

**CITY OF MT. JULIET, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2016

## **FINANCIAL SECTION**

# CITY OF MT. JULIET, TENNESSEE

## Table of Contents

	<u>Page Number</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	i-ii
Management's Discussion and Analysis.....	iii-xiv
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities .....	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	3
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities...	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund .....	7-10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – State Street Aid Fund.....	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – Emergency Services Fund.....	12
Statement of Net Position - Proprietary Funds .....	13
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	14
Statement of Cash Flows - Proprietary Funds.....	15
Notes to Financial Statements.....	16-38
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Change in Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS .....	39
Schedule of the Contributions Based on Participation in the Public Employee Pension Plan of TCRS .....	40
Notes to the Schedules .....	40
Schedule of Funding Progress of the OPEB Plan – Post Retirement Medical Benefit Plan.....	41
<b>COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES</b>	
Combining Balance Sheet - Nonmajor Governmental Funds.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	43
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Nonmajor Governmental Funds:	
Drug Fund .....	44
Stormwater Fund.....	45

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

### Table of Contents, Continued

	<u>Page Number</u>
<b>COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES, Continued</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Major Governmental Funds	46
General Capital Projects Fund .....	47
Debt Service Fund.....	47
Capital Assets Used in the Operation of the Governmental Funds: Schedule by Function and Activity .....	48
Schedule of Changes by Function and Activity .....	49
Schedule of Cash and Cash Equivalents - All Funds.....	50
Schedule of Changes in Property Taxes Receivable, Tax Rates Assessments and Levies.....	51
Schedule of Debt Service Requirements-Governmental-type Activities.....	52
Schedule of Expenditures of Federal Awards.....	53
Schedule of Federal and State Financial Assistance.....	54
Schedule of Insurance Coverage .....	55
Schedule of Principal Officials .....	56
Schedule of Sewer System Data .....	57
<b>OTHER REPORTS SECTION</b>	
Independent Auditor's Report on the Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	58-59
Independent Auditor's Report On Compliance For Each Major Program and On Internal Control Over Compliance Required by the Uniform Guidance.....	60-61
Schedule of Prior Year Findings and Questioned Costs .....	62-63
Schedule of Findings and Questioned Costs.....	64

## **FINANCIAL SECTION**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt Juliet, Tennessee (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund, State Street Aid Fund and Emergency Services Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages iii through xiv and required supplementary information on page 39 to 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of *Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Juliet's internal control over financial reporting and compliance.

October 26, 2016

## **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, 2016. The analysis will focus on significant financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the City. We encourage readers to read the information presented here in conjunction with additional information that is furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

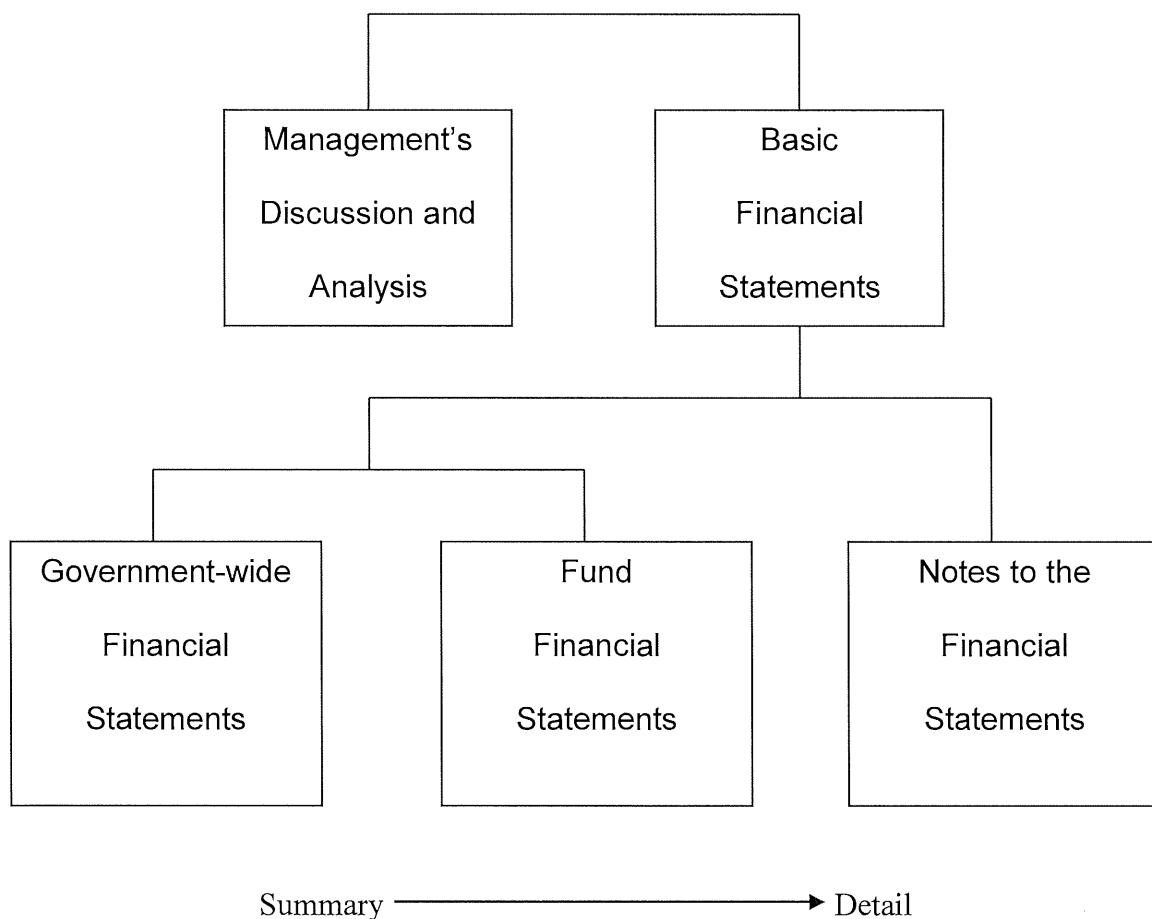
- The assets and deferred outflows of resources of the City of Mt. Juliet, TN exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by almost \$127 million.
- The government's total net position increased by \$16.7 million, due to increases in the business type activities net position of \$3.2 million and \$13.5 million due to government activity over 6/30/2015.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of almost \$30.5 million an increase of \$5.2 million in comparison with the prior year. Over 33.5% of this total amount, or \$10.2 million, is available for spending at the government's discretion and is considered unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10.2 million, or 41.8 percent of total governmental fund expenditures for the fiscal year.
- The City of Mt. Juliet's long-term debt decreased by \$484 thousand (2.24%) during the current fiscal year. The decreases were created by principal payments of \$1.107 million as scheduled for bonds and capital notes including the final \$367 thousand of principal for the capital note issued to purchase the Police Headquarters building. In addition, the City reduced its capital lease (fire-fighting vehicles) obligation by \$236,000. The City also refunded (refinanced) its 2008 remaining bond debt of some \$9.070 million. The bonds refunded were not actually callable until June 2017 therefore the funds/securities reside in an irrevocable trust which will be liquidated in 2017-2018 when the bonds are callable and will be redeemed. Such defeasance is common but the financing results in a total cost of \$222,000 (defeasance and fees) in addition to the \$9.070 million in debt increasing the net debt payable. However, the interest rate reduction through the year 2034 will still serve to reduce the City's total debt cash needs by over \$1.4 million. Debt was also increased \$621 thousand in order to recognize the increase in the net OPEB (Other Post-Employment Benefits) obligation which represents the health care obligations of the City for retired employees as well as vacation that will be paid at a later date. The bond refunding also liquidated the \$5k bond premium and resulted in a bond discount of \$10k to be amortized over time.
- The City of Mt. Juliet retained its AA+ rating by Standard and Poor's, held since 12/30/2013 and has been classified as stable since 6/30/2009.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to City of Mt. Juliet's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other information that will enhance the reader's understanding of the financial condition of the City of Mt. Juliet.

### **Required Components of Annual Financial Report**

**Figure 1**



## **Basic Financial Statements**

## **City of Mt. Juliet**

The first two statements, pages 1 and 2, in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements, pages 3 through 15, are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. These notes are disclosed on pages 16-38. After the notes, additional information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements. There are additional financial schedules and other required reports.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. Sewer is the only service offered by the City of Mt. Juliet. The City of Mt. Juliet has no component units.

The government-wide financial statements are on pages 1 and 2 of this report.

### **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mt. Juliet, TN, like all other governmental entities in Tennessee,

## City of Mt. Juliet

uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Mt. Juliet can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The **City of Mt. Juliet** adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City the management of the City and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board of Commissioners; 2) the final budget as amended by the Board of Commissioners; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – City of Mt. Juliet has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Mt. Juliet uses an enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

*Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Mt. Juliet. The City uses an internal service fund to account for one activity – its Employee Benefit activity. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund assets and liabilities have been included within the governmental activities in the government-wide financial statements with a due to and due from to allocate the proper portion to business type activities.

## City of Mt. Juliet

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16-38 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mt. Juliet's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 39 and 40.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Mt. Juliet exceeded liabilities and deferred inflows of resources by almost \$127 million as of June 30, 2016. The City's net position increased by \$16.7 million for the fiscal year ended June 30, 2016 when compared to the fiscal year ended June 30, 2015. However, the largest portion, 69.6% reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Mt. Juliet uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mt. Juliet's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mt. Juliet's net position, 7.3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of almost \$29.2 million 23% is unrestricted.

<u>City of Mt. Juliet Net Position</u>						
	Governmental Activities		Business Type Activities		Total 2016	Total 2015
	2016	2015	2016	2015		
Current and Other Assets	\$ 39,360,408	\$ 32,277,172	10,418,286	\$ 12,225,431	49,778,694	\$ 44,502,603
Capital Assets	55,753,102	48,728,207	49,815,823	44,229,691	105,568,925	92,957,898
Total Assets	95,113,510	81,005,379	60,234,109	56,455,122	155,347,619	137,460,501
Deferred Outflows of Resources	1,034,349	850,319	98,774	78,862	1,133,123	929,181
Long Term Liabilities Outstanding	19,093,172	19,417,594	519,618	456,219	19,612,790	19,873,813
Other Liabilities	6,319,263	4,881,381	1,588,420	1,077,389	7,907,683	5,958,770
Total Liabilities	25,412,435	24,298,975	2,108,038	1,533,608	27,520,473	25,832,583
Deferred Inflows of Resources	1,997,877	2,368,402	43,040	76,646	2,040,917	2,445,048
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	38,910,935	33,751,650	49,474,245	43,778,279	88,385,180	77,529,929
Restricted	6,596,009	6,939,121	2,720,974	6,524,650	9,316,983	13,463,771
Unrestricted	23,250,603	14,497,550	5,986,586	4,620,801	29,237,189	19,118,351
Total Net Position	68,757,547	\$ 55,188,321	58,181,805	\$ 54,923,730	126,939,352	\$ 110,112,051

## City of Mt. Juliet

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

- Local sales tax collection increased due to incoming retail locations and maturity of others.
- Continued low cost of debt due to the City's high bond rating.
- A sustained building "boom" that increases fees across the entire revenue spectrum.

	City of Mt. Juliet Changes in Net Position					
	Governmental Activities		Business Type Activities		Total	Total
	2016	2015	2016	2015		
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,877,422	\$ 4,152,659	\$ 5,762,521	\$ 5,293,464	\$ 9,639,943	\$ 9,446,123
Operating Grants and Contributions	2,043,876	1,042,417			2,043,876	1,042,417
Capital Grants and Contributions	7,323,574	3,496,101	3,282,996	5,099,830	10,606,570	8,595,931
General Revenues						
Sales Taxes	9,160,190	8,292,166			9,160,190	8,292,166
Property Tax	1,673,514	1,577,329			1,673,514	1,577,329
Other Locally Assessed Taxes	3,509,532	3,366,258			3,509,532	3,366,258
Other State Shared Taxes	3,096,242	2,550,998			3,096,242	2,550,998
Investment Earnings & Rental Income	23,282	38,895	96,678	99,661	119,960	138,556
Other	838,422	798,255			838,422	798,255
<b>Total Revenues</b>	<b>\$ 31,546,054</b>	<b>\$ 25,315,078</b>	<b>\$ 9,142,195</b>	<b>\$ 10,492,955</b>	<b>\$ 40,688,249</b>	<b>\$ 35,808,033</b>
<b>Expenses:</b>						
General Government	\$ 3,661,410	\$ 2,792,067			\$ 3,661,410	\$ 2,792,067
Public Safety	7,900,095	7,206,242			7,900,095	7,206,242
Recreation and Culture	1,421,265	1,288,754			1,421,265	1,288,754
Streets and Public Works	4,096,269	3,860,666			4,096,269	3,860,666
Stormwater	232,915	337,410			232,915	337,410
Interest on Debt	664,874	677,723			664,874	677,723
Sewer			5,884,120	5,604,550	5,884,120	5,604,550
<b>Total Expenses</b>	<b>\$ 17,976,828</b>	<b>\$ 16,162,862</b>	<b>\$ 5,884,120</b>	<b>\$ 5,604,550</b>	<b>\$ 23,860,948</b>	<b>\$ 21,767,412</b>
Increase (Decrease) in Net Position	13,569,226	9,152,216	3,258,075	4,888,405	16,827,301	14,040,621
Net Position Beginning of Year	55,188,321	46,095,575	54,923,730	50,041,842	110,112,051	96,137,417
Restatement	-	(59,470)	-	(6,517)	-	(65,987)
<b>Net Position End of Year</b>	<b>\$ 68,757,547</b>	<b>\$ 55,188,321</b>	<b>\$ 58,181,805</b>	<b>\$ 54,923,730</b>	<b>\$ 126,939,352</b>	<b>\$ 110,112,051</b>

**Governmental Activities:** Governmental activities increased the City's net position by over \$13.57 million, thereby accounting for 80.6% of the total growth in the net position of the City of Mt. Juliet. Key elements of this increase are as follows:

- Local Option Sales Tax revenues increased 10.4% with additional businesses in operation which is the third year in a row where such growth has exceeded 9%.
- Property tax was instituted for the year ended June 30, 2012 and increased almost 6.0% during 2016 without a rate increase supporting fire protection.
- City codes require developers to build to a certain standard in streets for which the City then assumes responsibility and receives donated infrastructure which totaled \$2.3 million for the year ended 6/30/2016.
- Developers also provided over \$135 thousand in road improvement fees.

