

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2012

CITY OF MT. JULIET, TENNESSEE

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FINANCIAL SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
City of Mt. Juliet, Tennessee
Mt. Juliet, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Mt. Juliet's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee at June 30, 2012, and the respective changes in financial position and cash flows where applicable and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the City of Mt. Juliet's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ii through ix 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Juliet's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Yeary Howell & Associates

November 14, 2012

Management's Discussion and Analysis

As management of the City of Mt. Juliet, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. The analysis will focus on significant financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the City. We encourage readers to read the information presented here in conjunction with additional information that is furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Mt. Juliet, TN exceeded its liabilities at the close of the fiscal year by \$84.4 million.
- The government's total net assets increased by \$8.3 million, primarily due to increases in the governmental type activities net assets.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of over \$16.6 million an increase of almost \$3.9 million in comparison with the prior year. Approximately 37 percent of this total amount, or \$6.2 million, is available for spending at the government's discretion and is considered unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6.2 million, or 51.5 percent of total general fund expenditures for the fiscal year.
- The City of Mt. Juliet's total debt increased by \$464 Thousand (2.8%) during the current fiscal year. The key factor in this increase was the issuance of \$1.1 million in capital notes to fund the public safety P-25 communication upgrade which was offset in part by principal payments as scheduled.
- The City of Mt. Juliet has maintained its AA rating by Standard and Poor's and has been classified as stable since 6/20/2009.

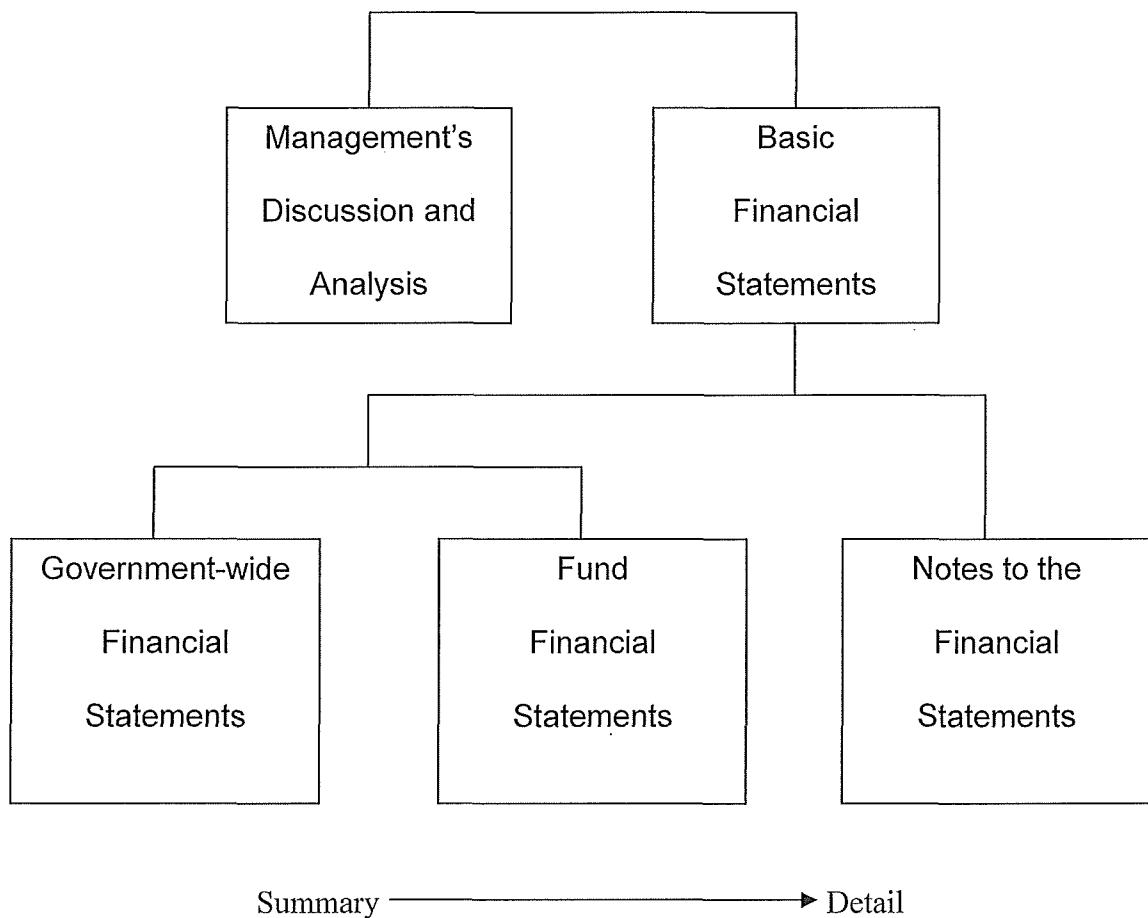
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Mt. Juliet's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other information that will enhance the reader's understanding of the financial condition of the City of Mt. Juliet.

City of Mt. Juliet

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements, pages 1 and 2, in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements, pages 3 through 13, are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. These notes are disclosed on pages 14-29. After the notes, additional information is provided to show details about the City's individual funds. Budgetary information required by the General

City of Mt. Juliet

Statutes also can be found in this part of the statements. There are additional financial schedules and other required reports.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. Sewer is the only service offered by the City of Mt. Juliet. The City of Mt. Juliet has no component units.

The government-wide financial statements are on pages 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mt. Juliet, TN, like all other governmental entities in Tennessee, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Mt. Juliet can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship

City of Mt. Juliet

between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The **City of Mt. Juliet** adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City the management of the City and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Commissioners; 2) the final budget as amended by the Board of Commissioners; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Mt. Juliet has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Mt. Juliet uses an enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the City of Mt. Juliet. The City uses an internal service fund to account for one activity – its Employee Benefit activity. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund assets and liabilities have been included within the governmental activities in the government-wide financial statements with a due to and due from to allocate the proper portion to business type activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 14-29 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mt. Juliet's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 24 and 26.

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Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Mt. Juliet exceeded liabilities by \$84.4 million as of June 30, 2012. The City's net assets increased by \$8.3 million for the fiscal year ended June 30, 2012. However, the largest portion, 79.6%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Mt. Juliet uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mt. Juliet's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mt. Juliet's net assets 8.1% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10.4 million is unrestricted.

| City of Mt. Juliet Net Assets | | | | | | |
|-----------------------------------|-------------------------|------------|--------------------------|------------|-------------|------------|
| | Governmental Activities | | Business Type Activities | | Total 2012 | Total 2011 |
| | 2012 | 2011 | 2012 | 2011 | | |
| Current and Other Assets | 20,000,397 | 15,725,997 | 6,473,223 | 5,430,455 | 26,473,620 | 21,156,452 |
| Capital Assets | 39,186,349 | 35,508,952 | 40,519,457 | 40,519,457 | 79,705,806 | 76,028,409 |
| Total Assets | 59,186,746 | 51,234,949 | 46,992,680 | 45,949,912 | 106,179,426 | 97,184,861 |
| Long Term Liabilities Outstanding | 17,551,184 | 16,774,195 | 272,284 | 413,495 | 17,823,468 | 17,187,690 |
| Other Liabilities | 3,338,308 | 3,152,134 | 573,067 | 704,726 | 3,911,375 | 3,856,860 |
| Total Liabilities | 20,889,492 | 19,926,329 | 845,351 | 1,118,221 | 21,734,843 | 21,044,550 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, | | | | | | |
| Net of Related Debt | 27,112,895 | 23,605,768 | 40,093,098 | 40,149,457 | 67,205,993 | 63,755,225 |
| Restricted | 3,490,144 | 4,056,948 | 3,389,587 | - | 6,879,731 | 4,056,948 |
| Unrestricted | 7,694,215 | 3,645,904 | 2,664,644 | 4,682,234 | 10,358,859 | 8,328,138 |
| Total Net Assets | 38,297,254 | 31,308,620 | 46,147,329 | 44,831,691 | 84,444,583 | 76,140,311 |

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Local sales tax collection increased despite the economic woes of the rest of the country due to incoming retail locations and maturity of others.
- Continued low cost of debt due to the City's high bond rating.

City of Mt. Juliet

| | City of Mt. Juliet Changes in Net Assets | | | | | | | | |
|--|--|-------------------|--------------------------|-------------------|-------------------|-------------------|--|--|--|
| | Governmental Activities | | Business Type Activities | | Total 2012 | Total 2011 | | | |
| | 2012 | 2011 | 2012 | 2011 | | | | | |
| Revenues | | | | | | | | | |
| Program Revenues: | | | | | | | | | |
| Charges for Services | \$ 3,295,108 | \$ 3,178,705 | \$ 4,025,683 | \$ 3,915,027 | \$ 7,320,791 | \$ 7,093,732 | | | |
| Operating Grants and Contributions | 1,039,285 | 1,312,390 | | | 1,039,285 | 1,312,390 | | | |
| Capital Grants and Contributions | 4,023,300 | 6,346,734 | 1,910,560 | 5,096,917 | 5,933,860 | 11,443,651 | | | |
| General Revenues | | | | | - | - | | | |
| Sales Taxes | 6,575,243 | 6,072,406 | | | 6,575,243 | 6,072,406 | | | |
| Property Tax | 1,358,227 | - | | | 1,358,227 | - | | | |
| Other Locally Assessed Taxes | 2,161,262 | 2,009,068 | | | 2,161,262 | 2,009,068 | | | |
| Other State Shared Taxes | 1,988,518 | 2,203,746 | | | 1,988,518 | 2,203,746 | | | |
| Investment Earnings & Rental Income | 90,127 | 90,588 | 121,143 | 68,782 | 211,270 | 159,370 | | | |
| Other | 293,128 | 89,078 | | | 293,128 | 89,078 | | | |
| Total Revenues | 20,824,198 | 21,302,715 | 6,057,386 | 9,080,726 | 26,881,584 | 30,383,441 | | | |
| Expenses: | | | | | | | | | |
| General Government | 2,735,081 | 2,905,916 | | | 2,735,081 | 2,905,916 | | | |
| Public Safety | 5,804,836 | 5,757,194 | | | 5,804,836 | 5,757,194 | | | |
| Recreation and Culture | 1,255,038 | 1,416,067 | | | 1,255,038 | 1,416,067 | | | |
| Streets and Public Works | 3,112,709 | 2,906,050 | | | 3,112,709 | 2,906,050 | | | |
| Stormwater | 286,145 | 273,894 | | | 286,145 | 273,894 | | | |
| Interest on Debt | 641,755 | 641,303 | | | 641,755 | 641,303 | | | |
| Sewer | | | 4,741,748 | 5,047,808 | 4,741,748 | 5,047,808 | | | |
| Total Expenses | 13,835,564 | 13,900,424 | 4,741,748 | 5,047,808 | 18,577,312 | 18,948,232 | | | |
| Increase (Decrease) in Net Assets | 6,988,634 | 7,402,291 | 1,315,638 | 4,032,918 | 8,304,272 | 11,435,209 | | | |
| Net Assets Beginning of Year | 31,308,620 | 23,906,329 | 44,831,691 | 40,798,773 | 76,140,311 | 64,705,102 | | | |
| Net Assets End of Year | 38,297,254 | 31,308,620 | 46,147,329 | 44,831,691 | 84,444,583 | 76,140,311 | | | |

Governmental Activities: Governmental activities increased the City's net assets by almost \$7.0 million, thereby accounting for 84.2% of the total growth in the net assets of the City of Mt. Juliet. Key elements of this increase are as follows:

- General tax revenues increased.
- Property tax was instituted.
- City codes require developers to build to a certain standard in streets for which the City then assumes responsibility and receives donated infrastructure.
- Developers also provided over \$337 thousand in road improvement fees.

Business-type activities: Business-type activities increased the City of Mt. Juliet's net assets by \$1.3 million, accounting for 15.8% of the total growth in the government's net assets. Key elements of this increase are as follows:

- City codes require developers to build to a certain standard for sewers for which the City assumes responsibility and receives donated infrastructure.
- Development continues to increase the business-type assets with sewer tap fee requirements.

Financial Analysis of the City of Mt. Juliet Funds

As noted earlier, the City of Mt. Juliet uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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Governmental Funds: The focus of the City of Mt. Juliet's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mt. Juliet's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Mt. Juliet. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6.2 million, while total fund balance reached \$7.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.5% of total General Fund expenditures while total fund balance represents 62.3% of the same expenditures..

At June 30, 2012, the governmental funds of City of Mt. Juliet reported a combined fund balance of over \$16.6 million, a 30.5 percent increase over last year. Included in this change are fund balance increases in the General, Capital Projects, Drug, and Emergency Services Funds and decreases in the State Street Aid Debt Service, and Storm Water Funds. The city instituted a property tax for the first time in over 10 years dedicated to the Emergency Services Fund that raised almost \$1.3 million that is being held for the purchase of capital resources for the Fire Department.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The city instituted a local property tax raising \$1.3 million. Local tax revenues were 4.7 percent or over \$389 thousand above the budget of revenue in the largest City revenue category. Revenue in most areas exceeded budget with relative minor exceptions. The other largest increases were the result of road improvement fees, contributions from others and various permit fees. License and Permit fees were 54% above budget as a result of the city assuming responsibility for certain electrical inspections and an unanticipated surge in building permits.

The City Manager and Department Heads made every effort to hold expenditures well within budgets in order to increase the General Fund Balance in anticipation of the City's assumption of fire protection responsibility. Some repairs and improvements to infrastructure items have been deferred in further effort to increase the General Fund balance.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Sewer Fund at the end of the fiscal year amounted to over \$2.7 million. The total growth in net assets for the fund was over \$1.3 million.

