

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2008

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, 2008, 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.

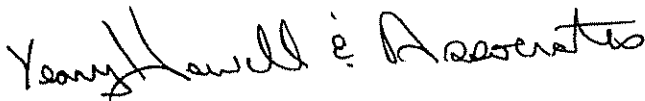
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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, 2008, and the respective changes in financial position and cash flows where applicable and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, except for Note 13 as to which the date is December 1, 2008, 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 29-34 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.



October 31, 2008 except for Note 13
as to which the date is December 1, 2008

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, 2008. 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 \$49.3 million. Of this amount, \$7.1 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 \$300 thousand dollars.

At the close of FY07-08, the City's governmental funds reported combined ending fund balances of \$12.4 million, an increase of \$9.0 million in comparison to the prior year. The bulk of this increase was created by the sale of \$10 million dollars in bonds to finance road building projects as well as a new animal shelter. 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 FY07-08, the fund balance of the General Fund was \$1.9 million, approximately \$117,000 of which was being held in reserve for future road and park projects and \$118,000 reserved for prepaid requirements. The balance of \$1.7 million represented approximately 12.8% of annual recurring expenses including capital projects.

The City made principal payments of \$225,000 on previously issued bonds in FY07-08. The City currently has four outstanding bond issues in the Governmental Activities, with amortization schedules running to 2010, 2023, 2026 and 2034 respectively. The City made principal payments of \$563,000 on previously issued Business type bonds in FY07-08. One Business Type bond issues remains with amortization schedule running out to 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 \$1.1 million over the next 26 years. The debt service requirements for the Business Type Activities are approximately \$200,000 from 2009 thru 2013. All Governmental Activities bond proceeds have been utilized for the construction of an animal shelter, 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 seven individual governmental funds (General Fund, Capital Projects Fund, Debt Service Fund, Drug Fund, State Street Aid Fund, Emergency/Community Services 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 11 –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 14-28 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 29-34 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 \$49 million at the close of FY07-08, 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
	2008	2007	2008	2007	2008	2007
Current and Other Assets	14,183,052	\$4,701,754	6,072,041	\$6,671,025	\$20,255,093	\$11,372,779
Capital Assets	17,443,080	12,794,818	31,950,012	26,370,090	49,393,092	39,164,908
Total Assets	31,626,132	17,496,572	\$38,022,053	33,041,115	69,648,185	50,537,687
Long term Liabilities Outstanding	16,821,258	7,143,250	708,000	848,295	17,529,258	7,991,545
Other Liabilities	1,758,338	1,188,831	1,108,621	1,682,121	2,866,959	2,870,952
Total Liabilities	18,579,596	8,332,081	1,816,621	2,530,416	20,396,217	10,862,497
Net Assets:						
Invested in Capital Assets,						
net of related debt	8,911,628	5,576,929	31,084,012	24,965,340	39,995,640	30,542,269
Restricted	2,160,456	1,735,848			2,160,456	1,735,848
Unrestricted	1,974,452	1,851,714	5,121,420	5,545,359	7,095,872	7,397,073
Total Net Assets	\$ 13,046,536	\$9,164,491	\$ 36,205,432	\$30,510,699	\$49,251,968	\$39,675,190

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

CITY OF MT. JULIET NET ASSETS

Net Capital Assets of the City in Governmental activities increased from \$12.8 million to \$17.4 million in FY07-08, primarily related to the new bond issue.

Net Capital Assets of the City in Business-type activities increased from \$26.4 million to \$32.0 million in FY07-08, primarily related to new construction of lines and donated lines.

Governmental Activities

Governmental activities increased the City's net assets by \$3.9 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 \$5.7 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	
	Activities		Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services						
Charges for Services	\$2,903,889	\$3,562,295	\$3,595,831	\$3,223,841	\$6,499,720	\$6,786,136
Operating Grants and Contributions	698,271	719,931			698,271	719,931
Capital Grants and Contributions	2,863,763	3,215,447	6,124,059	3,261,234	8,987,822	6,476,681
General Revenues						
Sales Taxes	4,150,476	3,797,465			4,150,476	3,797,465
Other Locally Assessed Taxes	1,541,443	1,238,302			1,541,443	1,238,302
Other State Shared Taxes	1,969,626	1,736,744			1,969,626	1,736,744
Investment Earnings & Rental Income	259,636	158,585	125,868	181,512	385,504	340,097
Other	75,827	22,231			75,827	22,231
Total Revenues	14,462,931	14,451,000	9,845,758	6,666,587	24,308,689	21,117,587
Expenses:						
General Government	2,374,459	2,180,160			2,374,459	2,180,160
Public safety	3,973,533	3,428,345			3,973,533	3,428,345
Recreation and Culture	1,022,901	885,727			1,022,901	885,727
Streets and Public Works	2,529,388	3,036,764			2,529,388	3,036,764
Stormwater	181,972	176,591			181,972	176,591
Interest on Debt	498,633	310,231			498,633	310,231
Sewer			4,151,025	3,678,787	4,151,025	3,678,787
Total Expenses	10,580,886	10,017,818	4,151,025	3,678,787	14,731,911	13,696,605
Increase (Decrease) in Net Assets	3,882,045	4,433,182	5,694,733	2,987,800	9,576,778	7,420,982
Net Assets Beginning of Year	9,164,491	4,731,309	30,510,699	27,522,899	39,675,190	32,254,208
Net Assets End of Year	\$ 13,046,536	\$9,164,491	\$ 36,205,432	\$30,510,699	\$49,251,968	\$39,675,190

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 \$12.4 million, an increase of \$9.0 million. The general fund unreserved balance at the end of the fiscal year was \$1.7 million out of a total general fund balance of \$1.9 million. The City estimates that it will continue spending on major road, transportation, and infrastructure projects in the new fiscal year.

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 \$105,000 more in revenue than forecast at the time of the adoption of the original budget. However it is important to note that while total Local Sales Taxes collected increased 11.4% or \$423 thousand above the previous year such taxes were lower than forecasted by \$117 thousand or 2.7%. Most of the decrease in Local Sales Taxes was primarily attributable to a major retail mall which has matured slower than expected in the fiscal year. Almost every other category of tax revenue had a favorable variance and with the addition of the \$73 thousand in revenue from the motel tax that began in January 2008, the city collected \$216 thousand more than the total projected or 4%. This favorable variance was offset by a failure to realize the permit and fee income budgeted which may be indicative of a slowing city growth rate. Smaller revenue sources accounted for the remaining increase, of which most was the result of revenue from the road improvements at Normandy and Ridgeview.

For expenditures in the General Fund there was a favorable variance of \$721 thousand prior to transfers to other funds. In the fiscal year ended June 30, 2006 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 \$1.3 million primarily due to the issuance of the \$10 million Bond issue in February 2008.

CAPITAL PROJECTS FUND: (See Page 35)

As mentioned above during the fiscal year ended June 30, 2006 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 and the 2008 bond issue for roads and the animal shelter. Expenditures of the Capital Projects Fund showed favorable variance of \$1.9 million primarily due to the issuance of the \$10 million Bond issue in February 2008. 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 19-23)

Capital Assets

The City of Mt. Juliet's investments in capital assets from its governmental and business-type activities at June 30, 2008 amounts to \$49.4 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 26.1% (a 36.3% increase for governmental activities and a 21.2% increase in business-type activities).

