June 30, 2015.

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 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.

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.

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 an additional \$3 million to comply with this consent order. To date, the Department has spent \$12 million. Noncompliance with the order is not anticipated.

11. DEFEASED DEBT and DEBT ISSUANCES

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, 2015 and 2014, bonds outstanding of \$920,131 and \$1,270,668, respectively, were considered defeased.

On July 1, 2013, the City of Clarksville secured a loan agreement for up to \$50M through the Tennessee Municipal Bond Fund at a variable interest rate based on SIFMA. The loan is a draw loan for the purpose of financing the construction of the Waste Water Treatment Plant. As of June 30, 2015, \$3.4M remains available on the loan. The loan becomes due July 15, 2016, at which time the Departments intend to convert the full amount to long term debt.

On December 15, 2014, the City of Clarksville secured an additional loan agreement for up to \$30M through the Tennessee Municipal Bond Fund at a variable interest rate based on SIFMA. The loan is a draw loan for the purpose of financing the construction of the Waste Water Treatment Plant. As of June 30, 2015, \$17.3M remains available on the loan. The loan becomes due July 15, 2016, at which time the Departments intend to convert the full amount to long term debt.

12. FLOOD RECOVERY

Excessive rainfall on May 1st and 2nd, 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 2016 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. The Departments were notified in 2011 that many of the projects at the wastewater treatment plant had been defunded by FEMA. The Departments appealed the defunding and in May of 2014, were informed by FEMA that the appeal was successful and projects totaling \$19 million had been re-obligated.

The Departments estimate the total cost of the recovery will be in excess of \$130 million. Since FEMA will reimburse for actual costs, the Departments anticipated receiving an amount greater than the \$19 million listed on the project worksheets. Completion of the projects at the Waste Water Treatment Plant is not anticipated before April 2016. The Departments have spent approximately \$114 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, 2015 and 2014, were \$61,638 and \$57,196.

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>
2016	\$ 4,740
2017	790
2018	-
2019	-
2020	-
Total	<u>\$ 5,530</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Clarksville, Tennessee
Gas Department and Water and Sewer Department
Required Supplemental Information

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS (Unaudited)**
Last Fiscal Year ending June 30

	<u>Total Pension Liability</u>	<u>2014</u>
Service cost		\$ 731,989
Interest		2,319,042
Changes in benefit terms		-
Differences between actual & expected experience		(7,761,672)
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(1,096,514)
Net change in total pension liability		391,316
Total pension liability-beginning		30,736,834
Total pension liability-ending (a)		\$ 31,128,150
<u>Plan Fiduciary Net Position</u>		
Contributions-employer		\$ 1,458,342
Contributions-employee		-
Net investment income		3,969,792
Benefit payments, including refunds of employee contributions		(1,096,514)
Administrative expense		(9,123)
Net change in plan fiduciary net position		4,322,497
Plan fiduciary net position-beginning		23,773,066
Plan fiduciary net position-ending (b)		\$ 28,095,563
Net Pension Liability (asset)-ending (a) – (b)		\$ 3,032,587
Plan fiduciary net position as a percentage of total pension liability		90.26%
Covered employee payroll		\$9,449,474
Net pension liability (asset) as a percentage of covered-employee payroll		32.09%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

City of Clarksville, Tennessee
Gas Department and Water and Sewer Department
Required Supplemental Information

Schedule of Pension Contributions
Based on Participation in the Public Employee Pension Plan of TCRS
Last Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	\$ 1,458,342	\$ 1,526,791
Contributions in relation to the actuarially determined contribution	1,458,342	1,526,791
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 9,449,474	\$ 9,947,916
Contributions as a percentage of covered employee payroll	15.43%	15.35%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	15 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age Mortality	Pattern of retirement determined by experience study Mortality Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

City of Clarksville, Tennessee
 Gas Department and Water and Sewer Department
 Required Supplemental Information

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (UNAUDITED)

Plan Year Ending	Actuarial Value of 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)
6/30/2015	\$ -	\$ 18,846,423	18,846,423	0.00%	\$ 10,236,109	184.12%
6/30/2014	-	15,999,029	15,999,029	0.00%	9,923,358	161.23%
6/30/2013	-	14,935,497	14,935,497	0.00%	9,728,782	153.52%