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- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of \$567 thousand. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.

Capital Asset and Debt Administration

Capital assets. The City of Mt. Juliet's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals over \$79.4 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Improvements and completion of Public Works Industrial Drive Buildings \$60 Thousand.
- Playground and exercise equipment at Charlie Daniels \$154 thousand.
- Streets donated by developers \$3.8 million.
- Police vehicles and equipment \$157 thousand.
- Park vehicles \$47 thousand.
- Public Works vehicles and equipment \$58 thousand.
- IT and General equipment \$58 thousand.
- Construction in progress-Communication P-25 Upgrade \$334 thousand.
- Construction in process-Greenways \$64 thousand
- Sewer Collection System \$723 thousand
- Sewer Equipment \$207 thousand
- No major disposals were recorded this year.

City of Mt. Juliet Capital Assets

| | City of Mt. Juliet's Capital Assets | | | | | | Total 2011 | |
|--------------------------|-------------------------------------|---------------|--------------------------|---------------|---------------|---------------|---------------|--|
| | Governmental Activities | | Business Type Activities | | Total 2012 | | | |
| | 2012 | 2011 | 2012 | 2011 | | | | |
| Land | \$ 2,232,126 | \$ 1,980,701 | \$ 1,092,544 | \$ 1,047,544 | \$ 3,324,670 | \$ 3,028,245 | | |
| Bldgs and Improvements | 3,902,664 | 3,812,073 | 492,733 | 480,513 | 4,395,397 | 4,292,586 | | |
| Improv Other than Bldgs | 2,593,031 | 2,593,031 | | | 2,593,031 | 2,593,031 | | |
| Machinery and Equipment | 4,337,748 | 3,914,935 | 1,330,380 | 1,201,927 | 5,668,128 | 5,116,862 | | |
| Construction in Progress | 1,381,096 | 958,558 | 3,183 | 294,932 | 1,384,279 | 1,253,490 | | |
| Collection System | | | 52,189,192 | 51,173,693 | 52,189,192 | 51,173,693 | | |
| Infrastructure | 34,229,836 | 30,159,758 | | | 34,229,836 | 30,159,758 | | |
| Total Cost | 48,676,501 | 43,419,056 | 55,108,032 | 54,198,609 | 103,784,533 | 97,617,665 | | |
| Less Acc Depr | 9,490,152 | 7,910,105 | 14,825,934 | 13,679,152 | 24,316,086 | 21,589,257 | | |
| Net Capital Assets | \$ 39,186,349 | \$ 35,508,951 | \$ 40,282,098 | \$ 40,519,457 | \$ 79,468,447 | \$ 76,028,408 | | |

Additional information on the City capital assets can be found in note 3 on page 19 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2012, the City of Mt. Juliet had total bonded debt, lease-purchases and capital notes outstanding of almost \$17.0 million. Of this, \$16.8 million is debt backed by the full faith and credit of the City of Mt. Juliet. The remainder of the City's debt represents bonds secured solely by sewer billing revenue.

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City of Mt. Juliet's Outstanding Debt General Obligation and Revenue Bonds

| | Governmental Activities | | Business Type Activities | | Total | 2011 |
|--------------------------|-------------------------|------------|--------------------------|---------|------------|------------|
| | 2012 | 2011 | 2012 | 2011 | | |
| General Obligation Bonds | 16,795,000 | 16,150,000 | | | 16,795,000 | 16,150,000 |
| Revenue Bonds | | | 189,000 | 370,000 | 189,000 | 370,000 |
| Total | 16,795,000 | 16,150,000 | 189,000 | 370,000 | 16,984,000 | 16,520,000 |

Impact Fee revenue is allocated to the Debt Service Fund in order to liquidate the City's bonds that were issued to support the City road building projects. Such revenue must be supplemented with transfers from the General Fund in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's total debt increased by \$464 thousand or 2.8% during the past fiscal year, primarily due to principal payments that were liquidated when due during the year ended 6/30/2012 offset by the \$1.1 million in capital notes issued to pay for the P-25 communications upgrade.

As mentioned in the financial highlights section of this document, the City of Mt. Juliet has maintained an AA rating from Standard and Poor's Corporation since June 2009. This bond rating is a clear indication of the sound financial condition of City of Mt. Juliet.

The City of Mt. Juliet's debt policy seeks to limits governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2012 governmental debt was less than 2.5% of assessments and less than \$700 per capita.

During the past fiscal year, the City did not issue any bonds or engage in any Lease/Purchase transactions. However the city did issue \$1.1 million in capital notes in order to fund the Public Safety P-25 communication upgrade.

Total debt payments for the next fiscal year are less than \$1.512 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 5 beginning on page 21 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The City's unemployment rate in July 2012 estimated at 7.0% is below the National average of 8.3% as well as the Tennessee rate of 8.4%.
- Occupancy rates on office and retail space. The City's occupancy rates are over 90% for the year and most retail space being created is presold.
- The City brought three auto collision repair facilities to the city as of 6/30/2012.
- Another "Big Box" retailer is expected to open before the Christmas 2012 season.
- Three upscale restaurants are scheduled to open during 2013.
- There are plans for 600 new apartment units in the Providence area.

City of Mt. Juliet

- An additional retail area is under possible development within the next three years, pending certain infrastructure services being offered by the city.
- A national insurance agency opened a regional office within the City at 6/30/2012

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities: Property taxes were implemented for the first time since 1999 and raised almost \$1.275 million. The City will use this revenue to finance capital resource purchases for emergency services for fire protection. The City anticipates nominal growth in local tax revenue, licenses and permits as well as a loss in revenue of some \$200 thousand from changes in red light camera laws.

Increases in the General Fund are anticipated and the largest increments are in employee compensation, including funding compensation and benefits adjustments. However, budgeted revenue is expected to exceed budgeted expenditures for 6/30/2013 by \$244 thousand and therefore no provision in the 6/30/2012 unassigned fund balance will be necessary.

Business – type Activities: The sewer rates in the City are not projected to increase during the fiscal year ended 6/30/2013. Nominal revenue growth will be funded by new customers. Purification costs of wastewater can be expected to rise 4% in accordance with the Metro contract. Personnel costs can be expected to rise 1.5%. General operating expenses will increase by 2.0% to cover increased costs of material, supplies, and other operating expenses. With depreciation the Sewer Fund revenue will fail to cover 100% of the cost of operations.

Requests for Information

This report is designed to provide an overview of the City of Mt. Juliet's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, John Rossmaier, PO Box 679, Mt. Juliet, TN 37121-0679 or email at jrossmaier@cityofmtjuliet.org

Additional budget information is published on the City of Mt. Juliet's website under City Documents, Online Documents, Finance, and City Budget.
<http://www.cityofmtjuliet.org/>

CITY OF MT. JULIET, TENNESSEE

Statement of Net Assets

June 30, 2012

| | Primary Government | | Total |
|--|--------------------------------|---------------------------------|---------------------------|
| | Governmental Activities | Business-type Activities | Primary Government |
| Assets | | | |
| Cash and cash equivalents | \$11,270,244 | 1,559,269 | 12,829,513 |
| Investments | - | 1,020,333 | 1,020,333 |
| Receivables (net): | | | |
| Property taxes | 1,468,050 | - | 1,468,050 |
| Other taxes | 106,606 | - | 106,606 |
| Due from other governments | 2,385,053 | - | 2,385,053 |
| Internal balances | (74,482) | 74,482 | - |
| Grant receivable | 27,575 | - | 27,575 |
| Interest receivable | 4,857 | 6,558 | 11,415 |
| Customers | - | 559,310 | 559,310 |
| Inventories | - | 93,043 | 93,043 |
| Restricted assets: | | | |
| Cash - construction | - | 3,389,587 | 3,389,587 |
| Cash - bond proceeds | 4,593,663 | - | 4,593,663 |
| Prepaid expenses | 122,749 | 8,000 | 130,749 |
| Bond issue costs, net | 96,082 | - | 96,082 |
| Capital assets, net of accumulated depreciation | 35,573,127 | 39,186,371 | 74,759,498 |
| Land and construction in progress - nondepreciable | 3,613,222 | 1,095,727 | 4,708,949 |
| | | | |
| Total Assets | \$59,186,746 | 46,992,680 | 106,179,426 |
| Liabilities | | | |
| Accounts payable | \$326,675 | 260,434 | 587,109 |
| Accrued liabilities | 460,017 | 122,108 | 582,125 |
| Accrued interest | 62,884 | 1,525 | 64,409 |
| Contracts payable | 43,786 | - | 43,786 |
| Deferred revenue | 1,425,771 | - | 1,425,771 |
| Long-term liabilities due within one year | 1,019,175 | 189,000 | 1,208,175 |
| Long-term liabilities due in more than one year | 17,551,184 | 272,284 | 17,823,468 |
| | | | |
| Total Liabilities | 20,889,492 | 845,351 | 21,734,843 |
| Net Assets | | | |
| Investment in capital assets, net of related debt | 27,112,895 | 40,093,098 | 67,205,993 |
| Restricted for: | | | |
| Capital improvements | - | 3,389,587 | 3,389,587 |
| Debt service | 138,762 | - | 138,762 |
| Streets | 2,705,288 | - | 2,705,288 |
| Public safety | 171,303 | - | 171,303 |
| Stormwater | 152,652 | - | 152,652 |
| Parks | 322,139 | - | 322,139 |
| Unrestricted | 7,694,215 | 2,664,644 | 10,358,859 |
| | | | |
| Total Net Assets | \$38,297,254 | 46,147,329 | 84,444,583 |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2012

| Functions / Programs: | | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|--|--|----------------------|--------------------------|--------------------------|---------------------|--|--------------------------|--------------------|
| | | Operating | | Capital | | Primary Government | | |
| | | Charges for Services | Grants and Contributions | Grants and Contributions | | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | | \$2,735,081 | 1,032,398 | 20,289 | 10,000 | (1,672,394) | - | (1,672,394) |
| Public safety | | 5,804,836 | 1,405,713 | 15,625 | - | (4,383,498) | - | (4,383,498) |
| Recreation and Culture | | 1,255,038 | 138,498 | 1,163 | 25,000 | (1,090,377) | - | (1,090,377) |
| Streets and public works | | 3,112,709 | 43,493 | 1,002,208 | 3,988,300 | 1,921,292 | - | 1,921,292 |
| Stormwater | | 286,145 | 198,909 | - | - | (87,236) | - | (87,236) |
| Interest on debt | | 641,755 | 476,097 | - | - | (165,658) | - | (165,658) |
| Total Government Activities | | 13,835,564 | 3,295,108 | 1,039,285 | 4,023,300 | (5,477,871) | - | (5,477,871) |
| Business-type Activities: | | | | | | | | |
| Sewer | | 4,741,748 | 4,025,683 | - | 1,910,560 | - | 1,194,495 | 1,194,495 |
| Total Business-type Activities | | 4,741,748 | 4,025,683 | - | 1,910,560 | - | 1,194,495 | 1,194,495 |
| Total Primary Government | | \$18,577,313 | 7,320,791 | 1,039,285 | 5,933,860 | (5,477,871) | 1,194,495 | (4,283,376) |
| General Revenues: | | | | | | | | |
| Property taxes | | | | | \$1,358,227 | - | 1,358,227 | |
| Sales taxes | | | | | 6,575,243 | - | 6,575,243 | |
| Wholesale beer tax | | | | | 631,341 | - | 631,341 | |
| Franchise tax | | | | | 595,191 | - | 595,191 | |
| Hotel/motel tax | | | | | 316,500 | - | 316,500 | |
| Business tax | | | | | 618,230 | - | 618,230 | |
| State shared sales tax | | | | | 1,611,020 | - | 1,611,020 | |
| State shared beer tax | | | | | 11,620 | - | 11,620 | |
| State shared income tax | | | | | 92,393 | - | 92,393 | |
| State shared TVA tax | | | | | 273,485 | - | 273,485 | |
| Unrestricted other state shared taxes | | | | | 90,127 | - | 90,127 | |
| Unrestricted investment earnings and rental income | | | | | 108,711 | 59,329 | 168,040 | |
| Gain on sale of capital assets | | | | | 71,571 | 61,814 | 133,385 | |
| Other | | | | | 112,846 | - | 112,846 | |
| Total general revenues | | | | | 12,466,505 | 121,143 | 12,587,648 | |
| Change in net assets | | | | | 6,988,634 | 1,315,638 | 8,304,272 | |
| Net assets - beginning of year | | | | | 31,308,620 | 44,831,691 | 76,140,311 | |
| Net assets - end of year | | | | | \$38,297,254 | 46,147,329 | 84,444,583 | |

