

**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		Business Type		Total	Total
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
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
Total Revenues	14,451,000	8,855,800	6,666,587	7,430,585	21,117,587	16,286,385
Expenses:						
General						
Government	2,180,160	1,773,792			2,180,160	1,773,792
Public safety	3,428,345	2,587,871			3,428,345	2,587,871
Recreation and Culture	885,727	809,225			885,727	809,225
Streets and Public Works	3,036,764	3,868,353			3,036,764	3,868,353
Stormwater	176,591	168,996			176,591	168,996
Interest on Debt	310,231	224,510			310,231	224,510
Sewer			3,678,787	3,249,121	3,678,787	3,249,121
Total Expenses	10,017,818	9,432,747	3,678,787	3,249,121	13,696,605	12,681,868
Increase (Decrease) in Net Assets	4,433,182	(576,947)	2,987,800	4,181,464	7,420,982	3,604,517
Net Assets Beginning of Year	4,731,309	5,308,256	27,522,899	23,341,435	32,254,208	28,649,691
Net Assets End of Year	\$9,164,491	\$4,731,309	\$30,510,699	\$27,522,899	\$39,675,190	\$32,254,208

### 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	\$ 4,317,000

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

	Governmental Activities		Business Type Activities		Total	Total
	2007	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 Infrastructure	6,374,038	3,763,246	31,288,196	29,052,553	31,288,196	29,052,553
					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	\$12,794,818	\$9,186,683	\$26,370,090	\$22,555,539	\$39,164,908	\$31,742,222

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		Total
	Governmental	Business-type	Primary
Assets	Activities	Activities	Government
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	-	110,751	110,751
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 constrution in progress - nondepreciable	2,433,488	3,146,034	5,579,522
Total Assets	<u>\$17,496,572</u>	<u>33,041,115</u>	<u>50,537,687</u>
Liabilities			
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
Total Liabilities	<u>8,332,081</u>	<u>2,530,416</u>	<u>10,862,497</u>
Net Assets			
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
Total Net Assets	<u>\$9,164,491</u>	<u>30,510,699</u>	<u>39,675,190</u>

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements

## CITY OF MT. JULIET, TENNESSEE

Balance Sheet  
Governmental Funds

June 30, 2007

Assets	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental 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>
<b>Liabilities and Fund Balances</b>					
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>
<b>Fund Balance:</b>					
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>
<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
Amounts reported for governmental activities in the statement of net assets are different because:		
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	(341,543)	
		(7,584,950)
Net assets of governmental activities		<u>\$9,164,491</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	9,980,313	-	760,842	1,009,714	11,750,869
<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	7,039,132	2,919,371	575,387	711,252	11,245,142
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)	(2,919,371)	2,919,371	-	-	-
Net Change in Fund Balance	21,810	-	185,455	298,462	505,727
Fund Balance, Beginning of Year	1,806,093	-	-	1,077,696	2,883,789
Fund Balance, End of Year	\$1,827,903	-	185,455	1,376,158	3,389,516

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
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Cost of assets acquired	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	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
<b>Local Taxes:</b>				
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	5,832,925	5,832,925	4,958,756	(874,169)
<b>Intergovernmental:</b>				
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
	1,577,964	1,577,964	2,101,354	523,390
<b>Fines and Penalties:</b>				
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	723,000	776,000	1,290,938	514,938
<b>Licenses and Permits:</b>				
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	1,101,600	1,101,600	1,018,001	(83,599)
<b>Charges for Services:</b>				
Accident reports	3,200	3,200	2,316	(884)
Recreational fees	95,900	95,900	113,585	17,685
Total Charges for Services	99,100	99,100	115,901	16,801
<b>Uses of Property and Money</b>				
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	113,500	113,500	122,644	9,144
<b>Other Revenues:</b>				
Contributions from others	6,250	6,250	350,488	344,238
Miscellaneous	14,711	1,711	22,231	20,520
Total Other Revenues	20,961	7,961	372,719	364,758
<b>Total Revenues</b>	<b>9,469,050</b>	<b>9,509,050</b>	<b>9,980,313</b>	<b>471,263</b>

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 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	-	-	266	(266)
Supplies	6,500	6,500	8,258	(1,758)
Other costs	2,900	2,900	3,258	(358)
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
Capital outlay	-	-	-	-
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**

