

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2013

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

Honorable Mayor and 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, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in 2013, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position* and GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncement and early implemented GASB Statement No. 65, Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages iii through xiii, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

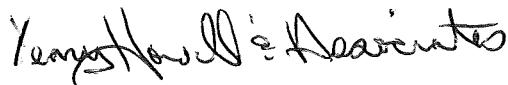
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Juliet's internal control over financial reporting and compliance.



November 14, 2013

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, 2013. 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

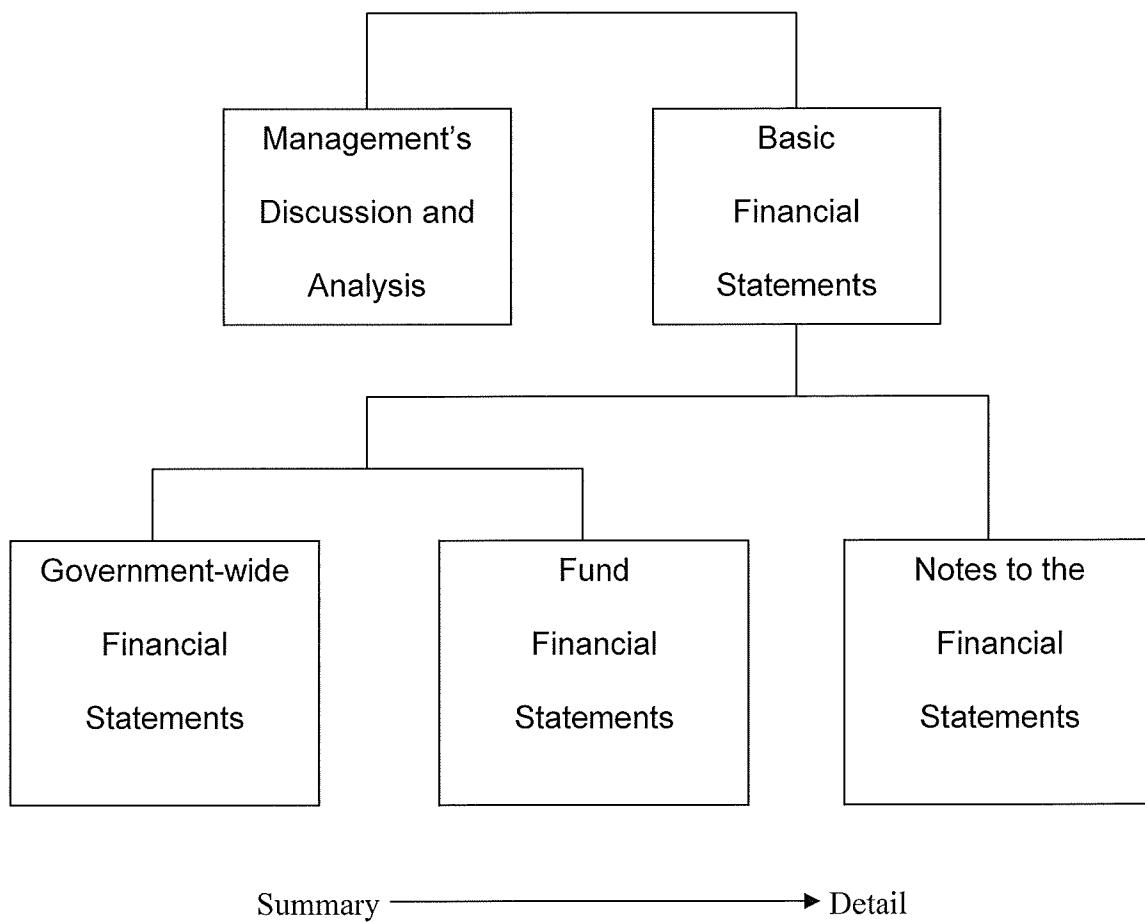
- The assets and deferred outflows of resources of the City of Mt. Juliet, TN exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$94.5 million.
- The government's total net position increased by \$10.5 million, primarily due to increases in the governmental type activities net position.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of over \$18.6 million an increase of almost 2.26 million in comparison with the prior year as restated. Over 49% of this total amount, or \$9.27 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 \$9.27 million, or 79.6 percent of total general fund expenditures for the fiscal year.
- The City of Mt. Juliet's total debt decreased by \$874 Thousand (5.0%) during the current fiscal year. The key factor in this decrease was principal payments as scheduled.
- Fiscal year 2012 was restated to recognize a previously unknown obligation to the county school system and recognize a GASB accounting principle change regarding debt issuance costs.
- The City of Mt. Juliet has maintained its AA rating by Standard and Poor's and has been classified as stable since 6/30/2009.

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.

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 14-32. 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 position 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 position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position 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 Position 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 Position 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.

City of Mt. Juliet

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Mt. Juliet exceeded liabilities and deferred inflows of resources by \$94.5 million as of June 30, 2013. The City's net position increased by \$10.5 million for the fiscal year ended June 30, 2013 when compared to the fiscal year ended June 30, 2012 as restated to recognize a GASB accounting change and a previously unknown obligation to the county school system. However, the largest portion, 76.9%, 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 position 9.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of almost \$13.1 million is unrestricted.

	City of Mt. Juliet Net Position					
	Governmental Activities		Business Type Activities		Total 2013	Total 2012
	2013	2012	2013	2012		
Current and Other Assets	23,309,056	19,904,315	8,763,304	6,710,582	32,072,360	26,614,897
Capital Assets	44,910,707	39,186,349	40,596,865	40,282,098	85,507,572	79,468,447
Total Assets	68,219,763	59,090,664	49,360,169	46,992,680	117,579,932	106,083,344
Deferred Outflows of Resources	154,472	166,354			154,472	166,354
Long Term Liabilities Outstanding	17,714,283	18,002,140	331,204	272,284	18,045,487	18,274,424
Other Liabilities	2,829,488	1,912,537	837,191	573,067	3,666,679	2,485,604
Total Liabilities	20,543,771	19,914,677	1,168,395	845,351	21,712,166	20,760,028
Deferred Inflows of Resources	1,464,900	1,425,771			1,464,900	1,425,771
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	32,175,256	27,112,895	40,596,865	40,093,098	72,772,121	67,205,993
Restricted	3,614,188	3,490,144	5,101,123	3,389,587	8,715,311	6,879,731
Unrestricted	10,576,120	7,313,531	2,493,786	2,664,644	13,069,906	9,978,175
Total Net Position (2012 Restated)	46,365,564	37,916,570	48,191,774	46,147,329	94,557,338	84,063,899

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

- 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 Position							
	Governmental Activities		Business Type Activities		Total	Total	
	2013	2012	2013	2012			
Revenues							
Program Revenues:							
Charges for Services	\$ 3,959,289	\$ 3,295,108	\$ 4,172,816	\$ 4,025,683	\$ 8,132,105	\$ 7,320,791	
Operating Grants and Contributions	847,359	1,039,285			847,359	1,039,285	
Capital Grants and Contributions	4,471,858	4,023,300	2,803,760	1,910,560	7,275,618	5,933,860	
General Revenues					-	-	
Sales Taxes	6,884,940	6,575,243			6,884,940	6,575,243	
Property Tax	1,413,644	1,358,227			1,413,644	1,358,227	
Other Locally Assessed Taxes	2,355,581	2,161,262			2,355,581	2,161,262	
Other State Shared Taxes	2,242,540	1,988,518			2,242,540	1,988,518	
Investment Earnings & Rental Income	18,219	90,127	67,713	121,143	85,932	211,270	
Other	226,850	293,128			226,850	293,128	
Total Revenues	22,420,380	20,824,198	7,044,289	6,057,386	29,464,669	26,881,584	
Expenses:							
General Government	2,918,930	2,735,081			2,918,930	2,735,081	
Public Safety	5,339,318	5,804,836			5,339,318	5,804,836	
Recreation and Culture	1,353,115	1,255,038			1,353,115	1,255,038	
Streets and Public Works	3,391,634	3,112,709			3,391,634	3,112,709	
Stormwater	332,373	286,145			332,373	286,145	
Interest on Debt	636,016	641,755			636,016	641,755	
Past Years' Obligation to County Schools		284,602			-	284,602	
Accounting Change-Debt Issuance Costs		96,082			-	96,082	
Sewer			4,999,844	4,741,748	4,999,844	4,741,748	
Total Expenses	13,971,386	14,216,248	4,999,844	4,741,748	18,971,230	18,957,996	
Increase (Decrease) in Net Position	8,448,994	6,607,950	2,044,445	1,315,638	10,493,439	7,923,588	
Net Position Beginning of Year	37,916,570	31,308,620	46,147,329	44,831,691	84,063,899	76,140,311	
Net Position End of Year (2012 Restated)	46,365,564	37,916,570	48,191,774	46,147,329	94,557,338	84,063,899	

Governmental Activities: Governmental activities increased the City's net position by over \$8.4 million, thereby accounting for 80.5% of the total growth in the net position of the City of Mt. Juliet. Key elements of this increase are as follows:

- General tax revenues increased.
- Property tax was instituted for the year ended June 30, 2012 and continues.
- 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 \$154 thousand in road improvement fees.