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, 2015
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	9.0%; 5% ultimate
Dental Insurance Cost Trend Rate	4%
Life Care Cost Trend Rate	3%

OTHER INFORMATION

AWWA Free Water Audit Software: Reporting Worksheet

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Water Audit Report for: **Clarksville Gas & Water**

Reporting Year: **2015** **7/2014 - 7/2015**

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 (n/a or 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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

← Enter grading in column 'E' and 'J' →

WATER SUPPLIED		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Volume from own sources:	+	?	8	5,846.072	MG/Yr
Water imported:	+	?	n/a		MG/Yr
Water exported:	+	?	n/a		MG/Yr
WATER SUPPLIED:				5,806.123	MG/Yr

AUTHORIZED CONSUMPTION		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Billed metered:	+	?	8	4,395.497	MG/Yr
Billed unmetered:	+	?	n/a		MG/Yr
Unbilled metered:	+	?	10	53.655	MG/Yr
Unbilled unmetered:	+	?	5	73.814	MG/Yr
AUTHORIZED CONSUMPTION:				4,622.966	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)		Enter grading in column 'E' and 'J' →	Point	Value	Unit
WATER LOSSES:				1,382.167	MG/Yr

Apparent Losses		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Unauthorized consumption:	+	?	5	14.763	MG/Yr
Apparent Losses:				268.817	MG/Yr

Real Losses (Current Annual Real Losses or CARL)		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Real Losses = Water Losses - Apparent Losses:				1,122.240	MG/Yr
WATER LOSSES:				1,382.167	MG/Yr

NON-REVENUE WATER		Enter grading in column 'E' and 'J' →	Point	Value	Unit
NON-REVENUE WATER:				1,608.828	MG/Yr

Master Meter and Supply Error Adjustments

Enter negative % or value for under-registration
Enter positive % or value for over-registration

Point	Value	Unit
-1.00%		MG/Yr
1.25%		MG/Yr
0.25%		MG/Yr
5.00%		MG/Yr
0.25%		MG/Yr

Click here: ? for help using option buttons below

Use buttons to select percentage of water supplied or value

SYSTEM DATA		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Length of mains:	+	?	10	1,043.0	miles
Number of <u>active AND inactive</u> service connections:	+	?	7	66,308	
Service connection density:	?	?	?	64	conn./mile main
Are customer meters typically located at the curbside or property line? Yes					
Average length of customer service line has been set to zero and a data grading score of 10 has been applied					
Average operating pressure:	+	?	10	79.0	psi

COST DATA		Enter grading in column 'E' and 'J' →	Point	Value	Unit
Total annual cost of operating water system:	+	?	10	\$7,297,547	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	\$4.82	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$389.33	\$/Million gallons

WATER AUDIT DATA VALIDITY SCORE:
***** YOUR SCORE IS: 88 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: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

AWWA Free Water Audit Software v5.0

Reporting Worksheet 1



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: Clarksville Gas & Water
 Reporting Year: 2015 7/2014 - 7/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 88 out of 100 ***

System Attributes:

	Apparent Losses:	259.917	MG/Yr
+	Real Losses:	1,122.240	MG/Yr
=	<u>Water Losses:</u>	<u>1,382.157</u>	MG/Yr

? Unavoidable Annual Real Losses (UARL): 449.50 MG/Yr

Annual cost of Apparent Losses: \$1,252,802

Annual cost of Real Losses: \$436,922

Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: 25.6%
 Non-revenue water as percent by cost of operating system: 23.8% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 10.74 gallons/connection/day
 Real Losses per service connection per day: 46.37 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 0.59 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 1,122.24 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.50