## City of Mt. Juliet

**Business-type activities:** Business-type activities increased the City of Mt. Juliet's net position by \$3.26 million, accounting for 19.4% of the total growth in the government's net position. Key elements of this increase are as follows:

- City codes require developers to build to a certain standard for sewers for which the City assumes responsibility and receives donated infrastructure which totaled \$1.3 million.
- Development continues to increase the business-type assets with sewer tap fee and sewer development fee requirements.
- The City has taken a more aggressive approach to the recovery of the sewer services expenditures from customers in an effort to recover depreciation instituting a 10% rate increase during 2014-2015 and 5% rate increase in 2015-2016.
- The City expects to re-examine the sewer rates for 2017-2018 fiscal year.

## Financial Analysis of the City of Mt. Juliet Funds

As noted earlier, the City of Mt. Juliet uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the City of Mt. Juliet's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mt. Juliet's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Mt. Juliet. At the end of the current fiscal year, unassigned fund balance of the General Fund was over \$10.2 million, while total fund balance was over \$23.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 64.9% of total General Fund expenditures while total fund balance represents 149.8% of the same expenditures.

At June 30, 2016, the governmental funds of City of Mt. Juliet reported a combined fund balance of over \$30.4 million, a 20.6 percent increase over last year. Included in this change are fund balance increases in the General and Debt Service Funds and decreases in the State Street Aid, Emergency Services, and Capital Projects Fund. The city instituted a property tax for the first time in over 10 years with the year ended 6/30/2012 dedicated to the Emergency Services Fund that has raised over \$7.2 million since inception that has been used for the purchase of capital resources, salaries and operating costs for and of the Fire Department with the remainder being held for the same.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three

## City of Mt. Juliet

categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Local property tax contributed over \$1.67 million in the current year. Local Option Sales Tax revenues were near 10 percent above that of the prior year as well as the budget of such revenue which is the largest City revenue category. The third largest contributor to local revenue, Business Tax was 22% or over \$171 thousand above budget and above the previous year as well. Revenue in most areas exceeded budget with the notable exception of Franchise Tax that fell \$66k short of budget or almost 12% and almost \$160 thousand short of the prior year. This can be directly attributed to the mild winter of 2016 and the decline in natural gas prices. The other largest increases were the result of road improvement fees, contributions from others and various permit fees including Wholesale Liquor Tax revenue. License and Permit fees were well above budget due mostly from an unanticipated surge in building permits.

The City Manager and Department Heads made every effort to hold expenditures well within budgets in order to increase the General Fund Balance in anticipation of the City's desire to complete the Eastern Connector between I-40 at Beckwith and Highway US 70. Some repairs and improvements to infrastructure items have been deferred, most notably some road repaving in further effort to increase the General Fund balance.

The City has tasked the General Capital Projects Fund to oversee the construction of the Eastern Connector to be known as Golden Bear Gateway. The State is participating in this project with near 80% funding. The fund as budgeted in 2016 proposed the maximum expenditures expected for the project and included the state reimbursements expected as fund revenue. There were multiple issues with the Environmental Protection Agency in early 2015 creating many delays in obtaining the necessary permits and therefore construction. In 2016 construction failed to proceed at the pace that had been planned. The result is that neither the expenditures nor the revenue materialized in this fund during 2016 and both were re-budgeted in 2017. The construction is currently scheduled to be completed in July 2017.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to over \$5.9 million. The total increase in net position for the fund was over \$3.2 million. The Fund continues to sustain an operating loss when depreciation of the assets is considered but the loss has shrunk as a percentage of Operating Income to under 3.4% as compared to 27.2% for 6/30/2015. The operating loss issue was addressed in the budget of 2015-2016 with a 5% rate increase following a 10% increase for 2014-2015. Rates were held constant for 2016-2017.

- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of near \$1.3 million. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.

## City of Mt. Juliet

- Developers also contributed almost \$2.0 million in tap fees that will be available for sewer expansion and replacement.

### Capital Asset and Debt Administration

**Capital Assets:** The City of Mt. Juliet's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals over \$105.5 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

#### Major Capital Asset Acquisitions Fiscal Year 2015-2016

##### Governmental Activities

Golden Bear Gateway Construction-Eastern Connector	5,800,000
Roads donated by Developers	2,300,000
Other Roads	390,000
Police Vehicles and Equipment	360,000
Adaptative Signals Mt. Juliet Rd	350,000
Other Police Equipment	170,000
City Street Improvements	149,000
Information Technology Equipment	140,000
Building Codes and Planning Software	140,000
Recreation Improvements and Equipment	117,000
Land Contributed by Citizens	80,000
Public Works Building and Equipment	72,000
Lebanon Sidewalk Preparation	51,000
Emergency Communication Equipment	49,000
City Building Improvements	40,000
Firing Range Improvements	40,000

##### Business Activities

Rehab Highway 70 Pump Station	3,225,000
Central Pike Pump Station Construction	1,900,000
Donation of Sewer Lines by Developers	1,300,000
Jackson Hills Sewer Extentsion	180,000
Rehab City Manholes	90,000
Stoner Creek Construction	85,000
Other Sewer Equipment and Pump Station upgrades	50,000
Nonaville Odor Control Improvement	35,000
Rehab Royal Oaks	35,000

## City of Mt. Juliet

Asset Class	City of Mt. Juliet's Capital Assets					
	Governmental Activities		Business Type Activities		Total	Total
	2016	2015	2016	2015		
Land	4,252,653	\$ 4,618,310	1,141,135	\$ 1,141,135	5,393,788	\$ 5,759,445
Bldgs and Improvements	7,010,669	7,111,669	505,692	498,000	7,516,361	7,609,669
Improv Other than Bldgs	3,917,874	3,770,317			3,917,874	3,770,317
Machinery and Equipment	10,872,636	10,282,940	701,761	647,085	11,574,397	10,930,025
Construction in Progress	8,165,093	1,746,261	7,993,941	3,222,021	16,159,034	4,968,282
Collection System			59,060,232	56,937,794	59,060,232	56,937,794
Infrastructure	38,856,509	36,109,379			38,856,509	36,109,379
Total Cost	73,075,434	\$ 63,638,876	69,402,761	\$ 62,446,035	142,478,195	\$ 126,084,911
Less Accumulated Depreciation	17,322,332	14,910,669	19,586,938	18,216,345	36,909,270	33,127,014
Net Capital Assets	55,753,102	\$ 48,728,207	49,815,823	\$ 44,229,690	105,568,925	\$ 92,957,897

Additional information on the City capital assets can be found in note 3 on page 22 and 23 of the basic Financial Statements.

**Long-term Debt:** As of June 30, 2016, the City of Mt. Juliet had total bonded debt, lease-purchases, long term obligations and capital notes outstanding of almost \$20.6 million. The entire debt is backed by the full faith and credit of the City of Mt. Juliet.

	City of Mt. Juliet's Outstanding Debt					
	General Obligation and Revenue Bonds					
	Governmental Activities		Business Type Activities		Total	Total
	2016	2015	2016	2015		
General Obligation Bonds/Capital Notes	\$ 14,172,263	\$ 15,041,149			\$ 14,172,263	\$ 15,041,149
Obligation to County School System	284,602	284,602			284,602	284,602
Capital Lease-Fire Apparatus	2,133,721	2,369,969			2,133,721	2,369,969
Revenue Bonds					-	-
OPEB Obligations and Compensated Absences	3,992,609	3,435,041	519,618	456,219	4,512,227	3,891,260
Total	\$ 20,583,195	\$ 21,130,761	\$ 519,618	\$ 456,219	\$ 21,102,813	\$ 21,586,980

Impact Fee revenue is allocated to the Debt Service Fund in order to liquidate the City's bonds that were issued to support the City road building projects. Such revenue must be supplemented with transfers from the General Fund in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's long-term debt decreased near \$484 thousand or near 2.24% during the past fiscal year as previously discussed.

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

The City of Mt. Juliet's debt policy seeks to limits governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2016 governmental debt was less than 2.5% of assessments and less than \$750 per capita.

## **City of Mt. Juliet**

Total debt payments for the next fiscal year are near \$1.2 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 6 beginning on page 24 through 27 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- The City's unemployment rate in June 2016 estimated at 3.9% is below the National average of 4.9% as well as the Tennessee rate of 4.1%
- The City's office occupancy rates approaches 90% and more retail space is being created in the form of boutiques and restaurants with diverse offerings.
- A new car dealership will open with a 150 jobs within 6 months.
- Three new hotels are opening which should require 200 employees among them contributing to a projected job growth rate of almost 1.94%.
- An additional 800,000 square foot distribution center is expected open within 12-18 months.
- The City will complete additional capacity for the Lebanon Road wastewater disposal in a few months
- The City has expanded its sewer facilities on the south end of Mt. Juliet Road.
- An apartment complex is on the drawing board that will provide 400 more living units before 6/30/2018.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** The fifth year of property tax revenue has been collected and the City will use this revenue to finance salaries and operating costs and consider the creation of another staffed station. The City anticipates nominal growth in local tax revenue, licenses and permits.

The City has been awarded a SAFER grant that will allow the City to employ three additional firefighters that will ease the departmental overtime strain without directly impacting local taxpayers for two years.

Increases in the General Fund expenditures are anticipated with the largest increments in employee compensation, including funding compensation and benefits adjustments. However, budgeted expenditures are expected to exceed budgeted revenue for 6/30/2016 by \$10 million due to effort directed toward the "Golden Bear Gateway (Eastern Connector)" city roadway.

The City has also been awarded grants to improve the City's "walkability" over the next couple of years in addition to the "adaptive signal" grants to improve traffic flow on south Mt. Juliet Road.

**Business-type Activities:** The City sewer rates in the City do not project an increase during the fiscal year ended 6/30/2017. Nominal revenue growth will be funded by new

## **City of Mt. Juliet**

customers. Purification costs of wastewater can be expected to rise 2.0% in accordance with the Metro contract. Personnel costs can be expected to rise 1.0%. General operating expenses will increase by 2.0% to cover increased costs of material, supplies, and other operating expenses. Considering depreciation, the Sewer Fund revenue will fail to cover 100% of the cost of operations and will likely consider a rate increase for 2017-2018.

### **Requests for Information**

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

Additional budget information is published on the City of Mt. Juliet's website under Government, Finance Department, Quick Links, and Adopted City Budget.

