

**CITY OF MT. JULIET, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2007

# CITY OF MT. JULIET, TENNESSEE

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Mt. Juliet's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee at June 30, 2007, and the respective changes in financial position and cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007 on our consideration of the City of Mt. Juliet's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages ii-ix, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Juliet's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, pages 28-33 and Financial Schedules, pages 35-45, as listed in the Table of Contents are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, and the Financial Schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are stated fairly, in all material respects, in relation to the basic financial statements taken as a whole.

*Yeary Howell & Associates*

November 5, 2007

## **CITY OF MT. JULIET, TENNESSEE**

### **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, 2007. 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.

#### **FINANCIAL HIGHLIGHTS:**

The assets of the City of Mt. Juliet exceeded its liabilities at the close of the most recent fiscal year by \$39.6 million. Of this amount, \$7.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This represents a decrease in unrestricted net assets value vs. the prior year of \$900 thousand dollars.

At the close of FY06-07, the City's governmental funds reported combined ending fund balances of \$3.4 million, an increase of \$506 thousand in comparison to the prior year. The City continued to incur spending on capital projects – related to the acquisition of right-of-way and construction of new roads and the ongoing build-out of the City's sewer collection system.

At the end of FY06-07, the fund balance of the General Fund was \$1.8 million, approximately \$121,000 of which was being held in reserve for future road and park projects. The balance of \$1.7 million represented approximately 14% of annual recurring expenses including capital projects.

The City made principal payments of \$805,000 on previously issued bonds in FY06-07. The City currently has three outstanding bond issues in the Governmental Activities, with amortization schedules running to 2010, 2023, and 2026 respectively. There are two Business Type bond issues with amortization schedules running out to 2008 and 2013. Scheduled principal payments on the Governmental Activities Bonds have been structured such that the City's debt service requirements for each year remain level at about \$600,000 over the next 20 years. The debt service requirements for the Business Type Activities are approximately \$620,000 for 2007 and 2008. From 2009 thru 2013, the Business Type Activities debt service requirement falls to approximately \$200,000 per year. All Governmental Activities bond proceeds have been utilized for the construction of parks and roads. All Business Type bond proceeds have been utilized for the expansion and build-out of the sewer collection system.

## **OVERVIEW OF THE FINANCIAL STATEMENTS:**

This discussion and analysis is intended to serve as an introduction to the City of Mt. Juliet's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mt. Juliet include general government, park, police, planning, streets, and public works. The business-type activities of the City include the operations of its sewer collection system.

The government-wide financial statements can be found on pages 1-2 of this report. Following the government-wide financial statements are Fund Financial Statements discussed below, which provide more detail on financial activities by fund.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Mt. Juliet, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between funds and governmental activities.

The City maintains six individual governmental funds (General Fund, Capital Projects Fund, Debt Service Fund, Drug Fund, State Street Aid Fund, and Stormwater Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Expenditures Fund, and Debt Service Fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mt. Juliet adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 - 10 of this report.

Proprietary Funds. The City of Mt. Juliet maintains one type of proprietary fund. It uses an enterprise fund to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of its sewer collection system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 10 -13 of this report.

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 can be found on pages 14-27 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 28-33 of this report. Financial Schedules can be found on pages 35-45 of this report

## **FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS**

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mt. Juliet, assets exceeded liabilities by \$39 million at the close of FY06-07, the most recently completed fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding, plus unspent bond proceeds on hand. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt, it should be noted that the cash flows needed to repay this debt must be provided from other sources, since, with few exceptions, the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mt. Juliet Net Assets**

|                             | Governmental |             | Business Type |              |              |              |
|-----------------------------|--------------|-------------|---------------|--------------|--------------|--------------|
|                             | Activities   |             | Activities    |              | Total        | Total        |
|                             | 2007         | 2006        | 2007          | 2006         | 2007         | 2006         |
| Current and Other Assets    | \$4,701,754  | \$4,164,738 | \$6,671,025   | \$7,554,953  | \$11,372,779 | \$11,719,691 |
| Capital Assets              | 12,794,818   | 9,186,863   | 26,370,090    | 22,555,539   | 39,164,908   | 31,742,402   |
| Total Assets                | 17,496,572   | 13,351,601  | 33,041,115    | 30,110,492   | 50,537,687   | 43,462,093   |
| Long term Liabilities       |              |             |               |              |              |              |
| Outstanding                 | 7,143,250    | 7,304,952   | 848,295       | 1,391,590    | 7,991,545    | 8,696,542    |
| Other Liabilities           | 1,188,831    | 1,315,340   | 1,682,121     | 1,597,747    | 2,870,952    | 2,913,087    |
| Total Liabilities           | 8,332,081    | 8,620,292   | 2,530,416     | 2,989,337    | 10,862,497   | 11,609,629   |
| Net Assets:                 |              |             |               |              |              |              |
| Invested in Capital Assets, |              |             |               |              |              |              |
| net of related debt         | 5,576,929    | 1,705,329   | 24,965,340    | 20,635,373   | 30,542,269   | 22,340,702   |
| Restricted                  | 1,735,848    | 1,560,863   |               |              | 1,735,848    | 1,560,863    |
| Unrestricted                | 1,851,714    | 1,465,117   | 5,545,359     | 6,887,526    | 7,397,073    | 8,352,643    |
| Total Net Assets            | \$9,164,491  | \$4,731,309 | \$30,510,699  | \$27,522,899 | \$39,675,190 | \$32,254,208 |

## FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

### CITY OF MT. JULIET NET ASSETS

Net Capital Assets of the City in Governmental activities increased from \$9.1 million to \$12.8 million in FY06-07.

Net Capital Assets of the City in Business-type activities increased from \$22.5 million to \$26.4 million in FY-06-07

#### Governmental Activities

Governmental activities increased the City's net assets by \$4.4 million. The City has consistently appropriated and spent less in ongoing operations than it receives in ongoing revenues. The excess in revenue has historically been invested in and increased the value of the City's net assets. We expect this trend to continue in the future and to be evident once again in next year's financial report.

#### Business-Type Activities

Business-type activities increased the City's net assets by \$3.0 million. The most significant component of this increase were payments of tap & capacity fees and additions to the collection system built by the City as well as additions built by developers and dedicated to the City.

**City of Mt. Juliet Changes in Net Assets**

|  | Governmental Activities |                  | Business Type Activities |                  | Total             | Total             |
|--|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
|  | 2007                    | 2006             | 2007                     | 2006             | 2007              | 2006              |
| <b>Revenues:</b>                         |                         |                  |                          |                  |                   |                   |
| Program Revenues:                        |                         |                  |                          |                  |                   |                   |
| Charges for Services                     |                         |                  |                          |                  |                   |                   |
| Charges for Services                     | \$3,562,295             | \$3,045,095      | \$3,223,841              | \$3,003,421      | \$6,786,136       | \$6,048,516       |
| Operating Grants and Contributions       | 719,931                 | 586,668          |                          | 2,000            | 719,931           | 588,668           |
| Capital Grants and Contributions         | 3,215,447               | 370,303          | 3,261,234                | 4,293,856        | 6,476,681         | 4,664,159         |
| General Revenues                         |                         |                  |                          |                  |                   |                   |
| Sales Taxes                              | 3,797,465               | 2,335,478        |                          |                  | 3,797,465         | 2,335,478         |
| Other Locally Assessed Taxes             | 1,238,302               | 1,083,102        |                          |                  | 1,238,302         | 1,083,102         |
| Other State Shared Taxes                 | 1,736,744               | 1,294,906        |                          |                  | 1,736,744         | 1,294,906         |
| Investment Earnings & Rental Income      | 158,585                 | 115,549          | 181,512                  | 131,308          | 340,097           | 246,857           |
| Other                                    | 22,231                  | 24,699           |                          |                  | 22,231            | 24,699            |
| <b>Total Revenues</b>                    | <b>14,451,000</b>       | <b>8,855,800</b> | <b>6,666,587</b>         | <b>7,430,585</b> | <b>21,117,587</b> | <b>16,286,385</b> |
| <b>Expenses:</b>                         |                         |                  |                          |                  |                   |                   |
| General Government                       |                         |                  |                          |                  |                   |                   |
| Public safety                            | 2,180,160               | 1,773,792        |                          |                  | 2,180,160         | 1,773,792         |
| Recreation and Culture                   | 3,428,345               | 2,587,871        |                          |                  | 3,428,345         | 2,587,871         |
| Streets and Public Works                 | 885,727                 | 809,225          |                          |                  | 885,727           | 809,225           |
| Stormwater                               | 3,036,764               | 3,868,353        |                          |                  | 3,036,764         | 3,868,353         |
| Interest on Debt                         | 176,591                 | 168,996          |                          |                  | 176,591           | 168,996           |
| Sewer                                    | 310,231                 | 224,510          |                          |                  | 310,231           | 224,510           |
|  |                         |                  | 3,678,787                | 3,249,121        | 3,678,787         | 3,249,121         |
| <b>Total Expenses</b>                    | <b>10,017,818</b>       | <b>9,432,747</b> | <b>3,678,787</b>         | <b>3,249,121</b> | <b>13,696,605</b> | <b>12,681,868</b> |
| <b>Increase (Decrease) In Net Assets</b> |                         |                  |                          |                  |                   |                   |
| Net Assets Beginning of Year             | 4,433,182               | (576,947)        | 2,987,800                | 4,181,464        | 7,420,982         | 3,604,517         |
| Net Assets End of Year                   | 4,731,309               | 5,308,256        | 27,522,899               | 23,341,435       | 32,254,208        | 28,649,691        |

### Governmental Funds

The primary focus of the City of Mt. Juliet's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. The information is useful in assessing the City's financing requirements. The unreserved fund balance is a measure of the government's net resources that are available for spending at the end of the fiscal year.

As of the end of the current year, the city's governmental funds reported combined ending fund balances of \$3.4 million, an increase of \$500,000. The general fund unreserved balance at the end of the fiscal year was \$1.7 million out of a total general fund balance of \$1.8 million. The City estimates that it will continue spending on major road, transportation, and infrastructure projects in the new fiscal year and may increase and incur additional debt to finance the major road projects.

The City's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

### GENERAL FUND BUDGETARY HIGHLIGHTS (see pages 7-10)

The City's General Fund collected \$524,000 more in revenue than forecast at the time of the adoption of the original budget, however it is important to note that total Local Sales Taxes collected were lower than forecasted by \$1.1 million. The major decrease in Local Sales Taxes was primarily attributable to a major retail mall which opened later than anticipated in the fiscal year.

For expenditures in the General Fund there was a favorable variance of \$960,000 prior to transfers to other funds. In the fiscal year ended June 30, 2007 the City established a Capital Projects Fund to account and record expenditures for capital related projects discussed below and a Debt Service Fund to account for Required Interest and Principal Obligations formally recorded in the General Fund. Transfers from the General Fund to the Capital Projects Fund had a favorable variance of \$1.2 million primarily due to reduced actual expenditures vs. final budgeted expenditures on Streets and Public Works in the Capital Projects Fund

### CAPITAL PROJECTS FUND: (See Page 35)

As mentioned above during the fiscal year ended June 30, 2007 the City established a Capital Projects Fund to record and monitor expenditures on Capital Projects. The primary financing source of the Capital Projects Fund is transfers in from the General Fund. Expenditures of the Capital Projects Fund showed a favorable variance of \$1.2 million as noted due primarily to reduced actual expenditures vs. final budgeted

million as noted due primarily to reduced actual expenditures vs. final budgeted expenditures in Streets and Public Works. The City anticipates that there will be major expenditures in the new fiscal year for road and infrastructure projects in the Capital Projects Fund.

## **CAPITAL ASSET AND DEBT ADMINISTRATION (pages 16-19)**

### Capital Assets

The City of Mt. Juliet's investments in capital assets from its governmental and business-type activities at June 30, 2007 amounts to \$31.7 million (net of accumulated depreciated). This investment in capital assets is in land, buildings, improvements, machinery and equipment, park facilities, road and highways. The total increase in the City's investment in capital assets for the current fiscal year was 10.2% (a 12.4% increase for governmental activities and a 9.4% increase in business-type activities).

