

**CITY OF MT. JULIET, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2014

# CITY OF MT. JULIET, TENNESSEE

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## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on Financial Statements**

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, 2014, 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund and Emergency Services 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 2014, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

## **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.

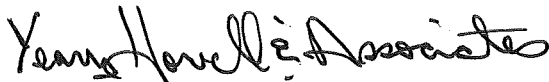
### *Other Information*

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 13, 2014 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 13, 2014

## **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, 2014. 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 \$96.1 million.
- The government's total net position increased by \$5.3 million, due to increases in the business type activities net position of \$1.9 million and \$3.4 million due to government activity over 6/30/2013 as restated.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of over \$19.8 million an increase of almost 1.24 million in comparison with the prior year. Over 43.8% of this total amount, or \$8.7 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 \$8.7 million, or 68.3 percent of total general fund expenditures for the fiscal year.
- The City of Mt. Juliet's total debt increased by \$3.6 million (19.0%) during the current fiscal year. The decreases created by principal payments (\$710,000) as scheduled were offset by the issuance of capital notes to acquire the police headquarters building and leases to acquire fire-fighting apparatus.
- Fiscal year 2013 was restated to recognize the deletion of roads accepted by the City as City assets contributed by a developer in 2013. While the City requires that Private Community roads meet the city standards when initially complete, the roads recorded did not become City assets and the City has no responsibility for their future maintenance.
- The City of Mt. Juliet improved its AA rating by Standard and Poor's, held since 6/30/2009, to AA+ and has been classified as stable since 6/30/2009.

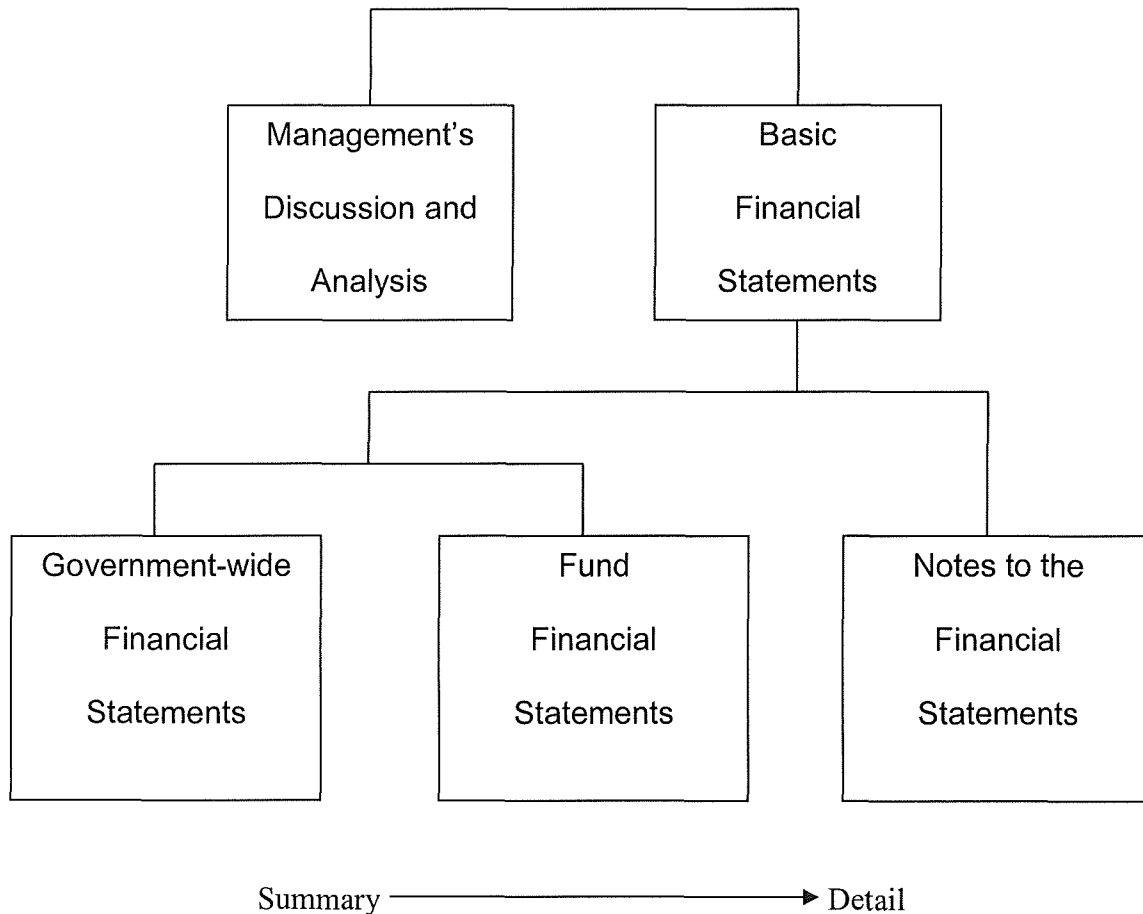
### **Overview of the Financial Statements**

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 15, 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.



## **City of Mt. Juliet**

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 16-33. After the notes, additional information is provided to show details about the City's individual funds. Budgetary information required by the General 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

## City of Mt. Juliet

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 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 16-33 of this report.

## City of Mt. Juliet

**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 26 to 28.

### 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 \$96.1 million as of June 30, 2014. The City’s net position increased by \$5.3 million for the fiscal year ended June 30, 2014 when compared to the fiscal year ended June 30, 2013 as restated to recognize the deletion of Private Community roads that had erroneously been recorded as City assets after inspection. However, the largest portion, 74.2% 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, 13.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of almost \$11.8 million is unrestricted.

	City of Mt. Juliet Net Position					
	Governmental		Business Type			
	Activities		Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Current and Other Assets	25,136,214	23,309,056	10,405,123	8,763,304	35,541,337	32,072,360
Capital Assets	46,797,820	44,910,707	40,842,856	40,596,865	87,640,676	85,507,572
Total Assets	71,934,034	68,219,763	51,247,979	49,360,169	123,182,013	117,579,932
Deferred Outflows of Resources	142,590	154,472			142,590	154,472
Long Term Liabilities Outstanding	20,644,262	17,714,283	401,504	331,204	21,045,766	18,045,487
Other Liabilities	3,758,335	2,829,488	804,633	837,191	4,562,968	3,666,679
Total Liabilities	24,402,597	20,543,771	1,206,137	1,168,395	25,608,734	21,712,166
Deferred Inflows of Resources	1,578,452	1,464,900			1,578,452	1,464,900
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	30,485,941	32,175,256	40,842,856	40,596,865	71,328,797	72,772,121
Less: 2013 Restatement Effect		(3,715,940)				(3,715,940)
Restricted	5,684,233	3,614,188	7,277,973	5,101,123	12,962,206	8,715,311
Unrestricted	9,925,401	10,576,120	1,921,013	2,493,786	11,846,414	13,069,906
Total Net Position (2013 Restated)	46,095,575	42,649,625	50,041,842	48,191,774	96,137,417	90,841,399

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

- Local sales tax collection increased 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
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 3,294,572	\$ 3,959,289	\$ 4,541,834	\$ 4,172,816	\$ 7,836,406	\$ 8,132,105
Operating Grants and Contributions	944,497	847,359			944,497	847,359
Capital Grants and Contributions	304,637	4,471,858	3,024,056	2,803,760	3,328,693	7,275,618
General Revenues					0	0
Sales Taxes	7,568,224	6,884,940			7,568,224	6,884,940
Property Tax	1,474,420	1,413,644			1,474,420	1,413,644
Other Locally Assessed Taxes	2,915,878	2,355,681			2,915,878	2,355,681
Other State Shared Taxes	2,402,080	2,242,540			2,402,080	2,242,540
Investment Earnings & Rental Income	12,746	18,219	65,770	67,713	78,516	85,932
Other	227,769	226,850			227,769	226,850
Total Revenues	19,144,823	22,420,380	7,631,660	7,044,289	26,776,483	29,464,669
Expenses:						
General Government	3,090,709	2,918,930			3,090,709	2,918,930
Public Safety	6,365,886	5,339,318			6,365,886	5,339,318
Recreation and Culture	1,273,723	1,353,115			1,273,723	1,353,115
Streets and Public Works	399,756	339,163			399,756	339,163
Stormwater	278,895	332,373			278,895	332,373
Interest on Debt	692,094	636,016			692,094	636,016
Past Years' Obligation to County Schools					-	-
Sewer			5,781,592	4,999,844	5,781,592	4,999,844
Total Expenses	15,698,872	13,971,386	5,781,592	4,999,844	21,480,464	18,971,230
Increase (Decrease) in Net Position	3,445,951	8,448,994	1,850,068	2,044,445	5,296,019	10,493,439
Net Position Beginning of Year	42,649,625	37,916,570	48,191,774	46,147,329	90,841,399	84,063,899
Less: 2013 Restatement Effect		(3,715,940)			-	(3,715,940)
Net Position End of Year (2013 Restated)	46,095,576	42,649,625	50,041,842	48,191,774	96,137,418	90,841,399

**Governmental Activities:** Governmental activities increased the City's net position by over \$3.4 million, thereby accounting for 63.0% 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 9.9% with additional businesses in operation.
- Property tax was instituted for the year ended June 30, 2012 and increased 4.2% above 2013 without a rate increase.
- 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 \$65 thousand in road improvement fees.

**Business-type activities:** Business-type activities increased the City of Mt. Juliet's net position by almost \$2.0 million, accounting for 37.0% 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 and sewer development fee requirements.

## City of Mt. Juliet

### 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.

**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 \$8.7 million, while total fund balance was over \$13.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68.3% of total General Fund expenditures while total fund balance represents 106.1% of the same expenditures.