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 JUNE 30, 2015

Clarksville Gas, Water & Sewer
 Grant Schedule

CFDA Number	Governmental Agency/ Program Name	Contract Number	Beginning (Receivables) 7/1/2014	Receipts	Expenditures	Ending (Receivables) 6/30/2015
<u>Federal Awards:</u>						
Department of Homeland Security Passed through the Tennessee Emergency Management Agency						
97.036 *	FEMA Disaster # 1909	34101-0000006186	\$ (18,155,915)	\$ 3,504,994	\$ 685,557	\$ (15,336,478)
<u>State Financial Assistance:</u>						
Tennessee Department of Finance and Administration Passed through the Industrial Development Board of the Montgomery County						
N/A	State Reimbursement Grant-Hemlock	SBC Project No. 529/000-04-2009	(713,367)	713,367	-	-
Total Awards			<u>\$ (18,869,282)</u>	<u>\$ 4,218,361</u>	<u>\$ 685,557</u>	<u>\$ (15,336,478)</u>

* Tested as a major program

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 OMB Circular A-133 and State of Tennessee reporting requirements.

CITY OF CLARKSVILLE, TENNESSEE
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
DIRECTORY OF UTILITY COMMITTEE AND MANAGEMENT PERSONNEL (UNAUDITED)
JUNE 30, 2015

PUBLIC UTILITY COMMITTEE

Wallace Redd	Chairperson
Valerie Guzman	Committee Member
Joel Wallace	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

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 SCHEDULE OF BONDS AND INTEREST MATURITIES (JOINTLY ISSUED) (UNAUDITED)
 JUNE 30, 2015

FYE June 30	Series 2002		Series 2007		Series 2011	
	Principal	Interest	Principal	Interest	Principal	Interest
	Fixed	5.20%-5.25%	Fixed	4.25%-5.00%	Fixed	4.00%-5.00%
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	1,149,719	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	579,438	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>\$ 5,485,000</u>	<u>\$ 584,800</u>	<u>\$ 47,800,000</u>	<u>\$ 15,119,458</u>	<u>\$ 59,625,000</u>	<u>\$ 18,540,900</u>

FYE June 30	Series 2013A		Series 2013B		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
	Fixed	3.00%-5.00%	Fixed	3.00%-5.00%		
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	5,148,169
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	2,639,238
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>\$ 31,514,700</u>	<u>\$ 11,740,000</u>	<u>\$ 1,383,600</u>	<u>\$ 171,185,000</u>	<u>\$ 67,143,458</u>

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 SCHEDULE OF NOTES AND INTEREST MATURITIES (JOINTLY ISSUED) (UNAUDITED)
 JUNE 30, 2015

City of Clarksville, Tennessee -Gas, Water & Sewer Departments
 Schedule of Notes and Interst Maturities (Jointly Issued)
 6/30/2015

FYE June 30	TMBF 2005		TMBF 2013		TMBF 2014		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Variable	0.8579%	Variable	0.9198%	Variable	0.9024%		
2016	1,530,721	339,345	-	428,523	-	114,180	1,530,721	882,048
2017	1,607,257	326,213	46,586,913	17,855	12,652,715	4,758	60,846,885	348,825
2018	1,687,620	312,424	-	-	-	-	1,687,620	312,424
2019	1,772,001	297,945	-	-	-	-	1,772,001	297,945
2020	1,860,601	282,743	-	-	-	-	1,860,601	282,743
2021	1,953,631	266,781	-	-	-	-	1,953,631	266,781
2022	2,051,313	250,020	-	-	-	-	2,051,313	250,020
2023	2,153,879	232,421	-	-	-	-	2,153,879	232,421
2024	2,261,573	213,943	-	-	-	-	2,261,573	213,943
2025	2,374,651	194,540	-	-	-	-	2,374,651	194,540
2026	2,493,384	174,168	-	-	-	-	2,493,384	174,168
2027	2,618,053	152,776	-	-	-	-	2,618,053	152,776
2028	2,748,956	130,316	-	-	-	-	2,748,956	130,316
2029	2,886,403	106,732	-	-	-	-	2,886,403	106,732
2030	3,030,724	81,969	-	-	-	-	3,030,724	81,969
2031	3,182,260	55,968	-	-	-	-	3,182,260	55,968
2032	3,341,373	28,666	-	-	-	-	3,341,373	28,666
	\$ 39,554,400	\$ 3,446,969	\$ 46,586,913	\$ 446,378	\$ 12,652,715	\$ 118,938	\$ 98,794,028	\$ 4,012,285