Major capital asset events during the FY06-07 fiscal year included the following:

#### Governmental Type Activities:

|  |                     |
|--|---------------------|
| Road and Park Projects                 | \$ 2,158,000        |
| Buildings and Other Improvements       | \$ 68,000           |
| Equipment and Transportation Purchases | \$ 481,000          |
| Donated Infrastructure                 | \$ 1,610,000        |
| Total Governmental Activities          | <u>\$ 4,317,000</u> |

#### City of Mt. Juliet's Capital Assets:

|                          | Governmental Activities |                    | Business Type Activities |                     | Total<br>2007       | Total<br>2006       |
|--------------------------|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
|                          | 2007                    | 2006               | 2007                     | 2006                |                     |                     |
| Land                     | \$1,115,347             | \$1,115,347        | \$981,244                | \$931,318           | \$2,096,591         | \$2,046,665         |
| Bldgs and Improvements   | 2,891,235               | 2,891,235          | 379,089                  | 292,069             | 3,270,324           | 3,183,304           |
| Improv Other than Bldgs  | 2,270,197               | 2,202,239          |                          |                     | 2,270,197           | 2,202,239           |
| Machinery and Equipment  | 2,585,272               | 2,107,709          | 922,441                  | 831,073             | 3,507,713           | 2,938,782           |
| Construction In Progress | 1,318,141               | 160,001            | 2,164,790                | 11,394              | 3,482,931           | 171,395             |
| Collection System        |                         |                    | 31,288,196               | 29,052,553          | 31,288,196          | 29,052,553          |
| Infrastructure           | 6,374,038               | 3,763,246          |                          |                     | 6,374,038           | 3,763,246           |
| Total Cost               | 16,554,230              | 12,239,777         | 35,735,760               | 31,118,407          | 52,289,990          | 43,358,184          |
| Less Acc Depr            | 3,759,412               | 3,053,094          | 9,365,670                | 8,562,868           | 13,125,082          | 11,615,962          |
| Net Capital Assets       | <u>\$12,794,818</u>     | <u>\$9,186,683</u> | <u>\$26,370,090</u>      | <u>\$22,555,539</u> | <u>\$39,164,908</u> | <u>\$31,742,222</u> |

Additional information on the City of Mt. Juliet's capital assets can be found in the notes to the financial statements section of this report.

#### Long-Term Debt

At the end of the current fiscal year, the City of Mt. Juliet had bonded debt outstanding of \$8.7 million.

The City of Mt. Juliet's total debt decreased by \$805,000 during the current fiscal year, due to principal payments on previously issued bonds.

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Mt. Juliet's debt can be found in the notes to the financial section of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There is no unemployment rate data available for the City of Mt. Juliet. The unemployment rate for Wilson County in June, 2007 was 3.6 % compared to the State unemployment rate of 4.4% and the national rate of 4.7%.

In the 2007-2008 budget, General fund revenues are forecast to increase by 5.5% from the 2006-2007 budget. Recurring revenue due to retail activity is forecast to increase modestly in the 2007-2008 fiscal year. As discussed above Local Sales Taxes Collected were \$1.1 million less than budgeted in 2006-2007. The 2007-2008 budget for Local taxes is more realistic with current retail sales environment and expected local option sales tax collections.

All of these factors were considered in preparing the City's budget for the 2007-2008 fiscal year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Mt. Juliet's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
City of Mt. Juliet  
PO Box 256  
Mt. Juliet, TN 37122

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Assets**

**June 30, 2007**

|  | Primary Government<br>Governmental<br>Activities | Business-type<br>Activities | Total<br>Primary<br>Government |
|--|--|-----------------------------|--------------------------------|
| <b>Assets</b>                                      |  |                             |                                |
| Cash and cash equivalents                          | \$3,086,857                                      | 3,003,176                   | 6,090,033                      |
| Receivables (net):                                 |  |                             |                                |
| Taxes  | 39,416   | -                           | 39,416                         |
| Due from other governments                         | 1,107,253  | -                           | 1,107,253                      |
| Internal balances                                  | (146)  | 146                         | -                              |
| Grant receivable                                   | 283,141  | -                           | 283,141                        |
| Interest receivable                                | 61   | 16,447                      | 16,508                         |
| Accounts receivable                                | -  | 392,983                     | 392,983                        |
| Inventories  |  |                             |                                |
| Restricted cash - construction                     | 121,335  | 3,138,846                   | 3,260,181                      |
| Prepaid expenses                                   | 38,319   | 3,131                       | 41,450                         |
| Bond issue costs, net                              | 25,518   | 5,545                       | 31,063                         |
| Capital assets, net of accumulated depreciation    | 10,361,330                                       | 23,224,056                  | 33,585,386                     |
| Land and construction in progress - nondepreciable | 2,433,488  | 3,146,034                   | 5,579,522                      |
|  |  |                             |                                |
| <b>Total Assets</b>                                | <b>\$17,496,572</b>                              | <b>33,041,115</b>           | <b>50,537,687</b>              |
| <b>Liabilities</b>                                 |  |                             |                                |
| Accounts payable                                   | \$261,517  | 372,254                     | 633,771                        |
| Accrued liabilities                                | 452,033  | 46,738                      | 498,771                        |
| Accrued interest                                   | 25,114   | 13,345                      | 38,459                         |
| Contracts payable                                  | -  | 625,786                     | 625,786                        |
| Deferred revenue                                   | 8,467  | -                           | 8,467                          |
| Deferred capital contribution                      | -  | 56,250                      | 56,250                         |
| Customer deposits                                  | -  | 5,748                       | 5,748                          |
| Long-term liabilities due within one year          | 441,700  | 562,000                     | 1,003,700                      |
| Long-term liabilities due in more than one year    | 7,143,250  | 848,295                     | 7,991,545                      |
|  |  |                             |                                |
| <b>Total Liabilities</b>                           | <b>8,332,081</b>                                 | <b>2,530,416</b>            | <b>10,862,497</b>              |
| <b>Net Assets</b>                                  |  |                             |                                |
| Investment in capital assets, net of related debt  | 5,576,929  | 24,965,340                  | 30,542,269                     |
| Restricted for:                                    |  |                             |                                |
| Debt service                                       | 185,455  | -                           | 185,455                        |
| Capital projects                                   | 60,395   | -                           | 60,395                         |
| Street maintenance                                 | 1,003,942  | -                           | 1,003,942                      |
| Stormwater maintenance                             | 281,807  | -                           | 281,807                        |
| Law enforcement                                    | 82,914   | -                           | 82,914                         |
| Road and park projects                             | 121,335  | -                           | 121,335                        |
| Unrestricted                                       | 1,851,714  | 5,545,359                   | 7,397,073                      |
|  |  |                             |                                |
| <b>Total Net Assets</b>                            | <b>\$9,164,491</b>                               | <b>30,510,699</b>           | <b>39,675,190</b>              |

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

| Functions / Programs:                              | Expenses                   | Program Revenues        |                                    |                                  | Net (Expenses) Revenue and Changes in Net Assets |   |                          |
|--|----------------------------|-------------------------|------------------------------------|----------------------------------|--|---|--------------------------|
|  |                            | Charges for Services    | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                          | Primary Government Business-type Activities | Total                    |
| <b>Primary Government:</b>                         |                            |                         |                                    |                                  |  |   |                          |
| Governmental Activities:                           |                            |                         |                                    |                                  |  |   |                          |
| General government                                 | \$2,180,160                | 787,050                 | -                                  | -                                | (1,393,110)                                      | -   | (1,393,110)              |
| 3,428,345  | 1,379,867                  | 75,711                  | -                                  | -                                | (1,972,767)                                      | -   | (1,972,767)              |
| 885,727  | 113,585                    | -                       | -                                  | -                                | (772,142)  | -   | (772,142)                |
| Recreation and Culture                             | 3,036,764                  | 1,000,296               | 644,220                            | 3,215,447                        | 1,823,199  | -   | 1,823,199                |
| Streets and public works                           | 176,591                    | 281,497                 | -                                  | -                                | 104,906  | -   | 104,906                  |
| Stormwater   | 310,232                    | -                       | -                                  | -                                | (310,232)  | -   | (310,232)                |
| Interest on debt                                   | <u>10,017,818</u>          | <u>3,562,295</u>        | <u>719,931</u>                     | <u>3,215,447</u>                 | <u>(2,520,145)</u>                               | <u>-</u>                                    | <u>(2,520,145)</u>       |
| Total Government Activities                        | <u>3,678,787</u>           | <u>3,223,841</u>        | <u>-</u>                           | <u>3,261,234</u>                 | <u>-</u>   | <u>2,806,288</u>                            | <u>2,806,288</u>         |
| <b>Business-type Activities:</b>                   |                            |                         |                                    |                                  |  |   |                          |
| Sewer  | <u>3,678,787</u>           | <u>3,223,841</u>        | <u>-</u>                           | <u>3,261,234</u>                 | <u>-</u>   | <u>2,806,288</u>                            | <u>2,806,288</u>         |
| Total Business-type Activities                     | <u><u>\$13,696,605</u></u> | <u><u>6,786,136</u></u> | <u><u>719,931</u></u>              | <u><u>6,476,681</u></u>          | <u><u>(2,520,145)</u></u>                        | <u><u>2,806,288</u></u>                     | <u><u>286,143</u></u>    |
| <b>Total Primary Government</b>                    |                            |                         |                                    |                                  |  |   |                          |
| <b>General Revenues:</b>                           |                            |                         |                                    |                                  |  |   |                          |
| Sales taxes  |                            |                         |                                    |                                  | \$3,797,465                                      | -   | 3,797,465                |
| Unrestricted other locally assessed taxes          |                            |                         |                                    |                                  | 1,238,302  | -   | 1,238,302                |
| Unrestricted other state shared taxes              |                            |                         |                                    |                                  | 1,736,744  | -   | 1,736,744                |
| Unrestricted investment earnings and rental income |                            |                         |                                    |                                  | 158,585  | 181,512                                     | 340,097                  |
| Other  |                            |                         |                                    |                                  | 22,231   | -   | 22,231                   |
| Total general revenues                             |                            |                         |                                    |                                  | <u>6,953,327</u>                                 | <u>181,512</u>                              | <u>7,134,839</u>         |
| Change in net assets                               |                            |                         |                                    |                                  | <u>4,433,182</u>                                 | <u>2,987,800</u>                            | <u>7,420,982</u>         |
| Net assets - beginning of year                     |                            |                         |                                    |                                  | <u>4,731,309</u>                                 | <u>27,522,899</u>                           | <u>32,254,208</u>        |
| Net assets - end of year                           |                            |                         |                                    |                                  | <u><u>\$9,164,491</u></u>                        | <u><u>30,510,699</u></u>                    | <u><u>39,675,190</u></u> |