At June 30, 2014, the governmental funds of City of Mt. Juliet reported a combined fund balance of over \$19.8 million, a 6.5 percent increase over last year as restated. Included in this change are fund balance increases in the General and Debt Service Funds and decreases in the Capital Projects, State Street Aid, 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 over \$4.1million 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 contributed over \$1.4 million in the current year. Local tax revenues were 1.6 percent or over \$122 thousand above the budget of revenue in the largest City revenue category. The third largest contributor to local revenue was 35% or over \$200 thousand above expectations and above the previous year as well. Revenue in most areas exceeded budget with the notable exception of court revenue. The other largest increases were the result of road improvement fees, contributions from others and various permit fees. License and Permit fees were 39.2% above budget as a result of the city assuming a maturing responsibility for certain electrical inspections and an unanticipated surge in building permits.

## City of Mt. Juliet

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 as well as the desire to complete the Eastern Connector between I-40 at Beckwith and Highway US 70. Some repairs and improvements to infrastructure items have been deferred in further effort to increase the General Fund balance.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to almost \$1.8 million. The total decrease in net position for the fund was over \$500 thousand. This is mainly due to the operating loss sustained by the fund due to an increase in the wastewater processor's ability to more accurately measure the City's discharge. This situation was addressed in the budget of 2014-2015 with a 10% rate increase effective August 1, 2014.

- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of almost \$750 thousand. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.
- Developers also contributed \$2.2 million in tap fees that will be available for sewer expansion and replacement.

## 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, 2014, totals over \$87.6 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

### Major Capital Asset Acquisitions Fiscal Year 2013-2014

#### Governmental Activities

Developers contributed \$131 thousand in roads

A right turn lane was created on West Division at South Green Hills Road, \$73 thousand  
Public Works equipment-trucks, replacement mowers, and concrete mixer, \$298 thousand

ROW for Eastern Connector project, \$195 thousand

Continued engineering for the Eastern Connector, \$258 thousand

Phase III Town Centre Greenway, \$136 thousand

Traffic study improvements and feasibility engineering, \$102 thousand

Drainage improvements at Cedar Creek, \$158 thousand

Park trails paving, \$71 thousand

Tennis Court improvements, \$20 thousand

Ava's Splash pad completion, \$62 thousand

Pickle Ball Courts, \$26 thousand

Park signs, baths, fencing and access control, \$127 thousand

Complete the P-25 Communications upgrade, \$80 thousand

## City of Mt. Juliet

Police Headquarters building, land and renovations, \$2.0 million  
 Police vehicles, \$211 thousand  
 Police Investigation equipment \$19 thousand  
 Fire Fighting Vehicles, \$2.6 million  
 Fire Communications inter face for emergency response, \$314 thousand  
 Individual Firefighter protection, \$292 thousand  
 Fire-fighting equipment, \$118 Thousand  
 Storm Water vehicle for inspection, \$25 thousand  
 NMJR Land, \$345 thousand  
 Used vehicles for City Administrators, \$20 thousand  
 City Hall renovations, \$20 thousand

### Business Activities

Donated Sewer Lines, \$743 thousand  
 Royal Oaks station improvement, \$135 thousand  
 Sewer Easements, \$49 thousand  
 Curd Road station Rehabilitation, \$47 thousand  
 Construction in progress-South Basin, Nonaville, and Highway 70, \$418 thousand

### City of Mt. Juliet Capital Assets

	City of Mt. Juliet's Capital Assets					
	Governmental Activities		Business Type Activities		Total	Total
	2014	2013	2014	2013	2014	2013
Land	\$ 2,970,969	\$ 2,131,826	\$ 1,141,135	\$ 1,092,544	\$ 4,112,104	\$ 3,224,370
Bldgs and Improvements	7,111,669	5,510,360	492,733	492,733	7,604,402	6,003,093
Improv Other than Bldgs	3,484,769	2,851,015			3,484,769	2,851,015
Machinery and Equipment	9,820,300	4,673,662	769,847	799,138	10,590,147	5,472,800
Construction in Progress	1,616,335	2,514,233	434,032	23,356	2,050,367	2,537,589
Collection System			55,330,403	54,259,464	55,330,403	54,259,464
Infrastructure	34,813,335	38,432,522			34,813,335	38,432,522
Less Prior Period Adjustment		(3,759,333)			-	(3,759,333)
Total Cost	59,817,377	52,354,285	58,168,150	56,667,235	117,985,527	109,021,520
Less Acc Depr	13,019,557	11,202,911	17,325,294	16,070,370	30,344,851	27,273,281
Plus Prior Period Adjustment		43,393				43,393
Net Capital Assets (2013 Restated)	\$ 46,797,820	\$ 41,194,768	\$ 40,842,856	\$ 40,596,865	\$ 87,640,676	\$ 81,791,633

Additional information on the City capital assets can be found in note 3 on page 22 of the basic Financial Statements.

**Long-term Debt:** As of June 30, 2014, the City of Mt. Juliet had total bonded debt, lease-purchases, long term obligations and capital notes outstanding of almost \$23.0 million. The entire debt is backed by the full faith and credit of the City of Mt. Juliet.

## City of Mt. Juliet

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

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds/Capital Notes	\$ 16,536,854	\$ 16,104,610			\$ 16,536,854	\$ 16,104,610
Obligation to County School System	\$ 284,602	\$ 284,602			\$ 284,602	\$ 284,602
Capital Lease-Fire Apparatus	\$ 2,600,028				\$ 2,600,028	\$ -
Revenue Bonds				\$ -	\$ -	\$ -
OPEB Obligations and Compensated Absences	\$ 2,899,558	\$ 2,365,071	\$ 401,504	\$ 331,204	\$ 3,301,062	\$ 2,696,275
Total	\$ 22,321,042	\$ 18,754,283	\$ 401,504	\$ 331,204	\$ 22,722,546	\$ 19,085,487

Impact Fee revenue is allocated to the Debt Service Fund in order to liquidate the City's bonds that were issued to support the City road building projects. Such revenue must be supplemented with transfers from the General Fund in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's total debt increased by more than \$3.5 million or over 19.0% during the past fiscal year, despite principal payments that were liquidated when due during the year ended 6/30/2014 but were offset by the lease for the fire apparatus and capital notes for the police headquarters building.

As mentioned in the financial highlights section of this document, the City of Mt. Juliet has improved its AA rating by Standard and Poor's Corporation to AA+ as of January 2014. This bond rating is a clear indication of the sound financial condition of City of Mt. Juliet.

The City of Mt. Juliet's debt policy seeks to limits governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2014 governmental debt was less than 3.0% of assessments and less than \$910 per capita.

During the past fiscal year, the City issued Capital notes in the amount of \$1,142,319 in order to acquire the police headquarters building from a private seller at an imputed interest rate of 2.0%. The City also engaged in a capital lease with Farmers Merchants Bank to acquire fire equipment mainly in the form of four fire fighting vehicles in the amount of \$2,600,000 at an APR of 2.6%.

Total debt payments for the next fiscal year are just above \$1.667 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 5 beginning on page 24 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 2014 estimated at 6.1% is below the National average of 6.2% as well as the Tennessee rate of 7.1%.
- 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.



## City of Mt. Juliet

- The city approved and expects to have the third of its three Wine and Spirits locations by December 2014.
- A major “Big Box,” Gander Mountain, will open in July 2014.
- Under Armour will break ground on a new distribution Center that expects to employ 1500 when in full operation.
- FedEx is also expected in Mt. Juliet to open a center that will add another 1200 jobs to the employment picture.
- There are plans for 600 new apartment units to begin construction in the Paddocks/Providence area before the end of calendar 2014.
- 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, 2014

**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 6/30/2015 by \$2.65 million due to effort directed toward the “Eastern Connector” city roadway and therefore some assignment of the 6/30/2014 unassigned fund balance will be necessary.

**Business – type Activities:** The sewer rates in the City will be increased 10% during the fiscal year ended 6/30/2015. Nominal revenue growth will be funded by new customers. Purification costs of wastewater can be expected to rise 2.0% in accordance with the Metro contract. Personnel costs can be expected to rise 2.5%. General operating expenses will increase by 2.0% to cover increased costs of material, supplies, and other operating expenses. With depreciation the Sewer Fund revenue will fail to cover 100% of the cost of operations.