<http://www.mtjuliet-tn.gov>

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Position**

June 30, 2016

	Primary Government Governmental Activities	Business-type Activities	Total Primary Government
<b>Assets</b>			
Cash and cash equivalents	\$30,275,592	5,746,510	36,022,102
Investments	-	1,056,864	1,056,864
Receivables (net):			
Property taxes	1,654,387	-	1,654,387
Other taxes	239,638	-	239,638
Due from other governments	6,653,321	-	6,653,321
Internal balances	(37,699)	37,699	-
Interest receivable	26	4,935	4,961
Customers and other	17,458	743,253	760,711
Inventories	-	92,901	92,901
Restricted assets:			
Cash - construction	-	2,674,895	2,674,895
Cash - bond proceeds	123,573	-	123,573
Prepaid expenses	98,802	15,150	113,952
Capital assets, net of accumulated depreciation	43,335,356	40,680,747	84,016,103
Land and construction in progress - nondepreciable	12,417,746	9,135,076	21,552,822
Net pension asset	355,310	46,079	401,389
 Total Assets	 95,133,510	 60,234,109	 155,367,619
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows of resources	761,518	98,774	860,292
Deferred amounts on refunding	272,831	-	272,831
Total Deferred Outflows of Resources	 1,034,349	 98,774	 1,133,123
 Total Assets and deferred outflows of resources	 96,167,859	 60,332,883	 156,500,742
<b>Liabilities</b>			
Accounts payable	2,028,369	262,288	2,290,657
Accrued liabilities	1,803,062	95,661	1,898,723
Surety bonds	-	888,893	888,893
Accrued interest	65,222	-	65,222
Contracts payable	932,587	341,578	1,274,165
Long-term liabilities due within one year	1,490,023	-	1,490,023
Long-term liabilities due in more than one year	19,093,172	519,618	19,612,790
 Total Liabilities	 25,412,435	 2,108,038	 27,520,473
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows of resources	331,877	43,040	374,917
Unlevied property and income taxes	1,666,000	-	1,666,000
Total Deferred Inflows of Resources	 1,997,877	 43,040	 2,040,917
<b>Net Position</b>			
Net investment in capital assets	38,910,935	49,474,245	88,385,180
Restricted for:			
Capital improvements	-	2,674,895	2,674,895
Debt service	259,684	-	259,684
Streets	2,082,031	-	2,082,031
Public safety	2,840,183	-	2,840,183
Stormwater	115,085	-	115,085
Parks	943,716	-	943,716
Pension benefits	355,310	46,079	401,389
Unrestricted	 23,250,603	 5,986,586	 29,237,189
 Total Net Position	 \$68,757,547	 58,181,805	 126,939,352

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE  
 Statement of Activities  
 For the Year Ended June 30, 2016

Functions / Programs:	Net (Expenses) Revenue and Changes in Net Position					
	Primary Government	Business-type Activities	Governmental Activities	Business-type Activities	Primary Government	Total
<b>Governmental Activities:</b>						
General government	\$3,661,410	1,704,696	621,966	77,950	(1,256,798)	(1,256,798)
Public safety	7,900,095	1,171,896	57,553	196,294	(6,474,352)	(6,474,352)
Recreation and Culture	1,421,265	100,428	600	-	(1,320,237)	(1,320,237)
Streets and public works	4,096,269	-	1,363,757	7,049,330	4,316,818	4,316,818
Stormwater	232,915	274,462	-	-	41,547	41,547
Interest on debt	664,874	625,940	-	-	(38,934)	(38,934)
Total Government Activities	<u>17,976,828</u>	<u>3,877,422</u>	<u>2,043,876</u>	<u>7,323,574</u>	<u>(4,731,956)</u>	<u>(4,731,956)</u>
<b>Business-type Activities:</b>						
Sewer	5,884,120	5,762,521	-	3,282,996	-	3,161,397
Total Business-type Activities	<u>5,884,120</u>	<u>5,762,521</u>	<u>-</u>	<u>3,282,996</u>	<u>-</u>	<u>3,161,397</u>
<b>Total Primary Government</b>	<b><u>\$23,860,948</u></b>	<b><u>9,639,943</u></b>	<b><u>2,043,876</u></b>	<b><u>10,606,570</u></b>	<b><u>(4,731,956)</u></b>	<b><u>(1,570,559)</u></b>
<b>General Revenues:</b>						
Property taxes			\$1,673,514		-	1,673,514
Sales taxes			9,160,190		-	9,160,190
Wholesale beer tax			821,761		-	821,761
Wholesale liquor tax			440,435		-	440,435
Franchise tax			843,261		-	843,261
Hotel/motel tax			460,870		-	460,870
Business tax			943,205		-	943,205
State shared unrestricted taxes:						
State shared sales tax			2,277,604		-	2,277,604
State shared beer tax			13,749		-	13,749
State alcoholic beverage tax			119,554		-	119,554
State shared income tax			353,215		-	353,215
State shared TVA tax			332,120		-	332,120
Other unrestricted state shared taxes			23,282		-	23,282
Unrestricted investment earnings and rental income			227,365		96,678	324,243
Gain on sale of capital assets			605,548		-	605,548
Other			5,309		-	5,309
Total general revenues			<u>18,301,182</u>		<u>96,678</u>	<u>18,397,860</u>
Change in net position			<u>-13,569,226</u>		<u>3,258,075</u>	<u>16,827,301</u>
Net position - beginning of year			55,188,321		54,923,730	110,112,051
Net position - end of year			<u>\$68,757,547</u>		<u>58,181,805</u>	<u>126,939,152</u>

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

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

June 30, 2016

<u>Assets</u>	General Fund	Special Revenue Funds		Capital Projects Fund		Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund				
Cash	\$24,201,590	1,599,707	2,494,136	-	259,684	567,059	29,122,176	
Cash - restricted - bond proceeds	-	-	-	123,573	-	-	-	123,573
Receivables (net)								
Property taxes	-	-	1,658,687	-	-	-	-	1,658,687
Other taxes	239,638							239,638
Due from other governments	2,473,400	140,868	2,140	4,036,913	-	-	-	6,653,321
Due from other funds	47,216	-	2,534	-	-	-	-	49,750
Other	3,402							3,402
Interest receivable	26	-	-	-	-	-	-	26
Prepaid items	88,609	-	5,750	-	-	2,000	-	96,359
<b>Total Assets</b>	<b>\$27,053,881</b>	<b>1,740,575</b>	<b>4,163,247</b>	<b>4,160,486</b>	<b>259,684</b>	<b>569,059</b>	<b>37,946,932</b>	
<b>Liabilities</b>								
Accounts payable	\$556,621	1,062,944	18,709	131,256	-	40,502	1,810,032	
Accrued costs	1,752,828	-	38,377	-	-	11,857	1,803,062	
Contracts payable	-	-	-	932,587	-	-	-	932,587
Due to other funds	2,534	-	-	47,216	-	-	-	49,750
<b>Total Liabilities</b>	<b>2,311,983</b>	<b>1,062,944</b>	<b>57,086</b>	<b>1,111,059</b>	<b>-</b>	<b>52,359</b>	<b>4,595,431</b>	
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	1,133,720	72,645	1,651,857	-	-	-	-	2,858,222
<b>Fund Balance</b>								
Nonspendable:								
Prepays	88,609	-	5,750	-	-	2,000	96,359	
Restricted for:								
Streets	1,404,400	604,986	-	-	-	-	2,009,386	
Parks	943,716	-	-	-	-	-	943,716	
Public safety	-	-	2,448,554	-	-	388,085	2,836,639	
Stormwater	-	-	-	-	-	126,615	126,615	
Streets - capital projects	-	-	-	3,049,427	-	-	3,049,427	
Debt service	-	-	-	-	259,684	-	259,684	
Committed:								
Stabilization	600,000	-	-	-	-	-	600,000	
Assigned for:								
Parks project	30,000	-	-	-	-	-	30,000	
Subsequent year's budget	10,300,599	-	-	-	-	-	10,300,599	
Unassigned:	10,240,854	-	-	-	-	-	10,240,854	
<b>Total Fund Balances</b>	<b>23,608,178</b>	<b>604,986</b>	<b>2,454,304</b>	<b>3,049,427</b>	<b>259,684</b>	<b>516,700</b>	<b>30,493,279</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$27,053,881</b>	<b>1,740,575</b>	<b>4,163,247</b>	<b>4,160,486</b>	<b>259,684</b>	<b>569,059</b>	<b>37,946,932</b>	

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

June 30, 2016

<b>Amounts reported for fund balance - total governmental funds</b>	<b>\$30,493,279</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	55,753,102
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,156,365
State shared revenue and local option sales tax receivable	31,557
Property taxes receivable	913,879
Internal service fund is used by management to charge the costs of medical insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(65,222)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(10,263)
Bond premiums are amortized over the life of the bonds in the statement of activities	272,831
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position	(331,877)
Pension plan reporting requires recognition of the City's portion of net pension liability or asset and deferred outflows/inflows of resources in governmental activities. These amounts are not reflected in the fund financial statements.	784,951
Net pension asset	355,310
Deferred outflows of resources	761,518
Deferred inflows of resources	(480,212)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.	(\$14,162,000)
Governmental bonds and notes payable	(2,133,721)
Capital leases payable	(284,602)
Obligation to county schools	(3,512,397)
Other post employment benefits	(480,212)
Net position of governmental activities	<u><u>\$68,757,547</u></u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds**

**For the Year Ended June 30, 2016**

	Special Revenue Funds		Capital Projects Fund		Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	State Street Fund	Emergency Services Fund	General Capital Projects Fund	-			
	General Fund	Aid Fund	-	-			
<b>Revenues</b>							
Taxes	\$12,594,415	-	1,673,411	-	-	-	14,267,826
Intergovernmental	3,823,015	771,737	-	5,083,951	-	14,823	9,693,526
Fines and fees	946,545	-	-	-	-	203,259	1,149,804
Licenses and permits	1,614,696	-	128,105	-	625,940	274,462	2,643,203
Charges for services	330,107	-	-	-	-	-	330,107
Uses of money and property	268,198	9,104	25,713	9,462	1,723	3,365	317,565
Miscellaneous	133,452	-	6,261	-	-	-	139,713
Total Revenue	<u>19,710,428</u>	<u>780,841</u>	<u>1,833,490</u>	<u>5,093,413</u>	<u>627,663</u>	<u>495,909</u>	<u>28,541,744</u>
<b>Expenditures</b>							
Current:							
General government	3,517,440	-	-	-	-	-	3,517,440
Police	5,411,960	-	-	-	-	31,011	5,442,971
Fire	-	-	1,483,927	-	-	-	1,483,927
Streets and public works	1,411,609	1,159,107	-	216,986	-	-	2,787,702
Stormwater	-	-	-	-	-	222,416	222,416
Parks and culture	1,116,051	-	-	-	-	-	1,116,051
Debt service	-	-	-	-	2,063,009	-	2,063,009
Capital outlay	979,074	69,372	59,901	6,614,572	-	129,998	7,852,917
Total Expenditures	<u>12,436,134</u>	<u>1,228,479</u>	<u>1,543,828</u>	<u>6,831,558</u>	<u>2,063,009</u>	<u>383,425</u>	<u>24,486,433</u>
Excess (deficiency) revenues over expenditures	<u>7,274,294</u>	<u>(447,638)</u>	<u>289,662</u>	<u>(1,738,145)</u>	<u>(1,435,346)</u>	<u>112,484</u>	<u>4,055,311</u>
<b>Other Financing Sources (Uses)</b>							
Issuance of debt	-	-	-	-	9,292,000	-	9,292,000
Payment to escrow agent to refund bonds	-	-	-	-	(9,238,471)	-	(9,238,471)
Proceeds from sale of property	1,119,700	-	-	-	-	-	1,119,700
Transfers from (to) other funds	(3,322,998)	-	(300,000)	2,215,017	1,407,981	-	-
Total Other Financing Sources (Uses)	<u>(2,203,298)</u>	<u>-</u>	<u>(300,000)</u>	<u>2,215,017</u>	<u>1,461,510</u>	<u>-</u>	<u>1,173,229</u>
Net Change in Fund Balance	<u>5,070,996</u>	<u>(447,638)</u>	<u>(10,338)</u>	<u>476,872</u>	<u>26,164</u>	<u>112,484</u>	<u>5,228,540</u>
Fund Balance, Beginning of Year	<u>18,537,182</u>	<u>1,052,624</u>	<u>2,464,642</u>	<u>2,572,555</u>	<u>233,520</u>	<u>404,216</u>	<u>25,264,739</u>
Fund Balance, End of Year	<u><b>\$23,608,178</b></u>	<u><b>604,986</b></u>	<u><b>2,454,304</b></u>	<u><b>3,049,427</b></u>	<u><b>259,684</b></u>	<u><b>516,700</b></u>	<u><b>30,493,279</b></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, 2016

Amounts reported for net change in fund balance - total governmental funds	\$5,228,540
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Cost of assets acquired	7,852,917
Disposal of capital asset	(564,044)
Depreciation expense	(2,625,727)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	103
Local option sales tax	68,474
State shared revenues	18,329
Contributed capital assets	2,361,750
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect discounts and premiums and similar items when the debt is first issued, whereas these amounts deferred and amortized in the statement of activities.	
Debt repayment	10,412,937
Debt issuance	(9,292,000)
Loss on refunding	154,005
Prior year debt discount	(15,878)
Amortization of debt discounts, premiums and losses on refunding	(11,807)
Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Change in accrued interest on bonded debt	43,820
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	(50,118)
Other post employment benefits	(507,450)
Pension expenditures in the governmental funds reflects amounts currently paid to fund the pension plan; however pension expense in the statement of activities is a comprehensive measurement consisting of elements deferrals and amortization of expenses which results in a difference in pension costs.	
Pension costs	428,610
Internal service funds are used by management to charge the costs of medical medical insurance to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities. (net of amount allocated to business activities)	
	66,765
Change in net position of governmental activities	<u><u>\$13,569,226</u></u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**General Fund**