See accompanying notes to financial statements

**CITY OF MT. JULIET, TENNESSEE**

**Balance Sheet**  
**Governmental Funds**

**June 30, 2007**

| <u>Assets</u>                                  | General<br>Fund    | Capital<br>Projects<br>Fund | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|-----------------------------|-------------------------|--------------------------------|--------------------------------|
| Cash   | \$1,258,327        | -                           | 410,050                 | 1,418,480                      | 3,086,857                      |
| Cash - restricted - construction               | 121,335            | -                           | -                       | -                              | 121,335                        |
| Receivables (net)                              |                    |                             |                         |                                |                                |
| Taxes  | 39,416             | -                           | -                       | -                              | 39,416                         |
| Due from other governments                     | 1,005,198          | -                           | -                       | 102,055                        | 1,107,253                      |
| Due from other funds                           | 224,595            | -                           | -                       | -                              | 224,595                        |
| Grant receivable                               | 283,141            | -                           | -                       | -                              | 283,141                        |
| Interest receivable                            | 61                 | -                           | -                       | -                              | 61                             |
| Prepaid items                                  | 38,319             | -                           | -                       | -                              | 38,319                         |
|  |                    |                             |                         |                                |                                |
| <b>Total Assets</b>                            | <b>\$2,970,392</b> | <b>-</b>                    | <b>410,050</b>          | <b>1,520,535</b>               | <b>4,900,977</b>               |
| <br><u>Liabilities and Fund Balances</u>       |                    |                             |                         |                                |                                |
| Accounts payable                               | \$250,829          | -                           | -                       | 10,688                         | 261,517                        |
| Accrued costs                                  | 371,244            | -                           | -                       | 80,789                         | 452,033                        |
| Due to other funds                             | 146                | -                           | 224,595                 | -                              | 224,741                        |
| Deferred revenue                               | 520,270            | -                           | -                       | 52,900                         | 573,170                        |
|  |                    |                             |                         |                                |                                |
| <b>Total Liabilities</b>                       | <b>1,142,489</b>   | <b>-</b>                    | <b>224,595</b>          | <b>144,377</b>                 | <b>1,511,461</b>               |
| <br>Fund Balance:                              |                    |                             |                         |                                |                                |
| Reserved for prepaids                          | 38,319             | -                           | -                       | -                              | 38,319                         |
| Reserved for roads and parks                   | 121,335            | -                           | -                       | -                              | 121,335                        |
| Unreserved and undesignated                    |                    |                             |                         |                                |                                |
| General Fund                                   | 1,668,249          | -                           | -                       | -                              | 1,668,249                      |
| Special Revenue Funds                          | -                  | -                           | -                       | 1,376,158                      | 1,376,158                      |
| Debt Service Fund                              | -                  | -                           | 185,455                 | -                              | 185,455                        |
|  |                    |                             |                         |                                |                                |
| <b>Total Fund Balances</b>                     | <b>1,827,903</b>   | <b>-</b>                    | <b>185,455</b>          | <b>1,376,158</b>               | <b>3,389,516</b>               |
| <br><b>Total Liabilities and Fund Balances</b> | <b>\$2,970,392</b> | <b>-</b>                    | <b>410,050</b>          | <b>1,520,535</b>               | <b>4,900,977</b>               |

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

June 30, 2007

|   |                           |
|---|---------------------------|
| Amounts reported for fund balance - total governmental funds  | \$3,389,516               |
| <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>   |                           |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds                              | 12,794,818                |
| 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  | 564,703                   |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. | (25,114)                  |
| Bond issue costs are amortized over the life of the notes in the statement of activities.   | 25,518                    |
| 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  | (\$7,243,407)             |
| Compensated absences  | <u>(341,543)</u>          |
|   | (7,584,950)               |
| <b>Net assets of governmental activities</b>  | <u><u>\$9,164,491</u></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, 2007**

|  | General            | Capital Projects Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------|-------------------|--------------------------|--------------------------|
| <b>Revenues</b>                                |                    |                       |                   |                          |                          |
| Taxes  | \$4,958,756        | -                     | -                 | -                        | 4,958,756                |
| Intergovernmental                              | 2,101,354          | -                     | -                 | 597,160                  | 2,698,514                |
| Fines and fees                                 | 1,290,938          | -                     | -                 | 37,113                   | 1,328,051                |
| Licenses and permits                           | 1,018,001          | -                     | 758,845           | 341,497                  | 2,118,343                |
| Charges for services                           | 115,901            | -                     | -                 | -                        | 115,901                  |
| Uses of money and property                     | 122,644            | -                     | 1,997             | 33,944                   | 158,585                  |
| Miscellaneous                                  | 372,719            | -                     | -                 | -                        | 372,719                  |
| Total Revenue                                  | <u>9,980,313</u>   | <u>-</u>              | <u>760,842</u>    | <u>1,009,714</u>         | <u>11,750,869</u>        |
| <b>Expenditures</b>                            |                    |                       |                   |                          |                          |
| Current:                                       |                    |                       |                   |                          |                          |
| General government                             | 2,103,036          | 6,646                 | -                 | -                        | 2,109,682                |
| Police   | 3,178,313          | 10,694                | -                 | 7,000                    | 3,196,007                |
| Streets and public works                       | 1,009,854          | 1,520,561             | -                 | 212,886                  | 2,743,301                |
| Stormwater                                     | -                  | -                     | -                 | 170,908                  | 170,908                  |
| Parks and culture                              | 738,580            | 4,323                 | -                 | -                        | 742,903                  |
| Debt service                                   | -                  | -                     | 575,387           | -                        | 575,387                  |
| Capital outlay                                 | 9,350              | 1,377,147             | -                 | 320,458                  | 1,706,955                |
| Total Expenditures                             | <u>7,039,132</u>   | <u>2,919,371</u>      | <u>575,387</u>    | <u>711,252</u>           | <u>11,245,142</u>        |
| Excess (deficiency) revenues over expenditures | 2,941,181          | (2,919,371)           | 185,455           | 298,462                  | 505,727                  |
| <b>Other Financing Sources (Uses)</b>          |                    |                       |                   |                          |                          |
| Transfers from (to) other funds                | (2,919,371)        | 2,919,371             | -                 | -                        | -                        |
| Total Other Financing Sources (Uses)           | <u>(2,919,371)</u> | <u>2,919,371</u>      | <u>-</u>          | <u>-</u>                 | <u>-</u>                 |
| Net Change in Fund Balance                     | 21,810             | -                     | 185,455           | 298,462                  | 505,727                  |
| Fund Balance, Beginning of Year                | <u>1,806,093</u>   | <u>-</u>              | <u>-</u>          | <u>1,077,696</u>         | <u>2,883,789</u>         |
| Fund Balance, End of Year                      | <u>\$1,827,903</u> | <u>-</u>              | <u>185,455</u>    | <u>1,376,158</u>         | <u>3,389,516</u>         |

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**For the Year Ended June 30, 2007**

|   |                    |
|---|--------------------|
| Amounts reported for net change in fund balance - total governmental funds  | \$505,727          |
| <b>Amounts reported for governmental activities in the statement of activities are different because:</b>   |                    |
| 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   | 1,706,955          |
| Depreciation expense  | (709,613)          |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:  |                    |
| Local option sales tax  | 77,011             |
| State shared revenues   | 12,507             |
| Contributed capital assets  | 2,610,613          |
| Repayment of bond and note principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.  | 265,000            |
| 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   | 155                |
| Governmental funds report the effects of bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities:    |                    |
| Amortization of bond related costs  | (1,355)            |
| 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  | (33,818)           |
| Change in net assets of governmental activities   | <u>\$4,433,182</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, 2007**

|                                  | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|----------------------------------|------------------|------------------|-------------------|---|
|                                  | Original         | Final            |                   |   |
| <b>Revenues</b>                  |                  |                  |                   |   |
| Local Taxes:                     |                  |                  |                   |   |
| Local sales taxes                | \$4,803,000      | 4,803,000        | 3,720,454         | (1,082,546)   |
| Wholesale beer                   | 350,000          | 350,000          | 372,718           | 22,718  |
| Franchise taxes                  | 455,000          | 455,000          | 501,939           | 46,939  |
| Business taxes                   | 224,925          | 224,925          | 363,645           | 138,720   |
| Total Local Taxes                | <u>5,832,925</u> | <u>5,832,925</u> | <u>4,958,756</u>  | <u>(874,169)</u>  |
| Intergovernmental:               |                  |                  |                   |   |
| State sales tax                  | 1,280,000        | 1,280,000        | 1,465,640         | 185,640   |
| State beer tax                   | 10,750           | 10,750           | 10,947            | 197   |
| State income tax                 | 40,000           | 40,000           | 8,081             | (31,919)  |
| State/City streets & transp.     | 36,500           | 36,500           | 44,965            | 8,465   |
| Other state revenue allocation   | 21,450           | 21,450           | 72,443            | 50,993  |
| TVA tax                          | 102,500          | 102,500          | 169,221           | 66,721  |
| Grants                           | 86,764           | 86,764           | 330,057           | 243,293   |
|                                  | <u>1,577,964</u> | <u>1,577,964</u> | <u>2,101,354</u>  | <u>523,390</u>  |
| Fines and Penalties:             |                  |                  |                   |   |
| City court and drug control      | 721,500          | 774,500          | 1,280,438         | 505,938   |
| Penalties                        | 1,500            | 1,500            | 10,500            | 9,000   |
| Total Fines and Penalties        | <u>723,000</u>   | <u>776,000</u>   | <u>1,290,938</u>  | <u>514,938</u>  |
| Licenses and Permits:            |                  |                  |                   |   |
| Building permits                 | 650,000          | 650,000          | 495,243           | (154,757)   |
| Plumbing permits                 | 50,000           | 50,000           | 49,695            | (305)   |
| Impact and inspection fees       | 236,000          | 236,000          | 241,451           | 5,451   |
| Zoning permits                   | 7,250            | 7,250            | 11,527            | 4,277   |
| Sign permits                     | 30,000           | 30,000           | 29,920            | (80)  |
| Other permits                    | 128,350          | 128,350          | 190,165           | 61,815  |
| Total Licenses & Permits         | <u>1,101,600</u> | <u>1,101,600</u> | <u>1,018,001</u>  | <u>(83,599)</u>   |
| Charges for Services:            |                  |                  |                   |   |
| Accident reports                 | 3,200            | 3,200            | 2,316             | (884)   |
| Recreational fees                | 95,900           | 95,900           | 113,585           | 17,685  |
| Total Charges for Services       | <u>99,100</u>    | <u>99,100</u>    | <u>115,901</u>    | <u>16,801</u>   |
| Uses of Property and Money       |                  |                  |                   |   |
| Administrative support services  | 75,000           | 75,000           | 75,000            | -   |
| Rent                             | 25,000           | 25,000           | 19,069            | (5,931)   |
| Interest                         | 13,500           | 13,500           | 28,575            | 15,075  |
| Total Uses of Property and money | <u>113,500</u>   | <u>113,500</u>   | <u>122,644</u>    | <u>9,144</u>  |
| Other Revenues:                  |                  |                  |                   |   |
| Contributions from others        | 6,250            | 6,250            | 350,488           | 344,238   |
| Miscellaneous                    | 14,711           | 1,711            | 22,231            | 20,520  |
| Total Other Revenues             | <u>20,961</u>    | <u>7,961</u>     | <u>372,719</u>    | <u>364,758</u>  |
| Total Revenues                   | <u>9,469,050</u> | <u>9,509,050</u> | <u>9,980,313</u>  | <u>471,263</u>  |

Continued on next page

**CITY OF MT. JULIET, TENNESSEE**

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

**General Fund, Continued**

**For the Year Ended June 30, 2007**

| Expenditures                             | Budgeted Amounts |         | Actual Amounts | Variance with Final Budget<br>Positive (Negative) |
|--|------------------|---------|----------------|---|
|  | Original         | Final   |                |   |
| General Government:                      |                  |         |                |   |
| Legislative Board:                       |                  |         |                |   |
| Salaries                                 | \$27,600         | 31,100  | 29,470         | 1,630   |
| Employee benefits                        | 20,820           | 33,820  | 33,142         | 678   |
| Supplies                                 | 7,200            | 7,200   | 6,479          | 721   |
| Election                                 | 45,000           | 45,000  | 20,000         | 25,000  |
| Total Legislative Board                  | 100,620          | 117,120 | 89,091         | 28,029  |
| City Court:                              |                  |         |                |   |
| Salaries                                 | 17,460           | 17,460  | 12,702         | 4,758   |
| Employee benefits                        | 1,336            | 1,336   | 618            | 718   |
| Supplies                                 | 3,000            | 6,000   | 5,896          | 104   |
| Total City Court                         | 21,796           | 24,796  | 19,216         | 5,580   |
| City Manager:                            |                  |         |                |   |
| Salaries                                 | 281,803          | 318,803 | 300,205        | 18,598  |
| Employee benefits                        | 86,957           | 86,957  | 92,554         | (5,597)   |
| Outside services                         | 51,400           | 86,400  | 77,832         | 8,568   |
| Membership and dues                      | 10,000           | 10,000  | 9,895          | 105   |
| Telephone                                | 3,000            | 3,000   | 3,368          | (368)   |
| Repairs and maintenance                  | 6,500            | 6,500   | 8,258          | (1,758)   |
| Supplies                                 | 2,900            | 2,900   | 3,258          | (358)   |
| Other costs                              | -                | -       | -              | -   |
| Capital outlay                           | -                | -       | -              | -   |
| Total City Manager                       | 442,560          | 514,560 | 495,636        | 18,924  |
| City Recorder:                           |                  |         |                |   |
| Salaries                                 | 199,558          | 199,558 | 164,131        | 35,427  |
| Employee benefits                        | 83,161           | 83,161  | 59,166         | 23,995  |
| Outside services                         | 13,500           | 13,500  | 13,775         | (275)   |
| Supplies                                 | 6,550            | 6,550   | 5,796          | 754   |
| Other costs                              | 2,150            | 2,150   | 2,035          | 115   |
| Total City Recorder                      | 304,919          | 304,919 | 244,903        | 60,016  |
| City Attorney:                           |                  |         |                |   |
| Outside services                         | 90,000           | 200,000 | 176,198        | 23,802  |
| Total City Attorney                      | 90,000           | 200,000 | 176,198        | 23,802  |
| Economic and Community Development:      |                  |         |                |   |
| Salaries                                 | 66,320           | 67,030  | 67,227         | (197)   |
| Employee benefits                        | 23,805           | 23,805  | 20,370         | 3,435   |
| Outside services                         | 60,160           | 60,160  | 53,127         | 7,033   |
| Other costs                              | 6,800            | 6,800   | 2,157          | 4,643   |
| Capital outlay                           | -                | -       | -              | -   |
| Total Economic and Community Development | 157,085          | 157,795 | 142,881        | 14,914  |