### Requests for Information

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

**City of Mt. Juliet**

<http://www.cityofmtjuliet.org/>

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Position**

**June 30, 2014**

	<u>Primary Government</u>		<u>Total Primary Government</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>Assets</u>			
Cash and cash equivalents	\$17,865,981	1,243,656	19,109,637
Investments	-	1,048,763	1,048,763
Receivables (net):			
Property taxes	1,475,495	-	1,475,495
Other taxes	143,686		143,686
Due from other governments	2,960,425	-	2,960,425
Internal balances	(108,859)	108,859	-
Interest receivable	26	3,978	4,004
Customers	7,659	625,967	633,626
Inventories	-	82,481	82,481
Restricted assets:			
Cash - construction	-	7,277,973	7,277,973
Cash - bond proceeds	2,682,413	-	2,682,413
Prepaid expenses	109,388	13,446	122,834
Capital assets, net of accumulated depreciation	42,210,516	39,267,689	81,478,205
Land and constrution in progress - nondepreciable	4,587,304	1,575,167	6,162,471
	<hr/>	<hr/>	<hr/>
Total Assets	71,934,034	51,247,979	123,182,013
<u>Deferred Outflows of Resources</u>			
Deferred amounts on refunding	142,590	-	142,590
	<hr/>	<hr/>	<hr/>
Total Assets and deferred outflows of resources	72,076,624	51,247,979	123,324,603
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Accounts payable	1,289,200	474,698	1,763,898
Accrued liabilities	664,348	329,935	994,283
Accrued interest	128,007	-	128,007
Long-term liabilities due within one year	1,676,780	-	1,676,780
Long-term liabilities due in more than one year	20,644,262	401,504	21,045,766
	<hr/>	<hr/>	<hr/>
Total Liabilities	24,402,597	1,206,137	25,608,734
	<hr/>	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>			
Unavailable revenues	1,578,452	-	1,578,452
	<hr/>	<hr/>	<hr/>
<u>Net Position</u>			
Net investment in capital assets	30,485,941	40,842,856	71,328,797
Restricted for:			
Capital improvements	-	7,277,973	7,277,973
Debt service	142,855	-	142,855
Streets	2,205,256	-	2,205,256
Public safety	2,261,881	-	2,261,881
Stormwater	51,460	-	51,460
Parks	422,781	-	422,781
Stabilazation	600,000		600,000
Unrestricted	9,925,401	1,921,013	11,846,414
	<hr/>	<hr/>	<hr/>
Total Net Position	\$46,095,575	50,041,842	96,137,417
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$3,090,709	1,332,844	12,555	-	(1,745,310)	-	(1,745,310)
Public safety	6,365,886	899,598	125,099	-	(5,341,189)	-	(5,341,189)
Recreation and Culture	1,273,723	107,931	-	2,328	(1,163,464)	-	(1,163,464)
Streets and public works	3,997,565	21,517	806,843	302,309	(2,866,896)	-	(2,866,896)
Stormwater	278,895	208,131	-	-	(70,764)	-	(70,764)
Interest on debt	692,094	724,551	-	-	32,457	-	32,457
Total Government Activities	15,698,872	3,294,572	944,497	304,637	(11,155,166)	-	(11,155,166)
<b>Business-type Activities:</b>							
Sewer	5,781,592	4,541,834	-	3,024,056	-	1,784,298	1,784,298
Total Business-type Activities	5,781,592	4,541,834	-	3,024,056	-	1,784,298	1,784,298
<b>Total Primary Government</b>	<b>\$21,480,464</b>	<b>7,836,406</b>	<b>944,497</b>	<b>3,328,693</b>	<b>(11,155,166)</b>	<b>1,784,298</b>	<b>(9,370,868)</b>
<b>General Revenues:</b>							
Property taxes					\$1,474,420	-	1,474,420
Sales taxes					7,568,224	-	7,568,224
Wholesale beer tax					726,563	-	726,563
Wholesale liquor tax					205,491	-	205,491
Franchise tax					828,922	-	828,922
Hotel/motel tax					425,318	-	425,318
Business tax					729,584	-	729,584
State shared unrestricted taxes:							
State shared sales tax					1,753,855	-	1,753,855
State shared beer tax					11,616	-	11,616
State alcoholic beverage tax					94,174	-	94,174
State shared income tax					270,845	-	270,845
State shared TVA tax					271,590	-	271,590
Other unrestricted state shared taxes					12,746	-	12,746
Unrestricted investment earnings and rental income					159,754	65,770	225,524
Gain on sale of capital assets					34,564	-	34,564
Other					33,451	-	33,451
Total general revenues					14,601,117	65,770	14,666,887
Change in net position					3,445,951	1,850,068	5,296,019
Net position - beginning of year, as restated					42,649,624	48,191,774	90,841,398
Net position - end of year					\$46,095,575	50,041,842	96,137,417

See accompanying notes to financial statements

## CITY OF MT. JULIET, TENNESSEE

Balance Sheet  
Governmental Funds

June 30, 2014

		Special Revenue Funds		Capital Projects Fund			
	General Fund	State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash	\$12,717,242	1,645,754	2,087,068	-	142,855	276,127	16,869,046
Cash - restricted - bond proceeds	-	-	-	2,682,413	-	-	2,682,413
Receivables (net)							
Property taxes	-	-	1,483,934	-	-	-	1,483,934
Other taxes	143,686						143,686
Due from other governments	2,726,454	115,109	-	118,862	-	-	2,960,425
Due from other funds	7,902	7,632	-	-	-	-	15,534
Interest receivable	26	-	-	-	-	-	26
Prepaid items	104,322	-	3,066	-	-	2,000	109,388
<b>Total Assets</b>	<b>\$15,699,632</b>	<b>1,768,495</b>	<b>3,574,068</b>	<b>2,801,275</b>	<b>142,855</b>	<b>278,127</b>	<b>24,264,452</b>
<b>Liabilities</b>							
Accounts payable	\$538,986	595,969	12,631	15,155	-	9,692	1,172,433
Accrued costs	620,737	-	24,275	-	-	19,336	664,348
Due to other funds	7,632	-	-	7,902	-	-	15,534
<b>Total Liabilities</b>	<b>1,167,355</b>	<b>595,969</b>	<b>36,906</b>	<b>23,057</b>	<b>-</b>	<b>29,028</b>	<b>1,852,315</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	1,004,004	56,800	1,478,401	-	-	-	2,539,205
<b>Fund Balance</b>							
Nonspendable:							
Prepays	104,322		3,066	-	-	2,000	109,388
Restricted for:							
Streets	1,032,730	1,115,726	-	-	-	-	2,148,456
Parks	422,781	-	-	-	-	-	422,781
Public safety	-	-	2,055,695	-	-	182,998	2,238,693
Stormwater	-	-	-	-	-	64,101	64,101
Streets - capital projects	-	-	-	2,778,218	-	-	2,778,218
Debt service	-	-	-	-	142,855	-	142,855
Stabilization	600,000	-	-	-	-	-	600,000
Assigned for:							
Subsequent year's budget	2,650,747	-	-	-	-	-	2,650,747
Unassigned:	8,717,693	-	-	-	-	-	8,717,693
<b>Total Fund Balances</b>	<b>13,528,273</b>	<b>1,115,726</b>	<b>2,058,761</b>	<b>2,778,218</b>	<b>142,855</b>	<b>249,099</b>	<b>19,872,932</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$15,699,632</b>	<b>1,768,495</b>	<b>3,574,068</b>	<b>2,801,275</b>	<b>142,855</b>	<b>278,127</b>	<b>24,264,452</b>

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, 2014

Amounts reported for fund balance - total governmental funds	\$19,872,932
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	46,797,820
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	926,744
Property taxes receivable	25,570
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.	778,968
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(128,007)
Bond discounts costs are amortized over the life of the notes in the statement of activities.	5,465
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position	142,590
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	(\$16,542,319)
Capital leases payable	(2,600,028)
Obligation to county schools	(284,602)
Other post employment benefits	(2,475,661)
Compensated absences	(423,897)
	(22,326,507)
Net position of governmental activities	<u>\$46,095,575</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, 2014**

		Special Revenue Funds		Capital Projects Fund			Total
	General	State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Governmental Funds
<b>Revenues</b>							
Taxes	\$10,427,586	-	1,480,714	-	-	-	11,908,300
Intergovernmental	2,593,253	637,514	-	151,309	-	-	3,382,076
Fines and fees	723,385	-	-	-	-	113,573	836,958
Licenses and permits	1,246,844	-	-	-	723,086	208,131	2,178,061
Charges for services	268,850	-	-	-	-	-	268,850
Uses of money and property	233,130	9,838	23,219	21,517	1,465	2,786	291,955
Miscellaneous	100,950	-	1,150	828	-	-	102,928
Total Revenue	15,593,998	647,352	1,505,083	173,654	724,551	324,490	18,969,128
<b>Expenditures</b>							
Current:							
General government	2,547,038	-	-	-	-	-	2,547,038
Police	5,197,049	-	-	4,141	-	76,407	5,277,597
Fire	-	-	796,160	-	-	-	796,160
Streets and public works	1,395,140	1,125,188	-	228,982	-	-	2,749,310
Stormwater	-	-	-	-	-	302,687	302,687
Parks and culture	999,864	-	-	-	-	-	999,864
Debt service	-	-	-	-	1,321,481	-	1,321,481
Capital outlay	1,679,691	175,103	3,334,153	2,209,642	-	122,539	7,521,128
Total Expenditures	11,818,782	1,300,291	4,130,313	2,442,765	1,321,481	501,633	21,515,265
Excess (deficiency) revenues over expenditures	3,775,216	(652,939)	(2,625,230)	(2,269,111)	(596,930)	(177,143)	(2,546,137)
<b>Other Financing Sources (Uses)</b>							
Capital lease proceeds	-	-	2,600,028	-	-	-	2,600,028
Note proceeds	-	-	-	1,142,319	-	-	1,142,319
Insurance proceeds	42,886	-	-	-	-	-	42,886
Transfers from (to) other funds	(935,000)	-	-	310,000	625,000	-	-
Total Other Financing Sources (Uses)	(892,114)	-	2,600,028	1,452,319	625,000	-	3,785,233
Net Change in Fund Balance	2,883,102	(652,939)	(25,202)	(816,792)	28,070	(177,143)	1,239,096
Fund Balance, Beginning of Year	10,645,171	1,768,665	2,083,963	3,595,010	114,785	426,242	18,633,836
Fund Balance, End of Year	\$13,528,273	1,115,726	2,058,761	2,778,218	142,855	249,099	19,872,932