Business-type activities: Business-type activities increased the City of Mt. Juliet's net position by over \$2.0 million, accounting for 19.5% of the total growth in the government's net position. 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.

City of Mt. Juliet

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 almost \$9.3 million, while total fund balance was over \$10.6 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 79.4% of total General Fund expenditures while total fund balance represents 91.1% of the same expenditures.

At June 30, 2013, the governmental funds of City of Mt. Juliet reported a combined fund balance of over \$18.6 million, a 12.0 percent increase over last year as restated. Included in this change are fund balance increases in the General, Storm Water, and Drug Funds and decreases in the Capital Projects, State Street Aid, Debt Service, and Emergency Services Funds. The city instituted a property tax for the first time in over 10 years with the year ended 6/30/2012 dedicated to the Emergency Services Fund that has raised almost \$2.7 million since inception that has been used for the purchase of capital resources, salaries and operating costs for and of the Fire Department with the remainder being held for the same.

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.

Local property tax raised \$1.4 million in the current year. Local tax revenues were 6.3 percent or over \$412 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 54.2% 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.

City of Mt. Juliet

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 position of the Sewer Fund at the end of the fiscal year amounted to almost \$2.4 million. The total growth in net position for the fund was over \$2.0 million.

- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of almost \$1.117 million. 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, 2013, totals over \$85.5 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major Capital Asset Acquisitions During Fiscal Year 2012-2013

Govermental Activities

Donated Roads	\$4.2 million
Fire Station Number 1	\$1.3 Million
Communication P25 Construction in Progress	\$650 Thousand
Police Vehicles and related Equipment.	\$240 Thousand
Fire Communications Equipment	\$220 Thousand
Park Trail Improvements	\$165 Thousand
Splash Pad Construction in Progress	\$160 Thousand
Parks Structures	\$110 Thousand
Roadway Construction in Progress	\$71 Thousand
Emergency Command Trailer	\$42 Thousand
Park Equipment	\$41 Thousand
Public Works Equipment	\$27 Thousand

Business Activities

Donated Sewer Lines	\$1.1 Million
Sewer Equipment	\$410 Thousand

City of Mt. Juliet

City of Mt. Juliet Capital Assets

	City of Mt. Juliet's Capital Assets					
	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,131,826	\$ 2,232,126	\$ 1,092,544	\$ 1,092,544	\$ 3,224,370	\$ 3,324,670
Bldgs and Improvements	5,510,360	3,902,664	492,733	492,733	6,003,093	4,395,397
Improv Other than Bldgs	2,851,015	2,593,031			2,851,015	2,593,031
Machinery and Equipment	4,673,662	4,337,748	1,607,232	1,330,380	6,280,894	5,668,128
Construction in Progress	2,514,233	1,381,096	23,356	3,183	2,537,589	1,384,279
Collection System			53,451,370	52,189,192	53,451,370	52,189,192
Infrastructure	38,432,522	34,229,836			38,432,522	34,229,836
Total Cost	56,113,618	48,676,501	56,667,235	55,108,032	112,780,853	103,784,533
Less Acc Depr	11,202,911	9,490,152	16,070,370	14,825,934	27,273,281	24,316,086
Net Capital Assets	\$ 44,910,707	\$ 39,186,349	\$ 40,596,865	\$ 40,282,098	\$ 85,507,572	\$ 79,468,447

Additional information on the City capital assets can be found in note 3 on page 20 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2013, the City of Mt. Juliet had total bonded debt, lease-purchases, long term obligations and capital notes outstanding of almost \$16.4 million. The entire debt is backed by the full faith and credit of the City of Mt. Juliet.

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

	Governmental Activities		Business Type Activities		Total	Total
	2013	2012	2013	2012		
General Obligation Bonds	16,110,000	16,795,000			16,110,000	16,795,000
Obligation to County School System	284,602	284,602			284,602	284,602
Revenue Bonds			-	189,000	-	189,000
Total (2012 restated)	16,394,602	17,079,602	-	189,000	16,394,602	17,268,602

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 decreased by \$874 thousand or 5.0% during the past fiscal year, primarily due to principal payments that were liquidated when due during the year ended 6/30/2013.

As mentioned in the financial highlights section of this document, the City of Mt. Juliet has maintained an AA rating by 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 limit governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2013 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.

City of Mt. Juliet

Total debt payments for the next fiscal year are just above \$1.320 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 5 beginning on page 22 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 2013 estimated at 6.6% is below the National average of 7.4% as well as the Tennessee rate of 8.5%.
- 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 approved and expects to have three Wine and Spirits location during the next 12 months.
- There are plans for 731 new apartment units in the Paddocks/Providence area.
- An additional retail area is likely to develop within the next three years, as the city has committed to providing additional sewage capability south of the interstate 40.
- The city has also committed to improving sewer capacity on Lebanon Road to open opportunities for more home building and subdivision development.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities: The second year of property tax revenue has been collected and the City will use this revenue to finance capital resource purchases for emergency services for fire protection as well as salaries and operating costs. The City anticipates nominal growth in local tax revenue, licenses and permits.

Increases in the General Fund expenditures are anticipated with the largest increments in employee compensation, including funding compensation and benefits adjustments. However, budgeted expenditures are expected to exceed budgeted revenue for 6/30/2014 by \$1.5 million due to effort directed toward the "Eastern Connector" city roadway and therefore some assignment of the 6/30/2013 unassigned fund balance will be necessary.

Business – type Activities: The sewer rates in the City will be increased 3% 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 1.5% in accordance with the Metro contract. In addition, Metro has employed a new measuring meter device to provide more accurate readings and that accuracy will increase the purification costs another 4%. 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

City of Mt. Juliet

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 Position

June 30, 2013

	Primary Government Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$16,197,258	1,859,680	18,056,938
Investments	-	1,035,691	1,035,691
Receivables (net):			
Property taxes	1,418,560	-	1,418,560
Other taxes	119,994	-	119,994
Due from other governments	2,014,444	-	2,014,444
Internal balances	(113,023)	113,023	-
Interest receivable	116	5,568	5,684
Customers	-	553,992	553,992
Inventories	-	80,352	80,352
Restricted assets:			
Cash - construction	-	5,101,123	5,101,123
Cash - bond proceeds	3,559,434	-	3,559,434
Prepaid expenses	112,273	13,875	126,148
Capital assets, net of accumulated depreciation	40,264,648	39,480,965	79,745,613
Land and construction in progress - nondepreciable	4,646,059	1,115,900	5,761,959
 Total Assets	 68,219,763	 49,360,169	 117,579,932
Deferred Outflows of Resources			
Deferred amounts on refunding	154,472	-	154,472
 Total Assets and deferred outflows of resources	 68,374,235	 49,360,169	 117,734,404
Liabilities			
Accounts payable	971,647	455,004	1,426,651
Accrued liabilities	568,365	382,187	950,552
Accrued interest	59,201	-	59,201
Contracts payable	190,275	-	190,275
Long-term liabilities due within one year	1,040,000	-	1,040,000
Long-term liabilities due in more than one year	17,714,283	331,204	18,045,487
 Total Liabilities	 20,543,771	 1,168,395	 21,712,166
Deferred Inflows of Resources			
Unavailable revenues	1,464,900	-	1,464,900
 Net Position			
Net investment in capital assets	32,175,256	40,596,865	72,772,121
Restricted for:			
Capital improvements	-	5,101,123	5,101,123
Debt service	114,785	-	114,785
Streets	2,788,769	-	2,788,769
Public safety	242,333	-	242,333
Stormwater	172,536	-	172,536
Parks	295,765	-	295,765
Unrestricted	10,576,120	2,493,786	13,069,906
 Total Net Position	 \$46,365,564	 48,191,774	 94,557,338

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
 Statement of Activities
 For the Year Ended June 30, 2013