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, 2007**

| <u>Expenditures</u>                   | Budgeted Amounts | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|------------------|------------------|---|
| <u>General Government, continued:</u> | Original         | Final            | Amounts   |
| Planning and Codes:                   |                  |                  |   |
| Salaries                              | \$385,313        | 407,713          | 251,764   |
| Employee benefits                     | 150,782          | 150,782          | 91,091  |
| Supplies                              | 88,950           | 88,950           | 94,673  |
| Outside services                      | 220,140          | 223,140          | 194,495   |
| Other costs                           | 26,100           | 26,100           | 8,017   |
| Capital outlay                        | 569,160          | -                | 18,083  |
| Total Planning and Codes              | <u>1,440,445</u> | <u>896,685</u>   | <u>640,040</u>  |
| City Hall Buildings:                  |                  |                  |   |
| Repairs and maintenance               | 38,500           | 38,500           | 38,094  |
| Outside services                      | 20,000           | 23,755           | 24,366  |
| Utilities                             | 70,950           | 70,950           | 70,883  |
| Insurance                             | 80,000           | 80,000           | 73,265  |
| Other costs                           | 19,000           | 19,000           | 19,604  |
| Capital outlay                        | 27,000           | -                | (604)   |
| Total City Hall Buildings             | <u>255,450</u>   | <u>232,205</u>   | <u>226,212</u>  |
| City Garage:                          |                  |                  |   |
| Salaries                              | 44,014           | 44,014           | 43,626  |
| Benefits                              | 17,164           | 18,164           | 18,083  |
| Supplies                              | 10,263           | 6,763            | 5,776   |
| Total City Garage                     | <u>71,441</u>    | <u>68,941</u>    | <u>67,485</u>   |
| Total General Government              | <u>2,884,316</u> | <u>2,517,021</u> | <u>2,101,662</u>  |
|                                       | <u>415,359</u>   |                  |   |
| Public Safety:                        |                  |                  |   |
| Police Department:                    |                  |                  |   |
| Salaries                              | 2,002,871        | 2,002,871        | 1,974,313   |
| Benefits                              | 863,235          | 863,235          | 776,420   |
| Repairs and maintenance               | 46,000           | 50,747           | 67,129  |
| Supplies                              | 214,715          | 263,715          | 240,298   |
| Outside services                      | 40,320           | 40,320           | 33,506  |
| Utilities                             | 13,130           | 13,130           | 13,037  |
| Insurance                             | 64,058           | 64,058           | 67,240  |
| Other costs                           | 6,095            | 6,420            | 6,370   |
| Capital outlay                        | 151,704          | 9,350            | 9,350   |
| Total Public Safety                   | <u>3,402,128</u> | <u>3,313,846</u> | <u>3,187,663</u>  |
|                                       | <u>126,183</u>   |                  |   |
| Streets and Public Works:             |                  |                  |   |
| Salaries                              | 598,850          | 644,850          | 592,156   |
| Employee benefits                     | 296,981          | 296,981          | 265,789   |
| Repairs and maintenance               | 134,115          | 129,495          | 45,141  |
| Supplies                              | 83,345           | 83,345           | 59,055  |
| Outside services                      | 135,426          | 138,176          | 26,069  |
| Telephone and utilities               | 33,330           | 33,330           | 23,018  |
| Capital outlay                        | 1,564,099        | -                | 10,312  |
| Total Streets and Public Works        | <u>2,846,146</u> | <u>1,326,177</u> | <u>1,011,228</u>  |
|                                       | <u>314,949</u>   |                  |   |

Continued on next page

**CITY OF MT. JULIET, TENNESSEE**

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

**General Fund, Continued**

**For the Year Ended June 30, 2007**

|   | Budgeted Amounts     |                    | Actual<br>Amounts  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------|--------------------|--------------------|---|
|   | Original             | Final              |                    |   |
| <b>Expenditures</b>                               |                      |                    |                    |   |
| Recreation and Culture:                           |                      |                    |                    |   |
| Salaries  | \$357,128            | 357,128            | 308,460            | 48,668  |
| Employee benefits                                 | 132,051              | 132,051            | 110,104            | 21,947  |
| Repairs and maintenance                           | 16,900               | 16,900             | 11,014             | 5,886   |
| Supplies  | 43,200               | 43,200             | 33,909             | 9,291   |
| Outside services                                  | 54,500               | 59,690             | 51,176             | 8,514   |
| Utilities   | 60,700               | 60,700             | 55,823             | 4,877   |
| Appropriations to nonprofits                      | 169,918              | 172,718            | 168,094            | 4,624   |
| Capital outlay                                    | 38,000               | -                  | -                  | -   |
| Total Recreation and Culture                      | <u>872,397</u>       | <u>842,387</u>     | <u>738,580</u>     | <u>103,807</u>  |
| Debt Service                                      |                      |                    |                    |   |
| Principal   | 265,000              | -                  | -                  | -   |
| Interest  | 373,000              | -                  | -                  | -   |
| Total Debt Service                                | <u>638,000</u>       | <u>-</u>           | <u>-</u>           | <u>-</u>  |
| Total Expenditures                                | <u>10,642,987</u>    | <u>7,999,431</u>   | <u>7,039,132</u>   | <u>960,299</u>  |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,173,937)</u>   | <u>1,509,619</u>   | <u>2,941,181</u>   | <u>1,431,562</u>  |
| <b>Other Financing Sources (Uses):</b>            |                      |                    |                    |   |
| Transfers out                                     | (4,117,806)          | (4,117,806)        | (2,919,371)        | 1,198,435   |
| Total Other Financing Sources (Uses)              | <u>(4,117,806)</u>   | <u>(4,117,806)</u> | <u>(2,919,371)</u> | <u>1,198,435</u>  |
| Excess (Deficiency) of Revenues & Other Sources   | <u>(5,291,743)</u>   | <u>(2,608,187)</u> | <u>21,810</u>      | <u>2,629,997</u>  |
| Fund Balance, Beginning of Year                   | <u>1,806,093</u>     | <u>1,806,093</u>   | <u>1,806,093</u>   | <u>-</u>  |
| Fund Balance, End of Year                         | <u>(\$3,485,650)</u> | <u>(802,094)</u>   | <u>1,827,903</u>   | <u>2,629,997</u>  |

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Assets**

**Proprietary Fund**

**June 30, 2007**

**Sewer  
Enterprise  
Fund**

**Assets**

|   |                     |
|---|---------------------|
| Current Assets:                         |                     |
| Cash                                    | \$3,003,176         |
| Receivable-net of allowance of \$58,735 | 392,983             |
| Interest receivable                     | 16,447              |
| Prepaid insurance                       | 3,131               |
| Inventory                               | 110,751             |
| Due from General Fund                   | 146                 |
| Total Current Assets                    | <u>3,526,634</u>    |
| Noncurrent Assets:                      |                     |
| Restricted cash                         | <u>3,138,846</u>    |
| Capital Assets:                         |                     |
| Land                                    | 981,244             |
| Construction in progress                | 2,164,790           |
| Collection system                       | 31,288,196          |
| Buildings                               | 379,089             |
| Equipment                               | 922,441             |
| Total Capital Assets                    | 35,735,760          |
| Less: accumulated depreciation          | (9,365,670)         |
| Net Property, Plant and Equipment       | <u>26,370,090</u>   |
| Other assets-bond issue costs, net      | <u>5,545</u>        |
| Total Noncurrent Assets                 | <u>29,514,481</u>   |
| Total Assets                            | <u>\$33,041,115</u> |

**Liabilities**

|  |                  |
|--|------------------|
| Current Liabilities:                     |                  |
| Accounts payable                         | \$372,254        |
| Accrued expenses                         | 46,738           |
| Contracts payable                        | 625,786          |
| Interest payable                         | 13,345           |
| Customer deposits                        | 5,748            |
| Deferred capital contribution - unearned | 56,250           |
| Bonds and notes payable - current        | 562,000          |
| Total Current Liabilities                | <u>1,682,121</u> |
| Noncurrent Liabilities:                  |                  |
| Bonds and notes payable - noncurrent     | 848,295          |
| Total Noncurrent Liabilities             | <u>848,295</u>   |
| Total Liabilities                        | <u>2,530,416</u> |

**Net Assets**

|   |                     |
|---|---------------------|
| Invested in capital assets, net of related debt | 24,965,340          |
| Designated for capital improvements             | 2,513,060           |
| Unrestricted and undesignated                   | 3,032,299           |
| Total Net Assets                                | <u>\$30,510,699</u> |

See accompanying notes to the financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Revenues, Expenses, and Changes in Net Assets**

**Proprietary Fund**

**For the Year Ended June 30, 2007**

|   | <u>Sewer<br/>Enterprise<br/>Fund</u> |
|---|--------------------------------------|
| <b>Operating Revenues:</b>                    |                                      |
| Charges for sales and services - sewer        | \$2,849,591                          |
| Sewer inspection and administrative charges   | 278,507                              |
| Penalties                                     | 71,613                               |
| Other   | 24,130                               |
| <b>Total Operating Revenues</b>               | <u>3,223,841</u>                     |
| <b>Operating Expenses:</b>                    |                                      |
| Sewer line and pump maintenance               | 895,843                              |
| Sewer lift station operation                  | 136,403                              |
| Administrative and accounting                 | 309,758                              |
| Sewer transportation and treatment            | 1,343,698                            |
| Depreciation                                  | 802,802                              |
| Amortization                                  | 5,879                                |
| Professional services                         | 84,386                               |
| <b>Total Operating Expenses</b>               | <u>3,578,769</u>                     |
| <b>Operating Income (Loss)</b>                | <u>(354,928)</u>                     |
| <b>Nonoperating Revenues (Expenses):</b>      |                                      |
| Interest expense                              | (100,018)                            |
| Interest income                               | 181,512                              |
| <b>Net Nonoperating Revenues (Expenses)</b>   | <u>81,494</u>                        |
| <b>Net Income (Loss) Before Contributions</b> | <u>(273,434)</u>                     |
| <b>Contributions:</b>                         |                                      |
| Capital contribution - Tap fees               | 1,825,604                            |
| Capital contribution - Utility plant          | 1,435,630                            |
| <b>Total Contributions</b>                    | <u>3,261,234</u>                     |
| <b>Change in Net Assets</b>                   | <u>2,987,800</u>                     |
| <b>Net Assets - Beginning of Year</b>         | <u>27,522,899</u>                    |
| <b>Net Assets- End of Year</b>                | <u><b>\$30,510,699</b></u>           |