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, 2014

Amounts reported for net change in fund balance - total governmental funds	\$1,239,096
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	7,521,128
Depreciation expense	(2,049,075)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(6,294)
Local option sales tax	45,457
State shared revenues	5,552
Contributed capital assets	131,000
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	710,000
Debt issuance	(3,742,347)
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	(68,806)
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	(57,548)
Other post employment benefits	(476,939)
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)	206,534
Change in net position of governmental activities	<u>\$3,445,951</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Local Taxes:				
Local sales taxes	\$7,400,000	7,400,000	7,522,767	122,767
Wholesale beer	750,000	750,000	726,563	(23,437)
Wholesale liquor	150,000	150,000	205,491	55,491
Franchise taxes	610,000	610,000	828,922	218,922
Hotel/Motl taxes	340,000	340,000	425,318	85,318
Business taxes	603,000	603,000	718,525	115,525
Total Local Taxes	9,853,000	9,853,000	10,427,586	574,586
Intergovernmental:				
State sales tax	1,718,360	1,718,360	1,749,315	30,955
State beer tax	12,274	12,274	11,616	(658)
State income tax	98,000	98,000	270,845	172,845
Gasoline and motor fuel tax	50,323	50,323	50,250	(73)
State alcohol beverage tax	170,000	90,000	94,174	4,174
Police inservice	28,800	28,800	25,200	(3,600)
Police overtime reimbursement	-	82,322	82,127	(195)
Fire inservice	1,055	1,055	500	(555)
Other state revenue allocation	3,000	3,000	20,374	17,374
TVA in lieu of tax	270,028	270,028	271,590	1,562
Grants	-	-	17,262	17,262
	2,351,840	2,354,162	2,593,253	239,091
Fines and Penalties:				
City court and drug control	924,294	924,294	723,385	(200,909)
Total Fines and Penalties	924,294	924,294	723,385	(200,909)
Licenses and Permits:				
Building permits	450,000	450,000	512,028	62,028
Plumbing permits	20,000	20,000	77,290	57,290
Review and inspection fees	130,000	130,000	152,786	22,786
Zoning permits	4,000	4,000	16,179	12,179
Sign permits	15,600	15,600	9,680	(5,920)
Electrical permits	100,000	100,000	246,052	146,052
Other permits	176,200	176,200	232,829	56,629
Total Licenses & Permits	895,800	895,800	1,246,844	351,044
Charges for Services:				
Public safety charges	90,000	90,000	39,421	(50,579)
Road improvement fees	90,250	90,250	121,498	31,248
Recreational fees	142,964	142,964	107,931	(35,033)
Total Charges for Services	323,214	323,214	268,850	(54,364)
Uses of Property and Money				
Administrative support services	86,000	86,000	86,000	-
Rent	23,000	23,000	58,292	35,292
Interest	60,000	60,000	88,838	28,838
Total Uses of Property and money	169,000	169,000	233,130	64,130
Other Revenues:				
Contributions from others	45,250	45,250	32,935	(12,315)
Sale of assets	-	1,482	34,564	33,082
Miscellaneous	14,329	31,639	33,451	1,812
Total Other Revenues	59,579	78,371	100,950	22,579
Total Revenues	14,576,727	14,597,841	15,593,998	996,157

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, 2014**

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
General Government:				
Legislative Board:				
Salaries	\$67,400	67,400	65,722	1,678
Employee benefits	5,944	5,944	5,252	692
Supplies and other	3,750	3,750	547	3,203
Election	100	100	-	100
Total Legislative Board	77,194	77,194	71,521	5,673
City Court:				
Salaries	9,500	9,500	7,897	1,603
Employee benefits	754	754	634	120
Outside services	4,620	4,620	3,850	770
Supplies	500	500	461	39
Total City Court	15,374	15,374	12,842	2,532
City Manager:				
Salaries	410,455	410,455	401,799	8,656
Employee benefits	145,445	145,445	131,690	13,755
Outside services	13,000	13,000	10,642	2,358
Membership and dues	20,815	20,815	16,471	4,344
Events	55,000	55,000	35,479	19,521
Legal	3,000	3,000	4,319	(1,319)
Supplies	13,701	13,701	7,507	6,194
Insurance	1,500	1,500	1,652	(152)
Other costs	5,000	5,000	6,228	(1,228)
Retiree benefits	55,590	55,590	55,440	150
Capital outlay	25,000	25,000	20,387	4,613
Total City Manager	748,506	748,506	691,614	56,892
Finance:				
Salaries	215,672	215,672	214,588	1,084
Employee benefits	80,102	80,102	77,336	2,766
Outside services	46,500	46,500	39,223	7,277
Supplies	13,600	13,600	12,460	1,140
Other costs	2,500	2,500	320	2,180
Capital outlay	-	-	-	-
Total Finance	358,374	358,374	343,927	14,447
City Attorney:				
Outside services	130,000	160,000	159,980	20
Other costs	25,000	25,000	18,847	6,153
Total City Attorney	155,000	185,000	178,827	6,173
Economic and Community Development:				
Salaries	78,361	53,361	26,343	27,018
Employee benefits	27,624	27,624	14,123	13,501
City beautification	25,000	25,000	15,311	
Outside services	63,600	63,600	61,543	2,057
Other costs	20,400	20,400	1,927	18,473
Capital outlay	-	-	-	-
Total Economic and Community Development	214,985	189,985	119,247	61,049

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, 2014**

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>General Government, continued:</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Planning and Codes:				
Salaries	\$303,544	303,544	257,301	46,243
Employee benefits	99,221	99,221	86,462	12,759
Supplies	16,900	16,900	4,793	12,107
Outside services	70,000	70,000	41,212	28,788
Other costs	21,400	21,400	11,261	10,139
Capital outlay	150,000	150,000	-	150,000
Total Planning and Codes	661,065	661,065	401,029	260,036
City Hall Buildings and IT Services:				
Salaries	124,369	124,369	124,371	(2)
Employee benefits	39,059	39,059	34,436	4,623
Supplies	76,581	76,581	57,028	19,553
Repairs and maintenance	35,250	45,250	32,161	13,089
Outside services	119,605	119,605	94,568	25,037
Utilities	228,975	228,975	203,257	25,718
Insurance	39,150	39,150	9,466	29,684
Equipment rental	97,000	97,000	111,159	(14,159)
Other costs	7,100	7,100	3,915	3,185
Capital outlay	100,000	450,000	363,171	86,829
Total City Hall Buildings	867,089	1,227,089	1,033,532	193,557
City Garage:				
Salaries	52,581	52,581	52,297	284
Benefits	17,516	17,516	13,277	4,239
Repairs and maintenance	3,500	3,500	2,479	1,021
Supplies	9,377	9,377	10,004	
Capital outlay	3,500	3,500	-	3,500
Total City Garage	86,474	86,474	78,057	9,044
Total General Government	3,184,061	3,549,061	2,930,596	609,403
Public Safety:				
Police Department:				
Salaries	3,174,901	3,315,523	3,133,716	181,807
Benefits	1,474,833	1,474,833	1,383,884	90,949
Repairs and maintenance	58,750	58,750	74,386	(15,636)
Supplies	463,004	466,214	309,340	156,874
Outside services	143,759	143,759	122,888	20,871
Utilities	17,950	17,950	17,915	35
Insurance	130,500	130,500	131,410	(910)
Other costs	22,750	22,750	23,510	(760)
Capital outlay	138,000	586,217	678,398	(92,181)
Total Public Safety	5,624,447	6,216,496	5,875,447	341,049
Streets and Public Works:				
Salaries	929,908	954,908	873,351	81,557
Employee benefits	414,189	414,189	366,548	47,641
Repairs and maintenance	45,500	73,500	30,342	43,158
Supplies	81,896	81,896	6,314	75,582
Outside services	13,100	116,100	91,901	24,199
Insurance	24,200	24,200	21,243	2,957
Other costs	8,575	8,575	5,441	3,134
Capital outlay	303,750	410,750	380,387	30,363
Total Streets and Public Works	1,821,118	2,084,118	1,775,527	308,591

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Expenditures</u>				<u>Positive</u>
				<u>(Negative)</u>
Recreation and Culture:				
Salaries	\$428,396	432,896	401,747	31,149
Employee benefits	199,830	199,830	176,670	23,160
Repairs and maintenance	42,800	53,900	31,993	21,907
Supplies	92,001	92,001	55,395	36,606
Outside services	35,500	43,000	20,705	22,295
Insurance	17,500	17,500	17,500	-
Utilities	64,700	64,700	69,109	(4,409)
Other costs	6,110	6,260	412	5,848
Appropriations to nonprofits	224,247	229,489	226,333	3,156
Capital outlay	60,000	241,981	237,348	4,633
Total Recreation and Culture	<u>1,171,084</u>	<u>1,381,557</u>	<u>1,237,212</u>	<u>144,345</u>
 Total Expenditures	 <u>11,800,710</u>	 <u>13,231,232</u>	 <u>11,818,782</u>	 <u>1,403,388</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>2,776,017</u>	 <u>1,366,609</u>	 <u>3,775,216</u>	 <u>2,408,607</u>
 Other Financing Sources (Uses):				
Insurance recoveries	-	24,217	42,886	18,669
Transfers out	(4,276,000)	(4,923,844)	(935,000)	3,988,844
Total Other Financing Sources (Uses)	<u>(4,276,000)</u>	<u>(4,899,627)</u>	<u>(892,114)</u>	<u>4,007,513</u>
 Excess (Deficiency) of Revenues Over Expenditures & Other Uses	 <u>(1,499,983)</u>	 <u>(3,533,018)</u>	 <u>2,883,102</u>	 <u>6,416,120</u>
 Fund Balance, Beginning of Year	 <u>10,645,171</u>	 <u>10,645,171</u>	 <u>10,645,171</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$9,145,188</u>	 <u>7,112,153</u>	 <u>13,528,273</u>	 <u>6,416,120</u>

See accompanying notes to financial statements.