Functions / Programs:	Net (Expenses) Revenue and Changes in Net Position				
	Primary Government		Business-type		
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total
Primary Government:					
Governmental Activities:					
General government	\$2,918,930	1,358,145	6,300	-	(1,554,485)
5,339,318	1,443,412	4,795	-	(3,891,111)	(3,891,111)
1,353,115	162,096	-	131,000	(1,060,019)	(1,060,019)
3,391,634	31,969	836,264	4,340,858	1,817,457	1,817,457
332,373	308,952	-	-	(23,421)	(23,421)
636,016	654,715	-	-	18,699	18,699
13,971,386	3,959,289	847,359	4,471,858	(4,692,880)	(4,692,880)
Total Government Activities					
Business-type Activities:					
Sewer	4,999,844	4,172,816	-	2,803,760	-
Total Business-type Activities	4,999,844	4,172,816	-	2,803,760	-
Total Primary Government	\$18,971,230	8,132,105	847,359	7,275,618	(4,692,880)
General Revenues:					
Property taxes			\$1,413,644		1,413,644
Sales taxes			6,884,940		6,884,940
Wholesale beer tax			715,700		715,700
Franchise tax			635,450		635,450
Hotel/motel tax			338,952		338,952
Business tax			665,579		665,579
State shared unrestricted taxes:					
State shared sales tax			1,696,807		1,696,807
State shared beer tax			12,137		12,137
State alcolic beverage tax			87,715		87,715
State shared income tax			165,940		165,940
State shared TVA tax			279,941		279,941
Other unrestricted state shared taxes			18,219		18,219
Unrestricted investment earnings and rental income			127,930	64,418	192,348
Gain on sale of capital assets			14,455	3,295	17,750
Other			84,465	-	84,465
Total general revenues			<u>13,141,874</u>	<u>67,713</u>	<u>13,209,587</u>
Change in net position			<u>8,448,994</u>	<u>2,044,445</u>	<u>10,493,439</u>
Net position - beginning of year, as restated			<u>37,916,570</u>	<u>46,147,329</u>	<u>84,063,899</u>
Net position - end of year			\$46,365,564	48,191,774	94,557,338

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2013

<u>Assets</u>	General Fund	Capital Projects Funds			Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		General Capital Projects Fund	Emergency/Community Services Fund				
Cash	\$10,364,334	-	2,248,712	114,785	2,600,220	15,328,051	
Cash - restricted - bond proceeds	-	3,559,434	-	-	-	-	3,559,434
Receivables (net)							
Property taxes	-	-	1,424,560	-	-	1,424,560	
Other taxes	119,994	-	-	-	-	119,994	
Due from other governments	1,855,577	43,988	-	-	114,879	2,014,444	
Due from other funds	-	59,634	-	-	-	-	59,634
Interest receivable	116	-	-	-	-	-	116
Prepaid items	110,623	-	-	-	1,650	112,273	
 Total Assets	 \$12,450,644	 3,663,056	 3,673,272	 114,785	 2,716,749	 22,618,506	
 <u>Liabilities</u>							
Accounts payable	\$291,788	-	49,216	-	446,893	787,897	
Accrued costs	552,622	-	-	-	15,743	568,365	
Contracts payable	-	68,046	122,229	-	-	190,275	
Due to other funds	59,634	-	-	-	-	59,634	
 Total Liabilities	 904,044	 68,046	 171,445	 -	 462,636	 1,606,171	
 <u>Deferred Inflows of Resources</u>							
Unavailable revenue	901,429	-	1,417,864	-	59,206	2,378,499	
 <u>Fund Balance</u>							
Nonspendable:							
Prepays	110,623	-	-	-	1,650	112,273	
Restricted for:							
Streets	960,898	-	-	-	1,768,665	2,729,563	
Parks	295,765	-	-	-	-	295,765	
Public safety	-	-	-	-	242,333	242,333	
Stormwater	-	-	-	-	182,259	182,259	
Streets - capital projects	-	3,595,010	-	-	-	3,595,010	
Debt service	-	-	-	114,785	-	114,785	
Assigned for:							
Public safety - capital projects	-	-	2,083,963	-	-	2,083,963	
Unassigned:	9,277,885	-	-	-	-	-	9,277,885
 Total Fund Balances	 10,645,171	 3,595,010	 2,083,963	 114,785	 2,194,907	 18,633,836	
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$12,450,644	 3,663,056	 3,673,272	 114,785	 2,716,749	 22,618,506	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

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

June 30, 2013

Amounts reported for fund balance - total governmental funds	\$18,633,836
Amounts reported for governmental activities in the statement of net position 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	44,910,707
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
State shared revenue and local option sales tax receivable	875,735
Property taxes receivable	31,864
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 position.	572,434
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(59,201)
Bond discounts costs are amortized over the life of the notes in the statement of activities.	5,390
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position	154,472
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	(\$16,110,000)
Obligation to county schools	(284,602)
Other post employment benefits	(1,998,722)
Compensated absences	(366,349)
	<hr/>
	(18,759,673)
Net position of governmental activities	<u>\$46,365,564</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, 2013

	Capital Projects Funds				Other Governmental Funds	Total Governmental Funds
	General Capital Projects Fund	Emergency/ Community Services Fund	Debt Service Fund			
Revenues						
Taxes	\$9,211,727	-	1,465,379	-		10,677,106
Intergovernmental	2,307,956	59,353	-	-	630,610	2,997,919
Fines and fees	1,229,069	-	-	-	129,396	1,358,465
Licenses and permits	1,274,145	-	-	652,149	308,952	2,235,246
Charges for services	368,151	-	-	-	-	368,151
Uses of money and property	191,115	31,969	33,036	2,566	20,815	279,501
Miscellaneous	237,025	69,405	-	-	-	306,430
Total Revenue	14,819,188	160,727	1,498,415	654,715	1,089,773	18,222,818
Expenditures						
Current:						
General government	2,472,585	43,142	-	-	-	2,515,727
Police	5,302,047	18,701	-	-	56,946	5,377,694
Fire	-	-	36,451	-	-	36,451
Streets and public works	1,176,727	386,143	-	-	632,771	2,195,641
Stormwater	-	-	-	-	286,770	286,770
Parks and culture	1,201,541	9,611	-	-	-	1,211,152
Debt service	-	-	-	1,312,892	-	1,312,892
Capital outlay	124,190	1,420,917	1,714,067	-	43,208	3,302,382
Total Expenditures	10,277,090	1,878,514	1,750,518	1,312,892	1,019,695	16,238,709
Excess (deficiency) revenues over expenditures	4,542,098	(1,717,787)	(252,103)	(658,177)	70,078	1,984,109
Other Financing Sources (Uses)						
Transfers from (to) other funds	(1,396,270)	762,070	-	634,200	-	-
Total Other Financing Sources (Uses)	(1,396,270)	762,070	-	634,200	-	-
Net Change in Fund Balance	3,145,828	(955,717)	(252,103)	(23,977)	70,078	1,984,109
Fund Balance, Beginning of Year	7,499,343	4,550,727	2,336,066	138,762	2,124,829	16,649,727
Fund Balance, End of Year	\$10,645,171	3,595,010	2,083,963	114,785	2,194,907	18,633,836

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, 2013

Amounts reported for net change in fund balance - total governmental funds	\$1,984,109
Amounts reported for governmental activities in the statement of activities are different because:	
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:	
Cost of assets acquired	3,302,382
Disposal of capital asset	(2,820)
Depreciation expense	(1,789,804)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(51,735)
Local option sales tax	32,681
State shared revenues	4,836
Contributed capital assets	4,214,600
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 discounts and premiums and similar items when the debt is first issued, whereas these amounts deferred and amortized in the statement of activities.	
Debt repayment	685,000
Amortization of debt discounts, premiums and losses on refunding	(11,807)
Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Change in accrued interest on bonded debt	3,683
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Compensated absences	(32,174)
Other post employment benefits	(385,869)
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)	495,912
Change in net position of governmental activities	<u><u>\$8,448,994</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes:				
Local sales taxes	\$6,440,000	6,440,000	6,852,259	412,259
Wholesale beer	610,000	610,000	715,700	105,700
Franchise taxes	637,000	637,000	635,450	(1,550)
Hotel/Motl taxes	325,000	325,000	338,952	13,952
Business taxes	576,135	576,135	669,366	93,231
Total Local Taxes	<u>8,588,135</u>	<u>8,588,135</u>	<u>9,211,727</u>	<u>623,592</u>
Intergovernmental:				
State sales tax	1,607,498	1,607,498	1,690,176	82,678
State beer tax	11,836	11,836	12,137	301
State income tax	92,000	92,000	165,940	73,940
Gasoline and motor fuel tax	48,525	48,525	50,302	1,777
State alcohol beverage tax	162,000	162,000	87,715	(74,285)
Other state revenue allocation	2,700	2,700	17,435	14,735
TVA in lieu of tax	242,628	242,628	279,941	37,313
Grants	-	13,750	4,310	(9,440)
	<u>2,167,187</u>	<u>2,180,937</u>	<u>2,307,956</u>	<u>127,019</u>
Fines and Penalties:				
City court and drug control	1,062,050	1,062,050	1,229,069	167,019
Total Fines and Penalties	<u>1,062,050</u>	<u>1,062,050</u>	<u>1,229,069</u>	<u>167,019</u>
Licenses and Permits:				
Building permits	415,000	415,000	598,522	183,522
Plumbing permits	55,000	55,000	81,775	26,775
Review and inspection fees	95,000	95,000	154,286	59,286
Zoning permits	2,800	2,800	9,486	6,686
Sign permits	9,000	9,000	8,070	(930)
Electrical permits	80,000	80,000	217,318	137,318
Other permits	169,450	169,450	204,688	35,238
Total Licenses & Permits	<u>826,250</u>	<u>826,250</u>	<u>1,274,145</u>	<u>447,895</u>
Charges for Services:				
Public safety charges	44,000	59,200	51,911	(7,289)
Road improvement fees	70,000	70,000	154,144	84,144
Recreational fees	159,000	159,000	162,096	3,096
Total Charges for Services	<u>273,000</u>	<u>288,200</u>	<u>368,151</u>	<u>79,951</u>
Uses of Property and Money				
Administrative support services	84,000	84,000	84,000	-
Rent	23,000	23,000	23,760	760
Interest	60,000	60,000	83,355	23,355
Total Uses of Property and money	<u>167,000</u>	<u>167,000</u>	<u>191,115</u>	<u>24,115</u>
Other Revenues:				
Contributions from others	-	56,500	135,285	78,785
Sale of assets	9,650	12,000	17,275	5,275
Miscellaneous	83,550	83,550	84,465	915
Total Other Revenues	<u>93,200</u>	<u>152,050</u>	<u>237,025</u>	<u>84,975</u>
Total Revenues	<u>13,176,822</u>	<u>13,264,622</u>	<u>14,819,188</u>	<u>1,554,566</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, 2013