See accompanying notes to the financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year Ended June 30, 2007**

|  | Sewer<br>Enterprise<br>Fund |
|--|-----------------------------|
| <b>Cash Flows Provided (Used) By Operating Activities:</b>                                 |                             |
| Cash received from customers   | \$3,195,338                 |
| Cash paid for personnel services   | (698,428)                   |
| Cash paid to suppliers for goods and services  | (1,891,627)                 |
| Cash paid for interfund advances   | (401,890)                   |
| Cash paid for interfund administrative support services                                    | <u>(75,000)</u>             |
| Net Cash Provided (Used) by<br>Operating Activities  | <u>128,393</u>              |
| <b>Cash Flows Provided (Used) By Capital and Related<br/>Financing Activities:</b>         |                             |
| Purchase of property, plant and equipment  | (2,822,123)                 |
| Interest paid on debt  | (87,421)                    |
| Payments on long-term debt   | <u>(540,000)</u>            |
| Net Cash Provided (Used) by Capital<br>and Related Financing Activities                    | <u>(3,449,544)</u>          |
| <b>Cash Flows Provided (Used) By Non-Capital Financing<br/>Activities:</b>                 |                             |
| Contributions from customers   | <u>1,815,604</u>            |
| Net Cash Provided (Used) by<br>Non-Capital Financing Activities                            | <u>1,815,604</u>            |
| <b>Cash Flows Provided (Used) By Investing Activities:</b>                                 |                             |
| Interest received on investments   | <u>176,485</u>              |
| Net Increase (Decrease) in Cash  | (1,329,062)                 |
| <b>Cash and Cash Equivalents, Beginning of Year</b>  | <u>7,471,084</u>            |
| <b>Cash and Cash Equivalents, End of Year</b>  | <u>\$6,142,022</u>          |
| <b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u></b> |                             |
| Operating income (loss)  | (\$354,928)                 |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities  |                             |
| Depreciation and amortization  | 808,681                     |
| (Increase) Decrease in:  |                             |
| Accounts receivable  | (28,503)                    |
| Prepaid expenses   | (3,131)                     |
| Inventory  | <u>(12,462)</u>             |
| Increase (Decrease) in:  |                             |
| Accounts payable   | 137,269                     |
| Accrued expenses   | (16,643)                    |
| Customer deposits  | <u>(401,890)</u>            |
| Due to other funds   | <u>\$128,393</u>            |

**Non-cash Investing, Capital and Financing Activities**

During the year the City accepted sewer lines from developers in the amount of \$1,435,630 and also acquired capital assets with contracts payable in the amount of \$359,600.

See accompanying notes to the financial statements.

## CITY OF MT. JULIET, TENNESSEE

### Notes to Financial Statements

For the Year Ended June 30, 2007

(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, 2007, the City had no component units which were required to be included in these financial statements.

##### Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprises 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

### **(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 judgements 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. In the current year the City did not levy a property tax.

The government reports the following major governmental fund:

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 *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.

The government reports the following major proprietary fund:

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

The City had no internal funds as of or for the year ended June 30, 2007.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds

## CITY OF MT. JULIET, TENNESSEE

### **(1) Summary of Significant Accounting Policies, Continued**

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

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 nonoperating 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 General and Sewer Fund is restricted for capital improvements.

#### Inventories of Supplies and Prepaid Items

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, 2007 are recorded as prepaid expenses. These consist primarily of prepaid insurance.

#### 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." There were no residual balances between governmental activities and business-type activities at year end.

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

#### 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

## CITY OF MT. JULIET, TENNESSEE

### Notes to Financial Statements, Continued

#### **(1) Summary of Significant Accounting Policies, Continued**

##### Capital Assets, (Continued)

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

##### Compensated Absences

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

##### Long-term Obligations

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

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

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

## CITY OF MT. JULIET, TENNESSEE

### **(1) Summary of Significant Accounting Policies, Continued**

#### Long-term Obligations. (Continued)

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

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third-parties for specific purpose. Designations of retained earnings represent tentative management plans that are subject to change.

#### Property Taxes

The City has the authority to levy a property tax each October on assessed value listed as of the prior January 1<sup>st</sup> for all real and personal property located in the City's legal boundaries. The City Board set the tax rate at zero for the tax years 2007 and 2006, therefore, levying no tax for those years. All city taxes on real property are declared to be a lien on such realty from January 1<sup>st</sup> of the year assessments are made.

##### Industrial and Commercial Property

|            |     |
|------------|-----|
| - Real     | 40% |
| - Personal | 30% |

Public Utility Property 55%

Farm and Residential Property 25%

In the current year the City did not levy a property tax.

### **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, 2007 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. Restricted cash in the business-type activities relates to amounts designated for sewer projects.

## CITY OF MT. JULIET, TENNESSEE

### 2) Deposits and Investments, Continued

#### 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 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, 2007, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Reclasses<br/>and<br/>Decreases</u> | <u>Ending<br/>Balance</u>  |
|--|------------------------------|------------------|--|----------------------------|
| <b>Governmental activities</b>               |                              |                  |  |                            |
| <u>Capital assets not being depreciated:</u> |                              |                  |  |                            |
| Land   | \$ 1,115,347                 | -                | -                                      | 1,115,347 <i>LS</i>        |
| Construction in progress                     | 160,001                      | 1,158,140        | -                                      | 1,318,141 <i>LS</i>        |
| <u>Capital assets being depreciated:</u>     |                              |                  |  |                            |
| Buildings and improvements                   | 2,891,235                    | -                | -                                      | 2,891,235 <i>LS</i>        |
| Improvements other than buildings            | 2,197,356                    | 72,841           | -                                      | 2,270,197 <i>LS</i>        |
| Machinery and equipment                      | 2,112,593                    | 475,974          | 3,295                                  | 2,585,272                  |
| Infrastructure                               | <u>3,763,425</u>             | <u>2,610,613</u> | <u>-</u>                               | <u>6,374,038 <i>LS</i></u> |
| Total capital assets                         | <u>12,239,957</u>            | <u>4,317,568</u> | <u>3,295</u>                           | <u>16,554,230</u>          |
| Less accumulated depreciation for:           |                              |                  |  |                            |
| Buildings and other improvements             | (836,357)                    | (85,131)         | -                                      | (921,488)                  |
| Improvements other than buildings            | (677,445)                    | (77,308)         | -                                      | (754,753)                  |
| Machinery and equipment                      | (1,313,968)                  | (334,706)        | 3,295                                  | (1,645,379)                |
| Infrastructure                               | <u>(225,324)</u>             | <u>(212,468)</u> | <u>-</u>                               | <u>(437,792)</u>           |
| Total accumulated depreciation               | <u>(3,053,094)</u>           | <u>(709,613)</u> | <u>3,295</u>                           | <u>(3,759,412)</u>         |
| Governmental activities capital assets, net  | \$ <u>9,186,863</u>          |                  |  | <u>12,794,818</u>          |

**CITY OF MT. JULIET, TENNESSEE**

**3) CAPITAL ASSETS, Continued**

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Reclasses<br/>and<br/>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|--|---------------------------|
| <b>Business-type activities:</b>             |                              |                  |  |                           |
| <u>Capital assets not being depreciated:</u> |                              |                  |  |                           |
| Land   | \$ 931,318                   | 49,926           | -                                      | 981,244                   |
| Construction in process                      | 11,394                       | 2,164,790        | (11,394)                               | 2,164,790                 |
| <u>Capital assets being depreciated:</u>     |                              |                  |  |                           |
| Building                                     | 292,069                      | 87,020           | -                                      | 379,089                   |
| Collections System                           | 29,052,553                   | 2,235,643        | -                                      | 31,288,196                |
| Equipment                                    | <u>831,073</u>               | <u>91,368</u>    | <u>—</u>                               | <u>922,441</u>            |
| Total capital assets                         | <u>\$ 31,118,407</u>         | <u>4,628,747</u> | <u>(11,394)</u>                        | <u>35,735,760</u>         |
| Less accumulated depreciation for:           |                              |                  |  |                           |
| Collection System and building               | \$ (7,993,084)               | (701,608)        | -                                      | (8,694,692)               |
| Equipment                                    | <u>(569,784)</u>             | <u>(101,194)</u> | <u>—</u>                               | <u>(670,978)</u>          |
| Total accumulated depreciation               | <u>(8,562,868)</u>           | <u>(802,802)</u> | <u>—</u>                               | <u>(9,365,670)</u>        |
| Business-type activities capital assets, net | <u>\$ 22,555,539</u>         |                  |  | <u>26,370,090</u>         |

Depreciation expense was charged to function/programs as of June 30, 2007, as follows:

|  |                |
|--|----------------|
| Governmental activities:                           |                |
| General government                                 | \$ 67,663      |
| Public safety                                      | 188,693        |
| Street and public works                            | 301,770        |
| Storm water  | 5,745          |
| Parks  | <u>145,742</u> |
| Total depreciation expense-governmental activities | <u>709,613</u> |
| Business-type activities:                          |                |
| Water and Sewer                                    | \$ 802,802     |

**CITY OF MT. JULIET, TENNESSEE**

#### 4) RECEIVABLES AND DEFERRED REVENUE

Accounts and taxes receivable at June 30, 2007 consisted of the following:

|                                    | <u>General<br/>Fund</u> | <u>Enterprise<br/>Fund</u> | <u>Total</u> |
|------------------------------------|-------------------------|----------------------------|--------------|
| Beer taxes                         | \$ 39,416               | -                          | 39,416       |
| Customer                           | -                       | 451,718                    | 451,718      |
| Allowance for<br>doubtful accounts | -                       | (58,735)                   | (58,735)     |
|                                    | \$ 39,416               | 392,983                    | 432,399      |

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

State and County shared taxes (unavailable) \$ 573,170

Deferred revenue in the government-wide financial statements include amounts for unavailable revenues related to state income tax of \$8,467, as well as deferred capital contributions in the business-type activity of \$56,250 which relates to amounts which will be given as credits for future tap fees.

## 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 are generally liquidated by the general fund.

**CITY OF MT. JULIET, TENNESSEE**

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

The following is a summary of changes in long-term liabilities for the year ended June 30, 2007:

|                                 | <u>Balance</u><br><u>07-01-06</u> | <u>Addition</u> | <u>Reductions</u> | <u>Balance</u><br><u>06-30-07</u> | <u>Current</u><br><u>Portion</u> |
|---------------------------------|-----------------------------------|-----------------|-------------------|-----------------------------------|----------------------------------|
| <b>Governmental Activities</b>  |                                   |                 |                   |                                   |                                  |
| Public Improvement Bonds        | \$ 6,800,000                      | -               | 100,000           | 6,700,000                         | -                                |
| TMBF Notes                      | 708,407                           | -               | 165,000           | 543,407                           | 175,000                          |
| Compensated absences            | <u>307,725</u>                    | <u>33,818</u>   | <u>-</u>          | <u>341,543</u>                    | <u>266,700</u>                   |
| Total Governmental Activities   | <u>\$ 7,816,132</u>               | <u>33,818</u>   | <u>265,000</u>    | <u>7,584,950</u>                  | <u>441,700</u>                   |
| <b>Business-type Activities</b> |                                   |                 |                   |                                   |                                  |
| TML Bond Fund                   | \$ 1,164,000                      | -               | 145,000           | 1,019,000                         | 152,000                          |
| Revenue and tax bonds           | <u>805,000</u>                    | <u>-</u>        | <u>395,000</u>    | <u>410,000</u>                    | <u>410,000</u>                   |
| Total Business-type activities  | <u>1,969,000</u>                  | <u>-</u>        | <u>540,000</u>    | <u>1,429,000</u>                  | <u>562,000</u>                   |
| Deferred amount on refunding    | <u>(37,410)</u>                   | <u>-</u>        | <u>-</u>          | <u>(18,705)</u>                   | <u>-</u>                         |
|                                 | <u>\$ 1,931,590</u>               |                 |                   | <u>1,410,295</u>                  |                                  |

Long term bonds and notes at June 30, 2007 consisted of the following obligations:

Governmental-type Activities

\$4,800,000 Series IV Public Improvement Bonds. Annual payments plus quarterly interest which varies based on weekly remarketing prices through the bond fund index with no cap through 2023. \$ 4,000,000

\$1,900,000 Capital Outlay Notes to finance park and road improvements. Interest rate varies from 4% to 4.45%. Principal is paid annually through 2010. 543,407