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2012

| Assets | Capital Projects Funds | | | | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------------|--|---|----------------------------------|---|---|
| | General Fund | General Capital Projects Fund | Emergency/ Community Services Fund | Debt Service Fund | | |
| | | | | | | |
| Cash | \$6,445,590 | - | 2,323,253 | 138,762 | 2,142,356 | 11,049,961 |
| Cash - restricted - bond proceeds | - | 4,593,663 | - | - | - | 4,593,663 |
| Receivables (net) | | | | | | |
| Property taxes | - | - | 1,473,050 | - | - | 1,473,050 |
| Other taxes | 106,606 | | | | | 106,606 |
| Due from other governments | 2,274,034 | - | - | - | 111,019 | 2,385,053 |
| Due from other funds | - | 850 | 549 | - | - | 1,399 |
| Grant receivable | 27,575 | - | - | - | - | 27,575 |
| Interest receivable | 44 | - | 4,813 | - | - | 4,857 |
| Prepaid items | 120,749 | - | - | - | 2,000 | 122,749 |
| | | | | | | |
| Total Assets | \$8,974,598 | 4,594,513 | 3,801,665 | 138,762 | 2,255,375 | 19,764,913 |
| Liabilities and Fund Balances | | | | | | |
| Accounts payable | \$210,804 | | - | - | 46,671 | 257,475 |
| Accrued costs | 434,135 | - | - | - | 25,882 | 460,017 |
| Contracts payable | - | 43,786 | - | - | - | 43,786 |
| Due to other funds | 1,320 | - | - | - | - | 1,320 |
| Deferred revenue | 828,996 | - | 1,465,599 | - | 57,993 | 2,352,588 |
| | | | | | | |
| Total Liabilities | 1,475,255 | 43,786 | 1,465,599 | - | 130,546 | 3,115,186 |
| Fund Balance: | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | 120,749 | - | - | - | 2,000 | 122,749 |
| Restricted for: | | | | | | |
| Streets | 853,614 | - | - | - | 1,793,681 | 2,647,295 |
| Parks | 322,139 | - | - | - | - | 322,139 |
| Public safety | - | - | - | - | 171,303 | 171,303 |
| Stormwater | - | - | - | - | 157,845 | 157,845 |
| Streets - capital projects | - | 4,550,727 | - | - | - | 4,550,727 |
| Debt service | - | - | - | 138,762 | - | 138,762 |
| Assigned for: | | | | | | |
| Public safety - capital projects | - | - | 2,336,066 | - | - | 2,336,066 |
| Unassigned: | 6,202,841 | - | - | - | - | 6,202,841 |
| | | | | | | |
| Total Fund Balances | 7,499,343 | 4,550,727 | 2,336,066 | 138,762 | 2,124,829 | 16,649,727 |
| Total Liabilities and Fund Balances | \$8,974,598 | 4,594,513 | 3,801,665 | 138,762 | 2,255,375 | 19,764,913 |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Assets
of Governmental Activities**

June 30, 2012

| | |
|---|----------------------------|
| Amounts reported for fund balance - total governmental funds | \$16,649,727 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds | 39,186,349 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds | 838,218 |
| State shared revenue and local option sales tax receivable | 83,599 |
| Property taxes receivable | 83,599 |
| Internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | 76,522 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. | (62,884) |
| Bond issue costs are amortized over the life of the notes in the statement of activities. | 96,082 |
| Bond discounts costs are amortized over the life of the notes in the statement of activities. | 5,315 |
| Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net assets | 166,354 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds. | |
| Governmental bonds and notes payable | (\$16,795,000) |
| Other post employment benefits | (1,612,853) |
| Compensated absences | <u>(334,175)</u> |
| | (18,742,028) |
| Net assets of governmental activities | <u>\$38,297,254</u> |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2012

| | <u>General</u> | <u>Capital Projects Funds</u> | | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------|--|---|----------------------------------|---|---|
| | | <u>General Capital Projects Fund</u> | <u>Emergency/ Community Services Fund</u> | <u>Debt Service Fund</u> | | |
| Revenues | | | | | | |
| Taxes | \$8,651,920 | - | 1,274,628 | - | | 9,926,548 |
| Intergovernmental | 2,181,908 | | - | - | 610,803 | 2,792,711 |
| Fines and fees | 1,248,042 | - | - | - | 106,443 | 1,354,485 |
| Licenses and permits | 950,398 | - | - | 474,029 | 198,909 | 1,623,336 |
| Charges for services | 514,793 | - | - | - | - | 514,793 |
| Uses of money and property | 168,728 | 43,493 | 12,675 | 2,068 | 21,983 | 248,947 |
| Miscellaneous | 199,871 | | - | - | - | 199,871 |
| Total Revenue | <u>13,915,660</u> | <u>43,493</u> | <u>1,287,303</u> | <u>476,097</u> | <u>938,138</u> | <u>16,660,691</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 2,361,089 | 4,103 | - | - | - | 2,365,192 |
| Police | 5,587,625 | 9,399 | - | - | 38,125 | 5,635,149 |
| Fire | - | - | 52,659 | - | - | 52,659 |
| Streets and public works | 1,195,460 | 113,259 | - | - | 675,873 | 1,984,592 |
| Stormwater | - | - | - | - | 276,759 | 276,759 |
| Parks and culture | 1,117,167 | - | - | - | - | 1,117,167 |
| Debt service | - | - | - | 1,073,350 | - | 1,073,350 |
| Capital outlay | 45,156 | 879,091 | 274,225 | - | 168,459 | 1,366,931 |
| Total Expenditures | <u>10,306,497</u> | <u>1,005,852</u> | <u>326,884</u> | <u>1,073,350</u> | <u>1,159,216</u> | <u>13,871,799</u> |
| Excess (deficiency) revenues over expenditures | <u>3,609,163</u> | <u>(962,359)</u> | <u>960,419</u> | <u>(597,253)</u> | <u>(221,078)</u> | <u>2,788,892</u> |
| Other Financing Sources (Uses) | | | | | | |
| Capital note proceeds | - | 1,100,000 | - | - | - | 1,100,000 |
| Transfers from (to) other funds | <u>(1,732,169)</u> | <u>498,495</u> | <u>683,674</u> | <u>550,000</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(1,732,169)</u> | <u>1,598,495</u> | <u>683,674</u> | <u>550,000</u> | <u>-</u> | <u>1,100,000</u> |
| Net Change in Fund Balance | 1,876,994 | 636,136 | 1,644,093 | (47,253) | (221,078) | 3,888,892 |
| Fund Balance, Beginning of Year | <u>5,622,349</u> | <u>3,914,591</u> | <u>691,973</u> | <u>186,015</u> | <u>2,345,907</u> | <u>12,760,835</u> |
| Fund Balance, End of Year | <u>\$7,499,343</u> | <u>4,550,727</u> | <u>2,336,066</u> | <u>138,762</u> | <u>2,124,829</u> | <u>16,649,727</u> |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2012

| | |
|---|--------------------|
| Amounts reported for net change in fund balance - total governmental funds | \$3,888,892 |
|---|--------------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|--------------------------|
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:</p> <p style="margin-left: 20px;">Cost of assets acquired</p> <p style="margin-left: 20px;">Depreciation expense</p> | 1,366,931 (1,665,334) |
|--|--------------------------|

| | |
|--|---|
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p> <p style="margin-left: 20px;">Property taxes</p> <p style="margin-left: 20px;">Local option sales tax</p> <p style="margin-left: 20px;">State shared revenues</p> <p style="margin-left: 20px;">Contributed capital assets</p> | 83,599 83,173 20,934 3,975,800 |
|--|---|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, premiums and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|---|
| <p style="margin-left: 20px;">Debt repayment</p> <p style="margin-left: 20px;">Debt issuance</p> <p style="margin-left: 20px;">Amortization of debt related costs</p> <p style="margin-left: 20px;">Amortization of debt discounts, premiums and losses on refunding</p> | 455,000 (1,100,000) (5,515) (11,807) |
|--|---|

| | |
|--|----------|
| <p>Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:</p> <p style="margin-left: 20px;">Change in accrued interest on bonded debt</p> | (11,598) |
|--|----------|

| | |
|--|-----------------------|
| <p>Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:</p> <p style="margin-left: 20px;">Compensated absences</p> <p style="margin-left: 20px;">Other post employment benefits</p> | (10,212) (350,182) |
|--|-----------------------|

| | |
|--|---------|
| <p>Internal service funds are used by management to charge the costs of medical medical insurance to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities. (net of amount allocated to business activities)</p> | 268,953 |
|--|---------|

| | |
|--|---------------------------|
| <p>Change in net assets of governmental activities</p> | <u><u>\$6,988,634</u></u> |
|--|---------------------------|

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2012

| <u>Revenues</u> | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> <u>Positive (Negative)</u> |
|----------------------------------|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Local Taxes: | | | | |
| Local sales taxes | \$6,370,000 | 6,370,000 | 6,492,070 | 122,070 |
| Wholesale beer | 525,000 | 525,000 | 631,341 | 106,341 |
| Franchise taxes | 595,000 | 595,000 | 595,191 | 191 |
| Hotel/Motl taxes | 245,000 | 245,000 | 316,500 | 71,500 |
| Business taxes | 527,750 | 527,750 | 616,818 | 89,068 |
| Total Local Taxes | <u>8,262,750</u> | <u>8,262,750</u> | <u>8,651,920</u> | <u>389,170</u> |
| Intergovernmental: | | | | |
| State sales tax | 1,530,330 | 1,530,330 | 1,597,215 | 66,885 |
| State beer tax | 12,072 | 12,072 | 11,620 | (452) |
| State income tax | 90,000 | 90,000 | 92,393 | 2,393 |
| State/City streets & transp. | 48,526 | 48,526 | 48,591 | 65 |
| Other state revenue allocation | 135,500 | 135,500 | 89,482 | (46,018) |
| TVA tax | 262,038 | 262,038 | 273,485 | 11,447 |
| Grants | - | 66,897 | 69,122 | 2,225 |
| | <u>2,078,466</u> | <u>2,145,363</u> | <u>2,181,908</u> | <u>36,545</u> |
| Fines and Penalties: | | | | |
| City court and drug control | 1,212,050 | 1,212,050 | 1,248,042 | 35,992 |
| Total Fines and Penalties | <u>1,212,050</u> | <u>1,212,050</u> | <u>1,248,042</u> | <u>35,992</u> |
| Licenses and Permits: | | | | |
| Building permits | 270,000 | 270,000 | 456,080 | 186,080 |
| Plumbing permits | 43,000 | 43,000 | 63,425 | 20,425 |
| Review and inspection fees | 62,000 | 62,000 | 130,336 | 68,336 |
| Zoning permits | 3,500 | 3,500 | 4,250 | 750 |
| Sign permits | 5,500 | 5,500 | 9,400 | 3,900 |
| Electrical permits | 110,000 | 110,000 | 118,279 | 8,279 |
| Other permits | 133,550 | 123,550 | 168,628 | 45,078 |
| Total Licenses & Permits | <u>627,550</u> | <u>617,550</u> | <u>950,398</u> | <u>332,848</u> |
| Charges for Services: | | | | |
| Public safety charges | 47,500 | 47,500 | 38,553 | (8,947) |
| Road improvement fees | 38,300 | 38,300 | 337,742 | 299,442 |
| Recreational fees | 137,500 | 137,500 | 138,498 | 998 |
| Total Charges for Services | <u>223,300</u> | <u>223,300</u> | <u>514,793</u> | <u>291,493</u> |
| Uses of Property and Money | | | | |
| Administrative support services | 82,000 | 82,000 | 82,000 | - |
| Rent | 23,040 | 23,040 | 22,810 | (230) |
| Interest | 28,000 | 28,000 | 63,918 | 35,918 |
| Total Uses of Property and money | <u>133,040</u> | <u>133,040</u> | <u>168,728</u> | <u>35,688</u> |
| Other Revenues: | | | | |
| Contributions from others | 6,800 | 6,800 | 15,455 | 8,655 |
| Sale of assets | 10,000 | 10,000 | 71,571 | 61,571 |
| Miscellaneous | 43,100 | 92,738 | 112,845 | 20,107 |
| Total Other Revenues | <u>59,900</u> | <u>109,538</u> | <u>199,871</u> | <u>90,333</u> |
| Total Revenues | <u>12,597,056</u> | <u>12,703,591</u> | <u>13,915,660</u> | <u>1,212,069</u> |

Continued on next page

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund, Continued

For the Year Ended June 30, 2012

| <u>Expenditures</u> | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> <u>Positive (Negative)</u> |
|--|-------------------------|----------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| General Government: | | | | |
| Legislative Board: | | | | |
| Salaries | \$68,801 | 68,801 | 64,922 | 3,879 |
| Employee benefits | 6,014 | 6,014 | 4,789 | 1,225 |
| Supplies and other | 6,750 | 24,250 | 16,937 | 7,313 |
| Total Legislative Board | <u>81,565</u> | <u>99,065</u> | <u>86,648</u> | <u>12,417</u> |
| City Court: | | | | |
| Salaries | 12,100 | 12,100 | 8,511 | 3,589 |
| Employee benefits | 982 | 982 | 678 | 304 |
| Outside services | 6,125 | 6,125 | 2,450 | 3,675 |
| Supplies | 500 | 500 | 197 | 303 |
| Total City Court | <u>19,707</u> | <u>19,707</u> | <u>11,836</u> | <u>7,871</u> |
| City Manager: | | | | |
| Salaries | 362,042 | 372,642 | 313,247 | 59,395 |
| Employee benefits | 132,641 | 134,725 | 118,724 | 16,001 |
| Outside services | 42,500 | 42,500 | 37,833 | 4,667 |
| Membership and dues | 30,500 | 30,500 | 13,736 | 16,764 |
| Supplies | 10,700 | 10,700 | 5,281 | 5,419 |
| Insurance | 1,500 | 1,500 | 1,500 | - |
| Other costs | 33,839 | 33,839 | 26,327 | 7,512 |
| Retiree benefits | 47,450 | 47,450 | 47,336 | 114 |
| Capital outlay | 7,000 | 7,000 | 6,096 | 904 |
| Total City Manager | <u>668,172</u> | <u>680,856</u> | <u>570,080</u> | <u>110,776</u> |
| Finance: | | | | |
| Salaries | 249,093 | 249,598 | 233,816 | 15,782 |
| Employee benefits | 88,344 | 88,444 | 83,682 | 4,762 |
| Outside services | 32,200 | 39,300 | 40,961 | (1,661) |
| Supplies | 5,930 | 12,930 | 10,505 | 2,425 |
| Other costs | 2,550 | 2,550 | 858 | 1,692 |
| Capital outlay | - | - | - | - |
| Total Finance | <u>378,117</u> | <u>392,822</u> | <u>369,822</u> | <u>23,000</u> |
| City Attorney: | | | | |
| Salaries | 104,659 | 66,760 | 61,980 | 4,780 |
| Employee benefits | 27,006 | 14,426 | 14,021 | 405 |
| Outside services | 15,000 | 68,600 | 59,661 | 8,939 |
| Other costs | 23,230 | 20,230 | 1,159 | 19,071 |
| Total City Attorney | <u>169,895</u> | <u>170,016</u> | <u>136,821</u> | <u>33,195</u> |
| Economic and Community Development: | | | | |
| Salaries | 77,578 | 77,699 | 77,004 | 695 |
| Employee benefits | 27,451 | 27,451 | 25,004 | 2,447 |
| Outside services | 52,000 | 52,000 | 44,035 | 7,965 |
| Other costs | 31,650 | 31,650 | 13,525 | 18,125 |
| Housing grant expenditures | - | 21,905 | 21,905 | - |
| Capital outlay | - | - | - | - |
| Total Economic and Community Development | <u>188,679</u> | <u>210,705</u> | <u>181,473</u> | <u>29,232</u> |