Major capital asset events during the FY07-08 fiscal year included the following:

Governmental Type Activities:

Road and Park Projects	\$ 2,623,000
Equipment and Transportation Purchases	467,000
Donated Infrastructure	<u>2,438,200</u>
Total Governmental Activities	<u>\$ 5,528,200</u>

Business Type Activities:

Collection System and Projects	\$ 6,349,000
Equipment	<u>178,000</u>
Total Business Activities	<u>\$ 6,527,000</u>

City of Mt. Juliet's Capital Assets

	Governmental		Business Type		Total	
	Activities		Activities		Total	Total
	2008	2007	2008	2007	2008	2007
Land	\$1,189,819	\$1,115,347	\$984,044	\$981,244	\$2,173,863	\$2,096,591
Bldgs and Improvements	2,891,235	2,891,235	379,089	379,089	3,270,324	3,270,324
Improv Other than Bldgs	2,349,773	2,270,197			2,349,773	2,270,197
Machinery and Equipment	2,868,155	2,585,272	1,099,607	922,441	3,967,762	3,507,713
Construction in Progress	2,673,115	1,318,141	2,490,516	2,164,790	5,163,631	3,482,931
Collection System			37,309,124	31,288,196	37,309,124	31,288,196
Infrastructure	9,926,397	6,374,038			9,926,397	6,374,038
Total Cost	21,898,495	16,554,230	42,262,380	35,735,760	64,160,875	52,289,990
Less Acc Depr	4,455,415	3,759,412	10,312,368	9,365,670	14,767,783	13,125,082
Net Capital Assets	\$17,443,080	\$12,794,818	\$31,950,012	\$26,370,090	\$49,393,092	\$39,164,908

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 \$17.9 million.

The City of Mt. Juliet's total debt increased by \$9.2 million during the current fiscal year due to the issuance of \$10 million in bonds in February 2008 to finance infrastructure offset by principal payments on previously issued bonds of \$788 thousand.

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, 2008 was 6.0 % compared to the State unemployment rate of 6.5% and the national rate of 5.5%.

In the 2008-2009 budget General Fund revenues are forecast to increase by 11.2% from the 2007-2008 budget. Recurring revenue due to retail activity is forecast to increase modestly in the 2008-2009 fiscal year. As discussed above Local Sales Taxes Collected were \$117 thousand less than budgeted in 2006-2007. However with the local mall maturing out and the anticipated addition of Lowe's and Wal-Mart the 2008-2009 budget for Local taxes is considered 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 2008-2009 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, 2008

	Primary Government		Total
	Governmental	Business-type	Primary
	Activities	Activities	Government
Assets			
Cash and cash equivalents	\$3,303,334	3,234,573	6,537,907
Receivables (net):			
Taxes	70,222	-	70,222
Due from other governments	1,400,300	-	1,400,300
Internal balances	(8,884)	8,884	-
Interest receivable	6	16,148	16,154
Accounts receivable	-	457,987	457,987
Inventories	-	102,672	102,672
Restricted assets:			
Cash - construction	116,892	2,246,950	2,363,842
Cash - bond proceeds	74,109	-	74,109
Investments - bond proceeds	9,015,000	-	9,015,000
Prepaid expenses	118,103	4,827	122,930
Bond issue costs, net	93,970	-	93,970
Capital assets, net of accumulated depreciation	13,580,146	28,475,452	42,055,598
Land and constrution in progress - nondepreciable	3,862,934	3,474,560	7,337,494
Total Assets	<u>\$31,626,132</u>	<u>38,022,053</u>	<u>69,648,185</u>
Liabilities			
Accounts payable	\$282,545	95,064	377,609
Accrued liabilities	181,858	54,227	236,085
Accrued interest	64,226	6,986	71,212
Contracts payable	561,386	788,506	1,349,892
Deferred revenue	90,037	-	90,037
Customer deposits	-	5,838	5,838
Long-term liabilities due within one year	578,286	158,000	736,286
Long-term liabilities due in more than one year	16,821,258	708,000	17,529,258
Total Liabilities	<u>18,579,596</u>	<u>1,816,621</u>	<u>20,396,217</u>
Net Assets			
Investment in capital assets, net of related debt	8,911,628	31,084,012	39,995,640
Restricted for:			
Debt service	68,070	-	68,070
Capital projects - emergency services	61,453	-	61,453
Street maintenance	1,420,885	-	1,420,885
Stormwater maintenance	412,480	-	412,480
Law enforcement	80,676	-	80,676
Road and park projects	116,892	-	116,892
Unrestricted	<u>1,974,452</u>	<u>5,121,420</u>	<u>7,095,872</u>
Total Net Assets	<u>\$13,046,536</u>	<u>36,205,432</u>	<u>49,251,968</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$2,374,459	672,452	-	-	(1,702,007)	-	(1,702,007)
Public safety	3,973,533	1,045,080	70,124	-	(2,858,329)	-	(2,858,329)
Recreation and Culture	1,022,901	107,523	-	-	(915,378)	-	(915,378)
Streets and public works	2,529,388	777,972	628,147	2,863,763	1,740,494	-	1,740,494
Stormwater	181,972	300,862	-	-	118,890	-	118,890
Interest on debt	498,633	-	-	-	(498,633)	-	(498,633)
Total Government Activities	10,580,886	2,903,889	698,271	2,863,763	(4,114,963)	-	(4,114,963)
Business-type Activities:							
Sewer	4,151,025	3,595,831	208,636	5,915,423	-	5,568,865	5,568,865
Total Business-type Activities	4,151,025	3,595,831	208,636	5,915,423	-	5,568,865	5,568,865
Total Primary Government	\$14,731,911	6,499,720	906,907	8,779,186	(4,114,963)	5,568,865	1,453,902
General Revenues:							
Sales taxes					\$4,150,476	-	4,150,476
Unrestricted other locally assessed taxes					1,541,443	-	1,541,443
Unrestricted other state shared taxes					1,969,626	-	1,969,626
Unrestricted investment earnings and rental income					259,636	125,868	385,504
Other					75,827	-	75,827
Total general revenues					7,997,008	125,868	8,122,876
Change in net assets					3,882,045	5,694,733	9,576,778
Net assets - beginning of year					9,164,491	30,510,699	39,675,190
Net assets - end of year					\$13,046,536	36,205,432	49,251,968

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2008

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$1,096,495	102,878	227,760	1,876,201	3,303,334
Cash - restricted - construction	116,892	-	-	-	116,892
Cash - restricted - bond proceeds	-	74,109	-	-	74,109
Investments - restricted - bond proceeds	-	9,015,000	-	-	9,015,000
Receivables (net)					
Taxes	70,222	-	-	-	70,222
Due from other governments	1,293,470	-	-	106,830	1,400,300
Due from other funds	150,952	-	-	-	150,952
Interest receivable	6	-	-	-	6
Prepaid items	118,103	-	-	-	118,103
Total Assets	\$2,846,140	9,191,987	227,760	1,983,031	14,248,918
Liabilities and Fund Balances					
Accounts payable	\$116,621	160,729	-	5,195	282,545
Accrued costs	179,516	-	-	2,342	181,858
Contracts payable	-	561,386	-	-	561,386
Due to other funds	146	-	159,690	-	159,836
Deferred revenue	636,874	-	-	57,491	694,365
Total Liabilities	933,157	722,115	159,690	65,028	1,879,990
Fund Balance:					
Reserved for prepaids	118,103	-	-	-	118,103
Reserved for roads and parks	116,892	-	-	-	116,892
Reserved for capital projects	-	8,469,872	-	-	8,469,872
Unreserved and undesignated					
General Fund	1,677,988	-	-	-	1,677,988
Special Revenue Funds	-	-	-	1,918,003	1,918,003
Debt Service Fund	-	-	68,070	-	68,070
Total Fund Balances	1,912,983	8,469,872	68,070	1,918,003	12,368,928
Total Liabilities and Fund Balances	\$2,846,140	9,191,987	227,760	1,983,031	14,248,918

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, 2008

Amounts reported for fund balance - total governmental funds **\$12,368,928**

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

Capital assets, net of accumulated depreciation, used in
governmental activities are not financial resources and ,
therefore, are not reported in the funds **17,443,080**

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 **604,328**

In the statement of activities, interest is accrued on outstanding
bonds, whereas in governmental funds, interest expenditures are
reported when due **(64,226)**

Bond issue costs are amortized over the life of the notes in the statement
of activities **93,970**

Bond discounts costs are amortized over the life of the notes in the statement
of activities **23,494**