\$2,700,000 Local Government Public Improvement Bonds, Series A-8-0. Interest rate varies based on weekly remarketing prices through the bond fund index with no cap and annual principal payments beginning in 2008. 2,700,000

Total Governmental-type activities \$ 7,243,407

Business-type Activities

Sewer System Revenue and Tax Refunding Bonds. Series 2002 due March 1 of each year. Semi-annual interest payment due September 1 and March 1 each year. The series 2002 bonds are payable primarily from the net revenues derived from the operation of the sewer system. In the event of a deficiency in net revenues, the bonds are secured by the full faith, credit and taxing powers of the City. Interest rate varies from 2% to 3.75%. \$ 410,000

\$1,800,000 Series 2001 TML Bond Fund Loans to finance sewer improvements. Interest is variable and based on bond fund index with no cap. Principal payments are made annually. 1,019,000

Total Business-type activities \$ 1,429,000

## CITY OF MT. JULIET, TENNESSEE

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2007 are as follows:

|           | Governmental-type |                       |           | Business-type |           |          |            |  |  |
|-----------|-------------------|-----------------------|-----------|---------------|-----------|----------|------------|--|--|
|           | Note/<br>TMBF     | Public<br>Improvement |           | Bond          | Loan      | Interest | Total      |  |  |
|           |                   | Note                  | Bond      | Interest      |           |          |            |  |  |
| 2008      | \$ 175,000        | 50,000                | 355,067   | 410,000       | 152,000   | 61,185   | 1,203,252  |  |  |
| 2009      | 180,000           | 75,000                | 344,844   | -             | 158,000   | 38,970   | 796,814    |  |  |
| 2010      | 188,407           | 100,000               | 332,942   | -             | 165,000   | 31,860   | 818,209    |  |  |
| 2011      | -                 | 275,000               | 323,750   | -             | 173,000   | 24,435   | 796,185    |  |  |
| 2012      | -                 | 275,000               | 310,000   | -             | 181,000   | 16,650   | 782,650    |  |  |
| 2013-2017 | -                 | 1,615,000             | 1,328,250 | -             | 190,000   | 8,505    | 3,141,755  |  |  |
| 2018-2022 | -                 | 2,150,000             | 875,000   | -             | -         | -        | 3,025,000  |  |  |
| 2023-2026 | -                 | 2,160,000             | 275,500   | -             | -         | -        | 2,435,500  |  |  |
|           | \$ 543,407        | 6,700,000             | 4,145,353 | 410,000       | 1,019,000 | 181,605  | 12,999,365 |  |  |

### 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.treasury.state.tn.us/tcrs/ps](http://www.treasury.state.tn.us/tcrs/ps).

#### Funding Policy

Mt. Juliet requires employees to contribution 5.0% of earnable compensation.

Mt. Juliet is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2007 was 12.62% of 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.

## CITY OF MT. JULIET, TENNESSEE

### 6) PENSION PLAN , Continued

#### Annual Pension Cost

For the year ending June 30, 2007, Mt. Juliet's annual pension cost of \$506,874 to TCRS was equal to Mt. Juliet's required and actual contributions.

The required contribution was determined as part of the July 1, 2005 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 salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% 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 five-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, 2005 was 13 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend information:

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------|---------------------------|-------------------------------|------------------------|
| 6/30/07            | \$ 506,874                | 100.00%                       | -                      |
| 6/30/06            | 227,590                   | 100.00%                       | -                      |
| 6/30/05            | 204,499                   | 100.00%                       | -                      |

#### 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)<br>(AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage Of Covered Payroll |
|--------------------------|---------------------------|--|---------------------|--------------|-----------------|---|
|                          | (a)                       | (b)  | (b)-(a)             | (a/b)        | (c)             | ((b-a)/c)                               |
| 7/01/05                  | \$ 2,946                  | \$ 3,186                                   | \$ 240              | 92.47%       | \$ 2,834        | 8.47%                                   |
| 7/01/03                  | 2,263                     | 2,524                                      | 261                 | 89.66%       | 2,259           | 11.55%                                  |
| 6/30/01                  | 1,856                     | 2,086                                      | 230                 | 88.97%       | 1,722           | 13.36%                                  |

### 7) 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 \$1.47 per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is scheduled to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$534 for each 350 gallons of flow per day per connection shall be collected by Mt. Juliet and remitted to Metro. This is subject to adjustment every five years. During the current fiscal year the City paid Metro \$1,268,698 for sewer treatment and \$328,984 for connection charges under this agreement.

## CITY OF MT. JULIET, TENNESSEE

### **7) COMMITMENTS AND CONTINGENCIES, Continued**

#### Contracts

The City had substantially completed all contracts at June 30, 2007.

#### 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.

#### Post Employment Benefit Plan

The City provides post retirement benefits to employees who have retired and are drawing retirement benefits from the Tennessee consolidated retirement system and have more than 15 years service with the City. The benefits include 100% of the employees health and cancer insurance. The City is funding these benefits on a pay as you go basis. During the current fiscal year six employees qualified for benefits and the amount of benefits paid was \$30,731.

#### Local Government Insurance Cooperative

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

### **8) RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In a previous year, the City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined the Tennessee Municipal League Property and Casualty Fund (TMLCF). TMLCF is a public entity risk pool provider which is an association of member entities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self sustaining through member premiums. The City continues to carry commercial insurance for such risks as public honesty bonds. Settled claims for losses have not exceeded insurance coverage in any of the past three years.

## CITY OF MT. JULIET, TENNESSEE

### 9) 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, 2007 and 2006, the Board had an accumulated net assets of \$268,705 and \$211,509 respectively. The net change in net assets for fiscal year 2007 was \$58,638. Financial information regarding the joint venture is available from the City.

### 10) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2007. The composition of interfund balances is as follows:

| <u>Receivable Fund</u> |         | <u>Payable Fund</u> |         |
|------------------------|---------|---------------------|---------|
| Proprietary Fund       | \$ 146  | General             | \$ 146  |
| General Fund           | 224,595 | Debt Service Fund   | 224,595 |

During the year, the General Fund transferred \$2,919,371 to the Capital Project Fund.

### 11) 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. Prior to June 30, 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.

## CITY OF MT. JULIET, TENNESSEE

### **11) BUDGETS AND BUDGETARY ACCOUNTING, Continued**

6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the department level. Budget appropriations lapse at year end.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

During the year, the General Fund appropriations budget was decreased by \$2,643,556 primarily related to setting up budgets for the Capital Projects and Debt Service Funds which were established during the year. The Special Revenue Fund appropriations were not amended during the year for Stormwater Fund appropriations and Drug Fund appropriations.

### **12) SUBSEQUENT EVENTS**

Subsequent to year end, the City entered into a lease agreement for four police cars. The terms of the lease are for three years with an annual payment of \$34,757. This lease will be accounted for as a capital lease.

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

**CITY OF MT. JULIET, TENNESSEE**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2007**

|  | Special Revenue Funds       |               |                    |  | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|---------------|--------------------|--|--|
|  | State<br>Street<br>Aid Fund | Drug<br>Fund  | Stormwater<br>Fund | Emergency/<br>Community Services<br>Fund |  |
| <b>Assets</b>                                |                             |               |                    |  |  |
| Cash and cash equivalents                    | \$987,141                   | 85,673        | 285,271            | 60,395                                   | 1,418,480                                  |
| Due from other governments                   | 102,055                     | -             | -                  | -  | 102,055                                    |
| <b>Total Assets</b>                          | <b>\$1,089,196</b>          | <b>85,673</b> | <b>285,271</b>     | <b>60,395</b>                            | <b>1,520,535</b>                           |
| <b>Liabilities and Fund Balances</b>         |                             |               |                    |  |  |
| Liabilities:                                 |                             |               |                    |  |  |
| Accounts payable                             | \$6,518                     | 2,759         | 1,411              | -  | 10,688                                     |
| Accrued liabilities                          | \$78,736                    | -             | 2,053              | -  | 80,789                                     |
| Deferred revenue                             | 52,900                      | -             | -                  | -  | 52,900                                     |
| <b>Total Liabilities</b>                     | <b>138,154</b>              | <b>2,759</b>  | <b>3,464</b>       | <b>-</b>                                 | <b>144,377</b>                             |
| Fund Balances:                               |                             |               |                    |  |  |
| Unreserved and undesignated                  | 951,042                     | 82,914        | 281,807            | 60,395                                   | 1,376,158                                  |
| Total Fund Balance                           | 951,042                     | 82,914        | 281,807            | 60,395                                   | 1,376,158                                  |
| <b>Total Liabilities &amp; Fund Balances</b> | <b>\$1,089,196</b>          | <b>85,673</b> | <b>285,271</b>     | <b>60,395</b>                            | <b>1,520,535</b>                           |

**CITY OF MT. JULIET, TENNESSEE**

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

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2007**

|  | Special Revenue Funds       |               |                    |  | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------------|---------------|--------------------|--|--|
|  | State<br>Street<br>Aid Fund | Drug<br>Fund  | Stormwater<br>Fund | Emergency/<br>Community Services<br>Fund |  |
| <b>Revenues</b>  |                             |               |                    |  |  |
| Intergovernmental:                                       |                             |               |                    |  |  |
| State gasoline tax                                       | \$574,520                   | -             | -                  | -  | 574,520                                    |
| Other state funds  | 22,640                      | -             | -                  | -  | 22,640                                     |
| Interest   | 33,549                      | -             | -                  | 395                                      | 33,944                                     |
| Licences and permits and fees                            | -                           | -             | 281,497            | 60,000                                   | 341,497                                    |
| Drug related fines, seizures, and sales                  | -                           | 37,113        | -                  | -  | 37,113                                     |
| <b>Total Revenues</b>                                    | <b>630,709</b>              | <b>37,113</b> | <b>281,497</b>     | <b>60,395</b>                            | <b>1,009,714</b>                           |
| <b>Expenditures</b>                                      |                             |               |                    |  |  |
| Street Maintenance:                                      |                             |               |                    |  |  |
| Current:   |                             |               |                    |  |  |
| Other Costs - maintenance and lighting                   | 212,886                     | -             | -                  | -  | 212,886                                    |
| Capital outlay   | 303,626                     | -             | -                  | -  | 303,626                                    |
| Stormwater:  |                             |               |                    |  |  |
| Current:   |                             |               |                    |  |  |
| Salaries   | -                           | -             | 102,419            | -  | 102,419                                    |
| Employee benefits  | -                           | -             | 41,751             | -  | 41,751                                     |
| Other  | -                           | -             | 26,738             | -  | 26,738                                     |
| Capital outlay   | -                           | -             | 16,832             | -  | 16,832                                     |
| Police:  |                             |               |                    |  |  |
| Current:   |                             |               |                    |  |  |
| Supplies and investigations                              | -                           | 7,000         | -                  | -  | 7,000                                      |
| Capital outlay   | -                           | -             | -                  | -  | -  |
| <b>Total Expenditures</b>                                | <b>516,512</b>              | <b>7,000</b>  | <b>187,740</b>     | <b>-</b>                                 | <b>711,252</b>                             |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>114,197</b>              | <b>30,113</b> | <b>93,757</b>      | <b>60,395</b>                            | <b>298,462</b>                             |
| <b>Fund Balance, Beginning of Year</b>                   | <b>836,845</b>              | <b>52,801</b> | <b>188,050</b>     | <b>-</b>                                 | <b>1,077,696</b>                           |
| <b>Fund Balance, End of Year</b>                         | <b>\$951,042</b>            | <b>82,914</b> | <b>281,807</b>     | <b>60,395</b>                            | <b>1,376,158</b>                           |