Expenditures	Budgeted Amounts		Actual	Variance with
General Government, continued:	Original	Final	Amounts	Final Budget Positive (Negative)
Planning and Codes:				
Salaries	\$385,313	407,713	251,764	155,949
Employee benefits	150,782	150,782	91,091	59,691
Supplies	88,950	88,950	94,673	(5,723)
Outside services	220,140	223,140	194,495	28,645
Other costs	26,100	26,100	8,017	18,083
Capital outlay	569,160	-	-	-
Total Planning and Codes	<u>1,440,445</u>	<u>896,685</u>	<u>640,040</u>	<u>256,645</u>
City Hall Buildings:				
Repairs and maintenance	38,500	38,500	38,094	406
Outside services	20,000	23,755	24,366	(611)
Utilities	70,950	70,950	70,883	67
Insurance	80,000	80,000	73,265	6,735
Other costs	19,000	19,000	19,604	(604)
Capital outlay	27,000	-	-	-
Total City Hall Buildings	<u>255,450</u>	<u>232,205</u>	<u>226,212</u>	<u>5,993</u>
City Garage:				
Salaries	44,014	44,014	43,626	388
Benefits	17,164	18,164	18,083	81
Supplies	10,263	6,763	5,776	987
Total City Garage	<u>71,441</u>	<u>68,941</u>	<u>67,485</u>	<u>1,456</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	28,558
Benefits	863,235	863,235	776,420	86,815
Repairs and maintenance	46,000	50,747	67,129	(16,382)
Supplies	214,715	263,715	240,298	23,417
Outside services	40,320	40,320	33,506	6,814
Utilities	13,130	13,130	13,037	93
Insurance	64,058	64,058	67,240	(3,182)
Other costs	6,095	6,420	6,370	50
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	52,694
Employee benefits	296,981	296,981	265,789	31,192
Repairs and maintenance	134,115	129,495	45,141	84,354
Supplies	83,345	83,345	59,055	24,290
Outside services	135,426	138,176	26,069	112,107
Telephone and utilities	33,330	33,330	23,018	10,312
Capital outlay	1,564,099	-	-	-
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**

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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	872,397	842,387	738,580	103,807
Debt Service				
Principal	265,000	-	-	-
Interest	373,000	-	-	-
Total Debt Service	638,000	-	-	-
Total Expenditures	10,642,987	7,999,431	7,039,132	960,299
Excess (Deficiency) of Revenues Over Expenditures	(1,173,937)	1,509,619	2,941,181	1,431,562
Other Financing Sources (Uses):				
Transfers out	(4,117,806)	(4,117,806)	(2,919,371)	1,198,435
Total Other Financing Sources (Uses)	(4,117,806)	(4,117,806)	(2,919,371)	1,198,435
Excess (Deficiency) of Revenues & Other Sources	(5,291,743)	(2,608,187)	21,810	2,629,997
Fund Balance, Beginning of Year	1,806,093	1,806,093	1,806,093	-
Fund Balance, End of Year	(\$3,485,650)	(802,094)	1,827,903	2,629,997

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	<u>35,735,760</u>
Less: accumulated depreciation	<u>(9,365,670)</u>
Net Property, Plant and Equipment	<u>26,370,090</u>
Other assets-bond issue costs, net	5,545
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	<u>848,295</u>
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**

	Sewer Enterprise Fund
Operating Revenues:	
Charges for sales and services - sewer	\$2,849,591
Sewer inspection and administrative charges	278,507
Penalties	71,613
Other	24,130
Total Operating Revenues	<u>3,223,841</u>
Operating Expenses:	
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
Total Operating Expenses	<u>3,578,769</u>
Operating Income (Loss)	<u>(354,928)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(100,018)
Interest income	181,512
Net Nonoperating Revenues (Expenses)	<u>81,494</u>
Net Income (Loss) Before Contributions	<u>(273,434)</u>
Contributions:	
Capital contribution - Tap fees	1,825,604
Capital contribution - Utility plant	1,435,630
Total Contributions	<u>3,261,234</u>
Change in Net Assets	2,987,800
Net Assets - Beginning of Year	<u>27,522,899</u>
Net Assets- End of Year	<u>\$30,510,699</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 Enterprise Fund
Cash Flows Provided (Used) By Operating Activities:	
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	(75,000)
Net Cash Provided (Used) by Operating Activities	<u>128,393</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:	
Purchase of property, plant and equipment	(2,822,123)
Interest paid on debt	(87,421)
Payments on long-term debt	(540,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,449,544)</u>
Cash Flows Provided (Used) By Non-Capital Financing Activities:	
Contributions from customers	1,815,604
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,815,604</u>
Cash Flows Provided (Used) By Investing Activities:	
Interest received on investments	<u>176,485</u>
Net Increase (Decrease) in Cash	(1,329,062)
Cash and Cash Equivalents, Beginning of Year	<u>7,471,084</u>
Cash and Cash Equivalents, End of Year	<u>\$6,142,022</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	(\$354,928)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	808,681
(Increase) Decrease in:	
Accounts receivable	(28,503)
Prepaid expenses	(3,131)
Inventory	(12,462)
Increase (Decrease) in:	
Accounts payable	137,269
Accrued expenses	(16,643)
Customer deposits	-
Due to other funds	(401,890)
Net cash provided by operating activities	<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 judgments are recorded only when payment is due.