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 **(\$17,018,407)**

Capital leases **(64,262)**

Compensated absences **(340,369)**

(17,423,038)

Net assets of governmental activities

\$13,046,536

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, 2008

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$5,684,563	-	-	-	5,684,563
Intergovernmental	2,057,373	176,313	-	578,255	2,811,941
Fines and fees	1,000,810	-	-	42,455	1,043,265
Licenses and permits	889,160	-	560,014	300,862	1,750,036
Charges for services	110,588	-	-	-	110,588
Uses of money and property	117,269	98,133	6,805	37,429	259,636
Miscellaneous	225,077	100,000	-	-	325,077
Total Revenue	<u>10,084,840</u>	<u>374,446</u>	<u>566,819</u>	<u>959,001</u>	<u>11,985,106</u>
Expenditures					
Current:					
General government	2,278,632	109,466	-	-	2,388,098
Police	3,716,314	12,126	-	13,235	3,741,675
Streets and public works	1,150,959	770,578	-	189,050	2,110,587
Stormwater	-	-	-	176,960	176,960
Parks and culture	832,932	21,267	-	-	854,199
Debt service	-	-	718,961	-	718,961
Capital outlay	-	3,052,511	-	37,911	3,090,422
Total Expenditures	<u>7,978,837</u>	<u>3,965,948</u>	<u>718,961</u>	<u>417,156</u>	<u>13,080,902</u>
Excess (deficiency) revenues over expenditures	2,106,003	(3,591,502)	(152,142)	541,845	(1,095,796)
Other Financing Sources (Uses)					
Transfers from (to) other funds	(2,020,923)	1,986,166	34,757	-	-
Improvement bonds issued	-	10,000,000	-	-	10,000,000
Discount on improvement bonds	-	(23,811)	-	-	(23,811)
Capital leases	-	99,019	-	-	99,019
Total Other Financing Sources (Uses)	<u>(2,020,923)</u>	<u>12,061,374</u>	<u>34,757</u>	<u>-</u>	<u>10,075,208</u>
Net Change in Fund Balance	85,080	8,469,872	(117,385)	541,845	8,979,412
Fund Balance, Beginning of Year	<u>1,827,903</u>	<u>-</u>	<u>185,455</u>	<u>1,376,158</u>	<u>3,389,516</u>
Fund Balance, End of Year	<u>\$1,912,983</u>	<u>8,469,872</u>	<u>68,070</u>	<u>1,918,003</u>	<u>12,368,928</u>

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2008

Amounts reported for net change in fund balance - total governmental funds **\$8,979,412**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:

Cost of assets acquired	3,090,422
Depreciation expense	(880,360)

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	7,356
State shared revenues	32,269
Contributed capital assets	2,438,200

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

Debt repayment	225,000
Debt issuance	(10,000,000)
Capital lease issuance	(99,019)
Capital lease repayment	34,757
Debt issuance costs	70,750
Debt discount	23,811
Amortization of debt related costs	(2,298)
Amortization of debt discounts	(317)

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	(39,112)
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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	1,174
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Change in net assets of governmental activities	<u><u>\$3,882,045</u></u>
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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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Local Taxes:				
Local sales taxes	\$4,260,000	4,260,000	4,143,120	(116,880)
Wholesale beer	387,500	387,500	410,005	22,505
Franchise taxes	560,000	560,000	580,857	20,857
Hotel/Motl taxes	-	-	73,032	73,032
Business taxes	260,650	260,650	477,549	216,899
Total Local Taxes	<u>5,468,150</u>	<u>5,468,150</u>	<u>5,684,563</u>	<u>216,413</u>
Intergovernmental:				
State sales tax	1,475,000	1,475,000	1,466,371	(8,629)
State beer tax	11,000	11,000	11,154	154
State income tax	47,500	47,500	168,203	120,703
State/City streets & transp.	45,000	45,000	44,491	(509)
Other state revenue allocation	48,600	48,600	107,721	59,121
TVA tax	151,500	151,500	189,309	37,809
Grants	302,000	854,545	70,124	(784,421)
	<u>2,080,600</u>	<u>2,633,145</u>	<u>2,057,373</u>	<u>(575,772)</u>
Fines and Penalties:				
City court and drug control	1,150,250	1,150,250	999,560	(150,690)
Penalties	11,000	11,000	1,250	(9,750)
Total Fines and Penalties	<u>1,161,250</u>	<u>1,161,250</u>	<u>1,000,810</u>	<u>(160,440)</u>
Licenses and Permits:				
Building permits	500,000	500,000	434,998	(65,002)
Plumbing permits	47,500	47,500	43,895	(3,605)
Impact and inspection fees	292,500	292,500	217,958	(74,542)
Zoning permits	10,000	10,000	9,736	(264)
Sign permits	23,750	23,750	31,820	8,070
Other permits	175,925	175,925	150,753	(25,172)
Total Licenses & Permits	<u>1,049,675</u>	<u>1,049,675</u>	<u>889,160</u>	<u>(160,515)</u>
Charges for Services:				
Accident reports	2,500	2,500	3,065	565
Recreational fees	93,000	93,000	107,523	14,523
Total Charges for Services	<u>95,500</u>	<u>95,500</u>	<u>110,588</u>	<u>15,088</u>
Uses of Property and Money				
Administrative support services	75,000	75,000	75,000	-
Rent	22,500	22,500	19,800	(2,700)
Interest	20,000	20,000	22,469	2,469
Total Uses of Property and money	<u>117,500</u>	<u>117,500</u>	<u>117,269</u>	<u>(231)</u>
Other Revenues:				
Contributions from others	-	-	149,250	149,250
Miscellaneous	7,600	120,850	75,827	(45,023)
Total Other Revenues	<u>7,600</u>	<u>120,850</u>	<u>225,077</u>	<u>104,227</u>
Total Revenues	<u>9,980,275</u>	<u>10,646,070</u>	<u>10,084,840</u>	<u>(561,230)</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, 2008

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative Board:				
Salaries	\$38,000	38,000	39,011	(1,011)
Employee benefits	43,474	43,474	36,991	6,483
Supplies	7,200	7,200	6,141	1,059
Total Legislative Board	88,674	88,674	82,143	6,531
City Court:				
Salaries	17,460	17,460	13,961	3,499
Employee benefits	1,340	1,340	741	599
Outside services	8,750	8,750	4,090	4,660
Supplies	4,000	4,000	564	3,436
Total City Court	31,550	31,550	19,356	12,194
City Manager:				
Salaries	294,644	330,644	290,411	40,233
Employee benefits	103,569	103,569	91,456	12,113
Outside services	60,400	95,400	105,942	(10,542)
Membership and dues	14,000	14,000	11,791	2,209
Telephone	3,000	3,000	2,777	223
Repairs and maintenance	-	-	65	(65)
Supplies	11,350	11,350	10,908	442
Other costs	3,700	4,200	1,731	2,469
Capital outlay	-	-	-	-
Total City Manager	490,663	562,163	515,081	47,082
City Recorder:				
Salaries	206,583	206,583	190,229	16,354
Employee benefits	85,533	85,533	66,306	19,227
Outside services	31,000	31,000	28,497	2,503
Supplies	7,425	7,425	6,487	938
Other costs	2,300	2,300	1,337	963
Capital outlay	-	-	-	-
Total City Recorder	332,841	332,841	292,856	39,985
City Attorney:				
Salaries	-	36,600	37,897	(1,297)
Employee benefits	-	4,100	3,745	355
Outside services	100,000	100,000	98,238	1,762
Other costs	-	2,300	2,330	(30)
Total City Attorney	100,000	143,000	142,210	790
Economic and Community Development:				
Salaries	69,557	69,557	69,510	47
Employee benefits	21,196	21,196	20,322	874
Outside services	54,158	54,158	51,714	2,444
Other costs	8,400	8,400	10,030	(1,630)
Capital outlay	-	-	-	-
Total Economic and Community Development	153,311	153,311	151,576	1,735