Continued on next page

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund, Continued

For the Year Ended June 30, 2012

| | | | | Variance with Final Budget |
|---------------------------------------|------------------|------------------|------------------|-------------------------------|
| | | | | Positive (Negative) |
| Expenditures | | | | |
| General Government, continued: | | | | |
| Planning and Codes: | | | | |
| Salaries | \$226,176 | 226,580 | 222,455 | 4,125 |
| Employee benefits | 83,624 | 83,704 | 79,190 | 4,514 |
| Supplies | 15,958 | 15,958 | 4,072 | 11,886 |
| Outside services | 70,000 | 70,000 | 46,054 | 23,946 |
| Other costs | 26,150 | 32,150 | 15,450 | 16,700 |
| Capital outlay | 7,000 | 7,000 | 7,000 | - |
| Total Planning and Codes | <u>428,908</u> | <u>435,392</u> | <u>374,221</u> | <u>61,171</u> |
| City Hall Buildings and IT Services: | | | | |
| Salaries | 113,505 | 113,707 | 113,002 | 705 |
| Employee benefits | 36,892 | 36,932 | 33,444 | 3,488 |
| Supplies | 86,035 | 86,035 | 48,428 | 37,607 |
| Repairs and maintenance | 42,000 | 47,000 | 32,598 | 14,402 |
| Outside services | 97,530 | 97,530 | 77,330 | 20,200 |
| Utilities | 216,450 | 216,450 | 183,656 | 32,794 |
| Insurance | 69,100 | 69,100 | 13,908 | 55,192 |
| Equipment rental | 71,450 | 71,450 | 61,005 | 10,445 |
| Other costs | 6,600 | 6,600 | 6,639 | (39) |
| Capital outlay | - | - | - | - |
| Total City Hall Buildings | <u>739,562</u> | <u>744,804</u> | <u>570,010</u> | <u>174,794</u> |
| City Garage: | | | | |
| Salaries | 51,143 | 51,243 | 49,387 | 1,856 |
| Benefits | 15,339 | 15,350 | 14,581 | 769 |
| Supplies | 14,430 | 14,340 | 9,306 | 5,034 |
| Total City Garage | <u>80,912</u> | <u>80,933</u> | <u>73,274</u> | <u>7,659</u> |
| Total General Government | <u>2,755,517</u> | <u>2,834,300</u> | <u>2,374,185</u> | <u>460,115</u> |
| Public Safety: | | | | |
| Police Department: | | | | |
| Salaries | 3,265,479 | 3,280,033 | 3,172,241 | 107,792 |
| Benefits | 1,558,038 | 1,561,235 | 1,411,923 | 149,312 |
| Repairs and maintenance | 56,750 | 56,750 | 57,346 | (596) |
| Supplies | 460,749 | 440,249 | 388,955 | 51,294 |
| Outside services | 332,625 | 332,625 | 397,529 | (64,904) |
| Utilities | 18,000 | 18,000 | 17,551 | 449 |
| Insurance | 114,840 | 114,840 | 112,630 | 2,210 |
| Other costs | 37,395 | 37,395 | 29,450 | 7,945 |
| Capital outlay | 30,000 | 30,000 | 29,337 | 663 |
| Total Public Safety | <u>5,873,876</u> | <u>5,871,127</u> | <u>5,616,962</u> | <u>254,165</u> |
| Streets and Public Works: | | | | |
| Salaries | 795,324 | 797,502 | 750,962 | 46,540 |
| Employee benefits | 400,885 | 400,885 | 332,315 | 68,570 |
| Repairs and maintenance | 51,325 | 51,325 | 14,717 | 36,608 |
| Supplies | 97,477 | 97,477 | 69,117 | 28,360 |
| Outside services | 17,900 | 17,900 | 6,599 | 11,301 |
| Insurance | 22,000 | 22,000 | 21,750 | 250 |
| Capital outlay | - | - | - | - |
| Total Streets and Public Works | <u>1,384,911</u> | <u>1,387,089</u> | <u>1,195,460</u> | <u>191,629</u> |

Continued on next page

CITY OF MT. JULIET, TENNESSEE

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund, Continued

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| Recreation and Culture: | | | | |
| Salaries | \$497,002 | 497,607 | 472,447 | 25,160 |
| Employee benefits | 238,184 | 238,184 | 195,657 | 42,527 |
| Repairs and maintenance | 55,587 | 55,587 | 33,853 | 21,734 |
| Supplies | 71,037 | 79,365 | 66,014 | 13,351 |
| Outside services | 73,094 | 73,094 | 35,577 | 37,517 |
| Insurance | 11,222 | 11,222 | 16,104 | (4,882) |
| Utilities | 59,789 | 59,789 | 62,677 | (2,888) |
| Farmers market | - | 25,000 | 24,771 | 229 |
| Appropriations to nonprofits | 213,540 | 213,540 | 210,067 | 3,473 |
| Capital outlay | 3,000 | 3,000 | 2,723 | 277 |
| Total Recreation and Culture | <u>1,222,455</u> | <u>1,256,388</u> | <u>1,119,890</u> | <u>136,498</u> |
| Total Expenditures | <u>11,236,759</u> | <u>11,348,904</u> | <u>10,306,497</u> | <u>1,042,407</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,360,297</u> | <u>1,354,687</u> | <u>3,609,163</u> | <u>2,254,476</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (1,681,374) | (1,928,012) | (1,732,169) | 195,843 |
| Total Other Financing Sources (Uses) | <u>(1,681,374)</u> | <u>(1,928,012)</u> | <u>(1,732,169)</u> | <u>195,843</u> |
| Excess (Deficiency) of Revenues Over Expenditures & Other Uses | <u>(321,077)</u> | <u>(573,325)</u> | <u>1,876,994</u> | <u>2,450,319</u> |
| Fund Balance, Beginning of Year | <u>5,622,349</u> | <u>5,622,349</u> | <u>5,622,349</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$5,301,272</u> | <u>5,049,024</u> | <u>7,499,343</u> | <u>2,450,319</u> |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Assets

Proprietary Fund

June 30, 2012

| | Business -type Activities | |
|---|------------------------------|-----------------------------|
| | Sewer Enterprise Fund | Internal Service Fund |
| Assets | | |
| Current Assets: | | |
| Cash | \$1,559,269 | 220,283 |
| Investments | 1,020,333 | - |
| Receivable-net of allowance for doubtful accounts of \$23,401 | 559,310 | - |
| Interest receivable | 6,558 | - |
| Prepaid insurance | 8,000 | - |
| Inventory | 93,043 | - |
| Total Current Assets | <u>3,246,513</u> | <u>220,283</u> |
| Noncurrent Assets: | | |
| Restricted cash - restricted for capital projects | 3,389,587 | - |
| Capital Assets: | | |
| Land | 1,092,544 | - |
| Construction in progress | 3,183 | - |
| Collection system | 52,189,192 | - |
| Buildings | 492,733 | - |
| Equipment | 1,330,380 | - |
| Total Capital Assets | 55,108,032 | - |
| Less: accumulated depreciation | (14,825,934) | - |
| Net Property, Plant and Equipment | <u>40,282,098</u> | <u>-</u> |
| Total Noncurrent Assets | <u>43,671,685</u> | <u>-</u> |
| Total Assets | <u><u>\$46,918,198</u></u> | <u><u>220,283</u></u> |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | \$260,434 | 69,200 |
| Accrued expenses | 122,108 | - |
| Interest payable | 1,525 | - |
| Due to general fund | 79 | - |
| Bonds and notes payable - current | 189,000 | - |
| Total Current Liabilities | <u>573,146</u> | <u>69,200</u> |
| Noncurrent Liabilities: | | |
| Other post-employment benefit obligation | 272,284 | - |
| Total Noncurrent Liabilities | <u>272,284</u> | <u>-</u> |
| Total Liabilities | <u>845,430</u> | <u>69,200</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 40,093,098 | - |
| Restricted for capital improvements | 3,389,587 | - |
| Unrestricted | 2,590,083 | 151,083 |
| Total Net Assets | <u>\$46,072,768</u> | <u>151,083</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | 74,561 | |
| Net Assets of business -type activities | <u><u>\$46,147,329</u></u> | |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Fund

For the Year Ended June 30, 2012

| | Business -type Activities | |
|---|------------------------------|-----------------------------|
| | Sewer Enterprise Fund | Internal Service Fund |
| Operating Revenues: | | |
| Charges for sales and services - sewer | \$3,783,411 | \$1,715,516 |
| Sewer inspection and administrative charges | 147,131 | - |
| Penalties | 79,422 | - |
| Other | 15,719 | - |
| Total Operating Revenues | <u>4,025,683</u> | <u>1,715,516</u> |
| Operating Expenses: | | |
| Sewer line and pump maintenance | 1,264,865 | - |
| Sewer lift station operation | 214,598 | - |
| Administrative and accounting | 404,526 | 1,380,597 |
| Sewer transportation and treatment | 1,518,804 | - |
| Depreciation | 1,224,925 | - |
| Professional services | 163,548 | - |
| Total Operating Expenses | <u>4,791,266</u> | <u>1,380,597</u> |
| Operating Income (Loss) | <u>(765,583)</u> | <u>334,919</u> |
| Nonoperating Revenues (Expenses): | | |
| Gain on sale of equipment | 61,814 | - |
| Interest expense | (16,448) | - |
| Interest income | 59,329 | - |
| Net Nonoperating Revenues (Expenses) | <u>104,695</u> | <u>-</u> |
| Net Income (Loss) Before Contributions | <u>(660,888)</u> | <u>334,919</u> |
| Contributions: | | |
| Capital contribution - Tap fees | 1,343,015 | - |
| Capital contribution - Utility plant | 567,545 | - |
| Total Contributions | <u>1,910,560</u> | <u>-</u> |
| Change in Net Assets | <u>1,249,672</u> | <u>334,919</u> |
| Net Assets - Beginning of Year | <u>44,823,096</u> | <u>(183,836)</u> |
| Net Assets - End of Year | <u>\$46,072,768</u> | <u>\$151,083</u> |
| Change in Net Assets as shown above | <u>1,249,672</u> | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | |
| Change in Net Assets of business -type activities | <u>65,966</u> | |
| | <u><u>\$1,315,638</u></u> | |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2012

| | Sewer Enterprise Fund | Internal Service Fund |
|---|-----------------------------|-----------------------------|
| Cash Flows Provided (Used) By Operating Activities: | | |
| Cash received from customers | \$4,014,089 | - |
| Cash paid for personnel services | (894,462) | - |
| Cash paid to suppliers for goods and services | (2,657,316) | - |
| Cash received paid on interfund advances | 79 | - |
| Cash paid for interfund administrative support services | (82,000) | - |
| Premiums received | - | 1,715,516 |
| Medical claims and administrative expenses paid | - | (1,500,714) |
| Net Cash Provided (Used) by Operating Activities | <u>380,390</u> | <u>214,802</u> |
| Cash Flows Provided (Used) By Capital and Related Financing Activities: | | |
| Purchase of property, plant and equipment | (444,723) | - |
| Cash received on sale of equipment | 61,814 | - |
| Interest paid on debt | (17,907) | - |
| Contributions from customers | 1,343,015 | - |
| Payments on long-term debt | (181,000) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>761,199</u> | <u>-</u> |
| Cash Flows Provided (Used) By Investing Activities: | | |
| Purchase of investments | (14,916) | - |
| Interest received on investments | <u>59,216</u> | <u>-</u> |
| | <u>44,300</u> | <u>-</u> |
| Net Increase (Decrease) in Cash | 1,185,889 | 214,802 |
| Cash and Cash Equivalents, Beginning of Year | <u>3,762,967</u> | <u>5,481</u> |
| Cash and Cash Equivalents, End of Year | <u>\$4,948,856</u> | <u>220,283</u> |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u> | | |
| Operating income (loss) | (\$765,583) | 334,919 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,224,925 | - |
| (Increase) Decrease in: | | |
| Accounts receivable | (11,594) | - |
| Prepaid expenses | 2,263 | - |
| Inventory | (3,991) | - |
| Increase (Decrease) in: | | |
| Accounts payable | (119,128) | (120,117) |
| Accrued expenses | 5,630 | - |
| Other post-employment benefit obligation | 47,789 | - |
| Due/from to other funds | 79 | - |
| Net cash provided by operating activities | <u>\$380,390</u> | <u>214,802</u> |
| <u>Non-cash Investing, Capital and Financing Activities</u> | | |
| During the year the City accepted sewer lines from developers in the amount of \$567,545 and also liquidated contracts payable related to capital asset acquisitions in the net amount of \$24,702 . | | |

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The City of Mt. Juliet, Tennessee, was incorporated in 1972. The City operates under a Commissioner - Manager form of government and provides the following services as authorized by its charter; public safety (police), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services and sanitary sewers.