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative Board:				
Salaries	\$67,400	67,400	64,301	3,099
Employee benefits	6,888	6,888	5,080	1,808
Supplies and other	3,750	3,750	2,630	1,120
Election	-	-	-	-
Total Legislative Board	<u>78,038</u>	<u>78,038</u>	<u>72,011</u>	<u>6,027</u>
City Court:				
Salaries	9,464	9,464	8,100	1,364
Employee benefits	755	755	627	128
Outside services	4,620	4,620	2,100	2,520
Supplies	1,000	1,000	325	675
Total City Court	<u>15,839</u>	<u>15,839</u>	<u>11,152</u>	<u>4,687</u>
City Manager:				
Salaries	368,716	436,716	343,421	93,295
Employee benefits	135,371	139,696	125,968	13,728
Outside services	17,500	17,500	9,012	8,488
Membership and dues	31,800	31,800	17,495	14,305
Events	25,000	25,000	25,000	-
Legal	6,500	106,500	105,756	744
Supplies	15,200	15,200	7,765	7,435
Insurance	1,500	1,500	1,550	(50)
Other costs	10,400	10,400	2,724	7,676
Retiree benefits	55,440	55,440	55,667	(227)
Capital outlay	-	-	-	-
Total City Manager	<u>667,427</u>	<u>839,752</u>	<u>694,358</u>	<u>145,394</u>
Finance:				
Salaries	200,923	200,923	192,027	8,896
Employee benefits	77,568	77,568	71,413	6,155
Outside services	36,750	41,750	37,801	3,949
Supplies	14,545	14,545	11,337	3,208
Other costs	2,900	2,900	890	2,010
Capital outlay	-	-	-	-
Total Finance	<u>332,686</u>	<u>337,686</u>	<u>313,468</u>	<u>24,218</u>
City Attorney:				
Outside services	120,000	175,000	186,170	(11,170)
Other costs	11,200	11,200	1,001	10,199
Total City Attorney	<u>131,200</u>	<u>186,200</u>	<u>187,171</u>	<u>(971)</u>
Economic and Community Development:				
Salaries	78,147	38,147	12,060	26,087
Employee benefits	27,313	27,313	10,998	16,315
Outside services	62,615	98,615	100,190	(1,575)
Other costs	16,100	16,100	1,897	14,203
Capital outlay	-	-	-	-
Total Economic and Community Development	<u>184,175</u>	<u>180,175</u>	<u>125,145</u>	<u>55,030</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, 2013

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
General Government, continued:				
Planning and Codes:				
Salaries	\$228,000	228,000	205,998	22,002
Employee benefits	82,596	82,596	73,095	9,501
Supplies	16,400	16,400	13,241	3,159
Outside services	145,000	145,000	62,423	82,577
Other costs	28,150	28,150	14,181	13,969
Capital outlay	-	-	-	-
Total Planning and Codes	<u>500,146</u>	<u>500,146</u>	<u>368,938</u>	<u>131,208</u>
City Hall Buildings and IT Services:				
Salaries	114,797	114,797	114,701	96
Employee benefits	37,174	37,174	34,213	2,961
Supplies	81,000	81,000	51,089	29,911
Repairs and maintenance	41,800	41,800	25,188	16,612
Outside services	100,230	100,230	72,967	27,263
Utilities	214,465	214,465	183,207	31,258
Insurance	20,500	20,500	17,245	3,255
Equipment rental	97,000	97,000	90,092	6,908
Other costs	39,600	39,600	34,396	5,204
Capital outlay	5,000	5,000	4,700	300
Total City Hall Buildings	<u>751,566</u>	<u>751,566</u>	<u>627,798</u>	<u>123,768</u>
City Garage:				
Salaries	51,511	51,511	50,962	549
Benefits	17,344	17,344	14,012	3,332
Repairs and maintenance	6,000	6,000	5,637	363
Supplies	9,742	9,742	6,633	3,109
Total City Garage	<u>84,597</u>	<u>84,597</u>	<u>77,244</u>	<u>7,353</u>
Total General Government	<u>2,745,674</u>	<u>2,973,999</u>	<u>2,477,285</u>	<u>496,714</u>
Public Safety:				
Police Department:				
Salaries	3,254,878	3,243,253	3,082,131	161,122
Benefits	1,482,628	1,482,628	1,392,612	90,016
Repairs and maintenance	73,450	73,450	44,100	29,350
Supplies	399,444	399,444	297,721	101,723
Outside services	264,782	264,782	336,976	(72,194)
Utilities	17,800	17,800	13,915	3,885
Insurance	130,100	130,100	126,285	3,815
Other costs	13,868	29,068	8,307	20,761
Capital outlay	110,000	110,000	108,176	1,824
Total Public Safety	<u>5,746,950</u>	<u>5,750,525</u>	<u>5,410,223</u>	<u>340,302</u>
Streets and Public Works:				
Salaries	821,524	821,524	707,388	114,136
Employee benefits	391,026	391,026	342,824	48,202
Repairs and maintenance	46,500	46,500	32,939	13,561
Supplies	77,289	77,289	65,653	11,636
Outside services	13,100	150,375	6,495	143,880
Insurance	24,200	24,200	14,587	9,613
Other costs	11,325	11,325	6,841	4,484
Capital outlay	5,000	5,000	4,000	1,000
Total Streets and Public Works	<u>1,389,964</u>	<u>1,527,239</u>	<u>1,180,727</u>	<u>346,512</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, 2013

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture:				
Salaries	\$511,727	511,727	480,311	31,416
Employee benefits	222,052	222,052	202,074	19,978
Repairs and maintenance	74,900	74,900	46,630	28,270
Supplies	79,355	81,855	65,222	16,633
Outside services	59,600	67,100	39,958	27,142
Insurance	17,500	17,500	15,930	1,570
Utilities	68,050	68,050	63,555	4,495
Other costs	8,360	8,360	2,781	5,579
Appropriations to nonprofits	221,545	297,395	285,080	12,315
Capital outlay	10,000	10,000	7,314	2,686
Total Recreation and Culture	<u>1,273,089</u>	<u>1,358,939</u>	<u>1,208,855</u>	<u>150,084</u>
Total Expenditures	<u>11,155,677</u>	<u>11,610,702</u>	<u>10,277,090</u>	<u>1,333,612</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,021,145</u>	<u>1,653,920</u>	<u>4,542,098</u>	<u>2,888,178</u>
Other Financing Sources (Uses):				
Transfers out	(1,760,481)	(1,998,481)	(1,396,270)	602,211
Total Other Financing Sources (Uses)	<u>(1,760,481)</u>	<u>(1,998,481)</u>	<u>(1,396,270)</u>	<u>602,211</u>
Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>260,664</u>	<u>(344,561)</u>	<u>3,145,828</u>	<u>3,490,389</u>
Fund Balance, Beginning of Year	<u>7,499,343</u>	<u>7,499,343</u>	<u>7,499,343</u>	<u>-</u>
Fund Balance, End of Year	<u>\$7,760,007</u>	<u>7,154,782</u>	<u>10,645,171</u>	<u>3,490,389</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2013

	Business -type Activities	Internal Service Fund
	Sewer Enterprise Fund	Fund
Assets		
Current Assets:		
Cash	\$1,859,680	869,207
Investments	1,035,691	-
Receivable-net of allowance for doubtful accounts of \$23,365	553,992	-
Interest receivable	5,568	-
Prepaid insurance	13,875	-
Inventory	80,352	-
Total Current Assets	<u>3,549,158</u>	<u>869,207</u>
Noncurrent Assets:		
Restricted cash - restricted for capital projects	5,101,123	-
Capital Assets:		
Land	1,092,544	-
Construction in progress	23,356	-
Collection system	53,451,370	-
Buildings	492,733	-
Equipment	1,607,232	-
Total Capital Assets	<u>56,667,235</u>	<u>-</u>
Less: accumulated depreciation	(16,070,370)	-
Net Property, Plant and Equipment	<u>40,596,865</u>	<u>-</u>
Total Noncurrent Assets	<u>45,697,988</u>	<u>-</u>
Total Assets	<u>\$49,247,146</u>	<u>869,207</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$455,004	183,750
Accrued expenses	382,187	-
Total Current Liabilities	<u>837,191</u>	<u>183,750</u>
Noncurrent Liabilities:		
Other post-employment benefit obligation	331,204	-
Total Noncurrent Liabilities	<u>331,204</u>	<u>-</u>
Total Liabilities	<u>1,168,395</u>	<u>183,750</u>
Net Position		
Net investment in capital assets	40,596,865	-
Restricted for capital improvements	5,101,123	-
Unrestricted	2,380,763	685,457
Total Net Position	<u>\$48,078,751</u>	<u>685,457</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	113,023	
Net Position of business -type activities	<u>\$48,191,774</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2013