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, 2008

Expenditures	Budgeted Amounts		Actual	Variance with
General Government, continued:	Original	Final	Amounts	Final Budget
Planning and Codes:				Positive
				(Negative)
Salaries	\$383,423	\$383,423	332,627	50,796
Employee benefits	161,962	161,962	125,244	36,718
Supplies	96,258	96,258	73,922	22,336
Outside services	282,000	282,000	203,744	78,256
Other costs	43,400	43,400	16,677	26,723
Capital outlay	5,000	5,000	-	5,000
Total Planning and Codes	972,043	972,043	752,214	219,829
City Hall Buildings:				
Repairs and maintenance	36,500	49,000	45,028	3,972
Outside services	21,000	21,000	20,350	650
Utilities	67,250	87,250	91,232	(3,982)
Insurance	80,000	80,000	76,712	3,288
Other costs	19,000	19,000	21,447	(2,447)
Capital outlay	-	-	-	-
Total City Hall Buildings	223,750	256,250	254,769	1,481
City Garage:				
Salaries	45,544	45,544	45,305	239
Benefits	18,139	18,139	18,163	(24)
Supplies	6,503	6,503	4,959	1,544
Total City Garage	70,186	70,186	68,427	1,759
Total General Government	2,463,018	2,610,018	2,278,632	331,386
Public Safety:				
Police Department:				
Salaries	2,276,203	2,276,203	2,194,510	81,693
Benefits	1,018,182	1,018,182	943,543	74,639
Repairs and maintenance	52,000	52,000	72,562	(20,562)
Supplies	296,726	306,726	348,738	(42,012)
Outside services	61,205	61,205	51,522	9,683
Utilities	17,990	17,990	11,243	6,747
Insurance	72,500	72,500	70,547	1,953
Other costs	41,564	41,564	23,649	17,915
Capital outlay	-	-	-	-
Total Public Safety	3,836,370	3,846,370	3,716,314	130,056
Streets and Public Works:				
Salaries	705,201	705,201	629,386	75,815
Employee benefits	340,101	340,101	307,165	32,936
Repairs and maintenance	79,800	93,050	37,454	55,596
Supplies	84,900	86,900	71,412	15,488
Outside services	69,720	69,720	80,878	(11,158)
Telephone and utilities	32,530	32,530	24,664	7,866
Capital outlay	-	-	-	-
Total Streets and Public Works	1,312,252	1,327,502	1,150,959	176,543

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				<u>Positive</u>
Recreation and Culture:				<u>(Negative)</u>
Salaries	\$363,452	363,452	327,688	35,764
Employee benefits	136,940	136,940	126,351	10,589
Repairs and maintenance	17,200	17,200	13,483	3,717
Supplies	51,500	54,750	50,170	4,580
Outside services	70,000	70,000	51,707	18,293
Utilities	64,100	64,100	60,533	3,567
Appropriations to nonprofits	209,095	209,095	203,000	6,095
Capital outlay	-	-	-	-
Total Recreation and Culture	<u>912,287</u>	<u>915,537</u>	<u>832,932</u>	<u>82,605</u>
Total Expenditures	<u>8,523,927</u>	<u>8,699,427</u>	<u>7,978,837</u>	<u>720,590</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,456,348</u>	<u>1,946,643</u>	<u>2,106,003</u>	<u>159,360</u>
Other Financing Sources (Uses):				
Transfers out	<u>(3,282,504)</u>	<u>(3,914,049)</u>	<u>(2,020,923)</u>	<u>1,893,126</u>
Total Other Financing Sources (Uses)	<u>(3,282,504)</u>	<u>(3,914,049)</u>	<u>(2,020,923)</u>	<u>1,893,126</u>
Excess (Deficiency) of Revenues & Other Sources	<u>(1,826,156)</u>	<u>(1,967,406)</u>	<u>85,080</u>	<u>2,052,486</u>
Fund Balance, Beginning of Year	<u>1,827,903</u>	<u>1,827,903</u>	<u>1,827,903</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,747</u>	<u>(139,503)</u>	<u>1,912,983</u>	<u>2,052,486</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Assets

Proprietary Fund

June 30, 2008

Sewer
Enterprise
Fund

Assets

Current Assets:	
Cash	\$3,234,573
Receivable-net of allowance of \$81,171	457,987
Interest receivable	16,148
Prepaid insurance	4,827
Inventory	102,672
Due from other funds	8,884
Total Current Assets	<u>3,825,091</u>
Noncurrent Assets:	
Restricted cash - designated for capital projects	<u>2,246,950</u>
Capital Assets:	
Land	984,044
Construction in progress	2,490,516
Collection system	37,309,124
Buildings	379,089
Equipment	1,099,607
Total Capital Assets	<u>42,262,380</u>
Less: accumulated depreciation	<u>(10,312,368)</u>
Net Property, Plant and Equipment	<u>31,950,012</u>
Total Noncurrent Assets	<u>34,196,962</u>
Total Assets	<u><u>\$38,022,053</u></u>

Liabilities

Current Liabilities:	
Accounts payable	\$95,064
Accrued expenses	54,227
Contracts payable	788,506
Interest payable	6,986
Customer deposits	5,838
Bonds and notes payable - current	158,000
Total Current Liabilities	<u>1,108,621</u>
Noncurrent Liabilities:	
Bonds and notes payable - noncurrent	<u>708,000</u>
Total Noncurrent Liabilities	<u>708,000</u>
Total Liabilities	<u><u>1,816,621</u></u>

Net Assets

Invested in capital assets, net of related debt	31,084,012
Designated for capital improvements	1,458,444
Unrestricted and undesignated	3,662,976
Total Net Assets	<u><u>\$36,205,432</u></u>

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Sewer Enterprise Fund
Operating Revenues:	
Charges for sales and services - sewer	\$3,119,678
Sewer inspection and administrative charges	392,138
Penalties	66,686
Other	17,329
Total Operating Revenues	<u>3,595,831</u>
Operating Expenses:	
Sewer line and pump maintenance	973,827
Sewer lift station operation	174,240
Administrative and accounting	334,422
Sewer transportation and treatment	1,564,202
Depreciation	946,698
Amortization	5,545
Professional services	73,363
Total Operating Expenses	<u>4,072,297</u>
Operating Income (Loss)	<u>(476,466)</u>
Nonoperating Revenues (Expenses):	
Interest expense	(78,728)
Grant - operating	208,636
Interest income	125,868
Net Nonoperating Revenues (Expenses)	<u>255,776</u>
Net Income (Loss) Before Contributions	<u>(220,690)</u>
Contributions:	
Capital contribution - Tap fees	3,246,848
Capital contribution - Utility plant	2,668,575
Total Contributions	<u>5,915,423</u>
Change in Net Assets	5,694,733
Net Assets - Beginning of Year	<u>30,510,699</u>
Net Assets- End of Year	<u>\$36,205,432</u>

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2008

	Sewer Enterprise Fund
Cash Flows Provided (Used) By Operating Activities:	
Cash received from customers	\$3,530,827
Cash paid for personnel services	(720,980)
Cash paid to suppliers for goods and services	(2,587,392)
Cash paid on interfund advances	(8,738)
Cash received for customer deposits	90
Cash paid for interfund administrative support services	(75,000)
Net Cash Provided (Used) by Operating Activities	<u>138,807</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:	
Purchase of property, plant and equipment	(3,695,325)
Interest paid on debt	(66,382)
Payments on long-term debt	(563,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,324,707)</u>
Cash Flows Provided (Used) By Non-Capital Financing Activities:	
Contributions from customers	3,190,598
Operating grant received	208,636
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>3,399,234</u>
Cash Flows Provided (Used) By Investing Activities:	
Interest received on investments	<u>126,167</u>
Net Increase (Decrease) in Cash	(660,499)
Cash and Cash Equivalents, Beginning of Year	<u>6,142,022</u>
Cash and Cash Equivalents, End of Year	<u>\$5,481,523</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations	
Operating income (loss)	(\$476,466)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	952,243
(Increase) Decrease in:	
Accounts receivable	(65,004)
Prepaid expenses	(1,696)
Inventory	8,079
Increase (Decrease) in:	
Accounts payable	(277,190)
Accrued expenses	7,489
Customer deposits	90
Due to other funds	(8,738)
Net cash provided by operating activities	<u>\$138,807</u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$2,668,575 and also liquidated contracts payable related to capital assets in the amount of \$162,720

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2008

(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, 2008, the City had no component units which were required to be included in these financial statements.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

(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 funds:

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

The *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, 2008.