The accounts of the City of Mt. Juliet are maintained, and the financial statements have been prepared in conformity with recommendations of the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements present the government and its components units, entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

As of June 30, 2012, the City had no component units which were required to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities and repairs to infrastructure. Resources are provided primarily from transfers from other governmental funds.

The *Emergency Community Services Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities primarily related to the City establishing a fire department and other public safety capital items.

The *Debt Service Fund* is used to account for the payment of principal and interest on governmental debt. Resources are provided from impact fees restricted for debt service.

The government reports the following major proprietary fund:

The *Sewer Fund* accounts for the waste water services provided to customers of the system.

Additionally, the City reports the following fund types:

Internal Service Fund, to account for costs associated with the employees health insurance.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utilities and various other functions of the government whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation, (Continued)

Amounts reported as program revenues include (i) charges to customers or applicants (including fines and fees) for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Joint Venture

The City has entered into a joint venture with Wilson County to form the Wilson County/Mt. Juliet Development Board to promote economic development in the area. The board is composed of six members, three appointed by each entity. The City has no equity interest in the joint venture, however, the City is required to contribute one half the funding necessary to pay development costs of projects approved by the board. Recovery of costs by the City will be from an allocation of the real and personal property taxes collected by the county as a result of projects for which the Board was responsible. Required disclosures are included in the following notes.

Cash and Equivalents

Cash and cash equivalents include amounts in demand deposits, savings accounts, money market accounts and short-term certificates of deposit maturing within three months or less of initial maturity dates. Also due to liquidity, the City considers funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. Restricted cash in the Capital Projects and Sewer Fund is restricted for capital improvements.

Inventories of Supplies

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or market.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid expenses. These consist primarily of prepaid insurance and a prepaid maintenance contract with the railroad.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The residual balance between governmental activities and business-type activities at year end was \$74,482.

All trade receivables and tax receivables, are shown net of an allowance for uncollectibles.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$10,000 or more with an estimate useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets acquired prior to the implementation date July 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, there was no capitalized interest recorded.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| | | | |
|--------------------------------------|--------------|---------------------------------|-------------|
| Buildings | 40 years | Sidewalks | 30 years |
| Improvements other than buildings | 30 years | Bridges | 50 years |
| Road system infrastructure | 30 years | Sewer lines | 45 years |
| Machinery, equipment and vehicles | 5 - 10 years | Sewer transmission equipment | 10-15 years |

Compensated Absences

General policy of the City permits the accumulation, within certain limitations, of unused sick and annual leave with unlimited carryover. No provision exists for payment of accumulated sick leave on termination.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term Obligations (Continued)

issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other cost expenditures.

Fund Balance

In accordance with Governmental Accounting Standard Board (GASB) Statement 54, fund balance is reported in the fund financial statements under the following categories. **Nonspendable fund balance** represents amounts that are required to be maintained intact, such as inventories and prepaid items. **Restricted fund balance** is that portion of fund balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation. **Committed fund balance** includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the Board is also required. **Assigned fund balance** amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board, or City official designated by the Board. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance. **Unassigned fund balance** is the residual classification of the General Fund.

It is the City's policy to first use restricted fund balance when an expense is incurred for purposes which both restricted and unrestricted funds are available. The City's policy for the use of unrestricted fund balance amounts required that committed amounts would be reduced first, followed by assigned amounts when expenditures incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

By action of the Board, a rainy day account has been set aside in the General Fund, in the amount of \$205,651. A 2/3 vote of the Board is required to remove funds from the account. Additional amounts may be added to the account at the discretion of the Board. The rainy day fund amount is included in the unassigned fund balance.

Property Taxes

The City's property tax is levied each October on the assessed value listed as of January 1 for all real and personal property located on the City's legal boundaries. All City taxes on real estate and personal property are declared to be a lien on such realty from January 1 of the year of assessment. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

Industrial and Commercial Property

| | | | |
|------------|-----|-------------------------------|-----|
| - Real | 40% | Public Utility Property | 55% |
| - Personal | 30% | Farm and Residential Property | 25% |

Taxes are levied at a rate of \$0.20 and \$0.20 per \$100 of assessed valuation for years 2011 and 2012. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,267,107 for the fiscal year ended June 30, 2012 were approximately 93% of the tax levy. By vote of the Board, the property taxes were levied for the purpose of capital items for public safety and are accounted for in the Emergency Community Services Fund. Taxes become delinquent in March of the year subsequent to the levy date; delinquent taxes are turned over to the County Clerk and Master for collection each April.

The government-wide financial statements report property taxes receivable of \$1,468,050 which is net of an allowance for doubtful collections of \$5,000. Of this receivable \$1,377,000 represents the estimated net realizable 2012 property taxes. This amount is included in deferred revenue because they are not available until next year. The receivable reported in the governmental funds balance sheet is \$1,473,050 with offsetting deferred revenue for amounts not available at June 30, 2012. The additional taxes receivable of \$106,606 are beer and hotel/motel taxes.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

2) DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 105 percent secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The City approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of City staff.

At June 30, 2012 there were no amounts exposed to custodial credit risk.

Restricted cash in the governmental activities primarily relates to amounts collected from developers for road and park maintenance and improvements as well as unspent bond proceeds. Restricted cash in the business-type activities relates to amounts designated for sewer projects.

Investments

At June 30, 2012 the City had the following investments:

| Type of Investment | Fair Value/ Carrying Amount | Weighted Average Days to Maturity | Average Credit Quality Rating |
|---------------------------------------|--------------------------------|--------------------------------------|----------------------------------|
| Certificates of Deposit | \$ 1,020,333 | 210 | N/A |
| Local Government Investment Pool | <u>388,641</u> | N/A | N/A |
| Total | 1,408,974 | | |
| Liquid Investments (Cash Equivalents) | <u>388,641</u> | | |
| | \$ <u>1,020,333</u> | | |

Interest Rate Risk:

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit/Credit Concentration Risk:

The City's general investment policy is to apply the prudent-person rule; investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general avoid speculative risks, as well as limited to investments authorized by state law.

3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

| | Beginning Balance | Increases | Decreases | Reclasses and Ending Balance |
|--|----------------------|------------------|-----------------|---------------------------------------|
| Governmental activities | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | \$ 1,980,701 | 251,425 | - | 2,232,126 |
| Construction in progress | 958,558 | 422,538 | - | 1,381,096 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and improvements | 3,812,073 | 90,591 | - | 3,902,664 |
| Improvements other than buildings | 2,593,031 | - | - | 2,593,031 |
| Machinery and equipment | 3,914,935 | 508,099 | (85,286) | 4,337,748 |
| Infrastructure | <u>30,159,758</u> | <u>4,070,078</u> | <u>-</u> | <u>34,229,836</u> |
| Total capital assets | <u>\$ 43,419,056</u> | <u>5,342,731</u> | <u>(85,286)</u> | <u>48,676,501</u> |

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

3)

CAPITAL ASSETS (Continued)

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Reclasses and Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|--|---------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings and other improvements | \$ 1,327,948 | 109,432 | - | 1,437,380 |
| Improvements other than buildings | 1,129,276 | 103,869 | - | 1,233,145 |
| Machinery and equipment | 2,870,126 | 377,704 | (85,286) | 3,162,544 |
| Infrastructure | <u>2,582,754</u> | <u>1,074,329</u> | <u>_____</u> | <u>3,657,083</u> |
| Total accumulated depreciation | <u>7,910,104</u> | <u>1,665,334</u> | <u>(85,286)</u> | <u>9,490,152</u> |
| Governmental activities capital assets, net | <u>\$ 35,508,952</u> | | | <u>39,186,349</u> |

During the year, the City accepted donated equipment and infrastructure in the amount of \$3,975,800.

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Reclasses and Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--|---------------------------|
| Business-type activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land | \$ 1,047,544 | 45,000 | - | 1,092,544 |
| Construction in process | 294,932 | | (291,749) | 3,183 |
| <u>Capital assets being depreciated:</u> | | | | |
| Building | 480,513 | 12,220 | | 492,733 |
| Collections System | 51,173,693 | 723,750 | 291,749 | 52,189,192 |
| Equipment | <u>1,201,927</u> | <u>206,596</u> | <u>(78,143)</u> | <u>1,330,380</u> |
| Total capital assets | <u>\$ 54,198,609</u> | <u>987,566</u> | <u>(78,143)</u> | <u>55,108,032</u> |
| Less accumulated depreciation for: | | | | |
| Collection System and building | \$ 12,603,272 | 1,151,636 | - | 13,754,908 |
| Equipment | <u>1,075,880</u> | <u>73,289</u> | <u>(78,143)</u> | <u>1,071,026</u> |
| Total accumulated depreciation | <u>13,679,152</u> | <u>1,224,925</u> | <u>(78,143)</u> | <u>14,825,934</u> |
| Business-type activities capital assets, net | <u>\$ 40,519,457</u> | | | <u>40,282,098</u> |

Depreciation expense was charged to function/programs as of June 30, 2012, as follows:

| | |
|--|-------------------------|
| Governmental activities: | |
| General government | \$ 49,329 |
| Public safety | 258,811 |
| Street and public works | 1,155,766 |
| Stormwater | 3,411 |
| Recreational and culture | <u>198,017</u> |
| Total depreciation expense-governmental activities | <u>\$ 1,665,334</u> |
| Business-type activities: | |
| Water and Sewer | <u>\$ 1,224,925</u> |

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

4) RECEIVABLES AND DEFERRED REVENUE

Accounts and taxes receivable at June 30, 2012 consisted of the following:

| | General Fund | Emergency Community Service Fund | Enterprise Fund | Total |
|---|-------------------|--|--------------------|------------------|
| Property taxes | \$ - | 1,473,050 | - | 1,473,050 |
| Beer taxes | 68,652 | - | - | 68,652 |
| Hotel/Motel tax | 37,954 | - | - | 37,954 |
| Customer Allowance for- doubtful accounts | - | - | 582,711 | 582,711 |
| | <u>\$ 106,606</u> | <u>(5,000)</u> | <u>(23,401)</u> | <u>(28,401)</u> |
| | | <u>1,468,050</u> | <u>559,310</u> | <u>2,133,966</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. At year end the various components of deferred revenue reported in the governmental funds are as follows:

| | |
|---|---------------------|
| Property Taxes | \$1,465,599 |
| State and County shared taxes (unavailable) | <u>886,989</u> |
| | <u>\$ 2,352,588</u> |

Deferred revenue in the government-wide financial statements include amounts for unavailable revenues related to state income tax of \$48,771 and property tax of \$1,377,000.

5) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general government purposes.