Property taxes, state shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government. 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%
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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 Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,115,347	-	-	1,115,347 LS
Construction in progress	160,001	1,158,140	-	1,318,141 LS
<u>Capital assets being depreciated:</u>				
Buildings and improvements	2,891,235	-	-	2,891,235 LS
Improvements other than buildings	2,197,356	72,841	-	2,270,197 LS
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 LS</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 Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending 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	\$ <u>802,802</u>

## CITY OF MT. JULIET, TENNESSEE

### 4) RECEIVABLES AND DEFERRED REVENUE

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

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

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

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:

	Balance 07-01-06	Addition	Reductions	Balance 06-30-07	Current Portion
<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	1,969,000	<u>-</u>	<u>540,000</u>	1,429,000	<u>562,000</u>
Deferred amount on refunding	<u>(37,410)</u>			<u>(18,705)</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:

	Balance June 30, 2007
<u>Governmental-type Activities</u>	
\$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.	<u>2,700,000</u>
Total Governmental-type activities	\$ <u>7,243,407</u>
<u>Business-type Activities</u>	
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.	<u>1,019,000</u>
Total Business-type activities	\$ <u>1,429,000</u>

## 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:

	<u>Governmental-type</u>			<u>Business-type</u>			<u>Total</u>
	<u>Note/ TMBF Note</u>	<u>Public Improvement Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Loan</u>	<u>Interest</u>	
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
	<u>\$ 543,407</u>	<u>6,700,000</u>	<u>4,145,353</u>	<u>410,000</u>	<u>1,019,000</u>	<u>181,605</u>	<u>12,999,365</u>

### 6) PENSION PLAN

#### Plan Description

Employees of the City of Mt. Juliet are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 (four) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Mt. Juliet participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

#### Funding Policy

Mt. Juliet requires employees to contribute 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)	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

Assets	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services Fund	
Cash and cash equivalents	\$987,141	85,673	285,271	60,395	1,418,480
Due from other governments	102,055	-	-	-	102,055
Total Assets	<u>\$1,089,196</u>	<u>85,673</u>	<u>285,271</u>	<u>60,395</u>	<u>1,520,535</u>
<u>Liabilities and Fund Balances</u>					
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
Total Liabilities	<u>138,154</u>	<u>2,759</u>	<u>3,464</u>	<u>-</u>	<u>144,377</u>
Fund Balances:					
Unreserved and undesignated	951,042	82,914	281,807	60,395	1,376,158
Total Fund Balance	<u>951,042</u>	<u>82,914</u>	<u>281,807</u>	<u>60,395</u>	<u>1,376,158</u>
Total Liabilities & Fund Balances	<u>\$1,089,196</u>	<u>85,673</u>	<u>285,271</u>	<u>60,395</u>	<u>1,520,535</u>

## CITY OF MT. JULIET, TENNESSEE

## Combining Statement of Revenues, Expenditures &amp; Changes in Fund Balance

## Nonmajor Governmental Funds

For the Year Ended June 30, 2007

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services 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
Total Revenues	630,709	37,113	281,497	60,395	1,009,714
<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	-	-	-	-	-
Total Expenditures	516,512	7,000	187,740	-	711,252
Excess (Deficiency) of Revenues Over Expenditures	114,197	30,113	93,757	60,395	298,462
Fund Balance, Beginning of Year	836,845	52,801	188,050	-	1,077,696
Fund Balance, End of Year	\$951,042	82,914	281,807	60,395	1,376,158