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies, Continued

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

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

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, 2008 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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies, Continued

Capital Assets, (Continued)

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

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

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

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

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

Buildings	40 years
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

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

(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 1st 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 2008 and 2007, therefore, levying no tax for those years. All city taxes on real property are declared to be a lien on such realty from January 1st of the year assessments are made.

Industrial and Commercial Property

- Real	40%
- Personal	30%

Public Utility Property 55%

Farm and Residential Property 25%

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

2) Deposits and Investments

Deposits

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

At June 30, 2008 there were no amounts exposed to custodial credit risk.

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

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

2) Deposits and Investments, Continued

Investments

At June 30, 2008 the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Weighted Average Days to Maturity</u>	<u>Average Credit Quality Rating</u>
Municipal Bonds	\$ 9,015,000	3,039	Aa3/AA*
Local Government Investment Pool	<u>935,045</u>	N/A	N/A
Total	9,950,045		
Liquid Investments (Cash Equivalents)	<u>(935,045)</u>		
	\$ <u>9,015,000</u>		

* As of the date of the report the range of credit quality rating was AA-1/A3

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, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balance</u>
Governmental activities				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,115,347	74,472	-	1,189,819
Construction in progress	1,318,141	1,917,987	(563,013)	2,673,115
<u>Capital assets being depreciated:</u>				
Buildings and improvements	2,891,235	-	-	2,891,235
Improvements other than buildings	2,270,197	79,576	-	2,349,773
Machinery and equipment	2,585,272	467,241	(184,357)	2,868,155
Infrastructure	<u>6,374,038</u>	<u>2,989,346</u>	<u>563,013</u>	<u>9,926,397</u>
Total capital assets	<u>16,554,230</u>	<u>5,528,622</u>	<u>(184,357)</u>	<u>21,898,495</u>
Less accumulated depreciation for:				
Buildings and other improvements	(921,488)	(85,129)	-	(1,006,617)
Improvements other than buildings	(754,753)	(77,948)	-	(832,701)
Machinery and equipment	(1,645,379)	(386,403)	184,357	(1,847,425)
Infrastructure	<u>(437,792)</u>	<u>(330,880)</u>	<u>-</u>	<u>(768,672)</u>
Total accumulated depreciation	<u>(3,759,412)</u>	<u>(880,360)</u>	<u>184,357</u>	<u>(4,445,415)</u>
Governmental activities capital assets, net	\$ <u>12,794,818</u>			<u>17,443,080</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

3) CAPITAL ASSETS, Continued

Business-type activities:	Beginning Balance	Increases	Reclasses and Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 981,244	2,800	-	984,044
Construction in process	2,164,790	1,335,585	(1,009,859)	2,490,516
<u>Capital assets being depreciated:</u>				
Building	379,089	-	-	379,089
Collections System	31,288,196	5,011,069	1,009,859	37,309,124
Equipment	<u>922,441</u>	<u>177,166</u>	<u>-</u>	<u>1,099,607</u>
Total capital assets	\$ <u>35,735,760</u>	<u>6,526,620</u>	<u>-</u>	<u>42,262,380</u>
Less accumulated depreciation for:				
Collection System and building	\$ (8,694,692)	(834,309)	-	(9,529,001)
Equipment	<u>(670,978)</u>	<u>(112,389)</u>	<u>-</u>	<u>(783,367)</u>
Total accumulated depreciation	<u>(9,365,670)</u>	<u>(946,698)</u>	<u>-</u>	<u>(10,312,368)</u>
Business-type activities capital assets, net	\$ <u>26,370,090</u>			<u>31,950,012</u>

Depreciation expense was charged to function/programs as of June 30, 2008, as follows:

Governmental activities:	
General government	\$ 71,986
Public safety	232,793
Street and public works	413,148
Storm water	5,745
Parks	<u>156,688</u>
Total depreciation expense- governmental activities	<u>880,360</u>
Business-type activities:	
Water and Sewer	\$ <u>946,698</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

4) RECEIVABLES AND DEFERRED REVENUE

Accounts and taxes receivable at June 30, 2008 consisted of the following:

	General <u>Fund</u>	Enterprise <u>Fund</u>	<u>Total</u>
Beer and hotel taxes	\$ 70,222		70,222
Customer	-	539,158	539,158
Allowance for- doubtful accounts	<u>-</u>	<u>(81,171)</u>	<u>(81,171)</u>
	\$ <u>70,222</u>	<u>457,987</u>	<u>528,209</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) \$ 694,365

Deferred revenue in the government-wide financial statements include amounts for unavailable revenues related to state income tax of \$90,037.

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.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008:

	Balance <u>07-01-07</u>	<u>Addition</u>	<u>Reductions</u>	Balance <u>06-30-08</u>	Current <u>Portion</u>
Governmental Activities					
Public Improvement Bonds	\$ 6,700,000	10,000,000	50,000	16,650,000	75,000
TMBF Notes	543,407	-	175,000	368,407	180,001
Capital lease	-	99,019	34,757	64,262	31,286
Compensated absences	<u>341,543</u>	<u>-</u>	<u>1,174</u>	<u>340,369</u>	<u>292,000</u>
Total Governmental Activities	\$ <u>7,584,950</u>	<u>10,099,019</u>	<u>260,931</u>	17,423,038	<u>578,286</u>
Bond discounts				<u>(23,494)</u>	
				<u>17,399,544</u>	
Business-type Activities					
TML Bond Fund	\$ 1,019,000	-	153,000	866,000	158,000
Revenue and tax bonds	<u>410,000</u>	<u>-</u>	<u>410,000</u>	<u>-</u>	<u>-</u>
Total Business-type activities	1,429,000	<u>-</u>	<u>563,000</u>	866,000	<u>158,000</u>
Deferred amount on refunding	<u>(18,705)</u>			<u>-</u>	
	\$ <u>1,410,295</u>			<u>866,000</u>	

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

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

Long term bonds and notes at June 30, 2008 consisted of the following obligations:

	Balance <u>June 30, 2008</u>
<u>Governmental-type Activities</u>	
\$4,800,000 Series IV-J-2 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. The City affected an interest rate swap in 2007 which sets the rate at 6.3% of five year libor rate.	\$ 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.	368,407
\$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 through 2026.	
Total Governmental-type activities	2,650,000
\$10,000,000 general obligation public improvement bonds Series 2008 due in annual installments beginning June 2010 with semi-annual interest payments at rates ranging from 3% to 4%.	<u>10,000,000</u>
	\$ <u>17,018,407</u>
<u>Business-type Activities</u>	
\$1,800,000 Series 2001 TML Bond Fund Loans to finance sewer improvements. Interest is variable and based on bond fund index with no cap. Principal payments are made annually.	
Total Business-type activities	\$ <u>866,000</u>
	\$ <u>866,000</u>

* See Footnote 13

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2008 are as follows:

	<u>Governmental-type</u>			<u>Business-type</u>		
	Note/ TMBF	Public Improvement				
	<u>Note</u>	<u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 180,000	75,000	728,416	158,000	38,970	1,180,386
2010	188,407	190,000	716,515	165,000	31,860	1,291,782
2011	-	395,000	704,622	173,000	24,435	1,297,057
2012	-	410,000	687,273	181,000	16,650	1,294,923
2013	-	430,000	669,472	189,000	8,505	1,296,977
2014-2018	-	2,460,000	3,052,378	-	-	5,512,378
2019-2023	-	3,050,000	2,450,495	-	-	5,500,495
2024-2028	-	3,800,000	1,681,988	-	-	5,481,988
2029-2033	-	4,755,000	813,992	-	-	5,568,992
2034	-	1,085,000	44,485	-	-	1,129,485
	<u>\$ 368,407</u>	<u>16,650,000</u>	<u>11,549,636</u>	<u>866,000</u>	<u>120,420</u>	<u>29,554,463</u>

The City has also entered into a capital lease for police cars. The lease requires repayment terms and has been accounted for as a financing transaction. The City will acquire title to the assets by satisfying the minimum lease payments. The assets acquired by this capital lease are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 99,019
Less accumulated depreciation	<u>(19,084)</u>
	<u>\$ 79,935</u>

The future minimum lease obligations and the net present value of these lease payments at year end is as follows:

	2009	\$ 34,756
	2010	<u>34,757</u>
		\$ 69,513
Less amount representing interest		<u>(5,251)</u>
Present value of lease		<u>\$ 64,262</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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

6) PENSION PLAN, Continued

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/.