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. These bonds relate to the Sewer Enterprise Fund. Should sewer revenues be insufficient to pay the debt service, the debt is payable from the taxing authority of the City. For governmental activities, compensated absences and other post-employment benefits obligations are generally liquidated by the general fund. The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

| | <u>Balance 07-01-11</u> | <u>Addition</u> | <u>Reductions</u> | <u>Balance 06-30-12</u> | <u>Current Portion</u> |
|---------------------------------|-----------------------------|------------------|-------------------|-----------------------------|----------------------------|
| Governmental Activities | | | | | |
| Public Improvement Bonds | \$16,150,000 | - | 455,000 | 15,695,000 | 465,000 |
| Capital Outlay Notes | - | 1,100,000 | - | 1,100,000 | 220,000 |
| Net OPEB obligation | 1,262,671 | 350,182 | - | 1,612,853 | - |
| Compensated absences | <u>323,963</u> | <u>10,212</u> | <u>-</u> | <u>334,175</u> | <u>334,175</u> |
| Total Governmental Activities | <u>\$ 17,736,634</u> | <u>1,460,394</u> | <u>455,000</u> | <u>18,742,028</u> | <u>1,019,175</u> |
| Bond discounts/premiums | (5,240) | | | (5,315) | |
| Loss on refunding | (178,236) | | | (166,354) | |
| | <u>\$17,553,158</u> | | | <u>18,570,359</u> | |
| Business-type Activities | | | | | |
| TML Bond Fund | \$ 370,000 | - | 181,000 | 189,000 | 189,000 |
| Net OPEB Obligation | <u>224,495</u> | <u>47,789</u> | <u>-</u> | <u>272,284</u> | <u>-</u> |
| | <u>\$ 594,495</u> | <u>47,789</u> | <u>181,000</u> | <u>461,284</u> | <u>189,000</u> |

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

5) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE, Continued

Long term bonds and notes at June 30, 2012 consisted of the following obligations:

| | Balance <u>June 30, 2012</u> |
|--|---------------------------------|
| <u>Governmental-type Activities</u> | |
| \$6,820,000 Series 2009 general obligation refunding bonds due in annual installments through year 2026 with semi-annual interest payments at rates ranging from 3% to 4.2%. | \$ 6,040,000 |
| \$10,000,000 general obligation public improvement bonds Series 2010 due in annual installments through year 2034 with semi-annual interest payments at rates ranging from 3% to 4%. | 9,655,000 |
| \$1,100,000 Capital Outlay Notes due in annual installments through 2017 at an interest rate of 2.2%. | <u>1,100,000</u> |
| Total Governmental-type Activities | <u>\$ 16,795,000</u> |
| <u>Business-type Activities</u> | |
| \$1,800,000 Series 2001 TML Bond Fund Loans to finance sewer improvements. Interest is variable and based on bond fund index with no cap. Principal payments are made annually. | \$ 189,000 |
| Total Business-type activities | <u>\$ 189,000</u> |

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2012 are as follows:

| Fiscal Year | Governmental-type | | | Business-type | | |
|----------------|-----------------------|------------------|------------------|----------------|--------------|-------------------|
| | Public Improvement | | Capital | | | |
| | Bonds | Notes | Interest | Bond | Interest | Total |
| 2013 | \$ 465,000 | 220,000 | 628,899 | 189,000 | 8,505 | 1,511,404 |
| 2014 | 490,000 | 220,000 | 610,111 | - | - | 1,320,111 |
| 2015 | 500,000 | 220,000 | 590,569 | - | - | 1,310,569 |
| 2016 | 520,000 | 220,000 | 569,661 | - | - | 1,309,661 |
| 2017 | 535,000 | 220,000 | 547,739 | - | - | 1,302,739 |
| 2018-2022 | 2,955,000 | - | 2,408,063 | - | - | 5,363,063 |
| 2023-2027 | 3,560,000 | - | 1,791,988 | - | - | 5,351,988 |
| 2028-2032 | 4,550,000 | - | 996,488 | - | - | 5,546,488 |
| 2033-2034 | <u>2,120,000</u> | <u>-</u> | <u>130,887</u> | <u>-</u> | <u>-</u> | <u>2,250,887</u> |
| | <u>\$ 15,695,000</u> | <u>1,100,000</u> | <u>8,274,405</u> | <u>189,000</u> | <u>8,505</u> | <u>25,266,910</u> |

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

6) PENSION PLAN

Plan Description

Employees of the City of Mt. Juliet are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 (four) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Mt Juliet participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Mt. Juliet has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual payroll.

Mt. Juliet is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2012 was 12.39% annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Mt. Juliet is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Mt. Juliet's annual pension cost of \$779,826 TCRS was equal to Mt. Juliet's required and actual contributions.

The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

6) PENSION PLAN, Continued

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Mt. Juliet's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend information:

| Fiscal Year <u>Ending</u> | Annual Pension <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
|---------------------------------|--|--|-------------------------------------|
| 6/30/12 | \$ 779,826 | 100.00% | - |
| 6/30/11 | \$ 742,619 | 100.00% | - |
| 6/30/10 | \$ 758,775 | 100.00% | - |

As of July 1, 2011, the most recent actuarial valuation date, the plan was 81.43% funded. The actuarial accrued liability for benefits was \$9.31 million, and the actuarial value of assets was \$7.58 million resulting in an unfunded accrued liability (UAAL) of \$1.73 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.9 million, and the ratio of the UAAL to the covered payroll was 30.06%.

The schedules of funding progress, presented as required supplementary information, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time related to the AAL's for benefits.

Required Supplementary Information

Schedule of Funding Progress for the City of Mt. Juliet:

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage Of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--------------------------------------|--------------------------|---------------------------|---|
| 7/01/11 | \$7,584 | \$9,314 | \$1,729 | 81.43% | \$5,753 | 30.06% |
| 7/01/09 | \$5,130 | \$5,319 | \$189 | 96.45% | \$4,919 | 3.83% |
| 7/01/07 | \$3,993 | \$4,209 | \$216 | 94.87% | \$3,806 | 5.68% |

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

7) POST EMPLOYMENT HEALTHCARE PLAN

The City administers the City of Mt. Juliet, Tennessee Post Retirement Medical Benefit Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan. Benefits are established and amended by the Mayor and the Board of Commissioners. Retired employees with 15 years of service, drawing retirement from the City's retirement account under TCRS, are eligible for the Plan until the employee is eligible for Medicare coverage. The Plan does not issue a stand-alone report.

Funding Policy

The City offers a Medical, Dental, Vision and Life Insurance program to retirees and the family of City retired employees. The coverage is available for the life of the retiree and the spouse. No contribution is required for life insurance coverage. The other coverage contribution level for retirees is the same as that for current employees based on their coverage and lifestyle choices. The plan is "self-funded" and total cost is affected by the annual claims. The insurance plan administrator estimates the expected cost between \$1,239 and \$1,513 monthly. Contributions by employees and retirees for medical coverage vary between \$73 and \$137 monthly for single coverage and between \$377 and \$512 monthly for family coverage. In addition, contributions are required for family vision coverage at \$7.82 monthly and family dental coverage of \$47.68.

| | |
|-------------------------------|---------------------|
| ARC | \$ 483,557 |
| Increase due to interest | 44,615 |
| Amortization of prior year | |
| Net OPEB contribution | <u>(74,761)</u> |
| Annual OPEB cost | 453,411 |
| Amount of contribution* | <u>(55,440)</u> |
| Increase in OPEB Obligation | 397,971 |
| Net OPEB Obligation 7/1/11 | <u>1,487,166</u> |
| Net OPEB Obligation 6/30/12** | <u>\$ 1,885,137</u> |

| <u>Year End</u> | <u>Annual OPEB Cost</u> | Percentage Annual | Net OPEB |
|-----------------|-------------------------|------------------------------|-------------------------------|
| | | <u>OPEB Cost Contributed</u> | <u>Obligation At Year End</u> |
| 6/30/12 | \$ 453,411 | 12.2% | \$ 1,885,137 |
| 6/30/11 | 406,400 | 13.7% | 1,487,166 |
| 6/30/10 | 706,807 | 7.8% | 1,136,308 |

*Based on expected contribution per study.

**Governmental Activities - \$1,612,853; Business Activities - \$272,284

Required Supplementary Information

Funded Status and Funding Progress

| | 6/30/09 | 6/30/10 | 6/30/11 |
|---|--------------|-----------|-----------|
| Actuarial valuation date | | | |
| Actuarial accrued liability (AAL) | \$ 3,632,044 | 2,516,208 | 3,034,558 |
| Actuarial value of plan asset | - | - | - |
| Unfunded actuarial accrued liability | 3,632,044 | 2,516,208 | 3,034,558 |
| Actuarial value of assets as a % of AAL | - | - | - |
| Covered payroll | \$ 5,006,921 | 6,807,263 | 6,104,742 |
| UAAL as a percentage of covered payroll | 72.5% | 37.0% | 49.7% |

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

7) POST EMPLOYMENT HEALTHCARE PLAN, Continued

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern on sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July, 2011, actuarial valuation, the Projected Unit Cost Method was used. The actuarial assumptions included a 3 percent discount rate of return (net of administrative costs) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 3 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2008.

8) COMMITMENTS AND CONTINGENCIES

Metro Agreement

The City has an ongoing sewer treatment agreement with the Metro Nashville Government of Davidson County which began July 1, 2000. This agreement provides that Mt. Juliet is obligated to pay a fee per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$569 for each 350 gallons of flow per day per connection shall be collected by Mt. Juliet and remitted to Metro. This is subject to adjustment every five years. During the current fiscal year the City paid Metro \$1,518,804 for sewer treatment and \$270,275 for connection charges under this agreement.

Contracts

All City construction projects were substantially complete at June 30, 2012.

Medical Claims

The City is contesting a medical claim, related to a former employee . Claims in excess of \$400,000 have been made, however the City contends that the procedures performed were excluded under the plan and will vigorously defend their position. No provision for this contingency has been made in the financial statements.

Litigation

There were several other pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation would not materially affect the financial statements of the City.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

8) **COMMITMENTS AND CONTINGENCIES, Continued**

Leases

The City has entered into leases for computer and related equipment. The equipment may be purchased at its fair market value at the end of the term of the lease. The City made lease payments in the amount of \$23,145 during 2012. Future lease obligations are as follows:

| | |
|------|------------------|
| 2013 | 23,145 |
| 2014 | 23,145 |
| 2015 | <u>8,902</u> |
| | <u>\$ 55,192</u> |

Local Government Insurance Cooperative

The City previously participated in the Local Government Insurance Cooperative (LOGIC), a public entity risk pool that operated as a common risk management and workers' compensation insurance program for approximately one hundred government entities. LOGIC was self-sustaining through member premiums and also obtained specific excess and aggregate excess coverage through a commercial insurance company. The City has learned the commercial insurance company is in bankruptcy, and the City may be assessed by LOGIC to help cover claims incurred during the City's participation, all known assessments have been accrued. The City does not believe, based on current information, any potential future assessment would be material to the City's financial statements.

Contingencies

The City received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The grant note in the amount of \$384,968, is forgivable as long as the City continues to meet the terms of the grant note through 2025.

During the year management became aware of a state law which appears to require the distribution of a percentage of state shared revenue to another local government. Legal counsel is reviewing the issue and if required, a negotiated settlement is expected. The potential liability could be up to approximately \$285,000. The amount of liability, if any, is not currently determinable and therefore no provision has been made in these financial statements.

Amounts received from Grantor agencies are subject to audit and adjustments by Grantor agencies, principally Federal and State governments. Any disallowed claims, including amounts already collected could become a liability to the applicable fund.

9) **RISK MANAGEMENT**

The City has chosen to establish the Self Insured Medical Insurance Fund (internal service fund) for risks associated with the employees' health insurance plan. The fund is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$50,000 per employee, and \$1,397,885 aggregate annual cap. The City has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

9) RISK MANAGEMENT, Continued

Changes in the balance of claims liabilities during the past two fiscal years are as follows:

| | Beginning-of-Fiscal-Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance of Fiscal Year-End |
|-----------|------------------------------------|--|----------------|----------------------------|
| 2009-2010 | \$ 121,618 | 1,329,461 | 1,305,916 | 145,163 |
| 2010-2011 | 145,163 | 1,601,652 | 1,557,498 | 189,317 |
| 2011-2012 | 189,317 | 1,380,597 | 1,500,714 | 69,200 |

The City continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10) JOINT VENTURE

During the 1995 fiscal year the City entered into an inter-local agreement with Wilson County as authorized by TCA Section 5-1-113 and 12-9-101. As part of this agreement all assets and liabilities associated with Mt. Juliet Development Corporation, a component unit of the City, were transferred to Wilson County/Mt. Juliet Development Board, a joint venture with the County.

The Board of the joint venture consists of six members, three appointed by each government. During the year the City did not appropriate any funds to the venture. Upon dissolution any obligations become the obligation of the County and any remaining funds shall be paid equally to the participating parties. At June 30, 2012 and 2011, the Board had an accumulated net assets of \$362,386 and \$303,044 respectively. The net change in net assets for fiscal year 2012 was \$59,342. Financial information regarding the joint venture is available from the City.

11) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2012. The balances were eliminated in the government-wide financial statements. The composition of interfund balances is as follows and relates to amounts expended for projects that are to be reimbursed by the General Fund.

| <u>Receivable Fund</u> | | <u>Payable Fund</u> | |
|------------------------|-----------------|-----------------------|-----------------|
| Capital Projects Fund | \$ <u>1,399</u> | General Fund | \$ 1,320 |
| | | Sewer Enterprise Fund | 79 |
| | | | \$ <u>1,399</u> |

Balances between activities in the government wide financial statements also include \$74,482 related to the consolidation of the internal service fund. During the year, the General Fund transferred \$498,495 to the Capital Project Fund and \$550,000 to the Debt Service Fund and \$683,674 to an Emergency Communication Service Fund. These are attributable to budgeted allocations of resources from one fund to another.

12) BUDGETS AND BUDGETARY ACCOUNTING

The City is required by state statute to adopt an annual budget. The General and Special Revenue Funds budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Board. The City's budgetary basis is consistent with generally accepted accounting principles. Budget appropriations lapse at year end. The enterprise fund is not required to adopt an operating budget.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2012

12) BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of ordinance.
4. The budget is adopted on a departmental basis. Any revision that alters the total expenditures of any department or fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the department level. Budget appropriations lapse at year end.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

During the year, the General Fund appropriations budget was increased by \$112,145. The Special Revenue Fund appropriations were amended by \$73,458, the Capital Projects Funds budgets were amended by \$1,461,054 primarily for communication equipment. The Debt Service Fund was amended by a decrease of \$33,450.