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

1. GAS RATES

Listed below are the gas rates per 100 cubic feet effective July 1, 2015

	<i>Residential</i>	
	Within the City of Clarksville	Outside the City of Clarksville
First 300 Cubic Feet (Flat Rate)	\$ 7.3600	\$ 7.9600
Next 3,700 Cubic Feet	0.6063	0.7718
All Over 4,000 Cubic Feet	0.5386	0.6941
Minimum Bill	7.3600	7.9600

	<i>General Commercial and Industrial</i>	
	Within the City of Clarksville	Outside the City of Clarksville
First 500 Cubic Feet (Flat Rate)	\$ 10.7800	\$ 12.0800
Next 19,500 Cubic Feet	0.7688	0.9289
Next 180,000 Cubic Feet	0.6050	0.7449
All Over 200,000 Cubic Feet	0.5627	0.6974
Minimum Bill	10.7800	12.0800

	<i>Large Commercial and Industrial</i>	
	Within the City of Clarksville	Outside the City of Clarksville
First 10,400 Cubic Feet (Flat Rate)	\$ 94.3500	\$ 111.2300
Next 49,600 Cubic Feet	0.4991	0.6170
All Over 60,000 Cubic Feet	0.4492	0.5613
Minimum Bill	94.3500	111.2300

Number and Classification of Customers

Residential	22,260
Commercial	3,309
Industrial	19
	25,588

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

2. GAS SYSTEM CUSTOMER BASE AND USAGE

Fiscal Year	Total Customers	Gas Sold Mcf	Total Revenue Residential	Total Revenue Comm/Ind	Total Revenue	Miles of Gas Lines
2015	25,588	4,029,122	\$ 9,391,818	\$ 18,035,707	\$ 27,427,525	1,037
2014	25,136	4,211,867	\$ 9,726,161	\$ 19,079,745	\$ 28,805,906	1,041
2013	24,652	3,901,631	7,569,057	15,985,613	23,554,670	1,031
2012	24,473	3,436,139	6,472,831	15,145,297	21,618,128	1,021
2011	24,110	4,520,922	8,412,564	22,222,683	30,635,247	1,022

3. TEN LARGEST GAS SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 FLORIM USA INC	\$ 4,448,009	16.2%
2 MW-MB LLC	1,975,110	7.2%
3 BRIDGESTONE METALPHA USA	857,648	3.1%
4 AUSTIN PEAY STATE UNIV	834,367	3.0%
5 CLARKSVILLE MONT CO SCHOOL	575,782	2.1%
6 CONWOOD TOBACCO	515,593	1.9%
7 TRANE COMPANY	373,846	1.4%
8 MCASPHALT LLC	251,806	0.9%
9 AKEBONO BRAKE, CLARKSVILLE PLANT	225,199	0.8%
10 AHC CLARKSVILLE INC	216,644	0.8%
Total Top Ten Customers	10,274,004	37.4%
Total Revenue from All Customers	\$ 27,427,525	100.0%

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

4. OPERATING HISTORY OF GAS SYSTEM

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenue	\$ 28,746,283	\$ 30,280,835	\$ 24,913,185	\$ 23,714,528	\$ 32,664,392
Operating Expense	25,123,363	26,225,055	22,565,303	23,141,248	31,344,408
Operating Income (Loss)	3,622,920	4,055,780	2,347,882	573,280	1,319,984
Other Income (Expense)	(393,965)	(435,918)	(461,821)	(476,490)	(633,800)
Operating Income (Loss) Before Contributions and Transfers	3,228,955	3,619,862	1,886,061	96,790	686,184
Capital Contributions	-	71,252	4,180	29,181	1,105,324
Transfers to Primary Government	(603,310)	(637,544)	(631,950)	(497,905)	(643,332)
Change in Net Position	<u>\$ 2,625,645</u>	<u>\$ 3,053,570</u>	<u>\$ 1,258,291</u>	<u>\$ (371,934)</u>	<u>\$ 1,148,176</u>

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

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, 2015

		Within the City of Clarksville	Outside the City of Clarksville
Per 1,000 gallons		\$ 4.8766	\$ 6.3396