**For the Year Ended June 30, 2016**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Local Taxes:				
Local sales taxes	\$8,268,000	8,268,000	9,091,716	823,716
Wholesale beer	780,000	780,000	821,761	41,761
Wholesale liquor	310,000	310,000	440,435	130,435
Franchise taxes	910,000	910,000	843,261	(66,739)
Hotel/Motel taxes	390,000	390,000	460,870	70,870
Business taxes	764,500	764,500	936,372	171,872
Total Local Taxes	<u>11,422,500</u>	<u>11,422,500</u>	<u>12,594,415</u>	<u>1,171,915</u>
Intergovernmental:				
State sales tax	2,140,000	2,140,000	2,265,679	125,679
State beer tax	14,000	14,000	13,749	(251)
State income tax	230,000	230,000	353,215	123,215
Gasoline and motor fuel tax	58,000	58,000	57,288	(712)
State alcohol beverage tax	100,000	100,000	119,554	19,554
Police inservice	31,800	31,800	22,800	(9,000)
Police overtime reimbursement	60,000	60,000	11,945	(48,055)
Fire inservice	500	500	300	(200)
Other state revenue allocation	13,700	13,700	26,174	12,474
TVA in lieu of tax	325,000	325,000	332,120	7,120
Grants	2,000	614,506	620,191	5,685
	<u>2,975,000</u>	<u>3,587,506</u>	<u>3,823,015</u>	<u>235,509</u>
Fines and Penalties:				
City court and drug control	905,300	905,300	946,545	41,245
Total Fines and Penalties	<u>905,300</u>	<u>905,300</u>	<u>946,545</u>	<u>41,245</u>
Licenses and Permits:				
Building permits	240,000	240,000	617,533	377,533
Plumbing permits	85,000	85,000	91,155	6,155
Review and inspection fees	210,000	210,000	348,914	138,914
Zoning permits	5,500	5,500	3,185	(2,315)
Sign permits	6,000	6,000	9,100	3,100
Electrical permits	240,000	240,000	290,203	50,203
Other permits	364,685	364,685	254,606	(110,079)
Total Licenses & Permits	<u>1,151,185</u>	<u>1,151,185</u>	<u>1,614,696</u>	<u>463,511</u>
Charges for Services:				
Public safety charges	77,000	77,000	15,831	(61,169)
Road improvement fees	216,500	216,500	213,848	(2,652)
Recreational fees	108,500	108,500	100,428	(8,072)
Total Charges for Services	<u>402,000</u>	<u>402,000</u>	<u>330,107</u>	<u>(71,893)</u>
Uses of Property and Money				
Administrative support services	90,000	90,000	90,000	-
Rent	43,699	43,699	36,962	(6,737)
Interest	80,000	80,000	141,236	61,236
Total Uses of Property and money	<u>213,699</u>	<u>213,699</u>	<u>268,198</u>	<u>54,499</u>
Other Revenues:				
Contributions from others	104,500	114,000	10,060	(103,940)
Sale of assets	22,500	50,224	68,189	17,965
Miscellaneous	87,825	118,575	55,203	(63,372)
Total Other Revenues	<u>214,825</u>	<u>282,799</u>	<u>133,452</u>	<u>(149,347)</u>
Total Revenues	<u>17,284,509</u>	<u>17,964,989</u>	<u>19,710,428</u>	<u>1,745,439</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, 2016**

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General Government:				
Legilative Board:				
Salaries	\$69,112	69,112	64,544	4,568
Employee benefits	12,571	12,571	5,148	7,423
Supplies and other	3,750	3,750	1,851	1,899
Election	-	-	-	-
Total Legislatiive Board	<u>85,433</u>	<u>85,433</u>	<u>71,543</u>	<u>13,890</u>
City Court:				
Salaries	11,074	11,074	8,145	2,929
Employee benefits	877	877	643	234
Outside services	5,620	5,620	3,134	2,486
Supplies	-	-	-	-
Total City Court	<u>17,571</u>	<u>17,571</u>	<u>11,922</u>	<u>5,649</u>
City Manager:				
Salaries	431,294	431,294	423,764	7,530
Employee benefits	161,505	161,505	152,906	8,599
Outside services	15,500	15,500	15,882	(382)
Membership and dues	22,800	22,800	20,429	2,371
Events and city beautification	63,000	44,000	30,677	13,323
Supplies	12,350	112,350	19,091	93,259
Insurance	4,000	4,000	2,250	1,750
Other costs	9,600	9,600	3,516	6,084
Retiree benefits	82,344	82,344	45,954	36,390
Capital outlay	258,000	158,000	61,900	96,100
Total City Manager	<u>1,060,393</u>	<u>1,041,393</u>	<u>776,369</u>	<u>265,024</u>
Finance:				
Salaries	228,271	228,271	227,358	913
Employee benefits	86,475	86,475	83,399	3,076
Outside services	53,500	53,500	48,961	4,539
Supplies	17,435	17,435	12,492	4,943
Other costs	3,125	3,125	318	2,807
Capital outlay	-	-	-	-
Total Finance	<u>388,806</u>	<u>388,806</u>	<u>372,528</u>	<u>16,278</u>
City Attorney:				
Outside services	195,000	195,000	179,553	15,447
Other costs	18,000	18,000	2,800	15,200
Total City Attorney	<u>213,000</u>	<u>213,000</u>	<u>182,353</u>	<u>30,647</u>
Economic and Community Development:				
Salaries	86,428	86,428	39,230	47,198
Employee benefits	43,796	43,796	30,566	13,230
City beautification	26,000	26,000	18,743	7,257
Outside services	82,000	82,000	66,891	15,109
Grant related industry infrastructure costs	-	612,506	612,506	-
Other costs	11,000	11,000	3,867	7,133
Capital outlay	-	-	-	-
Total Economic and Community Development	<u>249,224</u>	<u>861,730</u>	<u>771,803</u>	<u>89,927</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, 2016**

**Expenditures**

**General Government, continued:**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
Planning and Codes:			
Salaries	\$379,274	379,274	343,160 36,114
Employee benefits	131,573	131,573	127,291 4,282
Supplies	15,400	15,400	23,541 (8,141)
Outside services	71,000	71,000	25,779 45,221
Other costs	23,500	23,500	11,397 12,103
Capital outlay	175,000	175,000	15,750 159,250
Total Planning and Codes	795,747	795,747	546,918 248,829
City Buildings and IT Services:			
Salaries	199,366	199,366	199,957 (591)
Employee benefits	60,234	60,234	54,987 5,247
Supplies	132,400	132,400	64,293 68,107
Repairs and maintenance	51,900	51,900	49,703 2,197
Outside services	88,830	88,830	96,324 (7,494)
Utilities	258,300	258,300	213,782 44,518
Insurance	31,050	31,050	5,724 25,326
Equipment rental	97,000	97,000	102,691 (5,691)
Other costs	34,400	34,400	136 34,264
Capital outlay	340,947	348,947	302,357 46,590
Total City Hall Buildings	1,294,427	1,302,427	1,089,954 212,473
City Garage:			
Salaries	60,019	60,019	54,336 5,683
Benefits	14,543	14,543	13,215 1,328
Repairs and maintenance	3,500	3,500	618 2,882
Supplies	9,850	9,850	5,888 3,962
Capital outlay	-	-	5,299 (5,299)
Total City Garage	87,912	87,912	79,356 8,556
Total General Government	4,192,513	4,794,019	3,902,746 891,273

**Public Safety:**

**Police Department:**

Salaries	3,567,376	3,567,376	3,267,589	299,787
Benefits	1,450,851	1,450,851	1,308,425	142,426
Repairs and maintenance	101,450	101,450	92,774	8,676
Supplies	397,430	389,430	287,972	101,458
Outside services	253,295	253,295	233,752	19,543
Utilities	84,450	84,450	43,635	40,815
Insurance	159,000	159,000	141,875	17,125
Other costs	40,308	40,308	35,938	4,370
Capital outlay	405,500	451,550	423,801	27,749
Total Public Safety	6,459,660	6,497,710	5,835,761	661,949

**Streets and Public Works:**

Salaries	899,414	899,414	826,169	73,245
Employee benefits	414,415	414,415	374,056	40,359
Repairs and maintenance	44,500	94,500	91,436	3,064
Supplies	90,200	90,200	75,020	15,180
Outside services	60,350	60,350	14,933	45,417
Utilities	27,000	27,000	22,571	4,429
Insurance	10,025	10,025	7,424	2,601
Other costs	33,600	89,516	53,379	36,137
Capital outlay	1,579,504	1,685,420	1,464,988	220,432
Total Streets and Public Works				

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, 2016**

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Recreation and Culture:				
Salaries	\$484,437	484,437	486,863	(2,426)
Employee benefits	206,656	206,656	197,217	9,439
Repairs and maintenance	195,224	115,224	27,762	87,462
Supplies	82,576	90,000	80,247	9,753
Outside services	33,000	33,000	8,141	24,859
Insurance	20,000	20,000	15,275	4,725
Utilities	67,250	67,250	58,994	8,256
Other costs	4,660	4,660	2,362	2,298
Appropriations to nonprofits	246,770	249,270	239,190	10,080
Capital outlay	32,500	136,500	116,588	19,912
Total Recreation and Culture	<u>1,373,073</u>	<u>1,406,997</u>	<u>1,232,639</u>	<u>174,358</u>
Total Expenditures	<u>13,604,750</u>	<u>14,384,146</u>	<u>12,436,134</u>	<u>1,948,012</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,679,759</u>	<u>3,580,843</u>	<u>7,274,294</u>	<u>3,693,451</u>
Other Financing Sources (Uses):				
Proceeds from sale of property	-	-	1,119,700	1,119,700
Transfers out	(1,148,718)	(8,403,053)	(3,322,998)	5,080,055
Total Other Financing Sources (Uses)	<u>(1,148,718)</u>	<u>(8,403,053)</u>	<u>(2,203,298)</u>	<u>6,199,755</u>
Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>2,531,041</u>	<u>(4,822,210)</u>	<u>5,070,996</u>	<u>9,893,206</u>
Fund Balance, Beginning of Year	<u>18,537,182</u>	<u>18,537,182</u>	<u>18,537,182</u>	<u>-</u>
Fund Balance, End of Year	<u>\$21,068,223</u>	<u>13,714,972</u>	<u>23,608,178</u>	<u>9,893,206</u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**State Street Aid Fund**

**For the Year Ended June 30, 2016**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Intergovernmental:</b>				
Petroleum special tax	\$520,000	520,000	529,075	9,075
Gas 1989 tax	70,000	70,000	84,966	14,966
Gas three cent tax	152,928	152,928	157,696	4,768
Interest	5,000	5,000	9,104	4,104
<b>Total Revenues</b>	<b>747,928</b>	<b>747,928</b>	<b>780,841</b>	<b>32,913</b>
<b>Expenditures</b>				
Street Maintenance				
Repairs and maintenance	1,214,000	1,214,000	1,087,680	126,320
Street lighting and signage	91,000	91,000	71,427	19,573
Capital outlay	12,000	12,000	69,372	(57,372)
<b>Total Expenditures</b>	<b>1,317,000</b>	<b>1,317,000</b>	<b>1,228,479</b>	<b>88,521</b>
Excess of Revenues Over Expenditures	(569,072)	(569,072)	(447,638)	121,434
Fund Balance, Beginning of Year	1,052,624	1,052,624	1,052,624	-
<b>Fund Balance, End of Year</b>	<b>\$483,552</b>	<b>483,552</b>	<b>604,986</b>	<b>121,434</b>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**Emergency Services Fund**

**For the Year Ended June 30, 2016**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Local taxes:</b>				
Property tax	\$1,608,270	1,608,270	1,673,411	65,141
Interest	10,785	10,785	25,713	14,928
Licenses and permits	100,000	106,000	128,105	22,105
Other - contributions, etc	500	12,158	6,261	(5,897)
<b>Total Revenues</b>	<b>1,719,555</b>	<b>1,737,213</b>	<b>1,833,490</b>	<b>96,277</b>
<b><u>Expenditures</u></b>				
<b>Fire</b>				
Salaries	961,282	961,282	876,455	84,827
Benefits	572,166	572,166	456,924	115,242
Utilities	20,000	20,000	14,637	5,363
Contract services	4,000	4,000	7,221	(3,221)
Supplies	139,901	139,901	63,211	76,690
Repairs and maintenance	28,000	37,158	34,584	2,574
Insurance	25,000	25,000	23,050	1,950
Other	21,050	23,750	7,845	15,905
Capital outlay	52,500	52,500	59,901	(7,401)
<b>Total Expenditures</b>	<b>1,823,899</b>	<b>1,835,757</b>	<b>1,543,828</b>	<b>291,929</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(104,344)</b>	<b>(98,544)</b>	<b>289,662</b>	<b>388,206</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	(300,000)	(300,000)	(300,000)	-
	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues &amp; Other Sources Over Expenditures &amp; Other Uses</b>	<b>(404,344)</b>	<b>(398,544)</b>	<b>(10,338)</b>	<b>388,206</b>
<b>Fund Balance, Beginning of Year</b>	<b>2,464,642</b>	<b>2,464,642</b>	<b>2,464,642</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$2,060,298</b>	<b>2,066,098</b>	<b>2,454,304</b>	<b>388,206</b>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2016