Funding Policy

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

Mt. Juliet is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2008 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.

Annual Pension Cost

For the year ending June 30, 2008, Mt. Juliet's annual pension cost of \$552,016 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, 2007, which established contribution rates effective July 1, 2008.

Trend information:

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/08	\$ 552,016	100.00%	-
6/30/07	506,874	100.00%	-
6/30/06	227,590	100.00%	-

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

6) PENSION PLAN, Continued

Required Supplementary Information

As of July 1, 2007, the most recent actuarial valuation date, the plan was 72.70% funded. The actuarial accrued liability for benefits was \$5.49 million, and the actuarial value of assets was \$3.99 million resulting in an unfunded accrued liability (UAAL) of \$1.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.81 million, and the ratio of the UAAL to the covered payroll was 39.39%.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize the unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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)
7/01/07	\$ 3,993	\$ 5,492	\$ 1,499	72.7%	\$3,806	39.39%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

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 \$1.74 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 \$1,489,202 for sewer treatment and \$682,452 for connection charges under this agreement.

Contracts

The City had general government contracts in progress at June 30, 2008 of approximately \$2,013,500 which were 28% complete. The City also had sewer projects in progress at June 30, 2008 of approximately \$3,250,000 which were 99% complete.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

7) COMMITMENTS AND CONTINGENCIES, Continued

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 \$36,052.

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.

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, 2008 and 2007, the Board had an accumulated net assets of \$207,941 and \$268,705 respectively. The net change in net assets for fiscal year 2008 was \$(60,764). During fiscal year 2008, the Development Board appropriated \$100,000 to the City for matching dollars for Fast Track Grant. Financial information regarding the joint venture is available from the City.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

10) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2008. The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
Proprietary Fund	\$ 8,884	General	\$ 146
General Fund	150,952	Debt Service Fund	159,690

During the year, the General Fund transferred \$1,986,166 to the Capital Project Fund and \$34,757 to the Debt Service 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.
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 were increased by \$175,500. The Special Revenue Fund appropriations were amended by \$197,548, the Debt Service Fund budget was amended by \$160,157 and the Capital Projects Fund was amended by \$1,739,282.

Budget Violation

Actual expenditures exceeded budgeted appropriations in the Debt Service Fund by \$8,737.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2008

12) SUBSEQUENT EVENTS

Subsequent to year end, the City elected to become self-insured as related to employee health insurance. The City retains the risk of loss to a limit of \$50,000 per employee and \$892,988 aggregated annual cap.

13) PUBLIC BUILDING AUTHORITY OF SEVIER COUNTY SERIES IV-J-2

On December 1, 2008, the City was informed that the Standby Bond Purchase Agreement, related to the above Bonds, dated December 1, 1999, expired on November 28, 2008 and the Authority has not provided the Trustee with a substitute Bond Purchase Agreement. The affect of the expiration of the Standby Purchase Agreement is that the bonds become subject to a shortened amortization of approximately seven years in approximately equal quarterly payments of principal and interest. JP Morgan Chase Bank will provide the Trustee the rate of interest chargeable on the bonds. The City is attempting to take action to remedy the accelerated payback, however it has not been successful at the date of issuance of this report. Should the City be unsuccessful, the current liabilities reflected in the Statement of Net Assets would increase by \$428,571 and assuming a 3.5% interest rate the amortization of the bonds would be approximately as follows.

<u>Fiscal Year</u>	<u>Public Improvement Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	\$ 428,571	173,867	602,438
2010	571,429	125,000	696,429
2011	571,429	105,000	676,429
2012	571,429	85,000	656,429
2013	571,429	65,000	636,429
2014	571,429	45,000	616,429
2015	571,429	25,000	596,429
2016	<u>142,855</u>	<u>416</u>	<u>143,271</u>
Total	<u>\$4,000,000</u>	<u>624,283</u>	<u>4,624,283</u>

The amortization reflected in footnote 5 provides for interest only through fiscal year 2012 with principal payments beginning in 2013. The principal payments begin at \$20,000 in 2013 and increase annually until the final payment of \$510,000 in 2023. The shortened amortization will require approximately \$411,638 in additional debt service for fiscal year 2009.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2008

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	<u>Stormwater Fund</u>	<u>Emergency/ Community Services Fund</u>	
Assets					
Cash and cash equivalents	\$1,317,479	82,159	415,110	61,453	1,876,201
Due from other governments	106,830	-	-	-	106,830
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$1,424,309</u></u>	<u><u>82,159</u></u>	<u><u>415,110</u></u>	<u><u>61,453</u></u>	<u><u>1,983,031</u></u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$3,424	1,483	288	-	5,195
Accrued liabilities	-	-	2,342	-	2,342
Deferred revenue	57,491	-	-	-	57,491
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>60,915</u></u>	<u><u>1,483</u></u>	<u><u>2,630</u></u>	<u><u>-</u></u>	<u><u>65,028</u></u>
Fund Balances:					
Unreserved and undesignated	1,363,394	80,676	412,480	61,453	1,918,003
Total Fund Balance	<u><u>1,363,394</u></u>	<u><u>80,676</u></u>	<u><u>412,480</u></u>	<u><u>61,453</u></u>	<u><u>1,918,003</u></u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities & Fund Balances	<u><u>\$1,424,309</u></u>	<u><u>82,159</u></u>	<u><u>415,110</u></u>	<u><u>61,453</u></u>	<u><u>1,983,031</u></u>

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2008

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services Fund	
Revenues					
Intergovernmental:					
State gasoline tax	\$578,255	-	-	-	578,255
Interest	29,546	54	6,745	1,084	37,429
Licences and permits and fees	-	-	300,862	-	300,862
Drug related fines, seizures, and sales	-	42,455	-	-	42,455
Total Revenues	<u>607,801</u>	<u>42,509</u>	<u>307,607</u>	<u>1,084</u>	<u>959,001</u>
Expenditures					
Street Maintenance:					
Current:					
Other Costs - maintenance and lighting	189,050	-	-	-	189,050
Capital outlay	6,399	-	-	-	6,399
Stormwater:					
Current:					
Salaries	-	-	108,720	-	108,720
Employee benefits	-	-	47,993	-	47,993
Other	-	-	20,221	26	20,247
Capital outlay	-	-	-	-	-
Police:					
Current:					
Supplies and investigations	-	13,235	-	-	13,235
Capital outlay	-	31,512	-	-	31,512
Total Expenditures	<u>195,449</u>	<u>44,747</u>	<u>176,934</u>	<u>26</u>	<u>417,156</u>
Excess (Deficiency) of Revenues Over Expenditures	412,352	(2,238)	130,673	1,058	541,845
Fund Balance, Beginning of Year	<u>951,042</u>	<u>82,914</u>	<u>281,807</u>	<u>60,395</u>	<u>1,376,158</u>
Fund Balance, End of Year	<u>\$1,363,394</u>	<u>80,676</u>	<u>412,480</u>	<u>61,453</u>	<u>1,918,003</u>