**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, 2007**

| <u>Revenues</u>                          | <u>Budgeted Amounts</u> |                | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|----------------|---------------------------|---|
|  | <u>Original</u>         | <u>Final</u>   |                           |   |
| Intergovernmental:                       |                         |                |                           |   |
| Gasoline tax, State of Tennessee         | \$525,000               | 525,000        | 574,520                   | 49,520  |
| Other state funds                        | -                       | -              | 22,640                    | 22,640  |
| Interest                                 | 22,000                  | 22,000         | 33,549                    | 11,549  |
| <b>Total Revenues</b>                    | <b>547,000</b>          | <b>547,000</b> | <b>630,709</b>            | <b>83,709</b>   |
| <br><u>Expenditures</u>                  |                         |                |                           |   |
| Street Maintenance                       |                         |                |                           |   |
| Repairs and maintenance                  | 257,700                 | 257,700        | 183,285                   | 74,415  |
| Street lighting                          | 35,000                  | 35,000         | 29,601                    | 5,399   |
| Capital outlay                           | 240,000                 | 240,000        | 303,626                   | (63,626)  |
| <b>Total Expenditures</b>                | <b>532,700</b>          | <b>532,700</b> | <b>516,512</b>            | <b>16,188</b>   |
| <br>Excess of Revenues Over Expenditures | 14,300                  | 14,300         | 114,197                   | 99,897  |
| <br>Fund Balance, Beginning of Year      | 836,845                 | 836,845        | 836,845                   | -   |
| <br>Fund Balance, End of Year            | <b>\$851,145</b>        | <b>851,145</b> | <b>951,042</b>            | <b>99,897</b>   |

**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, 2007**

|  | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|---------------|-------------------|---|
|  | Original         | Final         |                   |   |
| <b>Revenues</b>                        |                  |               |                   |   |
| Other:                                 |                  |               |                   |   |
| Drug related fines, seizures and sales | \$20,200         | 20,200        | 37,113            | 16,913  |
| Total Revenues                         | 20,200           | 20,200        | 37,113            | 16,913  |
| <b>Expenditures</b>                    |                  |               |                   |   |
| Program costs                          | 22,265           | 22,265        | 7,000             | 15,265  |
| Total Expenditures                     | 22,265           | 22,265        | 7,000             | 15,265  |
| Excess of Revenues Over Expenditures   | (2,065)          | (2,065)       | 30,113            | 32,178  |
| Fund Balance, Beginning of Year        | 52,801           | 52,801        | 52,801            | -   |
| Fund Balance, End of Year              | <u>\$50,736</u>  | <u>50,736</u> | <u>82,914</u>     | <u>32,178</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, 2007**

|  | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|-------------------|---|
|  | Original         | Final          |                   |   |
| <b>Revenues</b>                        |                  |                |                   |   |
| Licenses and permits:                  |                  |                |                   |   |
| Inspection and other fees              | \$264,500        | 264,500        | 281,497           | 16,997  |
| <b>Total Revenues</b>                  | <b>264,500</b>   | <b>264,500</b> | <b>281,497</b>    | <b>16,997</b>   |
| <b>Expenditures</b>                    |                  |                |                   |   |
| Street Maintenance                     |                  |                |                   |   |
| Salaries                               | 108,305          | 108,305        | 102,419           | 5,886   |
| Employee benefits                      | 54,203           | 54,203         | 41,751            | 12,452  |
| Other                                  | 82,750           | 82,750         | 26,738            | 56,012  |
| Capital outlay                         | 18,000           | 18,000         | 16,832            | 1,168   |
| <b>Total Expenditures</b>              | <b>263,258</b>   | <b>263,258</b> | <b>187,740</b>    | <b>75,518</b>   |
| Excess of Revenues Over Expenditures   | 1,242            | 1,242          | 93,757            | 92,515  |
| <b>Fund Balance, Beginning of Year</b> | <b>188,050</b>   | <b>188,050</b> | <b>188,050</b>    | <b>-</b>  |
| <b>Fund Balance, End of Year</b>       | <b>\$189,292</b> | <b>189,292</b> | <b>281,807</b>    | <b>92,515</b>   |

**CITY OF MT. JULIET, TENNESSEE**

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

**Emergency and Community Services Fund**

**For the Year Ended June 30, 2007**

|  | Budgeted Amounts |       | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-------|-------------------|---|
|  | Original         | Final |                   |   |
| <b>Revenues</b>                        |                  |       |                   |   |
| Licences and permits:                  |                  |       |                   |   |
| Inspection and other fees              | \$ -             | -     | 60,000            | 60,000  |
| Interest                               |                  |       | 395               |   |
| Total Revenues                         | -                | -     | 60,395            | 60,000  |
| <b>Expenditures</b>                    |                  |       |                   |   |
| Excess of Revenues Over Expenditures   |                  |       | 60,395            | 60,000  |
| <b>Fund Balance, Beginning of Year</b> |                  |       |                   |   |
| <b>Fund Balance, End of Year</b>       | \$ -             | -     | 60,395            | 60,000  |

**FINANCIAL SCHEDULES**

**CITY OF MT. JULIET, TENNESSEE**

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

**Capital Projects Fund**

**For the Year Ended June 30, 2007**

|   |  | Budgeted Amounts | Actual Amounts | Variance with<br>Final Budget |
|---|--|------------------|----------------|-------------------------------|
|   |  | Original         | Final          | Positive<br>(Negative)        |
| <b>Revenues</b>   |  | \$ -             | 75,000         | - (75,000)                    |
| Total Revenues  |  | - -              | 75,000         | - (75,000)                    |
| <b>Expenditures</b>   |  |                  |                |                               |
| General Government  |  |                  |                |                               |
| Planning and Codes  |  |                  |                |                               |
| Supplies  |  | - 53,400         | 2,706          | 50,694                        |
| Capital outlay  |  | - 50,000         | 47,328         | 2,672                         |
| City Hall Buildings   |  |                  |                |                               |
| Repairs and maintenance   |  | - 14,500         | 3,940          | 10,560                        |
| Capital outlay  |  | - 12,000         | 13,142         | (1,142)                       |
| Total General Government  |  | - 129,900        | 67,116         | 62,784                        |
| Public Safety   |  |                  |                |                               |
| Police  |  |                  |                |                               |
| Supplies  |  | - -              | 10,694         | (10,694)                      |
| Capital outlay  |  | - 202,406        | 186,638        | 15,768                        |
| Total Public Safety   |  | - 202,406        | 197,332        | 5,074                         |
| Streets and Public Works  |  |                  |                |                               |
| State road projects   |  | - 1,200,000      | 1,500,207      | (300,207)                     |
| Repairs and maintenance   |  | - 572,000        | 20,354         | 551,646                       |
| Capital outlay  |  | - 1,990,500      | 1,038,507      | 951,993                       |
| Total Streets and Public Works  |  | - 3,762,500      | 2,559,068      | 1,203,432                     |
| Recreation and Culture  |  |                  |                |                               |
| Repairs and maintenance   |  | - 2,000          | 4,323          | (2,323)                       |
| Capital outlay  |  | - 96,000         | 91,532         | 4,468                         |
| Total Recreation and Culture  |  | - 98,000         | 95,855         | 2,145                         |
| Total Expenditures  |  | - 4,192,806      | 2,919,371      | 1,273,435                     |
| Excess of Revenues Over Expenditures  |  | - (4,117,806)    | (2,919,371)    | 1,198,435                     |
| Other Financing Sources (Uses)  |  |                  |                |                               |
| Operating transfer in   |  | - 4,117,806      | 2,919,371      | (1,198,435)                   |
| Total other Financing Sources (Uses)  |  | - 4,117,806      | 2,919,371      | (1,198,435)                   |
| Excess (Deficiency) of Revenues & Other Sources<br>Over Expenditures & Other Uses |  | - - - - -        | - - - - -      | - - - - -                     |
| Fund Balance, Beginning of Year   |  | - - - - -        | - - - - -      | - - - - -                     |
| Fund Balance, End of Year   |  | \$ - - - - -     | - - - - -      | - - - - -                     |

**CITY OF MT. JULIET, TENNESSEE**

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

**Debt Service Reserve**

**For the Year Ended June 30, 2007**

|                                      | Budgeted Amounts |         | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|------------------|---------|-------------------|---|
|                                      | Original         | Final   |                   |   |
| <b>Revenues</b>                      |                  |         |                   |   |
| Other:                               |                  |         |                   |   |
| Interest                             | \$ -             | -       | 1,997             | 1,997   |
| Impact fees                          | -                | 700,000 | 758,845           | 58,845  |
| Total Revenues                       | -                | 700,000 | 760,842           | 60,842  |
| <b>Expenditures</b>                  |                  |         |                   |   |
| Debt Service                         |                  |         |                   |   |
| Principal                            | -                | 265,000 | 265,000           | -   |
| Interest                             | -                | 373,000 | 310,387           | 62,613  |
| Total Expenditures                   | -                | 638,000 | 575,387           | 62,613  |
| Excess of Revenues Over Expenditures |                  | -       | 62,000            | 185,455   |
| Fund Balance, Beginning of Year      |                  | -       | -                 | -   |
| Fund Balance, End of Year            | \$ -             | 62,000  | 185,455           | 123,455   |

**CITY OF MT. JULIET, TENNESSEE**

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

**Schedule By Function and Activity**

June 30, 2007

|   | Land               | Building &<br>Improvements | Machinery<br>& Equipment | Infrastructure   | Construction<br>In Progress | Total             |
|---|--------------------|----------------------------|--------------------------|------------------|-----------------------------|-------------------|
| <b>Function and Activity:</b>           |                    |                            |                          |                  |                             |                   |
| General Government                      | \$325,000          | 894,416                    | 289,072                  | -                | -                           | 1,508,488         |
| Public safety:                          |                    |                            |                          |                  |                             |                   |
| Police                                  | 4,000              | 282,342                    | 1,315,355                | -                | -                           | 1,601,697         |
| Streets and Public Works                | 213,716            | 394,855                    | 646,029                  | 6,374,038        | 1,318,141                   | 8,946,779         |
| Stormwater                              | -                  | -                          | 33,482                   | -                | -                           | 33,482            |
| Parks                                   | 572,631            | 3,589,819                  | 301,334                  | -                | -                           | 4,463,784         |
| Total governmental funds capital assets | <u>\$1,115,347</u> | <u>5,161,432</u>           | <u>2,585,272</u>         | <u>6,374,038</u> | <u>1,318,141</u>            | <u>16,554,230</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, 2007**

| Function and Activity                   | Balance<br>June 30, 2006 | Additions        | Deletions    | Balance<br>June 30, 2007 |
|---|--------------------------|------------------|--------------|--------------------------|
| General Government                      | \$1,444,624              | 63,865           | -            | 1,508,489                |
| Public safety:                          |                          |                  |              |                          |
| Police                                  | 1,409,003                | 195,988          | 3,295        | 1,601,696                |
| Streets and Public Works                | 4,997,428                | 3,949,351        | -            | 8,946,779                |
| Stormwater                              | 16,650                   | 16,832           | -            | 33,482                   |
| Parks                                   | 4,372,252                | 91,532           | -            | 4,463,784                |
|   |                          |                  |              |                          |
| Total governmental funds capital assets | <u>\$12,239,957</u>      | <u>4,317,568</u> | <u>3,295</u> | <u>16,554,230</u>        |

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Cash and Cash Equivalents**

**All Funds**

**June 30, 2007**

**Major Governmental Funds**

|                                    | Interest<br>Rates | Amount           |
|------------------------------------|-------------------|------------------|
| General Fund:                      |                   |                  |
| Local Governmental Investment Pool | Various           | \$52,919         |
| Passbook and checking accounts     |                   | 1,325,540        |
| Petty Cash                         |                   | 1,203            |
| Total General Fund                 |                   | <u>1,379,662</u> |
| Debt Service Fund                  |                   | 410,050          |
| Passbook and checking accounts     |                   | <u>410,050</u>   |

**Nonmajor Governmental Funds**

|                                  |         |                |
|----------------------------------|---------|----------------|
| State Street Aid Fund:           | Various | 411,981        |
| Local Government Investment Pool |         | 575,160        |
| Passbook and checking accounts   |         | <u>987,141</u> |

|                                |  |               |
|--------------------------------|--|---------------|
| Drug Fund:                     |  | 172           |
| Cash on hand                   |  | 85,501        |
| Passbook and checking accounts |  | <u>85,673</u> |

|                   |  |                |
|-------------------|--|----------------|
| Storm Water:      |  | 285,271        |
| Checking accounts |  | <u>285,271</u> |

|                                       |  |               |
|---------------------------------------|--|---------------|
| Emergency and Community Services Fund |  | 60,395        |
| Passbook and checking accounts        |  | <u>60,395</u> |