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$3,855,225	\$1,711,255
Sewer inspection and administrative charges	222,224	-
Penalties	72,374	-
Other	22,993	-
Total Operating Revenues	<u>4,172,816</u>	<u>1,711,255</u>
Operating Expenses:		
Sewer line and pump maintenance	1,176,301	-
Sewer lift station operation	200,940	-
Administrative and accounting	418,909	1,176,881
Sewer transportation and treatment	1,826,293	-
Depreciation	1,244,436	-
Professional services	163,804	-
Total Operating Expenses	<u>5,030,683</u>	<u>1,176,881</u>
Operating Income (Loss)	<u>(857,867)</u>	<u>534,374</u>
Nonoperating Revenues (Expenses):		
Gain on sale of equipment	3,295	-
Interest expense	(7,623)	-
Interest income	64,418	-
Net Nonoperating Revenues (Expenses)	<u>60,090</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(797,777)</u>	<u>534,374</u>
Contributions:		
Capital contribution - Tap fees	1,686,860	-
Capital contribution - Utility plant	1,116,900	-
Total Contributions	<u>2,803,760</u>	<u>-</u>
Change in Net Position	<u>2,005,983</u>	<u>534,374</u>
Net Position - Beginning of Year	<u>46,072,768</u>	<u>151,083</u>
Net Position - End of Year	<u>\$48,078,751</u>	<u>\$685,457</u>
Change in Net Position as shown above	2,005,983	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Change in Net Position of business -type activities	<u>38,462</u>	<u>\$2,044,445</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2013

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$4,172,259	-
Cash paid for personnel services	(816,043)	-
Cash paid to suppliers for goods and services	(2,359,944)	-
Cash paid on interfund advances	(79)	-
Cash paid for interfund administrative support services	(84,000)	-
Premiums received	-	1,711,255
Medical claims and administrative expenses paid	-	(1,062,331)
Net Cash Provided (Used) by Operating Activities	<u>912,193</u>	<u>648,924</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(442,303)	-
Cash received on sale of equipment	3,295	-
Interest paid on debt	(9,148)	-
Contributions from customers	1,686,860	-
Payments on long-term debt	(189,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,049,704</u>	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(15,358)	-
Interest received on investments	<u>65,408</u>	<u>-</u>
	<u>50,050</u>	<u>-</u>
Net Increase (Decrease) in Cash	<u>2,011,947</u>	<u>648,924</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,948,856</u>	<u>220,283</u>
Cash and Cash Equivalents, End of Year	<u><u>\$6,960,803</u></u>	<u><u>869,207</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations		
Operating income (loss)	(\$857,867)	534,374
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,244,436	-
(Increase) Decrease in:		
Accounts receivable	5,318	-
Prepaid expenses	(5,875)	-
Inventory	12,691	-
Increase (Decrease) in:		
Accounts payable	194,570	114,550
Accrued expenses	260,079	-
Other post-employment benefit obligation	58,920	-
Due/from to other funds	(79)	-
Net cash provided by operating activities	<u><u>\$912,193</u></u>	<u><u>648,924</u></u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$1,116,900.

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2013

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, 2013, 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 position and the statement of changes in net position) 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, 2013

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.

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.

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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, 2013 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 \$113,023.

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, 2013

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

Claims Payable

Medical insurance claims payable are classified as accounts payable and are recorded in accordance with GASB Statement Number 10.

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 position.

Bond and note premiums and discounts, 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. Loss on refunding, if applicable is reported as deferred outflows of resources and amortized over the shorter period of the old or new debt.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

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

Long-term Obligations, Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current year costs in the period of issuance in all financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide financial statements and proprietary fund financial statements report the loss on debt refunding transactions as a deferred outflow of resources and are amortized as a component of interest expense over the period of the old or new debt, whatever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity Classification

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, end of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. *When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first and then unrestricted resources as they are needed.*

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 by resolution. 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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

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

Fund Balance (Continued)

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 \$207,286. A majority 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 2012 and 2013. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,379,956 for the fiscal year ended June 30, 2013 were approximately 97% 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 \$1,418,560 which is net of an allowance for doubtful collections of \$6,000. Of this receivable \$1,380,000 represents the estimated net realizable 2013 property taxes. This amount is included in deferred inflows of resources because they are not available until next year. The receivable reported in the governmental funds balance sheet is \$1,424,560 with offsetting deferred inflows of resources for amounts not available at June 30, 2013. The additional taxes receivable of \$119,994 are beer and hotel/motel taxes.

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, 2013 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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

2) **DEPOSITS AND INVESTMENTS**

Investments

At June 30, 2013 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	\$ 1,035,691	210	N/A
Local Government Investment Pool	<u>389,160</u>	N/A	N/A
Total	1,424,851		
Liquid Investments (Cash Equivalents)	<u>(389,160)</u>		
	<u>\$ 1,035,691</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, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Reclasses	Ending Balance
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 2,232,126	700	-	(101,000)	2,131,826
Construction in progress	1,381,096	1,133,137	-	-	2,514,233
<u>Capital assets being depreciated:</u>					
Buildings and improvements	3,902,664	1,506,696	-	101,000	5,510,360
Improvements other than buildings	2,593,031	257,984	-	-	2,851,015
Machinery and equipment	4,337,748	415,779	(79,865)	-	4,673,662
Infrastructure	<u>34,229,836</u>	<u>4,202,686</u>	<u>-</u>	<u>-</u>	<u>38,432,522</u>
Total capital assets	<u>\$ 48,676,501</u>	<u>7,516,982</u>	<u>(79,865)</u>	<u>-</u>	<u>56,113,618</u>

Less accumulated depreciation for:

Buildings and other improvements	\$ 1,437,380	127,971	-	-	1,565,351
Improvements other than buildings	1,233,145	117,794	-	-	1,350,939
Machinery and equipment	3,162,544	347,811	(77,045)	-	3,433,310
Infrastructure	<u>3,657,083</u>	<u>1,196,228</u>	<u>-</u>	<u>-</u>	<u>4,853,311</u>
Total accumulated depreciation	<u>9,490,152</u>	<u>1,789,804</u>	<u>(77,045)</u>	<u>-</u>	<u>11,202,911</u>
Governmental activities capital assets, net	<u>\$ 39,186,349</u>				<u>44,910,707</u>

During the year, the City accepted donated equipment and infrastructure in the amount of \$4,214,600.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

3) CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Reclasses	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,092,544	-	-	-	1,092,544
Construction in process	3,183	20,173	-	-	23,356
<u>Capital assets being depreciated:</u>					
Building	492,733	-	-	-	492,733
Collections System	52,189,192	1,262,178	-	-	53,451,370
Equipment	1,330,380	276,852	-	-	1,607,232
Total capital assets	\$ 55,108,032	1,559,203	-	-	56,667,235
Less accumulated depreciation for:					
Collection System and building	\$ 13,754,908	1,178,644	-	-	14,933,552
Equipment	1,071,026	65,792	-	-	1,136,818
Total accumulated depreciation	14,825,934	1,244,436	-	-	16,070,370
Business-type activities capital assets, net	\$ 40,282,098				40,596,865

Depreciation expense was charged to function/programs as of June 30, 2013, as follows:

Governmental activities:	
General government	\$ 44,811
Public safety	270,133
Street and public works	1,265,144
Stormwater	3,411
Recreational and culture	206,305
Total depreciation expense-governmental activities	\$ 1,789,804
Business-type activities:	
Water and Sewer	\$ 1,244,436

4) RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Accounts and taxes receivable at June 30, 2013 consisted of the following:

	General Fund	Emergency Community Service Fund	Capital Projects Fund	Other Governmental Funds	Enterprise Fund	Total
Property taxes	\$ -	1,424,560	-	-	-	1,424,560
Beer taxes	71,720	-	-	-	-	71,720
Hotel/Motel tax	48,274	-	-	-	-	48,274
Other governments	1,855,577	-	43,988	114,879	-	2,014,444
Customer	-	-	-	-	577,357	577,357
Other	116	-	-	-	5,568	5,684
Allowance for- doubtful accounts	\$ -	(6,000)	-	-	(23,365)	(29,365)
	\$ 1,975,687	1,418,560	43,988	114,879	559,560	4,112,674

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

4) **RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES (Continued)**

Deferred inflows of resources in the governmental activities consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2013, the components of deferred inflows of resources were as follows:

	Government-wide <u>Statements</u>	Fund <u>Statements</u>
Unlevied property taxes (unavailable)	\$ 1,380,000	1,380,000
Delinquent property taxes (unavailable)	-	37,864
State and County shared taxes (unavailable)	<u>84,900</u>	<u>960,635</u>
	<u>\$ 1,464,900</u>	<u>2,378,499</u>

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, 2013:

	Balance <u>07-01-12</u>	Addition	Reductions	Balance <u>06-30-13</u>	Current Portion
Governmental Activities					
Public Improvement Bonds	\$ 15,695,000	-	465,000	15,230,000	490,000
Capital Outlay Notes	1,100,000	-	220,000	880,000	220,000
Obligation to county school system	284,602*	-	-	284,602	-
Net OPEB obligation	1,612,853	385,869	-	1,998,722	-
Compensated absences	<u>334,175</u>	<u>32,174</u>	<u>-</u>	<u>366,349</u>	<u>330,000</u>
Total Governmental Activities	<u>\$ 19,026,630*</u>	<u>418,043</u>	<u>685,000</u>	<u>18,759,673</u>	<u>1,040,000</u>
Bond discounts/premiums	<u>(5,315)</u>	<u>952</u>	<u>1,027</u>	<u>(5,390)</u>	
	<u>\$ 19,021,315*</u>			<u>18,754,283</u>	
Business-type Activities					
TML Bond Fund	\$ 189,000	-	189,000	-	-
Net OPEB Obligation	<u>272,284</u>	<u>58,920</u>	<u>-</u>	<u>331,204</u>	<u>-</u>
	<u>\$ 461,284</u>	<u>58,920</u>	<u>189,000</u>	<u>331,204</u>	<u>-</u>

*As restated.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

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

Long term bonds and notes at June 30, 2013 consisted of the following obligations:

<u>Governmental-type Activities</u>	<u>Balance</u> <u>June 30, 2013</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%.	\$ 5,710,000
\$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%.	9,520,000
\$1,100,000 Capital Outlay Notes due in annual installments through 2017 at an interest rate of 2.2%.	880,000
Obligation to County School System payable in annual installments beginning 2015 through 2019.	<u>284,602</u>
Total Governmental-type Activities	<u>\$ 16,394,602</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2013 are as follows:

<u>Governmental-type</u>						
Fiscal	Public	Obligation to				
Year	Improvement	Capital	County School	Interest	Total	
2014	\$ 490,000	220,000	-	610,111	1,320,111	
2015	500,000	220,000	56,920	590,569	1,367,489	
2016	520,000	220,000	56,920	569,661	1,366,581	
2017	535,000	220,000	56,920	547,739	1,359,659	
2018	555,000	-	56,920	523,401	1,135,321	
2019-2023	3,060,000	-	56,922	2,298,100	5,415,022	
2024-2028	3,730,000	-	-	1,647,448	5,377,448	
2029-2033	4,755,000	-	-	813,992	5,568,992	
2034	1,085,000	-	-	44,485	1,129,485	
	<u>\$ 15,230,000</u>	<u>880,000</u>	<u>284,602</u>	<u>7,645,506</u>	<u>24,040,108</u>	

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

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, 2013 was 12.54% 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, 2013, Mt. Juliet's annual pension cost of \$731,636 to 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, 2013

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:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$731,636	100.00%	-
6/30/12	\$779,826	100.00%	-
6/30/11	\$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 \$5.75 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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b)-(a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
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, 2013

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 \$1,061 and \$1,280 monthly per participant. Contributions by employees and retirees for medical coverage vary between \$105 and \$137 monthly for single coverage and between \$377 and \$507 monthly for family coverage. In addition, contributions are required for vision coverage at \$1.30 for single coverage and \$7.28 for family coverage, and dental coverage of \$4.50 for single coverage and \$49.50 for family coverage.

ARC	\$ 538,705
Increase due to interest	56,554
Amortization of prior year	
Net OPEB contribution	(94,767)
Annual OPEB cost	500,492
Amount of contribution*	(55,703)
Increase in OPEB Obligation	444,789
Net OPEB Obligation 7/1/12	<u>1,885,137</u>
Net OPEB Obligation 6/30/13**	<u>\$ 2,329,926</u>

Year End	Annual OPEB Cost	Percentage Annual	Net OPEB
		OPEB Cost Contributed	Obligation At Year End
6/30/13	\$ 500,492	11.1%	\$ 2,329,926
6/30/12	453,411	12.2%	1,885,137
6/30/11	406,400	13.7%	1,487,166

*Based on expected contribution per study.

**Governmental Activities - \$1,998,722; Business Activities - \$331,204

Required Supplementary Information

Funded Status and Funding Progress

	6/30/09	6/30/10	6/30/11	6/30/12
Actuarial valuation date				
Actuarial accrued liability (AAL)	\$ 3,632,044	2,516,208	3,034,558	3,144,802
Actuarial value of plan asset	-	-	-	-
Unfunded actuarial accrued liability	3,632,044	2,516,208	3,034,558	3,144,802
Actuarial value of assets as a % of AAL	-	-	-	-
Covered payroll	\$ 5,006,921	6,807,263	6,104,742	6,187,137
UAAL as a percentage of covered payroll	72.5%	37.0%	49.7%	50.83%

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

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, 2012, 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 open 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 \$1,826,293 for sewer treatment and \$290,554 for connection charges under this agreement.

Contracts

All City construction projects were substantially complete at June 30, 2013.

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, 2013

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 \$75,573 during 2013. Future lease obligations are as follows:

2014	\$ 57,348
2015	36,856
2016	22,701
2017	2,121
	<u>\$119,026</u>

Contingencies

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.

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.

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.

During the prior fiscal year, the City became aware of TCA 57-4-306 requiring the split of the liquor tax with the local school system. The City has recorded a liability for all prior year obligations. Future state legislation could limit this obligation and reduce the liability.

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, 2013

9) RISK MANAGEMENT, Continued

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

	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance of Fiscal Year-End</u>
2011-2012	\$ 189,317	1,380,597	1,500,714	69,200
2012-2013	69,200	1,176,880	1,062,330	183,750

The City is exposed to various other risks of losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property and casualty, and workers compensation coverage. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability, property and casualty and workers compensation insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of certain amounts for each insured event. Settled claims from these losses have not exceeded 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, 2013 and 2012, the Board had an accumulated net position of \$421,733 and \$362,386 respectively. The net change in net position for fiscal year 2013 was \$59,347. Separate financial statement 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, 2013. 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	\$ 59,634	General Fund	\$ 59,634

Balances between activities in the government wide financial statements also include \$113,023 related to the consolidation of the internal service fund. During the year, the General Fund transferred \$762,070 to the Capital Project Fund and \$634,200 to the Debt 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, 2013

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 \$455,025. The Special Revenue Fund appropriations were amended by \$138,557, the Capital Projects Funds budgets were amended by \$1,128,500 primarily for police communication equipment and parks projects and the Emergency and Community Services Fund was amended by \$1,029,575, related to the construction of the fire hall. The Debt Service Fund budget was not amended.

Budget Violations

The following department expenditures exceeded appropriations.

City Attorney	<u>\$971</u>
---------------	--------------

13) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENTS OF PRIOR PERIOD NET POSITION

For 2013, the City has adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, and Net Position, and has early adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Furthermore, these Statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position, previously referred to as net assets, by the City.

As of July 1, 2012, the beginning net position of the governmental activities were restated for bond issuance costs incurred prior to 2013. Under GASB 65 these costs would have been expensed as incurred.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2013

13) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENTS OF PRIOR PERIOD NET POSITION (Continued)

During 2012, many Tennessee local governments became aware of Tennessee Code Annotated 57-4-306 which required the split of the liquor tax with the local county school system. The City has accrued the required amounts for the fiscal years 2012 and 2013 and along with other Tennessee local governments determined a liability for prior years. The liability for the City is estimated to be \$284,062 and is expected to be paid over five years. The obligation is included in the City's general long term debt in the government wide financial statements.

As a result of the above matters, net position at July 1, 2012 has been restated as follows:

Governmental Activities	
Net position, beginning of year as previously reported	\$ 38,297,254
Debt issuance costs - change in accounting principle	(96,082)
Liability to County school system- correction of error	<u>(284,602)</u>
Net position, beginning of year as restated	<u>\$ 37,916,570</u>

The correction of error relates to years prior to June 30, 2012. The change in accounting principle increased the current year change in net position by \$5,515.

The City also implemented GASB Statement 62, Codification of Accounting and financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement was effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the City's financial statements.

14) SUBSEQUENT EVENTS

Subsequent to year end, the City purchased a local building for use by the police department. The purchase price was \$1,500,000 with \$300,000 down and installments of \$300,000 per year thru November 2017.