CITY OF MT. JULIET, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$575,000	575,000	578,255	3,255
Interest	25,000	25,000	29,546	4,546
Total Revenues	600,000	600,000	607,801	7,801
Expenditures				
Street Maintenance				
Repairs and maintenance	260,000	260,000	154,954	105,046
Street lighting	40,000	40,000	34,096	5,904
Capital outlay	7,800	162,800	6,399	156,401
Total Expenditures	307,800	462,800	195,449	267,351
Excess of Revenues Over Expenditures	292,200	137,200	412,352	275,152
Fund Balance, Beginning of Year	951,042	951,042	951,042	-
Fund Balance, End of Year	\$1,243,242	1,088,242	1,363,394	275,152

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Other:				
Interest	\$ -	-	54	54
Drug related fines, seizures and sales	25,000	25,000	42,455	17,455
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>42,509</u>	<u>17,509</u>
Expenditures				
Program costs	18,700	18,700	13,235	5,465
Capital outlay	-	41,458	31,512	9,946
Total Expenditures	<u>18,700</u>	<u>60,158</u>	<u>44,747</u>	<u>15,411</u>
Excess of Revenues Over Expenditures	6,300	(35,158)	(2,238)	32,920
Fund Balance, Beginning of Year	<u>82,914</u>	<u>82,914</u>	<u>82,914</u>	<u>-</u>
Fund Balance, End of Year	<u>\$89,214</u>	<u>47,756</u>	<u>80,676</u>	<u>32,920</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Interest	\$ -	-	6,745	6,745
Licenses and permits:				
Inspection and other fees	260,000	260,000	300,862	40,862
Total Revenues	260,000	260,000	307,607	47,607
Expenditures				
Street Maintenance				
Salaries	121,641	121,641	108,720	12,921
Employee benefits	63,270	63,270	47,993	15,277
Other	74,425	74,425	20,221	54,204
Capital outlay	-	-	-	-
Total Expenditures	259,336	259,336	176,934	82,402
Excess of Revenues Over Expenditures	664	664	130,673	130,009
Fund Balance, Beginning of Year	281,807	281,807	281,807	-
Fund Balance, End of Year	\$282,471	282,471	412,480	130,009

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Licences and permits:				
Inspection and other fees	\$150,000	150,000	-	(150,000)
Interest	-	-	1,084	1,084
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>1,084</u>	<u>(148,916)</u>
Expenditures	-	1,000	26	974
Excess of Revenues Over Expenditures	150,000	149,000	1,058	(149,890)
Fund Balance, Beginning of Year	<u>60,395</u>	<u>60,395</u>	<u>60,395</u>	<u>-</u>
Fund Balance, End of Year	<u>\$210,395</u>	<u>209,395</u>	<u>61,453</u>	<u>(149,890)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental:				
Grants	\$ -	-	176,313	176,313
Other:				
Interest	-	104,270	98,133	(6,137)
Donations	-	-	100,000	100,000
Total Revenues	<u>-</u>	<u>104,270</u>	<u>374,446</u>	<u>270,176</u>
Expenditures				
General Government				
Planning and Codes				
Bond issue costs	-	-	70,750	(70,750)
Capital outlay	-	584,724	430,876	153,848
City Hall Buildings				
Repairs and maintenance	5,000	23,500	38,716	(15,216)
Capital outlay	-	-	-	-
Total General Government	<u>5,000</u>	<u>608,224</u>	<u>540,342</u>	<u>67,882</u>
Public Safety				
Police				
Supplies	-	-	12,126	(12,126)
Capital outlay	198,280	342,506	312,262	30,244
Total Public Safety	<u>198,280</u>	<u>342,506</u>	<u>324,388</u>	<u>18,118</u>
Streets and Public Works				
State road projects	528,000	750,000	736,441	13,559
Repairs and maintenance	98,500	98,500	34,137	64,363
Capital outlay	1,408,500	2,178,332	2,144,924	33,408
Total Streets and Public Works	<u>2,035,000</u>	<u>3,026,832</u>	<u>2,915,502</u>	<u>111,330</u>
Recreation and Culture				
Repairs and maintenance	30,000	30,000	21,267	8,733
Capital outlay	286,000	286,000	164,449	121,551
Total Recreation and Culture	<u>316,000</u>	<u>316,000</u>	<u>185,716</u>	<u>130,284</u>
Total Expenditures	<u>2,554,280</u>	<u>4,293,562</u>	<u>3,965,948</u>	<u>327,614</u>
Excess of Revenues Over Expenditures	(2,554,280)	(4,189,292)	(3,591,502)	597,790
Other Financing Sources (Uses)				
Operating transfer in	3,282,504	3,879,292	1,986,166	(1,893,126)
Improvement bonds issued	-	10,000,000	10,000,000	-
Capital leases	-	104,270	99,019	(5,251)
Discount on improvement bonds	-	-	(23,811)	(23,811)
Total other Financing Sources (Uses)	<u>3,282,504</u>	<u>13,983,562</u>	<u>12,061,374</u>	<u>(1,922,188)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	728,224	9,794,270	8,469,872	(1,324,398)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$728,224</u>	<u>9,794,270</u>	<u>8,469,872</u>	<u>(1,324,398)</u>

CITY OF MT. JULIET, TENNESSEE

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

Debt Service Fund

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other:				
Interest	\$ -	-	6,805	6,805
Impact fees	700,000	700,000	560,014	(139,986)
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>566,819</u>	<u>(133,181)</u>
Expenditures				
Debt Service				
Principal	225,000	259,757	259,757	-
Interest	325,067	450,467	459,204	(8,737)
Total Expenditures	<u>550,067</u>	<u>710,224</u>	<u>718,961</u>	<u>(8,737)</u>
 Excess of Revenues Over Expenditures	 149,933	 (10,224)	 (152,142)	 (141,918)
 Other Financing Sources (Uses)				
Operating transfer in	-	34,757	34,757	-
Total other Financing Sources (Uses)	<u>-</u>	<u>34,757</u>	<u>34,757</u>	<u>-</u>
 Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	 <u>149,933</u>	 <u>24,533</u>	 <u>(117,385)</u>	 <u>(141,918)</u>
 Fund Balance, Beginning of Year	 <u>185,455</u>	 <u>185,455</u>	 <u>185,455</u>	 <u>-</u>
 Fund Balance, End of Year	 <u><u>\$335,388</u></u>	 <u><u>209,988</u></u>	 <u><u>68,070</u></u>	 <u><u>(141,918)</u></u>

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2008

	<u>Land</u>	<u>Building & Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$325,000	894,416	302,016	-	394,424	1,915,856
Public safety:						
Police	4,000	282,342	1,498,280	-	-	1,784,622
Streets and Public Works	288,188	394,854	691,674	9,926,397	2,179,085	13,480,198
Stormwater	-	-	33,482	-	-	33,482
Parks	572,631	3,669,396	342,704	-	99,606	4,684,337
 Total governmental funds capital assets	<u>\$1,189,819</u>	<u>5,241,008</u>	<u>2,868,156</u>	<u>9,926,397</u>	<u>2,673,115</u>	<u>21,898,495</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, 2008

Function and Activity	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
General Government	\$1,508,489	430,876	23,509	1,915,856
Public safety:				
Police	1,601,696	343,774	160,848	1,784,622
Streets and Public Works	8,890,675	4,589,523	-	13,480,198
Stormwater	33,482	-	-	33,482
Parks	4,519,888	164,449	-	4,684,337
Total governmental funds capital assets	<u>\$16,554,230</u>	<u>5,528,622</u>	<u>184,357</u>	<u>21,898,495</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2008