Business -type Activities		
Sewer Enterprise Fund	Internal Service Fund	

**Assets**

Current Assets:		
Cash	\$5,746,510	1,153,416
Investments	1,056,864	-
Receivable-net of allowance for doubtful accounts of \$28,040	743,253	16,499
Interest receivable	4,935	-
Prepaid insurance	15,150	-
Inventory	92,901	-
Total Current Assets	<u>7,659,613</u>	<u>1,169,915</u>
Noncurrent Assets:		
Restricted cash - restricted for capital projects	2,674,895	-
Net pension asset	<u>46,079</u>	<u>-</u>
Capital Assets:		
Land	1,141,135	-
Construction in progress	7,993,941	-
Collection system	59,060,232	-
Buildings	505,692	-
Equipment	701,761	-
Total Capital Assets	<u>69,402,761</u>	<u>-</u>
Less: accumulated depreciation	(19,586,938)	-
Net Property, Plant and Equipment	<u>49,815,823</u>	<u>-</u>
Total Noncurrent Assets	<u>52,536,797</u>	<u>-</u>
Total Assets	<u>60,196,410</u>	<u>1,169,915</u>

**Deferred Outflows of Resources**

Net difference between projected and actual earnings -pension plan	<u>144,859</u>	<u>-</u>
--	----------------	----------

**Liabilities**

Current Liabilities:		
Accounts payable	262,288	218,336
Accrued expenses	95,661	-
Surety bonds	888,893	-
Contract payable	341,578	-
Total Current Liabilities	<u>1,588,420</u>	<u>218,336</u>
Noncurrent Liabilities:		
Other post-employment benefit obligation	519,618	-
Total Noncurrent Liabilities	<u>519,618</u>	<u>-</u>
Total Liabilities	<u>2,108,038</u>	<u>218,336</u>

**Deferred Inflows of Resources**

Deferred inflows of resources related to pensions	<u>89,125</u>	<u>-</u>
---	---------------	----------

**Net Position**

Net investment in capital assets	49,474,245	-
Restricted for capital improvements	2,674,895	-
Restricted for pension benefits	46,079	-
Unrestricted	5,948,887	951,579
Total Net Position	<u>\$58,144,106</u>	<u>951,579</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	37,699	-
Net Position of business -type activities	<u>\$58,181,805</u>	

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**Proprietary Fund**

**For the Year Ended June 30, 2016**

	Business -type Activities	Internal Service Fund
	Sewer Enterprise Fund	Fund
<b>Operating Revenues:</b>		
Charges for sales and services - sewer	\$5,322,581	\$1,998,866
Sewer inspection and administrative charges	260,284	-
Penalties	108,159	-
Other	71,497	-
<b>Total Operating Revenues</b>	<u>5,762,521</u>	<u>1,998,866</u>
<b>Operating Expenses:</b>		
Sewer line and pump maintenance	1,113,104	-
Sewer lift station operation	273,908	-
Administrative and accounting	495,703	1,875,525
Sewer transportation and treatment	2,565,036	-
Depreciation	1,370,593	-
Professional services	122,353	-
<b>Total Operating Expenses</b>	<u>5,940,697</u>	<u>1,875,525</u>
<b>Operating Income (Loss)</b>	<u>(178,176)</u>	<u>123,341</u>
<b>Nonoperating Revenues (Expenses):</b>		
Rent	24,209	-
Gain on sale of capital assets	-	-
Interest income	72,469	3
<b>Net Nonoperating Revenues (Expenses)</b>	<u>96,678</u>	<u>3</u>
<b>Net Income (Loss) Before Contributions</b>	<u>(81,498)</u>	<u>123,344</u>
<b>Contributions:</b>		
Capital contribution - Tap fees	1,984,621	-
Capital contribution - Utility plant	1,298,375	-
<b>Total Contributions</b>	<u>3,282,996</u>	<u>-</u>
<b>Change in Net Position</b>	<u>3,201,498</u>	<u>123,344</u>
<b>Net Position - Beginning of Year</b>	<u>54,942,608</u>	<u>828,235</u>
<b>Net Position - End of Year</b>	<u>\$58,144,106</u>	<u>951,579</u>
<b>Change in Net Position as shown above</b>	<u>3,201,498</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>56,577</u>	
<b>Change in Net Position of business -type activities</b>	<u><u>\$3,258,075</u></u>	

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year Ended June 30, 2016**

	Sewer Enterprise Fund	Internal Service Fund
<b>Cash Flows Provided (Used) By Operating Activities:</b>		
Cash received from customers	\$5,748,514	-
Cash paid for personnel services	(843,059)	-
Cash paid to suppliers for goods and services	(3,900,690)	-
Cash received on surety bonds	844,992	-
Cash paid for interfund administrative support services	(90,000)	-
Premiums received/reimbursements received	-	2,306,020
Medical claims and administrative expenses paid	-	(1,947,058)
Net Cash Provided (Used) by Operating Activities	<u>1,759,757</u>	<u>358,962</u>
<b>Cash Flows Provided (Used) By Capital and Related Financing Activities:</b>		
Purchase of property, plant and equipment	(5,768,184)	-
Contributions from customers	1,984,621	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,783,563)</u>	<u>-</u>
<b>Cash Flows Provided (Used) By Investing Activities:</b>		
Purchase of investments	(7,542)	-
Rent received	24,209	-
Interest received on investments	70,954	3
	<u>87,621</u>	<u>3</u>
Net Increase (Decrease) in Cash	(1,936,185)	358,965
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>10,357,590</u>	<u>794,451</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$8,421,405</u>	<u>1,153,416</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u></b>		
Operating income (loss)	(\$178,176)	123,341
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,370,593	-
Change in deferred outflows of resources-pension related	(65,997)	-
Change in deferred inflows of resources-pension related	12,479	-
Change in net pension asset	(9,244)	-
Change in other post-employment benefit obligation	63,399	-
(Increase) Decrease in: Accounts receivable	(14,007)	307,154
Prepaid expenses	(150)	8,459
Inventory	(40,005)	-
Increase (Decrease) in: Accounts payable	(240,179)	(79,992)
Accrued expenses	16,052	-
Surety bonds	844,992	-
	<u>Net cash provided by operating activities</u>	<u>\$1,759,757</u>
	<u>358,962</u>	

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

During the year the City accepted sewer lines from developers in the amount of \$1,298,375  
During the year the City liquidated contracts payable related to capital assets acquisitions in the amount of \$109,834

See accompanying notes to financial statements.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### **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, 2016, the City had no component units which were required to be included in these financial statements.

#### Government-wide and Fund Financial Statements

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

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

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and other shared revenues through intermediary collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

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

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

The *General Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities and repairs to infrastructure. Resources are provided primarily from grants and transfers from other governmental funds.

The *Debt Service Fund* is used to account for the payment of principal and interest on governmental debt. Resources are provided from impact fees restricted for debt service and transfers from the governmental funds.

The government reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

Internal Service Fund, to account for costs associated with the employees' health insurance.

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

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Joint Venture

The City has entered into a joint venture with Wilson County to form the Wilson County/Mt. Juliet Development Board to promote economic development in the area. The board is composed of six members, three appointed by each entity. The City has no equity interest in the joint venture, however, the City is required to contribute one half the funding necessary to pay development costs of projects approved by the board. Recovery of costs by the City will be from an allocation of the real and personal property taxes collected by the county as a result of projects for which the Board was responsible. Required disclosures are included in the following notes.

#### Cash and Equivalents

Cash and cash equivalents include amounts in demand deposits, savings accounts, money market accounts and short-term certificates of deposit maturing within three months or less of initial maturity dates. Also due to liquidity, the City considers funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. Restricted cash in the Capital Projects and Sewer Fund is restricted for capital improvements.

#### Inventories of Supplies

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or market.

#### Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid expenses. These consist primarily of prepaid insurance and a prepaid maintenance contract with the railroad.

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The residual balance between governmental activities and business-type activities at year end was \$37,699 which relates to the consolidation of the internal service fund activities.

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

#### Capital Assets

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

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

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

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

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

Buildings	40 years	Sidewalks	30 years
Improvements other than buildings	30 years	Bridges	50 years
Road system infrastructure	30 years	Sewer lines	45 years
Machinery, equipment and vehicles	5 - 10 years	Sewer transmission equipment	10-15 years

#### Claims Payable

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

#### Compensated Absences

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

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of City of Mt. Juliet's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from City of Mt. Juliet's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

#### Long-term Obligations

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

#### Long-term Obligations, Continued

Bond and note premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Loss on refunding, if applicable is reported as deferred outflows of resources and amortized over the shorter period of the old or new debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current year costs in the period of issuance in all financial statements.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items which qualify for reporting in this category. Deferred charges on refunding are reported in the government-wide financial statement of net position on the governmental activities statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are reported in the government-wide financial statements and fund financial statement in proprietary funds related to pensions and the current year pension contribution which is also deferred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The *unavailable revenue* reported in the governmental funds balance sheet represents amounts that are deferred and recognized as an inflow of resources in the periods that the amounts become available. The deferred inflows of resources reported in the statement of net position consists primarily of assessed and unlevied property taxes, as well as income taxes, and arises from imposed non-exchange revenues (property taxes) which are assessed prior to the end of the year but levied the subsequent year. Deferred inflows of resources are also reported related to pension experience and investment earnings differences which will be amortized over the next six years.

#### Equity Classification

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

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

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

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

#### Fund Balance

In accordance with Governmental Accounting Standard Board (GASB) Statement 54, fund balance is reported in the fund financial statements under the following categories. *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items. *Restricted fund balance* is that portion of fund

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

#### Fund Balance (Continued)

*Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the Board is also required. *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance. *Unassigned fund balance* is the residual classification of the General Fund.

It is the City's policy to first use restricted fund balance when an expense is incurred for purposes which both restricted and unrestricted funds are available. The City's policy for the use of unrestricted fund balance amounts required that committed amounts would be reduced first, followed by assigned amounts when expenditures incurred for purposes for which amounts in any of those committed fund balance classifications could be used.

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

#### Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City's legal boundaries. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1, and as such an enforceable legal claim to the subsequent fiscal year levy exists at year end. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

#### Industrial and Commercial Property

- Real	40%	Public Utility Property	55%
- Personal	30%	Farm and Residential Property	25%

Taxes are levied at a rate of \$0.20 and \$0.20 per \$100 of assessed valuation for years 2015 and 2016. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,632,496 for the fiscal year ended June 30, 2016 were approximately 97.7% of the tax levy. By vote of the Board, the property taxes were levied for the purpose of capital items and operations for public safety and are accounted for in the Emergency Services Fund. Taxes become delinquent in March of the year subsequent to the levy date; delinquent taxes are turned over to the County Clerk and Master for collection each April.

The government-wide financial statements report property taxes receivable of \$1,654,387 which is net of an allowance for doubtful collections of \$4,300. Of this receivable \$1,616,000 represents the estimated net realizable 2016 property taxes assessed but which will not be levied until the subsequent fiscal year. This amount is included in deferred inflows of resources. The receivable reported in the governmental funds balance sheet is \$1,658,687 with offsetting deferred inflows of resources for amounts not available at June 30, 2016. The additional taxes receivable of \$239,638 are beer, hotel/motel, and franchise taxes.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 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, as required by state statutes, 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, 2016 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.

#### Investments

At June 30, 2016 the City had the following investments:

Type of Investment	Fair Value/ Carrying Amount	Weighted Average Days to Maturity	Average Credit Quality Rating
Certificates of Deposit	\$ 1,056,864	208	N/A

#### Interest Rate Risk:

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Credit/Credit Concentration Risk:

The City's general investment policy is to apply the prudent-person rule; investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general avoid speculative risks, as well as limited to investments authorized by state law.