Number and Classification of Customers

Residential	57,696
Commercial	4,323
Industrial	7
	62,026

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
2015	62,026	5,846,072	4,395,497	\$ 20,115,618	1,043
2014	60,666	5,692,170	4,186,288	18,948,359	1,037
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

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

7. TEN LARGEST WATER SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 WOODLAWN UTILITY DISTRICT	\$ 1,223,140	6.1%
2 AUSTIN PEAY STATE UNIV	317,250	1.6%
3 BRIDGESTONE METALPHA USA	316,960	1.6%
4 HEMLOCK SEMICONDUCTOR LLC	272,325	1.4%
5 CLARKSVILLE MONT CO SCHOOL	261,312	1.3%
6 MW-MB LLC	251,153	1.2%
7 FREEMAN WEBB CLARKSVILLE NINE LLC	183,475	0.9%
8 FLORIM USA INC	173,639	0.9%
9 CITY OF CLARKSVILLE P AND R	156,106	0.8%
10 CLARKSVILLE HOUSING AUTHORITY	143,038	0.7%
Total Top Ten Customers	<u>\$ 3,298,398</u>	16.5%
Total Revenue from All Customers	<u>\$ 20,115,618</u>	100.0%

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

8. SEWER RATES

Residential and Commercial

Listed below are the sewer rates per 1,000 gallons which became effective July 1, 2015

	Within the City of Clarksville	Outside the City of Clarksville
First 2,000 gallons	\$ 7.37	\$ 13.72
All over 2,000 gallons	7.37	12.26

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, 2015

	Within the City of Clarksville	Outside the City of Clarksville
Fist 300,000 gallons	\$ 8.1868	\$ 10.6428
Next 700,000 gallons	8.1868	9.8241
Next 2,000,000 gallons	8.1868	9.0054
All over 3,000,000 gallons	8.1868	8.1868

Minimum bill per month based on 300,000 gallons

Number and Classification of Customers

Residential	50,441
Commercial	3,358
Industrial	7
	53,806

9. SEWER SYSTEM CUSTOMER BASE AND USAGE

Fiscal Year	Number of Customers	Treated (Thousand Gallons)	Total Revenue	Miles of Sewer Lines
2015	53,806	3,507,987	\$ 28,112,315	922
2014	52,516	3,642,597	25,183,697	915
2013	50,628	3,241,508	23,278,728	906
2012	50,453	3,444,105	24,244,986	893
2011	48,964	3,289,675	22,875,390	871

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

10. TEN LARGEST SEWER SYSTEM CUSTOMERS

Customer	Annual Sales	Percentage of Total Sales
1 AUSTIN PEAY STATE UNIV	\$ 399,029	1.4%
2 CLARKSVILLE MONT CO SCHOOL	389,344	1.4%
3 FREEMAN WEBB CLARKSVILLE NINE LLC	302,484	1.1%
4 CLARKSVILLE HOUSING AUTHORITY	261,215	0.9%
5 BRIDGESTONE METALPHA USA	205,240	0.7%
6 TRANE COMPANY	196,004	0.7%
7 MW-MB LLC	192,379	0.7%
8 JOSTENS	131,382	0.5%
9 AKEBONO BRAKE CLARKSVILLE PLANT	129,642	0.5%
10 MONTGOMERY CO JAIL	114,360	0.4%
Total Top Ten Customers	\$ 2,321,079	8.3%
Total Revenue from All Customers	\$ 28,112,315	100.0%

11. OPERATING HISTORY OF WATER AND SEWER SYSTEM

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenue	\$ 53,803,023	\$ 50,159,759	\$ 47,738,549	\$ 50,079,914	\$ 47,251,210
Operating Expense	38,505,528	39,199,685	38,143,454	37,713,250	41,772,987
Operating Income (Loss)	15,297,495	10,960,074	9,595,095	12,366,664	5,478,223
Other Income (Expense)	(7,117,567)	(7,491,879)	(6,702,989)	(6,151,614)	(6,541,185)
Operating Income (Loss) Before Contributions and Transfers	8,179,928	3,468,195	2,892,106	6,215,050	(1,062,962)
Capital Contributions	7,477,330	8,500,032	17,447,690	34,107,184	17,340,780
Transfers to Primary Government	(2,972,974)	(2,837,484)	(2,581,129)	(2,391,924)	(2,174,943)
Federal Awards	685,557	18,161,053	-	-	-
Change in Net Position	\$ 13,369,841	\$ 27,291,796	\$ 17,758,667	\$ 37,930,310	\$ 14,102,875