Also subsequent to year end, the City entered into a capital lease for a fire truck. The lease payment is \$300,000 per year for ten years and the effective rate of interest is 2.69%.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	
Assets				
Cash and cash equivalents	\$2,151,367	249,578	199,275	2,600,220
Prepays	-	-	1,650	1,650
Due from other governments	114,879	-	-	114,879
	_____	_____	_____	_____
Total Assets	\$2,266,246	249,578	200,925	2,716,749
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$438,375	7,245	1,273	446,893
Accrued liabilities	-	-	15,743	15,743
	_____	_____	_____	_____
Total Liabilities	438,375	7,245	17,016	462,636
Deferred Inflows of Resources:				
Unavailable revenue	59,206	-	-	59,206
	_____	_____	_____	_____
Fund Balances:				
Nonspendable - prepaids	-	-	1,650	1,650
Restricted	1,768,665	242,333	182,259	2,193,257
	_____	_____	_____	_____
Total Fund Balance	1,768,665	242,333	183,909	2,194,907
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$2,266,246	249,578	200,925	2,716,749

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
Revenues				
Intergovernmental:				
State gasoline tax	\$630,610	-	-	630,610
Interest	17,203	1,730	1,882	20,815
Licences and permits and fees	-	-	308,952	308,952
Drug related fines, seizures, and sales	-	129,396	-	129,396
Total Revenues	<u>647,813</u>	<u>131,126</u>	<u>310,834</u>	<u>1,089,773</u>
Expenditures				
Street Maintenance:				
Current:				
Other Costs - maintenance and lighting	632,771	-	-	632,771
Capital outlay	40,058	-	-	40,058
Stormwater:				
Current:				
Salaries	-	-	169,689	169,689
Employee benefits	-	-	81,230	81,230
Other	-	-	35,851	35,851
Capital outlay	-	-	-	-
Police:				
Current:				
Supplies and investigations	-	56,946	-	56,946
Capital outlay	-	3,150	-	3,150
Total Expenditures	<u>672,829</u>	<u>60,096</u>	<u>286,770</u>	<u>1,019,695</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,016)</u>	<u>71,030</u>	<u>24,064</u>	<u>70,078</u>
Other Financing sources (Uses)				
Transfers	-	-	-	-
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(25,016)</u>	<u>71,030</u>	<u>24,064</u>	<u>70,078</u>
Fund Balance, Beginning of Year	<u>1,793,681</u>	<u>171,303</u>	<u>159,845</u>	<u>2,124,829</u>
Fund Balance, End of Year	<u>\$1,768,665</u>	<u>242,333</u>	<u>183,909</u>	<u>2,194,907</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$604,557	604,557	630,610 *	26,053
Interest	17,000	17,000	17,203	203
Total Revenues	<u>621,557</u>	<u>621,557</u>	<u>647,813</u>	<u>26,256</u>
Expenditures				
Street Maintenance				
Repairs and maintenance	677,000	669,000	585,623	83,377
Street lighting	60,000	60,000	47,148	12,852
Capital outlay	10,000	144,550	40,058	104,492
Total Expenditures	<u>747,000</u>	<u>873,550</u>	<u>672,829</u>	<u>200,721</u>
Excess of Revenues Over Expenditures	(125,443)	(251,993)	(25,016)	226,977
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(125,443)	(251,993)	(25,016)	226,977
Fund Balance, Beginning of Year	<u>1,793,681</u>	<u>1,793,681</u>	<u>1,793,681</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,668,238</u>	<u>1,541,688</u>	<u>1,768,665</u>	<u>226,977</u>

* Gas 1989 tax	\$69,623
Gas three cent tax	129,225
Petroleum special tax	431,762
	<u>\$630,610</u>

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Other:				
Interest	\$500	500	1,730	1,230
Drug related fines, seizures and sales	40,000	40,000	129,396	89,396
Total Revenues	<u>40,500</u>	<u>40,500</u>	<u>131,126</u>	<u>90,626</u>
Expenditures				
Program costs	68,200	68,200	60,096	8,104
Capital outlay	-	12,007	-	12,007
Total Expenditures	<u>68,200</u>	<u>80,207</u>	<u>60,096</u>	<u>20,111</u>
Excess of Revenues Over Expenditures	(27,700)	(39,707)	71,030	110,737
Other Financing Sources (Uses)				
Transfers	-	-	-	-
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(27,700)</u>	<u>(39,707)</u>	<u>71,030</u>	<u>110,737</u>
Fund Balance, Beginning of Year	171,303	171,303	171,303	-
Fund Balance, End of Year	<u>\$143,603</u>	<u>131,596</u>	<u>242,333</u>	<u>110,737</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$1,600	1,600	1,882	282
Licenses and permits:				
Inspection and other fees	138,000	138,000	308,952	170,952
Total Revenues	139,600	139,600	310,834	171,234
Expenditures				
Street Maintenance				
Salaries	176,047	176,047	169,689	6,358
Employee benefits	85,789	85,789	81,230	4,559
Other	49,688	49,688	35,851	13,837
Capital outlay	-	-	-	-
Total Expenditures	311,524	311,524	286,770	24,754
Excess of Revenues Over Expenditures	(171,924)	(171,924)	24,064	195,988
Other Financing Sources (Uses)				
Transfers	110,000	110,000	-	-
	110,000	110,000	-	(110,000)
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(61,924)	(61,924)	24,064	85,988
Fund Balance, Beginning of Year	159,845	159,845	159,845	-
Fund Balance, End of Year	\$97,921	97,921	183,909	85,988

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental:				
Grants	\$6,960,000	7,040,000	128,758	(6,911,242)
Other:				
Interest	20,000	20,000	31,969	11,969
Total Revenues	<u>6,980,000</u>	<u>7,060,000</u>	<u>160,727</u>	<u>(6,899,273)</u>
Expenditures				
General Government				
City Hall Buildings & IT Services				
Repairs and maintenance	73,500	46,000	43,142	2,858
Capital outlay	-	17,000	16,847	153
Garage				
Capital outlay	7,800	-	-	-
Total General Government	<u>81,300</u>	<u>63,000</u>	<u>59,989</u>	<u>3,011</u>
Public Safety				
Police				
Supplies	135,222	135,222	18,701	116,521
Capital outlay	60,000	900,000	865,936	34,064
Total Public Safety	<u>195,222</u>	<u>1,035,222</u>	<u>884,637</u>	<u>150,585</u>
Streets and Public Works				
Repairs and maintenance	9,811,200	9,860,500	386,143	9,474,357
Capital outlay	-	75,000	72,120	2,880
Total Streets and Public Works	<u>9,811,200</u>	<u>9,935,500</u>	<u>458,263</u>	<u>9,477,237</u>
Recreation and Culture				
Repairs and maintenance	184,759	167,759	9,611	158,148
Capital outlay	300,000	500,000	466,014	33,986
Total Recreation and Culture	<u>484,759</u>	<u>667,759</u>	<u>475,625</u>	<u>192,134</u>
Total Expenditures	<u>10,572,481</u>	<u>11,701,481</u>	<u>1,878,514</u>	<u>9,822,967</u>
Excess of Revenues Over Expenditures	<u>(3,592,481)</u>	<u>(4,641,481)</u>	<u>(1,717,787)</u>	<u>2,923,694</u>
Other Financing Sources (Uses)				
Operating transfer in	756,981	956,481	762,070	(194,411)
Total other Financing Sources (Uses)	<u>756,981</u>	<u>956,481</u>	<u>762,070</u>	<u>(194,411)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(2,835,500)</u>	<u>(3,685,000)</u>	<u>(955,717)</u>	<u>2,729,283</u>
Fund Balance, Beginning of Year	<u>4,550,727</u>	<u>4,550,727</u>	<u>4,550,727</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,715,227</u>	<u>865,727</u>	<u>3,595,010</u>	<u>2,729,283</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Local taxes:				
Property tax	\$1,230,000	1,300,000	1,465,379	165,379
Interest	500	8,000	33,036	25,036
Total Revenues	<u>1,230,500</u>	<u>1,308,000</u>	<u>1,498,415</u>	<u>190,415</u>
<u>Expenditures</u>				
Fire				
Salaries	-	35,000	13,112	21,888
Benefits	-	16,900	6,996	9,904
Utilities	-	2,700	647	2,053
Supplies	-	12,000	10,610	1,390
Other	50,000	52,775	5,086	47,689
Capital outlay	<u>1,200,000</u>	<u>2,160,200</u>	<u>1,714,067</u>	<u>446,133</u>
Total Expenditures	<u>1,250,000</u>	<u>2,279,575</u>	<u>1,750,518</u>	<u>529,057</u>
Excess of Revenues Over Expenditures	1,230,500	(971,575)	(252,103)	719,472
Fund Balance, Beginning of Year	<u>2,336,066</u>	<u>2,336,066</u>	<u>2,336,066</u>	<u>-</u>
Fund Balance, End of Year	<u>\$3,566,566</u>	<u>1,364,491</u>	<u>2,083,963</u>	<u>719,472</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Other:				
Interest	\$1,500	1,500	2,566	1,066
Impact fees	420,000	420,000	652,149	232,149
Total Revenues	<u>421,500</u>	<u>421,500</u>	<u>654,715</u>	<u>233,215</u>
Expenditures				
Debt Service				
Principal	685,000	685,000	685,000	-
Interest	628,901	628,901	627,892	1,009
Total Expenditures	<u>1,313,901</u>	<u>1,313,901</u>	<u>1,312,892</u>	<u>1,009</u>
Excess of Revenues Over Expenditures	(892,401)	(892,401)	(658,177)	234,224
Other Financing Sources (Uses)				
Operating transfer in	893,500	893,500	634,200	(259,300)
Total other Financing Sources (Uses)	<u>893,500</u>	<u>893,500</u>	<u>634,200</u>	<u>(259,300)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	1,099	1,099	(23,977)	(25,076)
Fund Balance, Beginning of Year	138,762	138,762	138,762	-
Fund Balance, End of Year	<u>\$139,861</u>	<u>139,861</u>	<u>114,785</u>	<u>(25,076)</u>