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Petroleum special tax	\$436,039	436,039	436,989	950
Gas 1989 tax	70,000	70,000	70,212	212
Gas three cent tax	130,000	130,000	130,313	313
Interest	14,000	14,000	9,838	(4,162)
Total Revenues	<u>650,039</u>	<u>650,039</u>	<u>647,352</u>	<u>(2,687)</u>
<u>Expenditures</u>				
Street Maintenance				
Repairs and maintenance	1,206,500	1,206,500	1,074,875	131,625
Street lighting	60,000	60,000	50,313	9,687
Capital outlay	205,000	205,000	175,103	29,897
Total Expenditures	<u>1,471,500</u>	<u>1,471,500</u>	<u>1,300,291</u>	<u>171,209</u>
Excess of Revenues Over Expenditures	(821,461)	(821,461)	(652,939)	168,522
Fund Balance, Beginning of Year	<u>1,768,665</u>	<u>1,768,665</u>	<u>1,768,665</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$947,204</u></u>	<u><u>947,204</u></u>	<u><u>1,115,726</u></u>	<u><u>168,522</u></u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**Emergency Services Fund**

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Local taxes:				
Property tax	\$1,450,000	1,450,000	1,480,714	30,714
Interest	\$20,100	20,100	23,219	3,119
Other - contributions	-	-	1,150	1,150
Total Revenues	<u>1,470,100</u>	<u>1,470,100</u>	<u>1,505,083</u>	<u>34,983</u>
<u>Expenditures</u>				
Fire				
Salaries	432,614	432,614	387,366	45,248
Benefits	254,486	260,486	164,491	95,995
Utilities	19,300	19,300	17,533	1,767
Contract services	3,450	3,450	6,789	(3,339)
Supplies	203,100	209,600	190,711	18,889
Repairs and maintenance	13,000	13,000	3,466	9,534
Insurance	10,000	18,000	11,806	6,194
Other	19,200	19,200	13,998	5,202
Capital outlay	300,000	3,416,128	3,334,153	81,975
Total Expenditures	<u>1,255,150</u>	<u>4,391,778</u>	<u>4,130,313</u>	<u>261,465</u>
Excess of Revenues Over Expenditures	1,470,100	(2,921,678)	(2,625,230)	296,448
Other Financing Sources (Uses)				
Capital lease proceeds	-	2,600,028	2,600,028	-
	<u>-</u>	<u>2,600,028</u>	<u>2,600,028</u>	<u>-</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	1,470,100	(321,650)	(25,202)	296,448
Fund Balance, Beginning of Year	<u>2,083,963</u>	<u>2,083,963</u>	<u>2,083,963</u>	<u>-</u>
Fund Balance, End of Year	<u>\$3,554,063</u>	<u>1,762,313</u>	<u>2,058,761</u>	<u>296,448</u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Position**

**Proprietary Fund**

**June 30, 2014**

	<u>Business -type Activities Sewer Enterprise Fund</u>	<u>Internal Service Fund</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash	\$1,243,656	996,935
Investments	1,048,763	-
Receivable-net of allowance for doubtful accounts of \$30,008	625,967	7,659
Interest receivable	3,978	-
Prepaid insurance	13,446	-
Inventory	82,481	-
Total Current Assets	<u>3,018,291</u>	<u>1,004,594</u>
Noncurrent Assets:		
Restricted cash - restricted for capital projects	<u>7,277,973</u>	-
Capital Assets:		
Land	1,141,135	-
Construction in progress	434,032	-
Collection system	55,330,403	-
Buildings	492,733	-
Equipment	769,847	-
Total Capital Assets	58,168,150	-
Less: accumulated depreciation	<u>(17,325,294)</u>	-
Net Property, Plant and Equipment	40,842,856	-
Total Noncurrent Assets	<u>48,120,829</u>	-
Total Assets	<u><u>\$51,139,120</u></u>	<u><u>1,004,594</u></u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts payable	\$474,698	116,767
Accrued expenses	329,935	-
Total Current Liabilities	<u>804,633</u>	<u>116,767</u>
Noncurrent Liabilities:		
Other post-employment benefit obligation	401,504	-
Total Noncurrent Liabilities	<u>401,504</u>	-
Total Liabilities	<u>1,206,137</u>	<u>116,767</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	40,842,856	-
Restricted for capital improvements	7,277,973	-
Unrestricted	1,812,154	887,827
Total Net Position	<u><u>\$49,932,983</u></u>	<u><u>887,827</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	108,859	
Net Position of business -type activities	<u><u>\$50,041,842</u></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, 2014**

	Business -type Activities <u>Sewer Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for sales and services - sewer	\$4,230,790	\$1,810,467
Sewer inspection and administrative charges	203,330	-
Penalties	77,618	-
Other	30,096	-
Total Operating Revenues	<u>4,541,834</u>	<u>1,810,467</u>
Operating Expenses:		
Sewer line and pump maintenance	1,176,398	-
Sewer lift station operation	264,740	-
Administrative and accounting	446,682	1,608,097
Sewer transportation and treatment	2,466,136	-
Depreciation	1,284,215	-
Professional services	139,257	-
Total Operating Expenses	<u>5,777,428</u>	<u>1,608,097</u>
Operating Income (Loss)	<u>(1,235,594)</u>	<u>202,370</u>
Nonoperating Revenues (Expenses):		
Interest income	65,770	-
Net Nonoperating Revenues (Expenses)	<u>65,770</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(1,169,824)</u>	<u>202,370</u>
Contributions:		
Capital contribution - Tap fees	2,281,496	-
Capital contribution - Utility plant	742,560	-
Total Contributions	<u>3,024,056</u>	<u>-</u>
Change in Net Position	1,854,232	202,370
Net Position - Beginning of Year	<u>48,078,751</u>	<u>685,457</u>
Net Position - End of Year	<u>\$49,932,983</u>	<u>\$887,827</u>
Change in Net Position as shown above	1,854,232	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(4,164)	
Change in Net Position of business -type activities	<u>\$1,850,068</u>	

See accompanying notes to financial statements.



**CITY OF MT. JULIET, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year Ended June 30, 2014**

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$4,469,859	-
Cash paid for personnel services	(842,811)	-
Cash paid to suppliers for goods and services	(3,528,360)	-
Cash paid for interfund administrative support services	(86,000)	-
Premiums received	-	1,802,808
Medical claims and administrative expenses paid	-	(1,675,080)
Net Cash Provided (Used) by Operating Activities	<u>12,688</u>	<u>127,728</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(787,646)	-
Contributions from customers	2,281,496	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,493,850</u>	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(13,072)	-
Interest received on investments	67,360	-
	<u>54,288</u>	<u>-</u>
Net Increase (Decrease) in Cash	1,560,826	127,728
Cash and Cash Equivalents, Beginning of Year	<u>6,960,803</u>	<u>869,207</u>
Cash and Cash Equivalents, End of Year	<u><u>\$8,521,629</u></u>	<u><u>996,935</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	(\$1,235,594)	202,370
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,284,214	-
(Increase) Decrease in:		
Accounts receivable	(71,975)	(7,659)
Prepaid expenses	429	-
Inventory	(2,129)	-
Increase (Decrease) in:		
Accounts payable	19,694	(66,983)
Accrued expenses	(52,251)	-
Other post-employment benefit obligation	70,300	-
Net cash provided by operating activities	<u>\$12,688</u>	<u>127,728</u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$742,560.

See accompanying notes to financial statements.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 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, 2014, 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

For the Year Ended June 30, 2014

### 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 *State Street Aid Fund* accounts for all revenue and expenditures from the City's share of state gasoline taxes. Tennessee state law requires these receipts be kept in a separate fund and used for the construction and maintenance of town streets and certain related street expenditures.

The *Emergency Services Fund* is used to account for the initial establishment and operation of the fire department.

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 *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

For the Year Ended June 30, 2014

### 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, 2014 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 \$108,859 which relates to the consolidation of the internal service fund activities.

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 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

For the Year Ended June 30, 2014

### 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

For the Year Ended June 30, 2014

### 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 ordinance, the highest level of decision making authority, the Board, set aside a financial stabilization reserve in the General Fund, in the amount of \$600,000. An ordinance is required to remove funds from the account. The stabilization amount is included in the restricted fund balance and net assets.

#### 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%
- Personal	30%

Public Utility Property	55%
Farm and Residential Property	25%

Taxes are levied at a rate of \$0.20 and \$0.20 per \$100 of assessed valuation for years 2013 and 2014. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,451,373 for the fiscal year ended June 30, 2014 were approximately 98% 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 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 \$1,475,495 which is net of an allowance for doubtful collections of \$8,439. Of this receivable \$1,444,392 represents the estimated net realizable 2014 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 \$1,483,934 with offsetting deferred inflows of resources for amounts not available at June 30, 2014. The additional taxes receivable of \$143,686 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, 2014 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

For the Year Ended June 30, 2014

### 2) DEPOSITS AND INVESTMENTS

#### Investments

At June 30, 2014 the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Weighted Average Days to Maturity</u>	<u>Average Credit Quality Rating</u>
Certificates of Deposit	\$ 1,048,763	435	N/A
Local Government Investment Pool	<u>389,510</u>	N/A	N/A
Total	1,438,273		
Liquid Investments (Cash Equivalents)	<u>389,510</u>		
	\$ <u>1,048,763</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, 2014, was as follows:

	<u>Beginning Balance *</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<b>Governmental activities</b>					
<u>Capital assets not being depreciated:</u>					
Land	\$ 2,131,826	839,143	-	-	2,970,969
Construction in progress	2,514,233	798,706	-	(1,696,604)	1,616,335
<u>Capital assets being depreciated:</u>					
Buildings and improvements	5,510,360	1,601,309	-	-	7,111,669
Improvements other than buildings	2,851,015	229,192	-	404,562	3,484,769
Machinery and equipment	4,737,929	3,979,365	(189,036)	1,292,042	9,820,300
Infrastructure	<u>34,608,922</u>	<u>204,413</u>	<u>-</u>	<u>-</u>	<u>34,813,335</u>
Total capital assets	\$ <u>52,354,285</u>	<u>7,652,128</u>	<u>(189,036)</u>	<u>-</u>	<u>59,817,377</u>
<u>Less accumulated depreciation for:</u>					
Buildings and other improvements	\$ 1,565,353	166,021	-	-	1,731,374
Improvements other than buildings	1,350,938	152,816	-	-	1,503,754
Machinery and equipment	3,437,712	572,952	(189,036)	-	3,821,628
Infrastructure	<u>4,805,515</u>	<u>1,157,286</u>	<u>-</u>	<u>-</u>	<u>5,962,801</u>
Total accumulated depreciation	<u>11,159,518</u>	<u>2,049,075</u>	<u>(189,036)</u>	<u>-</u>	<u>13,019,557</u>
Governmental activities capital assets, net	\$ <u>41,194,767</u>				<u>46,797,820</u>

During the year, the City accepted donated equipment and infrastructure in the amount of \$131,000.