13) SUBSEQUENT EVENTS

Subsequent to year end the City entered into a contract for the construction of a fire hall for approximately \$1.2 million. The construction will be funded by finds in the Emergency Services Capital Projects Fund.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------------|----------------|--------------------|--|
| | State Street Aid Fund | Drug Fund | Stormwater Fund | |
| Taxes receivable | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$1,765,043 | 190,459 | 186,854 | 2,142,356 |
| Prepays | - | - | 2,000 | 2,000 |
| Due from other governments | 111,019 | - | - | 111,019 |
| Total Assets | \$1,876,062 | 190,459 | 188,854 | 2,255,375 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$24,388 | 19,156 | 3,127 | 46,671 |
| Accrued liabilities | - | - | 25,882 | 25,882 |
| Deferred revenue | 57,993 | - | - | 57,993 |
| Total Liabilities | 82,381 | 19,156 | 29,009 | 130,546 |
| Fund Balances: | | | | |
| Nonspendable - prepaids | - | - | 2,000 | 2,000 |
| Restricted | 1,793,681 | 171,303 | 157,845 | 2,122,829 |
| Total Fund Balance | 1,793,681 | 171,303 | 159,845 | 2,124,829 |
| Total Liabilities & Fund Balances | \$1,876,062 | 190,459 | 188,854 | 2,255,375 |

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|---|------------------------------|------------------|------------------------|--|
| | State Street Aid Fund | Drug Fund | Stormwater Fund | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| State gasoline tax | \$610,803 | - | - | 610,803 |
| Interest | 18,306 | 1,661 | 2,016 | 21,983 |
| Licences and permits and fees | - | - | 198,909 | 198,909 |
| Drug related fines, seizures, and sales | - | 106,443 | - | 106,443 |
| Total Revenues | 629,109 | 108,104 | 200,925 | 938,138 |
| Expenditures | | | | |
| Street Maintenance: | | | | |
| Current: | | | | |
| Other Costs - maintenance and lighting | 675,873 | - | - | 675,873 |
| Capital outlay | - | - | - | - |
| Stormwater: | | | | |
| Current: | | | | |
| Salaries | - | - | 169,637 | 169,637 |
| Employee benefits | - | - | 79,905 | 79,905 |
| Other | - | - | 27,217 | 27,217 |
| Capital outlay | - | - | - | - |
| Police: | | | | |
| Current: | | | | |
| Supplies and investigations | - | 38,125 | - | 38,125 |
| Capital outlay | 123,401 | 45,058 | - | 168,459 |
| Total Expenditures | 799,274 | 83,183 | 276,759 | 1,159,216 |
| Excess (Deficiency) of Revenues Over Expenditures | (170,165) | 24,921 | (75,834) | (221,078) |
| Other Financing sources (Uses) | | | | |
| Transfers | - | - | - | - |
| Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses | (170,165) | 24,921 | (75,834) | (221,078) |
| Fund Balance, Beginning of Year | 1,963,846 | 146,382 | 235,679 | 2,345,907 |
| Fund Balance, End of Year | \$1,793,681 | 171,303 | 159,845 | 2,124,829 |

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

State Street Aid Fund

For the Year Ended June 30, 2012

| <u>Revenues</u> | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Intergovernmental: | | | | |
| Gasoline tax, State of Tennessee | \$630,832 | 630,832 | 610,803 * | (20,029) |
| Interest | 6,000 | 6,000 | 18,306 | 12,306 |
| Total Revenues | 636,832 | 636,832 | 629,109 | (7,723) |
| Expenditures | | | | |
| Street Maintenance | | | | |
| Repairs and maintenance | 646,000 | 648,974 | 629,869 | 19,105 |
| Street lighting | 60,000 | 60,000 | 46,004 | 13,996 |
| Capital outlay | 141,800 | 141,800 | 123,401 | 18,399 |
| Total Expenditures | 847,800 | 850,774 | 799,274 | 51,500 |
| Excess of Revenues Over Expenditures | (210,968) | (213,942) | (170,165) | 43,777 |
| Other Financing Sources (Uses) | | | | |
| Transfers | - | - | - | - |
| Excess (Deficiency) of Revenues & Other Sources | | | | |
| Over Expenditures & Other Uses | (210,968) | (213,942) | (170,165) | 43,777 |
| Fund Balance, Beginning of Year | 1,963,846 | 1,963,846 | 1,963,846 | - |
| Fund Balance, End of Year | \$1,752,878 | 1,749,904 | 1,793,681 | 43,777 |
| * 1989 tax | | | | |
| Three cent tax | | | 125,072 | |
| Gas & motor fuel tax | | | 418,344 | |
| | | | \$610,803 | |

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Drug Fund

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------------|-----------------------|-----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Other: | | | | |
| Interest | \$500 | 500 | 1,661 | 1,161 |
| Drug related fines, seizures and sales | 40,000 | 65,000 | 106,443 | 41,443 |
| Total Revenues | <u>40,500</u> | <u>65,500</u> | <u>108,104</u> | <u>42,604</u> |
| Expenditures | | | | |
| Program costs | 35,900 | 60,900 | 38,125 | 22,775 |
| Capital outlay | - | 45,000 | 45,058 | (58) |
| Total Expenditures | <u>35,900</u> | <u>105,900</u> | <u>83,183</u> | <u>22,717</u> |
| Excess of Revenues Over Expenditures | 4,600 | (40,400) | 24,921 | 65,321 |
| Other Financing Sources (Uses) | | | | |
| Transfers | <u>36,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses | <u>40,600</u> | <u>(40,400)</u> | <u>24,921</u> | <u>65,321</u> |
| Fund Balance, Beginning of Year | <u>146,382</u> | <u>146,382</u> | <u>146,382</u> | <u>-</u> |
| Fund Balance, End of Year | <u><u>\$186,982</u></u> | <u><u>105,982</u></u> | <u><u>171,303</u></u> | <u><u>65,321</u></u> |

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

Stormwater Fund

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|----------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interest | \$2,000 | 2,000 | 2,016 | 16 |
| Licenses and permits: | | | | |
| Inspection and other fees | 133,000 | 133,500 | 198,909 | 65,409 |
| Total Revenues | 135,000 | 135,500 | 200,925 | 65,425 |
| Expenditures | | | | |
| Street Maintenance | | | | |
| Salaries | 171,762 | 172,166 | 169,637 | 2,529 |
| Employee benefits | 90,045 | 90,125 | 79,905 | 10,220 |
| Other | 53,116 | 53,116 | 27,217 | 25,899 |
| Capital outlay | - | - | - | - |
| Total Expenditures | 314,923 | 315,407 | 276,759 | 38,648 |
| Excess of Revenues Over Expenditures | (179,923) | (179,907) | (75,834) | 104,073 |
| Fund Balance, Beginning of Year | 235,679 | 235,679 | 235,679 | - |
| Fund Balance, End of Year | \$55,756 | 55,772 | 159,845 | 104,073 |

FINANCIAL SCHEDULES

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

General Capital Projects Fund

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Grants | \$6,960,000 | 6,960,000 | - | (6,960,000) |
| Other: | | | | |
| Interest | 12,500 | 12,500 | 43,493 | 30,993 |
| Total Revenues | <u>6,972,500</u> | <u>6,972,500</u> | <u>43,493</u> | <u>(6,929,007)</u> |
| Expenditures | | | | |
| General Government | | | | |
| Courts | | | | |
| Capital outlay | 5,000 | 5,000 | 3,412 | 1,588 |
| City Hall Buildings & IT Services | | | | |
| Repairs and maintenance | 6,000 | 6,000 | 4,103 | 1,897 |
| Capital outlay | 62,600 | 30,000 | 29,545 | 455 |
| Garage | | | | |
| Capital outlay | 7,800 | 7,800 | 6,002 | 1,798 |
| Total General Government | <u>81,400</u> | <u>48,800</u> | <u>43,062</u> | <u>5,738</u> |
| Public Safety | | | | |
| Police | | | | |
| Supplies | - | 10,000 | 9,399 | 601 |
| Capital outlay | 194,000 | 1,438,300 | 522,646 | 915,654 |
| Total Public Safety | <u>194,000</u> | <u>1,448,300</u> | <u>532,045</u> | <u>916,255</u> |
| Streets and Public Works | | | | |
| Repairs and maintenance | 8,168,000 | 8,168,000 | 113,259 | 8,054,741 |
| Capital outlay | 50,000 | 50,000 | 43,122 | 6,878 |
| Total Streets and Public Works | <u>8,218,000</u> | <u>8,218,000</u> | <u>156,381</u> | <u>8,061,619</u> |
| Recreation and Culture | | | | |
| Capital outlay | 1,870,000 | 2,018,715 | 274,364 | 1,744,351 |
| Total Recreation and Culture | <u>1,870,000</u> | <u>2,018,715</u> | <u>274,364</u> | <u>1,744,351</u> |
| Total Expenditures | <u>10,363,400</u> | <u>11,733,815</u> | <u>1,005,852</u> | <u>10,727,963</u> |
| Excess of Revenues Over Expenditures | (3,390,900) | (4,761,315) | (962,359) | 3,798,956 |
| Other Financing Sources (Uses) | | | | |
| Capital note proceeds | 40,000 | 1,200,000 | 1,100,000 | (100,000) |
| Operating transfer in | 348,400 | 594,338 | 498,495 | (95,843) |
| Total other Financing Sources (Uses) | <u>388,400</u> | <u>1,794,338</u> | <u>1,598,495</u> | <u>(195,843)</u> |
| Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses | (3,002,500) | (2,966,977) | 636,136 | 3,603,113 |
| Fund Balance, Beginning of Year | <u>3,914,591</u> | <u>3,914,591</u> | <u>3,914,591</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$912,091</u> | <u>947,614</u> | <u>4,550,727</u> | <u>3,603,113</u> |

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual**

Emergency and Community Services Fund Capital Projects

For the Year Ended June 30, 2012

| <u>Revenues</u> | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Local taxes: | | | | |
| Property tax | \$1,230,000 | 1,230,000 | 1,274,628 | 44,628 |
| Interest | 500 | 500 | 12,675 | 12,175 |
| Total Revenues | <u>1,230,500</u> | <u>1,230,500</u> | <u>1,287,303</u> | <u>56,803</u> |
| <u>Expenditures</u> | | | | |
| Fire | | | | |
| Other costs | 54,000 | 54,000 | 52,659 | 1,341 |
| Capital outlay | <u>1,796,000</u> | <u>1,886,639</u> | <u>274,225</u> | <u>1,612,414</u> |
| Total Expenditures | <u>1,850,000</u> | <u>1,940,639</u> | <u>326,884</u> | <u>1,613,755</u> |
| Excess of Revenues Over Expenditures | 1,230,500 | (710,139) | 960,419 | 1,670,558 |
| Other Financing Sources (Uses) | | | | |
| Transfer from General Fund | <u>683,674</u> | <u>683,674</u> | <u>683,674</u> | <u>-</u> |
| Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses | <u>1,914,174</u> | <u>(26,465)</u> | <u>1,644,093</u> | <u>1,670,558</u> |
| Fund Balance, Beginning of Year | <u>691,973</u> | <u>691,973</u> | <u>691,973</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$2,606,147</u> | <u>665,508</u> | <u>2,336,066</u> | <u>1,670,558</u> |

CITY OF MT. JULIET, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

Debt Service Fund

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Other: | | | | |
| Interest | \$1,000 | 1,000 | 2,068 | 1,068 |
| Impact fees | 400,000 | 400,000 | 474,029 | 74,029 |
| Total Revenues | <u>401,000</u> | <u>401,000</u> | <u>476,097</u> | <u>75,097</u> |
| Expenditures | | | | |
| Debt Service | | | | |
| Principal | 488,450 | 455,000 | 455,000 | - |
| Interest | 618,351 | 618,351 | 618,350 | 1 |
| Total Expenditures | <u>1,106,801</u> | <u>1,073,351</u> | <u>1,073,350</u> | <u>1</u> |
| Excess of Revenues Over Expenditures | (705,801) | (672,351) | (597,253) | 75,098 |
| Other Financing Sources (Uses) | | | | |
| Operating transfer in | 683,450 | 650,000 | 550,000 | (100,000) |
| Total other Financing Sources (Uses) | <u>683,450</u> | <u>650,000</u> | <u>550,000</u> | <u>(100,000)</u> |
| Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses | (22,351) | (22,351) | (47,253) | (24,902) |
| Fund Balance, Beginning of Year | 186,015 | 186,015 | 186,015 | - |
| Fund Balance, End of Year | <u>\$163,664</u> | <u>163,664</u> | <u>138,762</u> | <u>(24,902)</u> |

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity

For the Year Ended June 30, 2012

| Function and Activity | Balance June 30, 2011 | Additions | Transfers & Deletions | Balance June 30, 2012 |
|---|--------------------------|------------------|--------------------------|--------------------------|
| General Government | \$1,507,171 | 52,055 | (23,043) | 1,536,183 |
| Public safety: | | | | |
| Police | 3,364,387 | 597,041 | - | 3,961,428 |
| Fire | - | 274,225 | - | 274,225 |
| Streets and Public Works | 33,041,955 | 4,142,323 | (62,243) | 37,122,035 |
| Stormwater | 50,537 | - | - | 50,537 |
| Parks | 5,455,006 | 277,087 | - | 5,732,093 |
| Total governmental funds capital assets | <u>\$43,419,056</u> | <u>5,342,731</u> | <u>(85,286)</u> | <u>48,676,501</u> |