CITY OF MT. JULIET, TENNESSEE
Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2013

	<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	\$224,700	1,005,599	327,429	-	-	1,557,728
Public safety:						
Police	79,000	1,178,462	2,664,858	-	988,476	4,910,796
Fire	251,425	1,512,724	-	-	224,143	1,988,292
Streets and Public Works	872,272	533,529	1,021,683	37,909,533	1,059,084	41,396,101
Stormwater	-	-	50,537	-	-	50,537
Parks	704,429	4,131,061	609,155	522,989	242,530	6,210,164
Total governmental funds capital assets	<u>\$2,131,826</u>	<u>8,361,375</u>	<u>4,673,662</u>	<u>38,432,522</u>	<u>2,514,233</u>	<u>56,113,618</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, 2013

Function and Activity	Balance June 30, 2012	Additions	Transfers & Deletions	Balance June 30, 2013
General Government	\$1,536,183	21,545		1,557,728
Public safety:				
Police	3,961,428	977,263	(27,895)	4,910,796
Fire	274,225	1,714,067	-	1,988,292
Streets and Public Works	37,122,035	4,309,566	(35,500)	41,396,101
Stormwater	50,537	-	-	50,537
Parks	5,732,093	494,541	(16,470)	6,210,164
 Total governmental funds capital assets	<u>\$48,676,501</u>	<u>7,516,982</u>	<u>(79,865)</u>	<u>56,113,618</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2013

Major Governmental Funds

	Interest Rates	Amount
General Fund:		
Passbook and checking accounts	-	\$10,361,673
Petty Cash	-	2,661
Total General Fund		<u>10,364,334</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	3,559,434
Total Capital Projects Fund		<u>3,559,434</u>
Debt Service Fund		
Passbook and checking accounts	-	114,785
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>2,248,712</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	389,160
Passbook and checking accounts	-	1,762,207
Total State Street Aid Fund		<u>2,151,367</u>
Drug Fund:		
Cash on hand	-	6,275
Passbook and checking accounts	-	243,303
Total Drug Fund		<u>249,578</u>

Storm Water:		
Checking accounts	-	<u>199,275</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	700
Passbook and checking accounts	-	6,960,103
Total Sewer Enterprise Fund		<u>6,960,803</u>
Internal Service Fund		
Passbook and checking accounts	-	869,207
Total		<u>\$26,717,495</u>

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2013

Tax Year	Tax Rate	Assessment	Levy	Taxes Receivable June 30, 2012	Levy	Collections and Adjustments	Taxes Receivable June 30, 2013
2012	\$0.20	\$708,757,810	\$1,416,493	\$ -	1,416,493	1,379,956	36,537
2011 *	0.20	681,578,500	1,363,157	96,050	-	88,027	8,023
				<u>\$96,050</u>	<u>1,416,493</u>	<u>1,467,983</u>	<u>44,560</u>
** 2013 Levy							
Property taxes receivable per the Governmental Funds Financial Statements							
Allowance for uncollectibles							
Property taxes receivable per the Government Wide Financial Statement s							
							<u>1,380,000</u>
							<u>1,424,560</u>
							<u>(\$6,000)</u>
							<u>\$1,418,560</u>

* Turned over to County Clerk for collection.

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

** Current year anticipated levy

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Governmental-type Activities

June 30, 2013

Fiscal Year	Public Improvement Refunding Bonds				Capital Outlay Notes		Obligation to County School System	Total
	Principal	Interest	Principal	Interest	Principal	Interest		
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	56,920	1,367,489
2016	150,000	368,998	370,000	190,803	220,000	9,860	56,920	1,366,581
2017	155,000	364,122	380,000	178,777	220,000	4,840	56,920	1,359,659
2018	155,000	357,923	400,000	165,478	-	-	56,920	1,135,321
2019	155,000	351,722	420,000	151,477	-	-	56,922	1,135,121
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	\$9,520,000	5,915,578	5,710,000	1,681,348	880,000	48,580	284,602	24,040,108

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2013

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	Bullit Proof Vest Grant	US Department of Justice	\$4,310
20.205	Highway Infrastructure Investmrnt Grant	US Department of Transp	59,353
			<u><u>\$63,663</u></u>

This schedule is presented on the accrual basis of accounting.

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2013

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

CFDA Number	Grant Number	Program Name	Grantor Agency		Accrued or Deferred Revenue 7/01/12	Cash Receipts	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/13
			7/01/12	7/01/12					
16-607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice		(\$2,576)	2,576	-	4,310	(4,310)
20-205	95LPLM-F2-0	Highway Infrastructure Investment Grant	US Department of Transportation		-	15,365	-	59,333	(43,988)
State Grants					(\$2,576)	17,941	-	63,663	(48,298)
RES-GG-12-35926 & 26817			Local Parks and Recreation Fund Grant	Tennessee Department of Environment and Conservation	(\$25,000)	24,950	50	-	-
32506-172-12			TAEP Tree Planting Grant	Tennessee Department of Agriculture	(1,162)	1,162	-	-	-
					(\$26,162)	26,112	-	50	-

This schedule is presented on the accrual basis of accounting.
Credit balances represent inter-governmental receivables from State and Federal Governments.

CITY OF MT. JULIET, TENNESSEE

Schedule of Liability and Property Insurance in Force

June 30, 2013

<u>Insurance Coverage</u>	<u>Details of Coverage</u>
Tennessee Municipal League Insurance Pool	
Public Officials Error & Omissions	\$3,000,000/ \$2,500 deductible
General Liability Automobile Liability, Bodily Injury, Law Enforcement	\$300,000 per person bodily injury as limited by tort liability act \$700,000 per occurrence bodily injury as limited by tort liability act \$100,000 per occurrence law enforcement as limited by tort liability act \$3,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$1,000 Collision \$1,000
Uninsured Motorist	\$300,000 per person bodily injury \$100,000 per occurrence law enforcement
Automobile Medical Payments	\$1,000 per person/\$10,000 per accident
Property, Multi-Peril	
Real and Personal Property (Total Insured)	\$16,479,599
EDP Equipment/Media	\$450,000
Mobile Equipment	\$512,264
Flood	\$1,000,000
Earthquake	\$1,500,000
Newly Acquired Property	\$1,500,000
Loss of Revenue	\$250,000
Extra Expenses	\$500,000
Terrorism	\$500,000
Crime Limits	
Employee Dishonesty	\$250,000
Forgery	\$250,000
Theft, Disappearance and Destruction	\$250,000
Computer Fraud	
Tennessee Risk Management Trust Insurance Pool (Workmen's Compensation)	\$1,000,000 Each accident limit \$1,000,000 Policy limit by disease \$1,000,000 Employee limit by disease

CITY OF MT. JULIET, TENNESSEE

Schedule of City Officials

June 30, 2013

<u>Position</u>	<u>Annual Salary</u>
<u>Elected Officials:</u>	
Mayor Ed Hagerty	\$1,000/monthly
Vice Mayor James Maness	\$950/monthly
Commissioner Art Giles	\$950/monthly
Commissioner Ray Justice	\$950/monthly
Commissioner James Bradshaw	\$950/monthly
<u>Employees:</u>	
City Manager, Kenneth Martin	
Finance Director, John T. Rossmaier	
City Recorder, Sheila S. Luckett	
Public Works Director, Marlin Keel	
Public Safety Director, Andy Garrett	
Police Chief, James Hambrick	
Economic Development, Vacant	
Parks Manager, Roger Lee	
Human Resources Director, Janet Southards	
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, 2013

	Commercial	Outside City Commercial	Inside City Residential	Ouside City Residential
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)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential (Based on zoning)				\$1,285-2,535/lot
Inspection fee				\$50
Number of customers				9,276

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**

Board of Mayor and Commissioners
Mt. Juliet, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mt. Juliet, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Mt. Juliet, Tennessee's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that were reported to management in a separate letter dated November 14, 2013.

Honorable Mayor and Board of Commissioners
Mt. Juliet, Tennessee

Purpose of this Report

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

Leony Howell - Daavestes

November 14, 2013