**Proprietary Fund**

|                                  |         |                    |
|----------------------------------|---------|--------------------|
| Sewer Enterprise Fund            | Various | 432,874            |
| Local Government Investment Pool |         | 650                |
| Petty Cash                       |         | 5,708,498          |
| Passbook and checking accounts   |         | <u>5,708,498</u>   |
| Total Sewer Enterprise Fund      |         | <u>6,142,022</u>   |
| Total                            |         | <u>\$9,350,214</u> |

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Governmental-type Activities**

**June 30, 2007**

| Fiscal Year  | Public Improvement Bonds |                  | Public Improvement Bonds |                  | TMBF Capital Outlay Notes |               | Total             |
|--------------|--------------------------|------------------|--------------------------|------------------|---------------------------|---------------|-------------------|
|              | Principal                | Interest         | Principal                | Interest         | Principal                 | Interest      |                   |
| 2008         | \$ -                     | 200,000          | 50,000                   | 135,000          | 175,000                   | 20,067        | 580,067           |
| 2009         | -                        | 200,000          | 75,000                   | 132,500          | 180,000                   | 12,344        | 599,844           |
| 2010         | -                        | 200,000          | 100,000                  | 128,750          | 188,407                   | 4,192         | 621,349           |
| 2011         | -                        | 200,000          | 275,000                  | 123,750          | -                         | -             | 598,750           |
| 2012         | -                        | 200,000          | 275,000                  | 110,000          | -                         | -             | 585,000           |
| 2013         | 20,000                   | 200,000          | 275,000                  | 96,250           | -                         | -             | 591,250           |
| 2014         | 300,000                  | 199,000          | -                        | 82,500           | -                         | -             | 581,500           |
| 2015         | 320,000                  | 184,000          | -                        | 82,500           | -                         | -             | 586,500           |
| 2016         | 340,000                  | 168,000          | -                        | 82,500           | -                         | -             | 590,500           |
| 2017         | 360,000                  | 151,000          | -                        | 82,500           | -                         | -             | 593,500           |
| 2018         | 380,000                  | 133,000          | -                        | 82,500           | -                         | -             | 595,500           |
| 2019         | 405,000                  | 114,000          | -                        | 82,500           | -                         | -             | 601,500           |
| 2020         | 430,000                  | 93,750           | -                        | 82,500           | -                         | -             | 606,250           |
| 2021         | 455,000                  | 72,250           | -                        | 82,500           | -                         | -             | 609,750           |
| 2022         | 480,000                  | 49,500           | -                        | 82,500           | -                         | -             | 612,000           |
| 2023         | 510,000                  | 25,500           | -                        | 82,500           | -                         | -             | 618,000           |
| 2024         | -                        | -                | 525,000                  | 82,500           | -                         | -             | 607,500           |
| 2025         | -                        | -                | 550,000                  | 56,250           | -                         | -             | 606,250           |
| 2026         | -                        | -                | 575,000                  | 28,750           | -                         | -             | 603,750           |
| <b>Total</b> | <b>\$4,000,000</b>       | <b>2,390,000</b> | <b>2,700,000</b>         | <b>1,718,750</b> | <b>543,407</b>            | <b>36,603</b> | <b>11,388,760</b> |

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Sewer Fund**

**June 30, 2007**

| Fiscal<br>Year | TML Bond Fund Loan |                | 2002 Sewer and Tax<br>Refunding Bonds |               | Total            |
|----------------|--------------------|----------------|---------------------------------------|---------------|------------------|
|                | Principal          | Interest       | Principal                             | Interest      |                  |
| 2008           | \$152,000          | 45,810         | 410,000                               | 15,375        | 623,185          |
| 2009           | 158,000            | 38,970         | -                                     | -             | 196,970          |
| 2010           | 165,000            | 31,860         | -                                     | -             | 196,860          |
| 2011           | 173,000            | 24,435         | -                                     | -             | 197,435          |
| 2012           | 181,000            | 16,650         | -                                     | -             | 197,650          |
| 2013           | 190,000            | 8,505          | -                                     | -             | 198,505          |
| <br>           | <br>               | <br>           | <br>                                  | <br>          | <br>             |
| Total          | <u>\$1,019,000</u> | <u>166,230</u> | <u>410,000</u>                        | <u>15,375</u> | <u>1,610,605</u> |

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2007

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

| CFDA<br>Number      | Grant<br>Number | Program Name                                      | Grantor Agency                              | Accrued<br>or Deferred<br>Revenue<br>7/01/06 |             | Accrued<br>or Deferred<br>Revenue<br>6/30/07 |             |
|---------------------|-----------------|---|---|--|-------------|--|-------------|
|                     |                 |   |   | Cash<br>Receipts                             | Adjustments | Expenditures                                 |             |
| 20.205              | STP-EN-9500(15) | Sidewalk Grant                                    | Tennessee Dept. of Transportation           | \$ -   | -           | 254,246                                      | (\$254,346) |
| <b>State Grants</b> |                 |   |   |  |             |  |             |
| -                   | Z00001435-1     | Stop Violence, Office of Criminal Justice Program | Tennessee Dept. of Finance & Administration | (\$9,447)                                    | 53,273      | -  | 68,834      |
| -                   | ZD5024071-mar   | Click it or ticket, Governor Highway Safety Grant | Tennessee Dept. of Transportation           | -  | -           | -  | (\$3,786)   |
|                     |                 |   |   | (\$9,447)                                    | 53,273      | -  | 72,620      |
|                     |                 |   |   |  |             |  | (28,794)    |

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

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Liability and Property Insurance in Force**

June 30, 2007

| <u>Insurance Coverage</u>  | <u>Details of Coverage</u>   |
|--|--|
| Tennessee Municipal League Insurance Pool                                |  |
| Public Officials Error & Omissions                                       | \$2,000,000/ \$2,500 deductible  |
| General Liability Automobile Liability<br>Bodily Injury, Law Enforcement | \$250,000 per person bodily injury<br>as limited by tort liability act<br>\$600,000 per occurrence bodily injury<br>as limited by tort liability act<br>\$85,000 per occurrence law enforcement<br>as limited by tort liability act<br>\$1,000,000 per occurrence for each other |
| Automobile Physical Damage   | Actual cash value of vehicle or cost to<br>replace<br>Deductible:<br>Comprehensive                                   \$250<br>Collision                                        \$500   |
| Uninsured Motorist   | \$300,000 per person bodily injury<br>\$100,000 per occurrence law enforcement   |
| Automobile Medical Payments  | \$1,000 per person   |
| Property, Multi-Peril  |  |
| Real and Personal Property (Total Insured)                               | \$10,267,549   |
| Mobile Equipment   | \$300,000  |
| Accounts Receivable  | \$250,000  |
| Valuable Papers  | \$250,000  |
| Fine Arts  | \$50,000   |
| EDP Equipment/Media  | \$375,000  |
| Flood  | \$1,000,000  |
| Earthquake   | \$1,000,000  |
| Crime Limits   |  |
| Forgery  | \$250,000  |
| Theft, Disappearance and Destruction                                     | \$250,000  |
| Employee Dishonesty  | \$250,000  |
| Public Officials   | \$100,000  |
| T.M.L. Insurance Pool<br>(Workmen's Compensation)                        | \$300,000 Each accident limit<br>\$700,000 Policy limit by disease<br>\$300,000 Employee limit by disease  |

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of City Officials**

**June 30, 2007**

Position

Annual Salary

Elected Officials:

|                             |               |
|-----------------------------|---------------|
| Mayor Linda Elam            | \$500/monthly |
| Vice Mayor Ed Hagerty       | \$450/monthly |
| Commissioner Will Sellers   | \$450/monthly |
| Commissioner Ray Justice    | \$450/monthly |
| Commissioner James Bradshaw | \$450/monthly |

Employees:

|   |
|---|
| City Manager, Sheila S. Luckett, Acting       |
| City Recorder, Sheila S. Luckett              |
| Public Works Director, Shannon Joyner, Acting |
| Police Chief, Winston Floyd                   |
| Economic Development, Kenneth Martin          |
| Parks Director, Dennis Buchanan               |
| Human Resources Director, Jill Johnson        |
| Finance Director, Eddie Stott                 |

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Sewer System Data**

**For the Year Ended June 30, 2007**

|   | Commercial | Outside<br>City<br>Commercial | Inside<br>City<br>Residential | Outside<br>City<br>Residential |
|---|------------|-------------------------------|-------------------------------|--------------------------------|
| <b>Sewer Rates (Based on water consumption)</b> |            |                               |                               |                                |
| Minimum bill (first 2,000 gallons)              | \$16.10    | \$20.13                       | \$11.26                       | \$14.07                        |
| Each additional 1,000 gallons                   | \$7.53     | \$9.41                        | \$5.26                        | \$6.58                         |
| <br>Tap fees                                    |            |                               |                               |                                |
| Residential (inside city)                       |            |                               |                               | \$1,500                        |
| Commercial (Based on meter size)                |            |                               |                               | \$2,000                        |
| Residential (outside city)                      |            |                               |                               | \$2,000                        |
| Installation and pump charges                   |            |                               |                               | \$2,000                        |
| <br>Development fees                            |            |                               |                               |                                |
| Residential                                     |            |                               |                               | \$1,250-2,500/lot              |
| Inspection fee                                  |            |                               |                               | \$50                           |
| Number of customers                             |            |                               |                               | 6,697                          |

**OTHER REPORTS**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

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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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Juliet as of and for the year ended June 30, 2007, which collectively comprise the City of Mt. Juliet's basic financial statements and have issued a report thereon dated November 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mt. Juliet's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Mt. Juliet's financial statements is more than inconsequential will not be prevented or detected by the City of Mt. Juliet's internal control. We consider the deficiencies described in accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting. 07-1, 05-01

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Mt. Juliet's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

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

We noted certain additional matters that were reported to management in a separate letter dated November 5, 2007.

Honorable Mayor and Town Council  
City of Mt. Juliet, Tennessee  
Smyrna, Tennessee

The City of Mt. Juliet's responses to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the City of Mt. Juliet's response and, accordingly, we express no opinion on it.

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

*Young, Howell & Associates*

November 5, 2007

## CITY OF MT JULIET, TENNESSEE

### Schedule of Findings and Recommendations

June 30, 2007

#### CURRENT YEAR

07-01 During our testing of cash disbursements we noted that check signers are using a stamp, however there was no formal documentation of approval of use of stamp. We also noted the purchase orders were not always complete as to amount and description, and that certain credit card charges were not supported by an invoice or other documentation.

Recommendation: We recommend that prior to authorization of the use of the check signing stamp that the check run register be approved by initialing and dating by each check signer. Also, all purchase orders should indicate the estimated cost of the item as well as a complete description of the purchase. All credit card charges should be supported by an approved invoice or other documentation which verifies the authorization of the purchaser, the City purpose of the expenditure and receipt of the goods or services.

Response: We have instituted procedures so that the check registers when generated are approved by the Finance Director. This takes place after invoices are reviewed, prior to being put into the system for payment. We have also implemented procedures so that purchase orders contain the estimated cost of items being purchased as well as a description of the item purchased. We will monitor credit card purchases to insure they are supported by approved invoices and documentation.

#### PRIOR YEAR

05-01 During our review of policies and procedures related to vehicle gasoline and repairs we noted that all departments are not performing monthly analysis of gasoline usage reports by vehicle and explaining any variances from expected usage. We also noted from a review of repair invoices and purchase orders that it was not always indicated as to the vehicle number or description of the vehicle which was repaired.

Status: Although improvements have been made in documentation, we continue to recommend additional review of vehicle related expenditures be performed.

Recommendation: Each month each department should make a complete analysis of fuel usage and explain all unusual variances. Also, every purchase order or related invoice should indicate the vehicle number on all repair expenditures to allow for tracking of repairs by vehicle.

Response: Every month, each department receives a copy of the fuel related invoices for their review, and approval is required before they are sent back to the finance department. We will implement additional procedures to require a vehicle number and description for specific vehicle repairs on each purchase order that is submitted.