### 3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Reclasses	Ending Balance
<b>Governmental activities</b>					
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,618,310	77,950	(443,607)	-	4,252,653
Construction in progress	1,746,260	6,418,833	-	-	8,165,093
<u>Capital assets being depreciated:</u>					
Buildings and improvements	7,111,669	-	(101,000)	-	7,010,669
Improvements other than buildings	3,770,317	150,220	(2,663)	-	3,917,874
Machinery and equipment	10,282,940	820,534	(230,838)	-	10,872,636
Infrastructure	<u>36,109,379</u>	<u>2,747,130</u>	<u>_____</u>	<u>_____</u>	<u>38,856,509</u>
Total capital assets	<u>\$ 63,638,875</u>	<u>10,214,667</u>	<u>(778,108)</u>	<u>_____</u>	<u>73,075,434</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 3) CAPITAL ASSETS, (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<b>Governmental activities</b>					
<u>Less accumulated depreciation for:</u>					
Buildings and other improvements	\$ 1,905,669	171,547	(6,439)	-	2,070,777
Improvements other than buildings	1,694,442	209,059	(1,731)	-	1,901,770
Machinery and equipment	4,165,463	990,280	(205,894)	-	4,949,849
Infrastructure	<u>7,145,095</u>	<u>1,254,841</u>	-	-	<u>8,399,936</u>
Total accumulated depreciation	<u>14,910,669</u>	<u>2,625,727</u>	<u>(214,064)</u>	-	<u>17,322,332</u>
Governmental activities capital assets, net	<u>\$ 48,728,206</u>				<u>55,753,102</u>

During the year, the City accepted donated equipment and infrastructure in the amount of \$2,361,750. Also during the year the City sold property that was originally purchased for a city hall but never utilized.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,141,135	-	-	-	1,141,135
Construction in process	3,222,021	5,357,286	-	(585,366)	7,993,941
<u>Capital assets being depreciated:</u>					
Building	498,000	7,692	-	-	505,692
Collections System	56,937,794	1,559,982	-	562,456	59,060,232
Equipment	<u>647,086</u>	<u>31,765</u>	-	<u>22,910</u>	<u>701,761</u>
Total capital assets	<u>\$ 62,446,036</u>	<u>6,956,725</u>	-	-	<u>69,402,761</u>
<u>Less accumulated depreciation for:</u>					
Collection System and building	\$ 17,564,090	1,345,992	-	115,405	19,025,487
Equipment	<u>652,255</u>	<u>24,601</u>	-	<u>(115,405)</u>	<u>561,451</u>
Total accumulated depreciation	<u>18,216,345</u>	<u>1,370,593</u>	-	-	<u>19,586,938</u>
Business-type activities capital assets, net	<u>\$ 44,229,691</u>				<u>49,815,823</u>

Depreciation expense was charged to function/programs as of June 30, 2016, as follows:

Governmental activities:	
General government	\$ 86,104
Public safety	859,177
Street and public works	1,352,695
Stormwater	3,466
Recreational and culture	<u>324,285</u>
Total depreciation expense-governmental activities	<u>\$ 2,625,727</u>
Business-type activities:	
Water and Sewer	<u>\$ 1,370,593</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 4) RECEIVABLES

Accounts and taxes receivable at June 30, 2016 consisted of the following:

	General Fund	Emergency Services Fund	Projects Fund	Street Aid Fund	Enterprise Fund	Capital State Total
Property taxes	\$ -	1,658,687	-	-	-	1,658,687
Beer/liquor taxes/franchise	190,265	-	-	-	-	190,265
Hotel/Motel tax	49,373	-	-	-	-	49,373
Other governments	2,473,400	2,140	4,036,913	140,868	-	6,653,321
Customer	14,056	-	-	-	771,293	785,349
Other	3,428	-	-	-	4,935	8,363
Allowance for- doubtful accounts	-	(4,300)	-	-	(28,040)	(32,340)
	<u>\$ 2,730,522</u>	<u>1,656,527</u>	<u>4,036,913</u>	<u>140,868</u>	<u>748,188</u>	<u>9,313,018</u>

### 5) DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred inflows of resources on the governmental funds balance sheet consists of amounts that are unavailable to liquidate liabilities of the current period which include property taxes, in lieu of property taxes, state shared revenues and pension plan related deferrals. At June 30, 2016, the components of deferred outflows and inflows on the government wide statement of net position consisted of the following:

	Governmental Activities	Business-type Activities
<u>Deferred outflows of resources:</u>		
Deferred charge on refunding	\$ 272,831	-
Deferred current year pension contribution	761,518	98,774
Net difference in projected and actual pension plans and earnings	<u>355,349</u>	<u>46,085</u>
	<u>\$ 1,389,698</u>	<u>144,859</u>

#### Deferred inflows of resources:

Property taxes:		
2016 assessed and unlevied	\$ 1,616,000	-
Estimated 2016 Hall Income tax	50,000	-
Deferred difference in pension expected and actual experience	240,293	31,163
Deferred difference in actual and projected pension plan earnings	<u>446,933</u>	<u>57,962</u>
	<u>\$ 2,353,226</u>	<u>89,125</u>

Deferred inflows of resources in the governmental fund statements totaled \$2,858,222 and consisted of unlevied property taxes of \$1,616,000, delinquent property taxes of \$35,857 and unavailable state and local shared taxes of \$1,206,365.

### 6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general government purposes.

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. These bonds relate to the Sewer Enterprise Fund. Should sewer revenues be insufficient to pay the debt service, the debt is payable from the taxing authority of the City. For governmental activities, compensated absences and other post-employment benefits obligations are generally liquidated by the general fund.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance 07-01-15	Addition	Reductions	Balance 06-30-16	Current Portion
<b>Governmental Activities</b>					
Public Improvement Bonds	\$ 14,240,000	9,292,000	9,590,000	13,942,000	535,500
Capital Outlay Notes	806,689	-	586,689	220,000	220,000
<b>Obligation to county school system</b>					
	284,602	-	-	284,602	56,920
Capital lease	2,369,969	-	236,248	2,133,721	242,603
Net OPEB obligation	3,004,947	507,450	-	3,512,397	-
Compensated absences	<u>430,094</u>	<u>50,118</u>	<u>-</u>	<u>480,212</u>	<u>435,000</u>
Total Governmental Activities	<u>\$21,136,301</u>	<u>9,849,568</u>	<u>10,412,937</u>	<u>20,572,932</u>	<u>1,490,023</u>
Bond discounts/premiums	(5,540)	<u>16,830</u>	<u>1,027</u>	<u>10,263</u>	
	<u>21,130,761</u>			<u>20,583,195</u>	
<b>Business-type Activities</b>					
Net OPEB Obligation	<u>\$ 456,219</u>	<u>63,399</u>	<u>-</u>	<u>519,618</u>	<u>-</u>

Long term bonds and notes at June 30, 2016 consisted of the following obligations:

<u>Governmental-type Activities</u>	<u>Balance</u> <u>June 30, 2016</u>
\$6,820,000 Series 2009 general obligation refunding bonds due in annual installments through year 2026 with semi-annual interest payments at rates ranging from 3% to 4.2%.	\$ 4,650,000
\$9,292,000 general obligation refunding bonds Series 2016 due in annual installments through year 2034 with semi-annual interest payments at interest rate of 2.45%.	9,292,000
\$1,100,000 Capital Outlay Notes due in annual installments through 2017 at an interest rate of 2.2%.	220,000
Obligation to County School System payable in annual installments beginning 2017 through 2021. (non capital related)	<u>284,602</u>
Total Governmental-type Activities	<u>\$ 14,446,602</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2016 are as follows:

Fiscal Year	Governmental-type					<u>Total</u>
	Refunding & Public Improvement <u>Bonds</u>	Capital <u>Notes</u>	Obligation to County System	Interest		
2017	\$ 535,500	220,000	56,920	380,882	1,193,302	
2018	599,000	-	56,920	389,322	1,045,242	
2019	617,700	-	56,920	370,446	1,045,066	
2020	636,700	-	56,920	350,903	1,044,523	
2021	645,700	-	56,922	330,133	1,032,755	
2022-2026	3,571,400	-	-	1,297,343	4,868,743	
2027-2031	4,385,000	-	-	690,192	5,075,192	
2032-2034	<u>2,951,000</u>	<u>-</u>	<u>-</u>	<u>146,079</u>	<u>3,097,079</u>	
	<u>\$ 13,942,000</u>	<u>220,000</u>	<u>284,602</u>	<u>3,955,300</u>	<u>18,401,902</u>	

#### Advance Refundings

During 2016, the City issued general obligation refunding bonds, series 2016 (new debt) in the principal amount of \$9,292,000. Proceeds of the issue were deposited to an irrevocable escrow account with a third party trustee to effect an in-substance defeasance of \$9,070,000 in existing series 2008 general obligation bonds (old debt). The refunding reduced debt service by \$1,534,100 and a net present value benefit of \$1,255,093. Both the old and new debt are scheduled to mature in 2034. The advance refunding resulted in a defeasance loss of \$154,005 that is being amortized over the life of the old debt.

The City's refunding issues that have underlying refunded debt outstanding at June 30, 2016, consisted of the following:

Defeased Debt		Balance
Description of Issues Refunded		6/30/2016
General Obligation Bonds 2008		\$ 465,000

#### Leases

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

	Governmental Activities
Fire equipment	\$ 2,600,028
Less accumulated depreciation	(541,929)
	<u>\$ 2,058,099</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

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

	<u>Lease Payments</u>
2017	\$ 300,000
2018	300,000
2019	300,000
2020	300,000
2021	300,000
2022-2024	<u>900,000</u>
	2,400,000
Less amount representing interest	<u>(266.279)</u>
	<u>\$ 2,133,721</u>

### 7) **PENSION PLAN**

#### Plan Description

Employees of City of Mt. Juliet are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

#### Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

#### Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	98
Active employees	<u>129</u>
	<u>258</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 7) PENSION PLAN, Continued

#### Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not contribute to the plan. City of Mt. Juliet makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for City of Mt. Juliet were \$798,473, 11.93 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept City of Mt. Juliet's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### Net Pension Liability (Asset)

City of Mt. Juliet's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:* The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 7) PENSION PLAN, Continued

#### Net Pension Liability (Asset), Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from City of Mt. Juliet will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability (Asset)

#### Increase (Decrease)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (c)</u>
<b>Balance at 6/30/14</b>	<b>\$ 10,695,882</b>	<b>11,068,833</b>	<b>(372,951)</b>
<b>Changes for the year:</b>			
Service cost	485,779		485,779
Interest	830,197		830,197
Differences between expected and actual experience	(202,551)		(202,551)
Contributions –			
Employer		798,473	(798,473)
Contributions- Employees		398	(398)
Net investment income		349,649	(349,649)
Benefit payments, including refunds of employee contributions	(224,747)	(224,747)	-
Administrative expense	-	(6,657)	6,657
<b>Net changes</b>	<b>888,678</b>	<b>917,116</b>	<b>(28,438)</b>
<b>Balance at 6/30/15</b>	<b>\$ 11,584,560</b>	<b>11,985,949</b>	<b>(401,389)</b>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 7) PENSION PLAN, Continued

#### Changes in the Net Pension Liability (Asset), Continued

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of City of Mt. Juliet calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City of Mt. Juliet's net pension liability (asset)	\$ 1,635,326	(401,389)	(2,019,402)

#### Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

*Pension expense.* For the year ended June 30, 2016, City of Mt. Juliet recognized pension expense of \$368,920.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, City of Mt. Juliet reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	271,456
Net difference between projected and actual earning on pension plan investments	401,434	504,895
Contributions subsequent to the measurement date of June 30, 2015	860,292	-
Total	\$ 1,261,726	<u>776,351</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	(101,873)
2018	(101,873)
2019	(101,873)
2020	66,426
2021	(33,933)
Thereafter	(101,799)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

As of June 30, 2016, the City had no amounts payable for outstanding contributions to the pension plan required at year end.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 8) **POST EMPLOYMENT HEALTHCARE PLAN**

The City administers the City of Mt. Juliet, Tennessee Post Retirement Medical Benefit Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan. Benefits are established and amended by the Mayor and the Board of Commissioners. Retired employees with 15 years of service, drawing retirement from the City's retirement account under TCRS, are eligible for the Plan until the employee is eligible for Medicare coverage. The Plan does not issue a stand-alone report.

#### Plan Provisions

##### Medical Benefits

Eligibility	Retirement after age 60 with 15 years of service or with 30 years of Service. Coordinated with TCRS retirement.
Dependent eligibility	Spouse and eligible children.
Postretirement contributions	There is a retiree contribution for single medical coverage depending on the plan selected and smoker status. A small contribution is required for single dental and vision coverage. No retiree contribution is required for life insurance. The retiree pays a full contribution for family medical dental and vision coverage.

##### Funding Policy

The City offers a Medical, Dental, Vision and Life Insurance program to retirees and the family of City retired employees. The coverage is available for the life of the retiree and the spouse. No contribution is required for life insurance coverage. The other coverage contribution level for retirees is the same as that for current employees based on their coverage and lifestyle choices. The plan is "self-funded" and total cost is affected by the annual claims. The insurance plan administrator estimates the expected cost between \$1,047 and \$1,254 monthly per participant. Contributions by employees and retirees for medical coverage vary between \$70 and \$134 monthly for single coverage and between \$359 and \$484 monthly for family coverage. In addition, contributions are required for vision coverage at \$1 for single coverage and \$7 for family coverage, and dental coverage of \$6 for single coverage and \$65 for family coverage. The most recent actuarial valuation was July 1, 2014.

The following table summarizes active and retiree demographic information:

Status	Participants	Employee Only	Employee & Family
Active	114	59	55
Retired	5	4	1
Total	<u>119</u>	<u>63</u>	<u>56</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 8) POST EMPLOYMENT HEALTHCARE PLAN, Continued

#### Annual OPEB Cost and Net OPEB Obligation

The following reflects projections made by the City's actuary.

ARC	\$ 689,494
Increase due to interest	103,835
Amortization of prior year	
Net OPEB contribution	<u>(176,586)</u>
Annual OPEB cost	616,743
Amount of contribution*	<u>(45,894)</u>
Increase in OPEB Obligation	570,849
Net OPEB Obligation 7/1/15	<u>3,461,166</u>
Net OPEB Obligation 6/30/16**	<u>\$ 4,032,015</u>

\*Based on expected contribution per study.