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Local Governmental Investment Pool	Various	\$55,125
Passbook and checking accounts	-	1,157,047
Petty Cash	-	1,215
Total General Fund		<u>1,213,387</u>
Capital Projects Fund:		
Passbook and checking accounts		<u>176,987</u>
Debt Service Fund		
Passbook and checking accounts		<u>227,760</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	428,999
Passbook and checking accounts	-	888,480
Total State Street Aid Fund		<u>1,317,479</u>
Drug Fund:		
Cash on hand	-	460
Passbook and checking accounts	-	81,699
Total Drug Fund		<u>82,159</u>
Storm Water:		
Checking accounts	-	<u>415,110</u>
Emergency and Community Services Fund		
Passbook and checking accounts	-	<u>61,453</u>

Proprietary Fund

Sewer Enterprise Fund		
Local Government Investment Pool	Various	450,921
Petty Cash	-	650
Passbook and checking accounts	-	5,029,952
Total Sewer Enterprise Fund		<u>5,481,523</u>
Total		<u>\$8,975,858</u>

CITY OF MT. JULIET, TENNESSEE
Schedule of Long-Term Debt Requirements
Governmental-type Activities
June 30, 2008

Fiscal Year	Public Improvement Bonds		Public Improvement Bonds		TMBF Capital Outlay Notes		Public Improvement Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ -	190,800	75,000	132,500	180,000	12,344	-	392,772	983,416
2010	-	190,800	100,000	128,750	188,407	4,192	90,000	392,773	1,094,922
2011	-	190,800	275,000	123,750	-	-	120,000	390,072	1,099,622
2012	-	190,800	275,000	110,000	-	-	135,000	386,473	1,097,273
2013	20,000	190,800	275,000	96,250	-	-	135,000	382,422	1,099,472
2014	300,000	189,846	-	82,500	-	-	150,000	378,373	1,100,719
2015	320,000	175,536	-	82,500	-	-	150,000	373,872	1,101,908
2016	340,000	160,272	-	82,500	-	-	150,000	368,998	1,101,770
2017	360,000	144,054	-	82,500	-	-	155,000	364,122	1,105,676
2018	380,000	126,882	-	82,500	-	-	155,000	357,923	1,102,305
2019	405,000	108,756	-	82,500	-	-	155,000	351,722	1,102,978
2020	430,000	89,437	-	82,500	-	-	155,000	345,910	1,102,847
2021	455,000	68,927	-	82,500	-	-	155,000	340,098	1,101,525
2022	480,000	47,223	-	82,500	-	-	155,000	333,897	1,098,620
2023	510,000	24,327	-	82,500	-	-	150,000	327,698	1,094,525
2024	-	-	525,000	82,500	-	-	165,000	321,697	1,094,197
2025	-	-	550,000	56,250	-	-	175,000	315,098	1,096,348
2026	-	-	575,000	28,750	-	-	185,000	308,098	1,096,848
2027	-	-	-	-	-	-	795,000	300,697	1,095,697
2028	-	-	-	-	-	-	830,000	268,898	1,098,898
2029	-	-	-	-	-	-	870,000	235,697	1,105,697
2030	-	-	-	-	-	-	910,000	200,898	1,110,898
2031	-	-	-	-	-	-	950,000	164,497	1,114,497
2032	-	-	-	-	-	-	990,000	126,498	1,116,498
2033	-	-	-	-	-	-	1,035,000	86,402	1,121,402
2034	-	-	-	-	-	-	1,085,000	44,485	1,129,485
Total	\$4,000,000	2,089,260	2,650,000	1,583,750	368,407	16,536	10,000,000	7,860,090	28,568,043

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Sewer Fund

June 30, 2008

<u>Fiscal Year</u>	<u>TML Bond Fund Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	189,000	8,505	197,505
Total	<u>\$866,000</u>	<u>120,420</u>	<u>986,420</u>

CITY OF MT. JULIET, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2008

Federal Grants As Identified in the Catalog of Federal Domestic Assistance:				Grantor Agency	Accrued or Deferred Revenue 7/01/07	Cash Receipts	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/08
CFDA Number	Grant Number	Program Name							
20.205	STP-EN-9500(15)	Sidewalk Grant		Tennessee Dept. of Transportation	<u>(\$254,346)</u>	<u>254,346</u>	-	-	-
State Grants									
-	GG0822887	Fast Track Grant		TN Department of ECD	\$ -	384,949	-	384,949	-
-	-	Community Enhancement Grant		Department of State	-	14,045	-	14,045	-
-	Z00001435-1	Stop Violence, Office of Criminal Justice Program		Tennessee Dept. of Finance & Administration	(\$25,008)	25,008	-	-	-
-	Z08023687	Governor Highway Safety Grant		Tennessee Dept. of Transportation	-	56,079	-	56,079	-
-	Z07035911	Click it or ticket, Governor Highway Safety Grant		Tennessee Dept. of Transportation	<u>(\$3,786)</u>	<u>3,786</u>	-	-	-
					<u>(\$28,794)</u>	<u>483,867</u>	-	<u>455,073</u>	-

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, 2008

<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 \$2,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$250 Collision \$500
Uninsured Motorist	\$250,000 per person bodily injury \$85,000 per occurrence law enforcement
Automobile Medical Payments	\$1,000 per person
Property, Multi-Peril	
Real and Personal Property (Total Insured)	\$9,178,675
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	\$1,500,000
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, 2008

<u>Position</u>	<u>Annual Salary</u>
<u>Elected Officials:</u>	
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
<u>Employees:</u>	
City Manager, Randy Robertson	
City Recorder, Sheila S. Luckett	
Public Works Director, Marlin Keel	
Police Chief, Andy Garrett	
Economic Development, Kenneth Martin	
Parks Director, Dennis Buchanan	
Human Resources Director, Jill Johnson	
Finance Director, Kim Vollet	

CITY OF MT. JULIET, TENNESSEE

Schedule of Sewer System Data

For the Year Ended June 30, 2008

	<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				7,387

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
FAX (615) 385-1208

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Commissioners
City of Mt. Juliet, Tennessee
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, 2008, which collectively comprise the City of Mt. Juliet's basic financial statements and have issued a report thereon dated October 31, 2008, except for Note 13 as to which the date is December 1, 2008. 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. 07-01, 05-01, 08-01

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

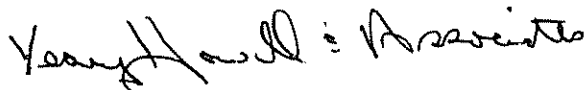
As part of obtaining reasonable assurance about whether the City of Mt. Juliet's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 October 31, 2008.

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

A handwritten signature in black ink, appearing to read "Young Hall & Associates".

October 31, 2008 except for Note 13
as to which the date is December 1, 2008

CITY OF MT JULIET, TENNESSEE

Schedule of Findings and Recommendations

June 30, 2008

CURRENT YEAR

- 08-01 Controls and procedures related to payments for assistance with census were weak which resulted in inappropriate payments.

Recommendations: We recommend that separation of duties related to the oversight of such programs be implemented which provides for verification of services performed. Also payments to such individuals should be made through the City payroll system.

Response: The city will engage more controls in the event of future endeavors like the special census and use greater separation of duties and responsibilities in order to verify that services are received for payments. Where possible, the city payroll system will be used to pay for services by individuals.

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. These weaknesses could result in unauthorized vehicle related expenditures.

Status: Condition still exists.

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: The Finance Director will counsel with department heads to ensure that this task is being taken seriously. Initial conference with Police department reveals that current Chief looks at gas purchases personally but was unaware that any response to Finance was necessary and will correct effort. Improvements have been noted in listing the vehicle with every P.O since the audit date. Finance Director will continue to monitor compliance.

- 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. This could result in unauthorized expenditures.

Status: Condition still exists.

CITY OF MT JULIET, TENNESSEE

Schedule of Findings and Recommendations

June 30, 2008

PRIOR YEAR, Continued

07-01 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: Currently the Finance Director reviews each check and the support (POs and Invoices for those payables due for payment) immediately after the checks are prepared and before they are mailed. While not 100% improvements have been made in advance pricing of purchase orders and the Finance Director will continue to monitor. Credit card receipts currently receive the close scrutiny of the Finance Director and contain narrative written notes on the face of the receipts.