\*As restated.



# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 3) CAPITAL ASSETS (Continued)

<b>Business-type activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,092,544	48,591	-	-	1,141,135
Construction in process	23,356	544,919	-	(134,243)	434,032
<u>Capital assets being depreciated:</u>					
Building	492,733	-	-	-	492,733
Collections System	54,259,464	936,696	-	134,243	55,330,403
Equipment	799,138	-	(29,291)	-	769,847
Total capital assets	\$ <u>56,667,235</u>	<u>1,530,206</u>	<u>(29,291)</u>	<u>-</u>	<u>58,168,150</u>
Less accumulated depreciation for:					
Collection System and building	\$ 15,451,535	1,231,145	-	-	16,682,680
Equipment	618,835	53,070	(29,291)	-	642,614
Total accumulated depreciation	<u>16,070,370</u>	<u>1,284,215</u>	<u>(29,291)</u>	<u>-</u>	<u>17,325,294</u>
Business-type activities capital assets, net	\$ <u>40,596,865</u>				<u>40,842,856</u>

Depreciation expense was charged to function/programs as of June 30, 2014, as follows:

Governmental activities:	
General government	\$ 46,890
Public safety	508,624
Street and public works	1,241,937
Stormwater	1,733
Recreational and culture	<u>249,891</u>
Total depreciation expense- governmental activities	\$ <u>2,049,075</u>
Business-type activities:	
Water and Sewer	\$ <u>1,284,215</u>

### 4) RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Accounts and taxes receivable at June 30, 2014 consisted of the following:

	<u>General Fund</u>	<u>Emergency Services Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Property taxes	\$ -	1,483,934	-	-	-	1,483,934
Beer/liquor taxes	95,690	-	-	-	-	95,690
Hotel/Motel tax	47,996	-	-	-	-	47,996
Other governments	2,726,454	-	118,862	115,109	-	2,960,425
Customer	-	-	-	-	655,975	655,975
Other	7,685	-	-	-	3,978	4,663
Allowance for- doubtful accounts	<u>-</u>	<u>(8,439)</u>	<u>-</u>	<u>-</u>	<u>(30,008)</u>	<u>(38,447)</u>
	\$ <u>2,877,825</u>	<u>1,475,495</u>	<u>118,862</u>	<u>115,109</u>	<u>629,945</u>	<u>5,217,236</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 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, 2014, the components of deferred inflows of resources were as follows:

	Government-wide <u>Statements</u>	Fund <u>Statements</u>
Unlevied property taxes (unavailable)	\$ 1,444,392	1,444,392
Delinquent property taxes (unavailable)	-	34,009
State and County shared taxes (unavailable)	<u>134,060</u>	<u>1,060,804</u>
	<u>\$ 1,578,452</u>	<u>2,539,205</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, 2014:

	Balance <u>07-01-13</u>	<u>Addition</u>	<u>Reductions</u>	Balance <u>06-30-14</u>	Current <u>Portion</u>
Governmental Activities					
Public Improvement Bonds	\$ 15,230,000	-	490,000	14,740,000	500,000
Capital Outlay Notes	880,000	1,142,319	220,000	1,802,319	497,154
Obligation to county school system	284,602	-	-	284,602	56,920
Capital lease	-	2,600,028	-	2,600,028	242,706
Net OPEB obligation	1,998,722	509,235	32,296	2,475,661	-
Compensated absences	<u>366,349</u>	<u>57,548</u>	<u>-</u>	<u>423,897</u>	<u>380,000</u>
Total Governmental Activities	\$18,759,673	<u>4,309,130</u>	<u>742,296</u>	22,326,507	<u>1,676,780</u>
Bond discounts/premiums	<u>(5,390)</u>	<u>952</u>	<u>1,027</u>	<u>(5,465)</u>	
	<u>18,754,283</u>			<u>22,321,042</u>	
Business-type Activities					
Net OPEB Obligation	\$ <u>331,204</u>	<u>75,060</u>	<u>4,760</u>	<u>401,504</u>	<u>-</u>
	<u>\$ 331,204</u>				

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

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

Long term bonds and notes at June 30, 2014 consisted of the following obligations:

<u>Governmental-type Activities</u>	<u>Balance June 30, 2014</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%.	\$ 5,370,000
\$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%.	9,370,000
\$1,100,000 Capital Outlay Notes due in annual installments through 2017 at an interest rate of 2.2%.	660,000
\$1,200,000 Capital Outlay Notes due in annual installments through 2018 at an imputed interest rate of 2%. Imputed discount	1,200,000 (57,681)
Obligation to County School System payable in annual installments beginning 2015 through 2019.	<u>284,602</u>
Total Governmental-type Activities	<u>\$ 16,826,921</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2014 are as follows:

<u>Governmental-type</u>					
<u>Fiscal Year</u>	<u>Public Improvement Bonds</u>	<u>Capital Notes</u>	<u>Obligation to County School System</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 500,000	497,154	56,920	613,415	1,667,489
2016	520,000	502,697	56,920	586,964	1,666,581
2017	535,000	508,351	56,920	559,388	1,659,659
2018	555,000	294,117	56,920	529,284	1,435,321
2019	575,000	-	56,922	503,199	1,135,121
2020-2024	3,160,000	-	-	2,181,938	5,341,938
2025-2029	3,925,000	-	-	1,496,108	5,421,108
2030-2034	<u>4,970,000</u>	<u>-</u>	<u>-</u>	<u>622,780</u>	<u>5,592,780</u>
	<u>\$ 14,740,000</u>	<u>1,802,319</u>	<u>284,602</u>	<u>7,093,076</u>	<u>23,919,997</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

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

The City entered into leases for the purchase of certain public safety fire equipment. The leases require repayment terms and have been accounted for as financing transactions. The City will have title to the assets by satisfying the minimum lease payments. The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Fire equipment	\$ 2,600,028
Less accumulated depreciation	<u>108,386</u>
	\$ <u>2,491,642</u>

The future minimum lease obligations and net present values of those payments are as follows:

	<u>Lease Payments</u>
2015	\$ 300,000
2015	300,000
2017	300,000
2018	300,000
2019	300,000
2020-2024	<u>1,500,000</u>
Less amount	3,000,000
representing interest	<u>(399,972)</u>
	\$ <u>2,600,028</u>

### 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/](http://www.tn.gov/treasury/tcrs/PS/).

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 6) PENSION PLAN, Continued

#### 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, 2014 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, 2014, Mt. Juliet's annual pension cost of \$806,691 to TCRS was equal to Mt. Juliet's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% 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.

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, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend information:

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/14	\$806,691	100.00%	-
6/30/13	731,636	100.00%	-
6/30/12	779,826	100.00%	-

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.72% funded. The actuarial accrued liability for benefits was \$10.24 million, and the actuarial value of assets was \$9.39 million resulting in an unfunded accrued liability (UAAL) of \$0.85 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.44 million, and the ratio of the UAAL to the covered payroll was 15.59%.

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.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 6) PENSION PLAN, Continued

#### Required Supplementary Information

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll
	<u>(a)</u>	<u>(b)</u>	<u>(b)-(a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
7/01/13	\$9,387	\$10,235	\$848	91.72%	\$5,436	15.59%
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%

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

### 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 \$940 and \$1,132 monthly per participant. Contributions by employees and retirees for medical coverage vary between \$66 and \$127 monthly for single coverage and between \$339 and \$460 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 \$5.00 for single coverage and \$53.40 for family coverage. The most recent actuarial valuation was July 1, 2012. The following reflects projections made by the City's actuary.

ARC	\$ 631,524
Increase due to interest	69,898
Amortization of prior year	
Net OPEB contribution	<u>(117,127)</u>
Annual OPEB cost	584,295
Amount of contribution*	<u>(37,056)</u>
Increase in OPEB Obligation	547,239
Net OPEB Obligation 7/1/13	<u>2,329,926</u>
Net OPEB Obligation 6/30/14**	<u>\$ 2,877,165</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 7) POST EMPLOYMENT HEALTHCARE PLAN, Continued

#### Funding Policy, Continued

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/14	\$ 584,295	6.34%	\$ 2,877,165
6/30/13	500,492	11.13%	2,329,926
6/30/12	453,411	12.2%	1,885,137

\*Based on expected contribution per study.