**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 Amounts</u>	<u>Variance with Final Budget Positive (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
Total Revenues	<u>547,000</u>	<u>547,000</u>	<u>630,709</u>	<u>83,709</u>
<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)
Total Expenditures	<u>532,700</u>	<u>532,700</u>	<u>516,512</u>	<u>16,188</u>
Excess of Revenues Over Expenditures	14,300	14,300	114,197	99,897
Fund Balance, Beginning of Year	<u>836,845</u>	<u>836,845</u>	<u>836,845</u>	<u>-</u>
Fund Balance, End of Year	<u>\$851,145</u>	<u>851,145</u>	<u>951,042</u>	<u>99,897</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**Drug Fund**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues</u>				
Other:				
Drug related fines, seizures and sales	\$20,200	20,200	37,113	16,913
Total Revenues	<u>20,200</u>	<u>20,200</u>	<u>37,113</u>	<u>16,913</u>
<u>Expenditures</u>				
Program costs	22,265	22,265	7,000	15,265
Total Expenditures	<u>22,265</u>	<u>22,265</u>	<u>7,000</u>	<u>15,265</u>
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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Licenses and permits:				
Inspection and other fees	\$264,500	264,500	281,497	16,997
Total Revenues	264,500	264,500	281,497	16,997
<u>Expenditures</u>				
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
Total Expenditures	263,258	263,258	187,740	75,518
Excess of Revenues Over Expenditures	1,242	1,242	93,757	92,515
Fund Balance, Beginning of Year	188,050	188,050	188,050	-
Fund Balance, End of Year	\$189,292	189,292	281,807	92,515

**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**

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

**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	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>	\$ -	75,000	-	(75,000)
Total Revenues	-	75,000	-	(75,000)
<u>Expenditures</u>				
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 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 Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Other:				
Interest	\$ -	-	1,997	1,997
Impact fees	-	700,000	758,845	58,845
Total Revenues	-	700,000	760,842	60,842
<u>Expenditures</u>				
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	123,455
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**

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$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 June 30, 2006	Additions	Deletions	Balance 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

	<u>Interest Rates</u>	<u>Amount</u>
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		
Passbook and checking accounts		<u>410,050</u>

#### Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	411,981
Passbook and checking accounts	-	575,160
Total State Street Aid Fund		<u>987,141</u>
Drug Fund:		
Cash on hand		172
Passbook and checking accounts	-	85,501
Total Drug Fund		<u>85,673</u>
Storm Water:		
Checking accounts	-	<u>285,271</u>
Emergency and Community Services Fund		
Passbook and checking accounts		<u>60,395</u>

#### Proprietary Fund

Sewer Enterprise Fund		
Local Government Investment Pool	Various	432,874
Petty Cash		650
Passbook and checking accounts	-	5,708,498
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
Total	<u>\$4,000,000</u>	<u>2,390,000</u>	<u>2,700,000</u>	<u>1,718,750</u>	<u>543,407</u>	<u>36,603</u>	<u>11,388,760</u>

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Sewer Fund**

**June 30, 2007**

Fiscal Year	TML Bond Fund Loan		2002 Sewer and Tax 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
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 Number	Grant Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/06	Cash Receipts	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/07
20.205	STP-EN-9500(15)	Sidewalk Grant	Tennessee Dept. of Transportation	\$-	-	-	254,346	(\$254,346)
State Grants								
-	Z00001435-1	Stop Violence, Office of Criminal Justice Program	Tennessee Dept. of Finance & Administration	(\$9,447)	53,273	-	68,834	(\$25,008)
-	Z05024071-mar	Click it or ticket, Governor Highway Safety Grant	Tennessee Dept. of Transportation	-	-	-	3,786	(\$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 Bodily Injury, Law Enforcement	\$250,000 per person bodily injury as limited by tort liability act \$600,000 per occurrence bodily injury as limited by tort liability act \$85,000 per occurrence law enforcement as limited by tort liability act \$1,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$250 Collision \$500
Uninsured Motorist	\$300,000 per person bodily injury \$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 (Workmen's Compensation)	\$300,000 Each accident limit \$700,000 Policy limit by disease \$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
Commisioner Will Sellers	\$450/monthly
Commisioner Ray Justice	\$450/monthly
Commissioner James Bradshaw	\$450/monthly

#### Employees:

City Manager, Sheila S. Lockett, Acting	
City Recorder, Sheila S. Lockett	
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**

	<u>Commercial</u>	<u>Outside City Commercial</u>	<u>Inside City Residential</u>	<u>Outside City Residential</u>
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$16.10	\$20.13	\$11.26	\$14.07
Each additional 1,000 gallons	\$7.53	\$9.41	\$5.26	\$6.58
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				
Residential (outside city)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential				\$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

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

TELEPHONE  
(615) 385-1008  
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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.

*Yeary 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.