CITY OF CLARKSVILLE, TENNESSEE
 GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
 OTHER INFORMATION (UNAUDITED)
 JUNE 30, 2015

12. HISTORICAL REVENUE COVERAGE- DEBT SERVICE REQUIREMENTS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenue	\$ 82,549,306	\$ 80,440,594	\$ 72,651,734	\$ 73,794,442	\$ 79,915,602
Operating Expense	<u>63,628,891</u>	<u>65,424,740</u>	<u>60,708,757</u>	<u>60,854,498</u>	<u>73,117,395</u>
Operating Income (GAAP Basis)	18,920,415	15,015,854	11,942,977	12,939,944	6,798,207
Add: Depreciation	16,766,348	17,051,192	15,719,571	14,239,301	16,068,397
Add: Other Income (Expense) Excluding Interest Expense	<u>75,675</u>	<u>12,658</u>	<u>(285,400)</u>	<u>375,596</u>	<u>617,545</u>
Net Revenue per Bond Resolution	\$ 35,762,438	\$ 32,079,704	\$ 27,377,148	\$ 27,554,841	\$ 23,484,149
 <i>Debt Service Requirements</i>					
Principal	\$ 11,349,830	\$ 12,078,409	\$ 9,957,330	\$ 9,272,772	\$ 8,791,760
Interest	<u>9,011,504</u>	<u>7,879,453</u>	<u>7,482,417</u>	<u>7,439,165</u>	<u>7,557,135</u>
Total Debt Service	\$ 20,361,334	\$ 19,957,862	\$ 17,439,747	\$ 16,711,937	\$ 16,348,895
Debt Coverage	1.76	1.61	1.57	1.65	1.44

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 20 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 10 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
2015	\$ 106,743
2014	80,149
2013	99,839
2012	150,601
2011	113,103

CITY OF CLARKSVILLE, TENNESSEE
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
OTHER INFORMATION (UNAUDITED)
JUNE 30, 2015

15. CAPITAL IMPROVEMENT PROGRAM

Proposed Water Projects

Fiscal Year	Amount
2016	\$ 3,010,000
2017	1,820,000
2018	3,320,000
2019	3,320,000
2020	2,320,000
Total	<u>\$ 13,790,000</u>

Proposed Sewer Projects

Fiscal Year	Amount
2016	\$ 21,208,000
2017	7,078,000
2018	6,395,000
2019	5,420,000
2020	3,120,000
Total	<u>\$ 43,221,000</u>

Proposed Gas Projects

Fiscal Year	Amount
2016	\$ 11,610,000
2017	11,260,000
2018	1,260,000
2019	1,460,000
2020	1,460,000
Total	<u>\$ 27,050,000</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"), proprietary funds of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2015, 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 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Departments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Departments' internal control. Accordingly, we do not express an opinion on the effectiveness of the Departments' 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 Departments' 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 21, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for the Major Federal Program

We have audited the compliance of the Gas Department, and Water and Sewer Department (collectively, "the Departments"), proprietary funds of the City of Clarksville, Tennessee, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Departments' major federal program for the year ended June 30, 2015. The Departments' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Departments' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Departments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Departments' compliance.

Opinion on the Major Federal Program

In our opinion, the Departments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



Report on Internal Control over Compliance

Management of the Departments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Departments' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Departments' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin + Associates, P.C.

Nashville, Tennessee
December 21, 2015

CITY OF CLARKSVILLE, TENNESSEE
GAS DEPARTMENT AND WATER AND SEWER DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified not considered to
be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? yes x no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	FEMA Disaster #1909

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

The Departments had no prior year findings or questioned costs.