\*\*Governmental Activities - \$3,512,397; Business Activities - \$519,618

#### Annual OPEB Cost Summary

Year End	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation At Year End
6/30/16	\$ 616,743	7.44%	\$ 4,032,015
6/30/15	621,057	5.96%	3,461,166
6/30/14	584,295	6.34%	2,877,165

#### *Funded Status and Funding Progress*

Actuarial valuation date	7/1/14
Actuarial accrued liability (AAL)	\$ 4,208,545
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	4,208,545
Actuarial value of assets as a % of AAL	-
Covered payroll	\$ 6,749,693
UAAL as a percentage of covered payroll	62.35%

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

#### *Actuarial Methods and Assumptions*

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern on sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 8) **POST EMPLOYMENT HEALTHCARE PLAN, Continued**

#### *Actuarial Methods and Assumptions, Continued*

Actuarial method	Projected Unit Cost Method
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination
Accumulated Post-Retirement Benefit Obligation	The Actuarial Present Value of Benefits allocated to all periods in the valuation year.
Discount Rate	3.00% (0.00% real rate of return plus 3.00% inflation)

#### Average Per Capita Claim Cost:

Determined as of July 1, 2014:

AGE	MEDICAL	AGE	MEDICAL
55	9,077	60	10,269
56	9,303	65	5,809
57	9,536	70	6,573
58	9,774	75	7,436
59	10,019	80	8,414

Medicare becomes primary at age 65. A flat annual claim cost of \$469.68 was used for dental/vision coverage.

Health Care Cost Trend	Initial 7.00% per year to a level 3.00% for medical; level 2.50% used for dental/vision and retiree contributions.						
Mortality	RP-2000 Combined Table M/F Projection AA 2015						
Turnover	Rates varying by age. Sample rates: <table><tr><td>Age 25</td><td>Age 40</td><td>Age 55</td></tr><tr><td>14.5%</td><td>4.75%</td><td>0.00%</td></tr></table>	Age 25	Age 40	Age 55	14.5%	4.75%	0.00%
Age 25	Age 40	Age 55					
14.5%	4.75%	0.00%					
Disability	None assumed						
Retirement Rates	Rates vary by age from 55 to 65 with 100% retirement assumed at age 65.						
Retiree Contributions	A contribution depending on the plan and smoker status for single medical coverage and a contribution for single dental and vision coverage. Retirees pay the full active employee contribution for dependent coverage.						

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 8) POST EMPLOYMENT HEALTHCARE PLAN, Continued

#### *Actuarial Methods and Assumptions, Continued*

##### Data Assumptions

Age Difference/% Married	Not applicable
Coverage	100% of all retirees who currently have healthcare coverage will continue with the same coverage
Valuation and Methodology	100% of all actives who currently have healthcare coverage will continue with at least employee only coverage upon retirement.
Terminology	GASB accounting methodology used to determine the postretirement medical benefit obligations.
Amortization Period	The period used to determine the amortization costs for the Unfunded Actuarial Accrued Liability is a level period for 30 years on an open basis.
Valuation Date	July 1, 2014

### 9) COMMITMENTS AND CONTINGENCIES

#### Metro Agreement

The City has an ongoing sewer treatment agreement with the Metro Nashville Government of Davidson County which began July 1, 2000. This agreement provides that Mt. Juliet is obligated to pay a fee per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$569 for each 350 gallons of flow per day per connection shall be collected by Mt. Juliet and remitted to Metro. This is subject to adjustment every five years. During the current fiscal year the City paid Metro \$2,565,036 for sewer treatment and \$426,424 for connection charges under this agreement.

#### Contracts

The City currently has approximately \$14,320,000 in general government project contracts and \$8,158,000 in sewer improvement contracts in process. These contracts were approximately 50% complete at June 30, 2016 and are being financed with available reserves.

#### Litigation

There were several other pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation would not materially affect the financial statements of the City.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 9) COMMITMENTS AND CONTINGENCIES, Continued

#### Leases

The City has entered into leases for computer and related equipment. The equipment may be purchased at its fair market value at the end of the term of the lease. The City made lease payments in the amount of \$70,488 during 2016. Future lease obligations are as follows:

2017	\$ 70,894
2018	51,236
2019	31,641
2020	13,574
	<u>\$ 167,345</u>

#### Contingencies

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

The City received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The grant note in the amount of \$384,968, is forgivable as long as the City continues to meet the terms of the grant note through 2025.

Amounts received from Grantor agencies are subject to audit and adjustments by Grantor agencies, principally Federal and State governments. Any disallowed claims, including amounts already collected could become a liability to the applicable fund.

During a prior fiscal year, the City became aware of TCA 57-4-306 requiring the split of the liquor tax with the local school system. The City has recorded a liability for all prior year obligations, however the City is in litigation with the local school system regarding possible credits against the liability amount. No provision for those credits have been made in the financial statements.

### 10) RISK MANAGEMENT

The City has chosen to establish the Self Insured Medical Insurance Fund (internal service fund) for risks associated with the employees' health insurance plan. The fund is accounted for as an internal service fund where assets are set aside for claim settlements. The City retains the risk of loss to a limit of \$60,000 per individual with aggregate specific deductible of \$85,000, and \$1,912,424 aggregate annual cap. The City has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 10) RISK MANAGEMENT, Continued

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

	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance of Fiscal Year-End</u>
2013-2014	\$ 183,750	1,608,097	(1,675,080)	116,767
2014-2015	\$ 116,767	1,849,118	(1,667,557)	298,328
2015-2016	\$ 298,328	1,877,525	(1,957,517)	218,336

The City is exposed to various other risks of losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property and casualty, and workers compensation coverage. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability, property and casualty and workers compensation insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of certain amounts for each insured event. Settled claims from these losses have not exceeded insurance coverage in any of the past three fiscal years.

### 11) 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, 2016 and 2015, the Board had an accumulated net position of \$536,653 and \$550,347 respectively. The net change in net position for fiscal year 2016 was \$(13,694). Separate financial statement information regarding the joint venture is available from the City.

### 12) INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2016. The balances were eliminated in the government-wide financial statements. The composition of interfund balances is as follows and relates to amounts expended for projects that are to be reimbursed by the General Fund and Capital Projects Fund. All interfund amounts were liquidated subsequent to year end.

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 47,216	Capital Projects Fund	\$ 47,216
Emergency Services Fund	2,534	General Fund	2,534
	\$ 49,750		\$ 49,750

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

### 12) INTERFUND TRANSACTIONS, Continued

Balances between activities in the government wide financial statements also include \$37,699 related to the consolidation of the internal service fund. Interfund transfers for the year ended June 30, 2016 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In		
	Capital Projects Fund	Debt Services Fund	Total
Transfer out:			
General Fund	\$ 2,215,017	1,107,981	3,322,998
Emergency Services Fund	_____	300,000	300,000
	<u>\$ 2,215,017</u>	<u>1,407,981</u>	<u>3,622,998</u>

### 13) BUDGETS AND BUDGETARY ACCOUNTING

The City is required by state statute to adopt an annual budget. The General and Special Revenue Funds budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the Board. The City's budgetary basis is consistent with generally accepted accounting principles. Budget appropriations lapse at year end. The enterprise fund is not required to adopt an operating budget.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of ordinance.
4. The budget is adopted on a departmental basis. Any revision that alters the total expenditures of any department or fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the department level. Budget appropriations lapse at year end.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2016

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

During the year the following amendments were made to budgeted appropriations:

General Fund:	
General Government	\$ 601,506
Public Safety	38,050
Streets and Public Works	105,916
Recreation	<u>33,924</u>
	\$ <u>779,396</u>
Transfers out	\$ <u>7,254,335</u>
Emergency Services Fund	\$ <u>11,858</u>
Capital Projects Fund	\$ <u>7,624,943</u>
Drug Fund	\$ <u>40,000</u>
Debt Service Fund	\$ <u>53,529</u>

General Government budget amendments primarily related to a grant project for low income home renovation and the transfer out increase was related to transfers to the Capital Projects Fund. Due to the projects not beginning in 2016, most of the transfers were not executed. The Capital Projects Fund budget was amended primarily for road projects that did not get started in this fiscal year.

### 14) **SUBSEQUENT EVENTS**

Subsequent to year end, the City entered into a construction contract for sewer improvements in the amount of \$1,681,174. This project will be funded with existing reserves.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Mt. Juliet, Tennessee**  
**Schedule of Change in Net Pension Liability**  
**(Asset) and Related Ratios Based on Participation in the Public Employee**  
**Pension Plan of TCRS**  
Last Fiscal Year ending June 30

	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 443,365	485,779
Interest	763,410	830,197
Changes in benefit terms	-	-
Differences between actual & expected experience	(114,265)	(202,551)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)
<b>Net change in total pension liability</b>	<u>828,378</u>	<u>888,678</u>
<b>Total pension liability- beginning</b>	<u>9,867,504</u>	<u>10,695,882</u>
<b>Total pension liability- ending (a)</b>	<u><u>\$ 10,695,882</u></u>	<u><u>11,584,560</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 806,691	798,473
Contributions - employee	-	398
Net investment income	1,536,270	349,649
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)
Administrative expense	(4,822)	(6,657)
Net change in plan fiduciary net position	<u>2,074,007</u>	<u>917,116</u>
Plan fiduciary net position- beginning	<u>8,994,826</u>	<u>11,068,833</u>
Plan fiduciary net position- ending (b)	<u><u>\$ 11,068,833</u></u>	<u><u>11,985,949</u></u>
 Net Pension Liability (asset) ending (a) - (b)	<u><u>\$ (372,951)</u></u>	<u><u>(401,389)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	103.49%	103.46%
 Covered employee payroll	\$ 6,432,941	6,692,987
 Net pension liability (asset) as a percentage of covered employee payroll	(5.8)%	(6.0)%

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF MT JULIET, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 806,691	798,473	860,292
Contributions in relation to actuarilly determined contribution	<u>806,691</u>	<u>798,473</u>	<u>860,292</u>
Contribution deficiency (excess)	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
 Covered-employee payroll	 \$ 6,432,941	 6,694,908	 7,211,165
Contributions as a percentage covered-employee payroll	12.54%	11.93%	11.93%

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**NOTES TO SCHEDULE**

*Valuation date:* Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used ot determine the contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living	2.5 percent

**CITY OF MT JULIET, TENNESSEE**  
**OPEB PLAN**  
**POST RETIREMENT MEDICAL BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

Funded Status and Funding Progress

	7/1/09	7/1/10	7/1/12	7/1/14
Actuarial valuation date	7/1/09	7/1/10	7/1/12	7/1/14
Actuarial accrued liability (AAL)	\$ 3,632,044	2,516,208	3,144,802	4,208,545
Actuarial value of plan asset	-	-	-	-
Unfunded actuarial accrued liability	3,632,044	2,516,208	3,144,802	4,208,545
Actuarial value of assets as a % of AAL	-	-	-	-
Covered payroll	\$ 5,006,921	5,627,845	6,187,137	6,749,693
UAAL as a percentage of covered payroll	72.50%	44.71%	50.83%	62.35%

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

**CITY OF MT. JULIET, TENNESSEE**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2016**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Drug Fund	Stormwater Fund	
<u>Assets</u>			
Cash and cash equivalents	\$428,199	138,860	567,059
Prepads	-	2,000	2,000
Total Assets	<u>428,199</u>	<u>140,860</u>	<u>569,059</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$40,114	388	40,502
Accrued liabilities	-	11,857	11,857
Total Liabilities	<u>40,114</u>	<u>12,245</u>	<u>52,359</u>
Fund Balances:			
Nonspendable - prepads	-	2,000	2,000
Restricted	388,085	126,615	514,700
Total Fund Balance	<u>388,085</u>	<u>128,615</u>	<u>516,700</u>
Total Liabilities & Fund Balances	<u>\$428,199</u>	<u>140,860</u>	<u>569,059</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2016**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
<b><u>Revenues</u></b>			
Interest	\$2,763	602	3,365
Grants	14,823	-	14,823
Licences and permits and fees	-	274,462	274,462
Drug related fines, seizures, and sales	203,259	-	203,259
<b>Total Revenues</b>	<b>220,845</b>	<b>275,064</b>	<b>495,909</b>
<b><u>Expenditures</u></b>			
Stormwater:			
Current:			
Salaries	-	130,121	130,121
Employee benefits	-	61,685	61,685
Other	-	30,610	30,610
Capital outlay	-	-	-
Police:			
Current:			
Supplies and investigations	31,011	-	31,011
Capital outlay	129,998	-	129,998
<b>Total Expenditures</b>	<b>161,009</b>	<b>222,416</b>	<b>383,425</b>
Excess (Deficiency) of Revenues Over Expenditures	59,836	52,648	112,484
Fund Balance, Beginning of Year	328,249	75,967	404,216
<b>Fund Balance, End of Year</b>	<b>\$388,085</b>	<b>128,615</b>	<b>516,700</b>