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2012

| | <u>Land</u> | <u>Building & Improvements</u> | <u>Machinery & Equipment</u> | <u>Infrastructure</u> | <u>Construction In Progress</u> | <u>Total</u> |
|--|---------------------------|------------------------------------|----------------------------------|--------------------------|---------------------------------|--------------------------|
| Function and Activity: | | | | | | |
| General Government | \$325,000 | 904,601 | 306,582 | - | - | 1,536,183 |
| Public safety: | | | | | | |
| Police | 79,000 | 1,178,461 | 2,370,554 | - | 333,413 | 3,961,428 |
| Fire | 251,425 | 22,800 | - | - | - | 274,225 |
| Streets and Public Works | 872,272 | 533,529 | 1,025,708 | 33,706,847 | 983,679 | 37,122,035 |
| Stormwater | - | - | 50,537 | - | - | 50,537 |
| Parks | 704,429 | 3,856,304 | 584,367 | 522,989 | 64,004 | 5,732,093 |
| Total governmental funds capital assets | <u>\$2,232,126</u> | <u>6,495,695</u> | <u>4,337,748</u> | <u>34,229,836</u> | <u>1,381,096</u> | <u>48,676,501</u> |

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2012

Major Governmental Funds

| | Interest Rates | Amount |
|--|-------------------|------------------|
| General Fund: | | |
| Passbook and checking accounts | - | \$6,442,535 |
| Petty Cash | - | 3,055 |
| Total General Fund | | <u>6,445,590</u> |
| General Capital Projects Fund: | | |
| Passbook and checking accounts | - | 4,593,663 |
| Total Capital Projects Fund | | <u>4,593,663</u> |
| Debt Service Fund | | |
| Passbook and checking accounts | - | 138,762 |
| Emergency and Community Services Capital Projects Fund | | |
| Passbook and checking accounts | - | 2,323,253 |

Nonmajor Governmental Funds

| | | |
|----------------------------------|---------|------------------|
| State Street Aid Fund: | | |
| Local Government Investment Pool | Various | 388,641 |
| Passbook and checking accounts | - | 1,376,402 |
| Total State Street Aid Fund | | <u>1,765,043</u> |
| Drug Fund: | | |
| Cash on hand | - | 6,352 |
| Passbook and checking accounts | - | 184,107 |
| Total Drug Fund | | <u>190,459</u> |

| | | |
|-------------------|---|----------------|
| Storm Water: | | |
| Checking accounts | - | <u>186,854</u> |

Proprietary Funds

| | | |
|--------------------------------|---|---------------------|
| Sewer Enterprise Fund | | |
| Petty Cash | - | 750 |
| Passbook and checking accounts | - | 4,948,106 |
| Total Sewer Enterprise Fund | | <u>4,948,856</u> |
| Internal Service Fund | | |
| Passbook and checking accounts | - | 220,283 |
| Total | | <u>\$20,812,763</u> |

CITY OF MT. JULIET, TENNESSEE

Schedule of Changes in Property Taxes Receivable, Tax Rates, Assessments and Levies

For the Year Ended June 30, 2012

* Turned over to County Clerk for collection.

Prior to tax year 2011 the City has not had a property tax since 1999.

Property taxes receivable per the Government Wide Financial Statements \$1,468,050

** Current year anticipated levy

Current year anticipated levy

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Governmental-type Activities

June 30, 2012

| Fiscal Year | Public Improvement Refunding Bonds | | | | Capital Outlay Notes | | | Total |
|--------------|------------------------------------|------------------|------------------|------------------|----------------------|---------------|--|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2013 | \$135,000 | 382,422 | 330,000 | 222,277 | 220,000 | 24,200 | | 1,313,899 |
| 2014 | 150,000 | 378,373 | 340,000 | 212,378 | 220,000 | 19,360 | | 1,320,111 |
| 2015 | 150,000 | 373,872 | 350,000 | 202,177 | 220,000 | 14,520 | | 1,310,569 |
| 2016 | 150,000 | 368,998 | 370,000 | 190,803 | 220,000 | 9,860 | | 1,309,661 |
| 2017 | 155,000 | 364,122 | 380,000 | 178,777 | 220,000 | 4,840 | | 1,302,739 |
| 2018 | 155,000 | 357,923 | 400,000 | 165,478 | - | - | | 1,078,401 |
| 2019 | 155,000 | 351,722 | 420,000 | 151,477 | - | - | | 1,078,199 |
| 2020 | 155,000 | 345,910 | 440,000 | 136,778 | - | - | | 1,077,688 |
| 2021 | 155,000 | 340,098 | 450,000 | 120,827 | - | - | | 1,065,925 |
| 2022 | 155,000 | 333,897 | 470,000 | 103,953 | - | - | | 1,062,850 |
| 2023 | 150,000 | 327,698 | 510,000 | 85,740 | - | - | | 1,073,438 |
| 2024 | 165,000 | 321,697 | 510,000 | 65,340 | - | - | | 1,062,037 |
| 2025 | 175,000 | 315,098 | 530,000 | 44,940 | - | - | | 1,065,038 |
| 2026 | 185,000 | 308,098 | 540,000 | 22,680 | | | | 1,055,778 |
| 2027 | 795,000 | 300,697 | - | - | - | - | | 1,095,697 |
| 2028 | 830,000 | 268,898 | - | - | - | - | | 1,098,898 |
| 2029 | 870,000 | 235,697 | - | - | - | - | | 1,105,697 |
| 2030 | 910,000 | 200,898 | - | - | - | - | | 1,110,898 |
| 2031 | 950,000 | 164,497 | - | - | - | - | | 1,114,497 |
| 2032 | 990,000 | 126,498 | - | - | - | - | | 1,116,498 |
| 2033 | 1,035,000 | 86,402 | - | - | - | - | | 1,121,402 |
| 2034 | 1,085,000 | 44,485 | - | - | - | - | | 1,129,485 |
| Total | \$9,655,000 | 6,298,000 | 6,040,000 | 1,903,625 | 1,100,000 | 72,780 | | 25,069,405 |

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Sewer Fund

June 30, 2012

| <u>Fiscal Year</u> | <u>TML Bond Fund Loan</u> | | |
|------------------------|---------------------------|-----------------|----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2013 | \$189,000 | 8,505 | 197,505 |
| Total | <u>\$189,000</u> | <u>8,505</u> | <u>197,505</u> |

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2012

**Federal Grants As Identified in the Catalog
of Federal Domestic Assistance:**

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Grantor Agency</u> | <u>Expenditures</u> |
|------------------------|-------------------------------|---------------------------------|------------------------|
| 16.607 | Bullet Proof Vest Grant | US Department of Justice | \$2,576 |
| 14.239 | HOME Program | US Department of Housing | 20,014 |
| 20.600 | Traffic Law Enforcement Grant | US Department of Transportation | 10,370 |
| | | | <u><u>\$32,960</u></u> |

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2012

Federal Grants As Identified in the
Catalog of Federal Domestic Assistance:

| CFDA Number | Grant Number | Program Name | Grantor Agency | Accrued or Deferred Revenue 7/01/11 | Cash Receipts | Adjustments | Expenditures | Accrued or Deferred Revenue 6/30/12 |
|---------------------|---------------|---|--|-------------------------------------|---------------|-------------|---------------|-------------------------------------|
| 16.607 | N/A | Bullet Proof Vest Grant | U. S. Department of Justice | \$ - | - | - | 2,576 | (2,576) |
| 20.607 | Z11GHSO26 | Impaired Driving and Detection Program | TN Department of Transportation | (2,790) | 2,790 | - | - | - |
| 14.239 | HM-08-35 | HOME Program | US Department of Housing and Urban Dev. | (1,891) | 21,905 | - | 20,014 | - |
| 20.205 | 95Lplm-fc-006 | * Highway Infrastructure Investmrnt Grant | US Department of Transportation | (1,651) | 1,651 | - | - | - |
| 20.6 | 154AL-11-26 | Traffic Law Enforcement Grant | TN Department of Transportation | - | 10,370 | - | 10,370 | - |
| | | | | <u>(\$6,332)</u> | <u>36,716</u> | <u>-</u> | <u>32,960</u> | <u>(2,576)</u> |
| State Grants | | | | | | | | |
| | | Public Assistance Program | Tennessee Emergency Management Agency | (\$3,178) | 3,178 | - | - | - |
| | 26817 | Farmers Market Grant | Tennessee Department of Agriculture | - | 10,000 | - | 10,000 | - |
| | | Local Parks and Recreation Fund Grant | Tennessee Department of Environment and Conservation | - | - | - | 25,000 | (25,000) |
| | 32506-172-12 | TAEP Tree Planting Grant | Tennessee Department of Agriculture | (1,884) | 1,884 | - | 1,162 | (1,162) |
| | | | | <u>(\$5,062)</u> | <u>15,062</u> | <u>-</u> | <u>36,162</u> | <u>(26,162)</u> |

Credit balances represent inter-governmental receivables from State and Federal Governments.

* ARRA Funds

CITY OF MT. JULIET, TENNESSEE

Schedule of Liability and Property Insurance in Force

June 30, 2012

| <u>Insurance Coverage</u> | <u>Details of Coverage</u> | | | | |
|--|---|---------------|---------|-----------|---------|
| Tennessee Municipal League Insurance Pool | | | | | |
| Public Officials Error & Ommissions | \$3,000,000/ \$2,500 deductible | | | | |
| General Liability Automobile Liability, Bodily Injury, Law Enforcement | <p>\$300,000 per person bodily injury as limited by tort liability act</p> <p>\$700,000 per occurrence bodily injury as limited by tort liability act</p> <p>\$100,000 per occurrence law enforcement as limited by tort liability act</p> <p>\$3,000,000 per occurrence for each other</p> | | | | |
| Automobile Physical Damage | <p>Actual cash value of vehicle or cost to replace</p> <p>Deductible:</p> <table style="margin-left: 20px;"> <tr> <td>Comprehensive</td> <td style="text-align: right;">\$1,000</td> </tr> <tr> <td>Collision</td> <td style="text-align: right;">\$1,000</td> </tr> </table> | Comprehensive | \$1,000 | Collision | \$1,000 |
| Comprehensive | \$1,000 | | | | |
| Collision | \$1,000 | | | | |
| Uninsured Motorist | <p>\$300,000 per person bodily injury</p> <p>\$100,000 per occurrence law enforcement</p> | | | | |
| Automobile Medical Payments | \$1,000 per person/\$10,000 per accident | | | | |
| Property, Multi-Peril | | | | | |
| Real and Personal Property (Total Insured) | \$17,153,172 | | | | |
| Mobile Equipment | \$457,264 | | | | |
| Accounts Receivable | \$250,000 | | | | |
| Valuable Papers | \$250,000 | | | | |
| Fine Arts | \$50,000 | | | | |
| EDP Equipment/Media | \$525,000 | | | | |
| Flood | \$1,000,000 | | | | |
| Earthquake | \$1,500,000 | | | | |
| Crime Limits | | | | | |
| Forgery | \$250,000 | | | | |
| Theft, Disappearance and Destruction | \$250,000 | | | | |
| Employee Dishonesty | \$250,000 | | | | |
| Public Officials | \$250,000 | | | | |
| Tennessee Risk Management Trust Insurance Pool (Workmen's Compensation) | <p>\$1,000,000 Each accident limit</p> <p>\$1,000,000 Policy limit by disease</p> <p>\$1,000,000 Employee limit by disease</p> | | | | |

CITY OF MT. JULIET, TENNESSEE

Schedule of City Officials

June 30, 2012

Position

Annual Salary

Elected Officials:

| | |
|-----------------------------|-----------------|
| Mayor Ed Hagerty | \$1,000/monthly |
| Vice Mayor James Maness | \$950/monthly |
| Commissioner Art Giles | \$950/monthly |
| Commissioner Winston Floyd | \$950/monthly |
| Commissioner James Bradshaw | \$950/monthly |

Employees:

| | |
|--|-----------------|
| City Manager, Randy Robertson | Through 1/02/12 |
| Interim City Manager, Kenneth Martin | 1/03/12-6/30/12 |
| Finance Director, John T. Rossmaier | |
| City Recorder, Sheila S. Luckett | |
| Public Works Director, Marlin Keel | |
| Police Chief, Andy Garrett | |
| Economic Development, Kenneth Martin | |
| Parks Director, Jay Cameli | |
| Human Resources Director, Jill Johnson | |

The City maintains a \$250,000 Public Officials conduct insurance policy.

CITY OF MT. JULIET, TENNESSEE

Schedule of Sewer System Data

For the Year Ended June 30, 2012

| | <u>Commercial</u> | <u>Outside City Commercial</u> | <u>Inside City Residential</u> | <u>Outside City Residential</u> |
|--|-------------------|--|--|---|
| Sewer Rates (Based on water consumption) | | | | |
| Minimum bill (first 2,000 gallons) | \$16.60 | \$20.63 | \$11.76 | \$14.57 |
| Each additional 1,000 gallons | \$8.03 | \$9.91 | \$5.76 | \$7.08 |
| Tap fees | | | | |
| Residential (inside city) | | | | \$1,500 |
| Commercial (Based on meter size) | | | | \$2,000 |
| Residential (outside city) | | | | |
| Installation and pump charges | | | | \$2,000 |
| Development fees | | | | |
| Residential (Based on zoning) | | | | \$1,285-2,535/lot |
| Inspection fee | | | | \$50 |
| Number of customers | | | | 8,997 |

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

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**

Honorable Mayor and Board of Commissioners
City of Mt Juliet, Tennessee

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Juliet as of and for the year ended June 30, 2012, which collectively comprise the City of Mt. Juliet's basic financial statements and have issued a report thereon dated November 14, 2012 applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Mt. Juliet is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Mt. Juliet's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Mt. Juliet's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mt. Juliet's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mt. Juliet's financial statements are free of 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 the 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*.

We noted certain matters that were reported to management in a separate letter dated November 14, 2012.

This report is intended solely for the information and use of management, Board of Commissioners and, State Comptroller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeary Howell & Associates

November 14, 2012