\*\*Governmental Activities - \$2,475,661; Business Activities - \$401,504

#### Required Supplementary Information

#### Funded Status and Funding Progress

Actuarial valuation date	7/1/09	7/1/10	7/1/12
Actuarial accrued liability (AAL)	\$ 3,632,044	2,516,208	3,144,802
Actuarial value of plan asset	-	-	-
Unfunded actuarial accrued liability	3,632,044	2,516,208	3,144,802
Actuarial value of assets as a % of AAL	-	-	-
Covered payroll	\$ 5,006,921	6,807,263	6,187,137
UAAL as a percentage of covered payroll	72.5%	37.0%	50.83%

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 an 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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 8) COMMITMENTS AND CONTINGENCIES, Continued

#### Metro Agreement, Continued

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 \$2,459,969 for sewer treatment and \$402,715 for connection charges under this agreement.

#### Contracts

All City construction projects were substantially complete at June 30, 2014.

#### 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.

#### 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 \$81,653 during 2014. Future lease obligations are as follows:

2015	\$ 64,706
2016	55,551
2017	34,971
2018	<u>10,793</u>
	<u>\$166,021</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, however the City is in litigation with the local school system regarding possible credits against the liability amount. No provision for those credits have been made in the financial statements.



# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 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 \$NEED 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.

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>
2012-2013	\$ 69,200	1,176,880	1,062,330	183,750
2013-2014	183,750	1,608,097	1,675,080	116,767

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, 2014 and 2013, the Board had an accumulated net position of \$497,961 and \$421,733 respectively. The net change in net position for fiscal year 2014 was \$76,228. 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, 2014. 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 and Capital Projects Fund. All interfund amounts were liquidated subsequent to year end.

<u>Receivable Fund</u>		<u>Payable Fund</u>	
State Street Aid Fund	\$ 7,632	General Fund	\$ 7,632
General Fund	<u>7,902</u>	Capital Projects Fund	<u>7,902</u>
	<u>\$15,534</u>		<u>\$15,334</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 11) INTERFUND TRANSACTIONS, Continued

Balances between activities in the government wide financial statements also include \$108,859 related to the consolidation of the internal service fund. During the year, the General Fund transferred \$310,000 to the Capital Project Fund and \$625,000 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.

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 following amendments were made to budgeted appropriations:

General Fund:	
Public Safety	\$ 592,049
Streets and Public Works	263,000
Recreation	210,473
City Hall Buildings	360,000
Other	<u>5,000</u>
	\$ <u>1,430,522</u>
Emergency	
Services Fund	\$ <u>3,136,628</u>
Capital Projects Fund	\$ <u>1,862,444</u>
Drug Fund	\$ <u>110,000</u>
Debt Service Fund	\$ <u>1,400</u>

Budget amendments primarily related to capital asset purchases.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2014

### 13) GASB STATEMENTS ADOPTED

For 2014, the City adopted GASB No. 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. This statement replaces the requirements of Statement No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The adoption of GASB 67 had no effect on the current year financial statements.

### 14) GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pensions. The requirements of statements are effective for the fiscal year beginning July 1, 2014.

### 15) RESTATEMENTS OF PRIOR PERIOD NET POSITION

During 2014, the City determined that errors had been made relating to the capitalization of assets in the previous year. The errors related primarily to the capitalization of donated infrastructure which were determined to be roads within a private gated community instead of public roads. As a result of the above, net position at July 1, 2013 has been restated as follows:

	Governmental Activities
Net position, beginning of year as previously reported	\$ 46,365,564
Reduction in capital assets net of accumulated depreciation- correction of error	(3,715,940)
Net position, beginning of year as restated	\$ <u>42,649,624</u>

The correction of error relates to the June 30, 2013 fiscal year and would have decreased the 2013 Change in Net Position by \$3,715,940.

### 16) RECLASSIFICATION

During 2014, the Emergency Services Fund evolved from a Capital Projects Fund to a Special Revenue Fund. The City, by ordinance, passed a fire services tax to be accounted for in the Emergency Services Fund. The tax is restricted to fund the construction, equipment and operation of the fire department. In early fiscal year 2014, the fire department began operations.

### 17) SUBSEQUENT EVENTS

Subsequent to year end City owned real surplus property sold for \$500,000. The proceeds will be used to pay on the Capital Outlay Notes related to the purchase of the police building.

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

**CITY OF MT. JULIET, TENNESSEE**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2014**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
<u>Assets</u>			
Cash and cash equivalents	\$190,954	85,173	276,127
Prepays	-	2,000	2,000
Total Assets	<u>190,954</u>	<u>87,173</u>	<u>278,127</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$7,956	1,736	9,692
Accrued liabilities	-	19,336	19,336
Total Liabilities	<u>7,956</u>	<u>21,072</u>	<u>29,028</u>
Fund Balances:			
Nonspendable - prepaids	-	2,000	2,000
Restricted	182,998	64,101	247,099
Total Fund Balance	<u>182,998</u>	<u>66,101</u>	<u>249,099</u>
Total Liabilities & Fund Balances	<u>\$190,954</u>	<u>87,173</u>	<u>278,127</u>

**CITY OF MT. JULIET, TENNESSEE**

**Combining Statement of Revenues, Expenditures & Changes in Fund Balance**

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
<u>Revenues</u>			
Interest	\$1,773	1,013	2,786
Licences and permits and fees	-	208,131	208,131
Drug related fines, seizures, and sales	113,573	-	113,573
Total Revenues	<u>115,346</u>	<u>209,144</u>	<u>324,490</u>
 <u>Expenditures</u>			
Stormwater:			
Current:			
Salaries	-	182,883	182,883
Employee benefits	-	82,265	82,265
Other	-	37,539	37,539
Capital outlay	-	24,265	24,265
Police:			
Current:			
Supplies and investigations	76,407	-	76,407
Capital outlay	98,274	-	98,274
 Total Expenditures	<u>174,681</u>	<u>326,952</u>	<u>501,633</u>
 Excess (Deficiency) of Revenues Over Expenditures	(59,335)	(117,808)	(177,143)
 Fund Balance, Beginning of Year	<u>242,333</u>	<u>183,909</u>	<u>426,242</u>
 Fund Balance, End of Year	<u>\$182,998</u>	<u>66,101</u>	<u>249,099</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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Other:				
Interest	\$1,500	1,500	1,773	273
Drug related fines, seizures and sales	50,000	50,000	113,573	63,573
Total Revenues	51,500	51,500	115,346	63,846
<u>Expenditures</u>				
Program costs	67,965	88,965	76,407	12,558
Capital outlay	24,000	113,000	98,274	14,726
Total Expenditures	91,965	201,965	174,681	27,284
Excess of Revenues Over Expenditures	(40,465)	(150,465)	(59,335)	91,130
Fund Balance, Beginning of Year	242,333	242,333	242,333	-
Fund Balance, End of Year	<u>\$201,868</u>	<u>91,868</u>	<u>182,998</u>	<u>91,130</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	
<u>Revenues</u>	<u>Original</u>	<u>Final</u>			
Interest	\$1,100	1,100	1,013	(87)	
Licenses and permits:					
Inspection and other fees	234,000	234,000	208,131	(25,869)	
Total Revenues	<u>235,100</u>	<u>235,100</u>	<u>209,144</u>	<u>(25,956)</u>	
<u>Expenditures</u>					
Street Maintenance					
Salaries	185,506	185,506	182,883	2,623	
Employee benefits	84,842	84,842	82,265	2,577	
Other	50,350	50,350	37,539	12,811	
Capital outlay	26,500	26,500	24,265	2,235	
Total Expenditures	<u>347,198</u>	<u>347,198</u>	<u>326,952</u>	<u>20,246</u>	
Excess of Revenues Over Expenditures	(112,098)	(112,098)	(117,808)	(5,710)	
Fund Balance, Beginning of Year	<u>183,909</u>	<u>183,909</u>	<u>183,909</u>	<u>-</u>	
Fund Balance, End of Year	<u>\$71,811</u>	<u>71,811</u>	<u>66,101</u>	<u>(5,710)</u>	



**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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental:				
Grants	\$15,438,000	15,438,000	152,137	(15,285,863)
Other:				
Interest	20,000	20,000	21,517	1,517
Total Revenues	<u>15,458,000</u>	<u>15,458,000</u>	<u>173,654</u>	<u>(15,284,346)</u>
<u>Expenditures</u>				
Public Safety				
Police				
Supplies	-	5,000	4,141	859
Capital outlay	-	1,603,444	1,533,793	69,651
Total Public Safety	<u>-</u>	<u>1,608,444</u>	<u>1,537,934</u>	<u>70,510</u>
Streets and Public Works				
Repairs and maintenance	250,000	250,000	228,982	21,018
Capital outlay	<u>22,189,400</u>	<u>22,443,400</u>	<u>675,849</u>	<u>21,767,551</u>
Total Streets and Public Works	<u>22,439,400</u>	<u>22,693,400</u>	<u>904,831</u>	<u>21,788,569</u>
 Total Expenditures	<u>22,439,400</u>	<u>24,301,844</u>	<u>2,442,765</u>	<u>21,859,079</u>
 Excess of Revenues Over Expenditures	(6,981,400)	(8,843,844)	(2,269,111)	6,574,733
 Other Financing Sources (Uses)				
Note proceeds	-	1,200,000	1,142,319	(57,681)
Operating transfer in	<u>3,460,000</u>	<u>4,107,844</u>	<u>310,000</u>	<u>(3,797,844)</u>
Total other Financing Sources (Uses)	<u>3,460,000</u>	<u>5,307,844</u>	<u>1,452,319</u>	<u>(3,855,525)</u>
 Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(3,521,400)	(3,536,000)	(816,792)	2,719,208
 Fund Balance, Beginning of Year	<u>3,595,010</u>	<u>3,595,010</u>	<u>3,595,010</u>	<u>-</u>
 Fund Balance, End of Year	<u>\$73,610</u>	<u>59,010</u>	<u>2,778,218</u>	<u>2,719,208</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>	
<u>Revenues</u>	<u>Original</u>	<u>Final</u>			
Other:					
Interest	\$2,000	2,000	1,465	(535)	
Impact fees	503,110	503,110	723,086	219,976	
Total Revenues	<u>505,110</u>	<u>505,110</u>	<u>724,551</u>	<u>219,441</u>	
<u>Expenditures</u>					
Debt Service					
Principal	710,000	710,000	710,000	-	
Interest	610,111	611,511	611,481	30	
Total Expenditures	<u>1,320,111</u>	<u>1,321,511</u>	<u>1,321,481</u>	<u>30</u>	
Excess of Revenues Over Expenditures	(815,001)	(816,401)	(596,930)	219,471	
Other Financing Sources (Uses)					
Operating transfer in	816,000	816,000	625,000	(191,000)	
Total other Financing Sources (Uses)	<u>816,000</u>	<u>816,000</u>	<u>625,000</u>	<u>(191,000)</u>	
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>999</u>	<u>(401)</u>	<u>28,070</u>	<u>28,471</u>	
Fund Balance, Beginning of Year	<u>114,785</u>	<u>114,785</u>	<u>114,785</u>	<u>-</u>	
Fund Balance, End of Year	<u><u>\$115,784</u></u>	<u><u>114,384</u></u>	<u><u>142,855</u></u>	<u><u>28,471</u></u>	

**CITY OF MT. JULIET, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds**

**Schedule By Function and Activity**

**June 30, 2014**

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$568,607	1,024,863	339,585	-	-	1,933,055
Public safety:						
Police	379,000	2,822,986	3,867,215	-	-	7,069,201
Fire	251,425	1,522,523	3,548,497	-	-	5,322,445
Streets and Public Works	1,067,508	697,640	1,307,255	34,290,346	1,551,119	38,913,868
Stormwater	-	-	74,802	-	-	74,802
Parks	704,429	4,528,426	682,946	522,989	65,216	6,504,006
Total governmental funds capital assets	<u>\$2,970,969</u>	<u>10,596,438</u>	<u>9,820,300</u>	<u>34,813,335</u>	<u>1,616,335</u>	<u>59,817,377</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, 2014**

Function and Activity	Balance June 30, 2013 *	Additions	Transfers & Deletions	Balance June 30, 2014
General Government	\$1,549,497	383,558		1,933,055
Public safety:				
Police	4,919,601	2,310,465	(160,865)	7,069,201
Fire	1,988,292	3,334,153	-	5,322,445
Streets and Public Works	37,572,501	1,362,338	(20,971)	38,913,868
Stormwater	50,537	24,265	-	74,802
Parks	6,273,857	237,349	(7,200)	6,504,006
Total governmental funds capital assets	<u>\$52,354,285</u>	<u>7,652,128</u>	<u>(189,036)</u>	<u>59,817,377</u>

\* As restated

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Cash and Cash Equivalents**

**All Funds**

**June 30, 2014**

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Passbook and checking accounts	-	\$12,715,588
Petty Cash	-	1,654
Total General Fund		<u>12,717,242</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	2,682,413
Total Capital Projects Fund		<u>2,682,413</u>
Debt Service Fund		
Passbook and checking accounts	-	<u>142,855</u>
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>2,087,068</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	389,510
Passbook and checking accounts	-	1,256,244
Total State Street Aid Fund		<u>1,645,754</u>
Drug Fund:		
Cash on hand	-	3,814
Passbook and checking accounts	-	187,140
Total Drug Fund		<u>190,954</u>
Storm Water:		
Checking accounts	-	<u>85,173</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	700
Passbook and checking accounts	-	8,520,929
Total Sewer Enterprise Fund		<u>8,521,629</u>
Internal Service Fund		
Passbook and checking accounts	-	<u>996,935</u>
Total		<u>\$29,070,023</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**For the Year Ended June 30, 2014**

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>	<u>Taxes Receivable June 30, 2013</u>	<u>Levy</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2014</u>
2013	\$0.20	\$742,716,000	\$1,485,432	\$ -	1,485,432	1,451,373	34,059
2012	* 0.20	708,757,810	1,416,493	36,537		33,430	3,107
2011	* 0.20	681,578,500	1,363,157	8,023	-	5,647	2,376
				<u>\$44,560</u>	<u>1,485,432</u>	<u>1,490,450</u>	<u>39,542</u>
** 2014 Levy							1,444,392
Property taxes receivable per the Governmental Funds Financial Statements							1,483,934
Allowance for uncollectibles							(\$8,439)
Property taxes receivable per the Government Wide Financial Statement s							<u>\$1,475,495</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, 2014**

Fiscal Year	Public Improvement Bonds		Public Improvement Refunding Bonds		Capital Outlay Notes		Obligation to County School System	Total
	Principal	Interest	Principal	Interest	Principal	Interest		
2015	\$150,000	373,872	350,000	202,177	497,154	37,366	56,920	1,667,489
2016	150,000	368,998	370,000	190,803	502,697	27,163	56,920	1,666,581
2017	155,000	364,122	380,000	178,777	508,351	16,489	56,920	1,659,659
2018	155,000	357,923	400,000	165,478	294,117	5,883	56,920	1,435,321
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	<u>\$9,370,000</u>	<u>5,537,205</u>	<u>5,370,000</u>	<u>1,468,970</u>	<u>1,802,319</u>	<u>86,901</u>	<u>284,602</u>	<u>23,919,997</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2014

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Expenditures</u>
16.607	Bullet Proof Vest Grant	US Department of Justice	\$5,585
16.611	Organized Crime Drug Enforcement	US Department of Justice	82,127
20.205	Highway Infrastructure Investmrnt Grant	US Department of Transportation	151,309
20.205	Traffic Signal Preemptive Program	US Department of Transportation	11,677
20.205	Greenway Grant	US Department of Transportation	838
			<u>\$251,536</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, 2014**

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

CFDA Number	Grant Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/13	Cash Receipts	Program Income	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/14
16.607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice	(\$4,310)	6,428	-	-	5,585	(3,467)
16.611	N/A	Organized Crime Drug Enforcement	U. S. Department of Justice	-	59,681	-	-	82,127	(22,446)
16.611	N/A	Equitable Sharing	U. S. Department of Justice	-	5,113	75	9,419	-	14,607
20.205	95LPLM-F2-014	Highway Infrastructure Investmrnt Grant	US Department of Transportation	(43,988)	76,436	-	-	151,309	(118,861)
20.205	95015-2221-94	Traffic Signal Preemptive Program	US Department of Transportation	-	7,902	-	-	11,677	(3,775)
20.205	CMAQ2011	Greenway Grant	US Department of Transportation	-	838	-	-	838	-
				<u>(\$48,298)</u>	<u>156,398</u>	<u>75</u>	<u>9,419</u>	<u>251,536</u>	<u>(133,942)</u>

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, 2014**

<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)	\$19,102,195
EDP Equipment/Media	\$476,000
Mobile Equipment	\$819,264
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
Property in course of construction	\$500,000
Demolition/Debris removal/Consequential loss/Leasehold interest	\$500,000 each
Accounts receivable/Valuable records	\$250,000 each
Crime Limits	
Employee Dishonesty	
Forgery	\$250,000
Theft, Disappearance and Destruction	\$250,000
Computer Fraud	\$250,000
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, 2014**

Position

Annual Salary

Elected Officials:

Mayor Ed Hagerty	\$1,000/monthly
Vice Mayor James Maness	\$950/monthly
Commissioner Art Giles	\$950/monthly
Commisioner Ray Justice	\$950/monthly
Commissioner James Bradshaw	\$950/monthly

Employees:

City Manager, Kenneth Martin
Finance Director, John T. Rossmaier
City Recorder, Sheila S. Lockett
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**

**June 30, 2014**

	<u>Commercial</u>	<u>Outside City Commercial</u>	<u>Inside City Residential</u>	<u>Outside City Residential</u>
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$17.10	\$21.25	\$12.12	\$15.01
Each additional 1,000 gallons	\$8.27	\$10.21	\$5.94	\$7.30
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				
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				9,680

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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## **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's, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2014.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses. (14-01)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 also noted certain other matters that were reported to management in a separate letter dated November 13, 2014.

Honorable Mayor and Board of Commissioners  
Mt. Juliet, Tennessee

**City of Mt Juliet, Tennessee's Response to Findings**

City of Mt. Juliet's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Mt. Juliet, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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.



November 13, 2014

## City of Mt. Juliet, Tennessee

### Schedule of Findings and Responses

June 30, 2014

- 14-01 During the year, the City determined that certain infrastructure, capitalized in the prior year as City roads, were private roads within a gated community. This error was caused by weaknesses in procedures in designating and classifying donated infrastructure and resulted in a prior period adjustment.

Recommendation: We recommend that all donated infrastructure be subjected to a review process involving planning and public works departments to assure proper classification.

Response: The City requires that all developers build all subdivision roads to City standards whether they will be contributed to the City or remain the property of the home owners associations. Roads may exceed City standards but may not fall short of them. Therefore the inspectors apply the same standards in conducting their inspections and determining whether the roads meet the required standards to all roads according to their proposed use. The inspectors file the same reports and apply the same care to roads that are to become City property and those that will not. The former assistant Public Works Director was long in experience and so integrated into the process that he was simply aware which roads were to be contributed to the City and which were not. Roads that met the standards but were not to become City property were simply closed files when they were certified to meet the standard and the process ended with the assistant director. At termination of the director's employment, this knowledge was not documented and the remaining staff submitted all roads certified to meet the standard to be accepted as City property being unaware of any differentiation.

Going forward, each road construction file controlling the inspection history will be clearly marked to differentiate between roads that are to become City Property and those that are not. Therefore the knowledge will be available to any city employee handling the file rather than being limited to the memory recall of a single employee.