**CITY OF MT. JULIET, TENNESSEE**

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

**Drug Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other:				
Interest	\$1,200	1,200	2,763	1,563
Grants	2,000	2,000	14,823	12,823
Drug related fines, seizures and sales	124,000	124,000	203,259	79,259
Total Revenues	<u>127,200</u>	<u>127,200</u>	<u>220,845</u>	<u>93,645</u>
<b>Expenditures</b>				
Program costs				
Training	11,000	11,000	10,206	794
Supplies	-	-	8,652	(8,652)
Investigations	37,000	37,000	10,903	26,097
Travel	1,000	1,000	1,250	(250)
Capital outlay	106,724	146,724	129,998	16,726
Total Expenditures	<u>155,724</u>	<u>195,724</u>	<u>161,009</u>	<u>34,715</u>
Excess of Revenues Over Expenditures	(28,524)	(68,524)	59,836	128,360
Fund Balance, Beginning of Year	<u>328,249</u>	<u>328,249</u>	<u>328,249</u>	<u>-</u>
Fund Balance, End of Year	<u>\$299,725</u>	<u>259,725</u>	<u>388,085</u>	<u>128,360</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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest	\$400	400	602	202
Licenses and permits:				
Inspection and other fees	243,000	243,000	274,462	31,462
<b>Total Revenues</b>	<b>243,400</b>	<b>243,400</b>	<b>275,064</b>	<b>31,664</b>
<b>Expenditures</b>				
Street Maintenance				
Salaries	162,623	162,623	130,121	32,502
Employee benefits	70,334	70,334	61,685	8,649
Professional services	12,000	12,000	8,462	3,538
Supplies	20,300	20,300	5,420	14,880
Other	27,800	27,800	16,728	11,072
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>293,057</b>	<b>293,057</b>	<b>222,416</b>	<b>70,641</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(49,657)</b>	<b>(49,657)</b>	<b>52,648</b>	<b>102,305</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	89,390	89,390	-	(89,390)
<b>Fund Balance, Beginning of Year</b>	<b>75,967</b>	<b>75,967</b>	<b>75,967</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$115,700</b>	<b>115,700</b>	<b>128,615</b>	<b>12,915</b>

**CITY OF MT. JULIET, TENNESSEE**

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

**General Capital Projects Fund**

**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Intergovernmental:				
Grants	\$24,639,815	25,748,015	5,083,951	(20,664,064)
Other:				
Interest	10,000	10,000	9,462	(538)
Total Revenues	<u>24,649,815</u>	<u>25,758,015</u>	<u>5,093,413</u>	<u>(20,664,602)</u>
<b><u>Expenditures</u></b>				
Streets and Public Works				
Repairs and maintenance	1,619,600	297,192	216,986	80,206
Capital outlay	23,752,649	32,700,000	6,614,572	26,085,428
Total Streets and Public Works	<u>25,372,249</u>	<u>32,997,192</u>	<u>6,831,558</u>	<u>26,165,634</u>
Total Expenditures	<u>25,372,249</u>	<u>32,997,192</u>	<u>6,831,558</u>	<u>26,165,634</u>
Excess of Revenues Over Expenditures	(722,434)	(7,239,177)	(1,738,145)	5,501,032
Other Financing Sources (Uses)				
Operating transfer in	7,039,177	7,239,177	2,215,017	(5,024,160)
Total other Financing Sources (Uses)	<u>7,039,177</u>	<u>7,239,177</u>	<u>2,215,017</u>	<u>(5,024,160)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	6,316,743	-	476,872	476,872
Fund Balance, Beginning of Year	<u>2,572,555</u>	<u>2,572,555</u>	<u>2,572,555</u>	<u>-</u>
Fund Balance, End of Year	<u>\$8,889,298</u>	<u>2,572,555</u>	<u>3,049,427</u>	<u>476,872</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<b>Revenues</b>				
Other:				
Interest	\$1,500	1,500	1,723	223
Impact fees	600,000	600,000	625,940	25,940
Total Revenues	<u>601,500</u>	<u>601,500</u>	<u>627,663</u>	<u>26,163</u>
<b>Expenditures</b>				
Debt Service				
Principal	1,371,300	1,371,300	1,342,937	28,363
Interest	684,918	684,918	666,543	18,375
Debt issue costs	-	53,529	53,529	-
Total Expenditures	<u>2,056,218</u>	<u>2,109,747</u>	<u>2,063,009</u>	<u>46,738</u>
Excess of Revenues Over Expenditures	(1,454,718)	(1,508,247)	(1,435,346)	72,901
Other Financing Sources (Uses)				
Issuance of debt	-	9,292,000	9,292,000	-
Payment to escrow to refund bonds	-	(9,238,471)	(9,238,471)	-
Operating transfer in	1,454,718	1,454,718	1,407,981	(46,737)
Total other Financing Sources (Uses)	<u>1,454,718</u>	<u>1,508,247</u>	<u>1,461,510</u>	<u>(46,737)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	-	-	26,164	26,164
Fund Balance, Beginning of Year	<u>233,520</u>	<u>233,520</u>	<u>233,520</u>	<u>-</u>
Fund Balance, End of Year	<u>\$233,520</u>	<u>233,520</u>	<u>259,684</u>	<u>26,164</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**Schedule By Function and Activity**

**June 30, 2016**

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
<b>Function and Activity:</b>						
General Government	\$202,950	981,789	679,436	-	-	1,864,175
Public safety:						
Police	375,000	2,661,823	4,111,554	-	-	7,148,377
Fire	255,425	1,754,031	3,682,664	-	-	5,692,120
Streets and Public Works	2,714,849	769,247	1,278,358	38,333,520	8,091,860	51,187,834
Stormwater	-	-	58,152	-	-	58,152
Parks	704,429	4,761,653	1,062,472	522,989	73,233	7,124,776
<b>Total governmental funds capital assets</b>	<b><u>\$4,252,653</u></b>	<b><u>10,928,543</u></b>	<b><u>10,872,636</u></b>	<b><u>38,856,509</u></b>	<b><u>8,165,093</u></b>	<b><u>73,075,434</u></b>

**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, 2016**

Function and Activity	Balance June 30, 2015	Additions	Transfers & Deletions	Balance June 30, 2016
General Government	\$2,257,468	225,245	(618,538)	1,864,175
Public safety:				
Police	6,621,493	553,800	(26,916)	7,148,377
Fire	5,632,219	59,901		5,692,120
Streets and Public Works	41,958,303	9,251,116	(21,585)	51,187,834
Stormwater	58,152			58,152
Parks	7,111,240	124,605	(111,069)	7,124,776
 Total governmental funds capital assets	<u>\$63,638,875</u>	<u>10,214,667</u>	<u>(778,108)</u>	<u>73,075,434</u>

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Cash and Cash Equivalents**

**All Funds**

**June 30, 2016**

**Major Governmental Funds**

	Interest Rates	Amount
General Fund:		
Passbook and checking accounts	-	\$24,199,956
Petty Cash	-	1,634
Total General Fund		<u>24,201,590</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	123,573
Total Capital Projects Fund		<u>123,573</u>
Debt Service Fund		
Passbook and checking accounts	-	259,684
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>2,494,136</u>

**Nonmajor Governmental Funds**

State Street Aid Fund:		
Passbook and checking accounts	-	<u>1,599,707</u>
Drug Fund:		
Cash on hand		5,965
Passbook and checking accounts	-	422,234
Total Drug Fund		<u>428,199</u>
Storm Water:		
Checking accounts	-	<u>138,860</u>

**Proprietary Funds**

Sewer Enterprise Fund		
Petty Cash		550
Passbook and checking accounts	-	8,420,855
Total Sewer Enterprise Fund		<u>8,421,405</u>
Internal Service Fund		
Passbook and checking accounts	-	<u>1,153,416</u>
Total		<u>\$38,820,570</u>

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2016

Fiscal Year	Tax Rate	Assessment	Taxes Receivable			Collections	Adjustments	Taxes Receivable June 30, 2016
			Levy	June 30, 2015	Levy			
2016	\$0.20	835,164,098	1,670,889	-	1,670,889	(1,632,496)	(190)	38,203
2015 *	0.20	788,758,500	1,577,517	40,810	-	(37,940)	206	3,076
2014 *	0.20	742,716,000	1,485,432	2,660	-	(2,161)	-	499
2013 *	0.20	708,757,810	1,416,493	441	-	(198)	-	243
2012 *	0.20	681,578,500	1,363,157	2,180	-	(1,514)	-	666
			<u>\$46.09</u>	<u>1,670,889</u>	<u>1,670,889</u>	<u>(1,674,309)</u>	<u>16</u>	<u>42,687</u>

\*\* 2017 Levy

Property taxes receivable per the Governmental Funds Financial Statements

Allowance for uncollectibles

Property taxes receivable per the Government Wide Financial Statement s

\* Turned over to County Clerk for collection.

Prior to fiscal year 2012 the City has not had a property tax since 1999.

\*\* Current year anticipated levy

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Governmental-type Activities**

June 30, 2016

Fiscal Year	Refunding Public Improvement Bonds		Public Improvement Refunding Bonds		Capital Outlay Notes		Obligation to County School System	Total
	Principal	Interest	Principal	Interest	Principal	Interest		
2017	\$155,500	199,830	380,000	178,777	220,000	2,275	56,920	1,193,302
2018	199,000	223,844	400,000	165,478	-	-	56,920	1,045,242
2019	197,700	218,969	420,000	151,477	-	-	56,920	1,045,066
2020	196,700	214,125	440,000	136,778	-	-	56,920	1,044,523
2021	195,700	209,306	450,000	120,827	-	-	56,922	1,032,755
2022	194,300	204,511	470,000	103,953	-	-	-	972,764
2023	187,900	199,751	510,000	85,740	-	-	-	983,391
2024	201,500	195,147	510,000	65,340	-	-	-	971,987
2025	209,800	190,210	530,000	44,940	-	-	-	974,950
2026	217,900	185,071	540,000	22,680	-	-	-	965,651
2027	825,900	179,732	-	-	-	-	-	1,005,632
2028	849,300	159,497	-	-	-	-	-	1,008,797
2029	876,900	138,690	-	-	-	-	-	1,015,590
2030	903,600	117,206	-	-	-	-	-	1,020,806
2031	929,300	95,067	-	-	-	-	-	1,024,367
2032	954,100	72,300	-	-	-	-	-	1,026,400
2033	982,400	48,924	-	-	-	-	-	1,031,324
2034	1,014,500	24,855	-	-	-	-	-	1,039,355
<b>Total</b>	<b>\$9,292,000</b>	<b>2,877,035</b>	<b>4,650,000</b>	<b>1,075,990</b>	<b>220,000</b>	<b>2,275</b>	<b>284,602</b>	<b>18,401,902</b>

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Expenditures of Federal Awards**

June 30, 2016

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

CFDA Number	Program Name	Grantor Agency	Federal Identifying Number	Pass Through Entity Identifying Number	Federal Expenditures	Total Program Expenditures
16.607	Bullet Proof Vest Grant	US Department of Justice	N/A		\$3,125	3,125
20.205	Surface Transportation Program	TN Department of Transportation	STP-M-9322(1) *	95LPLM-F3-014 95LPLM-F3-015 95LPLM-F3-016	4,473,176	
20.205	Surface Transportation Program	TN Department of Transportation	STP-M-171(28) *	95LPLM-F3-033	259,213	
20.205	Transportation Alternatives Program (Greenway Grant)	TN Department of Transportation	TAP-M-4855(10) *	95LPLM-F0-050	1,730	4,734,119
20.600	High Visibility Law enforcement Grant	TN Department of Safety	N/A	154AL-16-225	4,560	4,560
					<u>\$4,741,804</u>	<u>\$4,741,804</u>

\* Major Program

Notes:

During 2016 there were no federal grant amounts provided to subrecipients and the City did not elect to use the deminimus cost rate. In a prior fiscal year the city received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The grant note in the amount of \$384,968 is forgivable as long as the city continues to meet the terms of the grant note through 2025. All TN Department of Transportation and the Tn Department of Safety grants were passed from the Federal Highway Administration. This schedule is presented on the modified accrual basis of accounting.

## CITY OF MT. JULIET, TENNESSEE

## Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2016

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

CFDA Number	Grant/Contract Number	Program Name	Accrued or Deferred Revenue 7/01/15		Accrued or Deferred Revenue 6/30/16	
			Grantor Agency	Cash Receipts	Program Income	Adjustments
16.607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice	9,349	-	3,125
16.922	N/A	Equitable Sharing	U. S. Department of Justice	15,341	190	-
20.205	95LPLM-F2-014, 015, 016	Surface Transportation Program	Federal Highway Administration	16,187	(1,218)	31,100
20.205	95LPLM-F3-033	Surface Transportation Program	Federal Highway Administration	(322,770)	1,316,162	91
20.205	95LPLM-F4-050	Transportation Alternative Program (Greenway)	Federal Highway Administration	-	-	259,213
20.600	Z15GHS255	High Visibility Law Enforcement Grant	** Federal Highway Administration	-	1,730	(259,213)
			** Federal Highway Administration	(1,972)	3,776	-
				<u><u>(\\$314,779)</u></u>	<u><u>1,346,958</u></u>	<u><u>4,560</u></u>
					<u><u>190</u></u>	<u><u>(1,127)</u></u>
						<u><u>4,741,804</u></u>
						<u><u>(3,710,562)</u></u>

\* Passed through the Tennessee Department of Transportation  
\*\* Passed through the Tennessee Department of Safety

## State Assistance

State Assistance	TN Department of Transportation		TN Department of Economic & Community Development	
	\$	-	\$	-
N/A	95LPLM-S3-041	State Industrial Access Grant	-	-
N/A	48362	Fast Track Grant	580,000	580,000

\*\*\* Passed through to DE-STA-CO Industries

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

**CITY OF MT. JULIET, TENNESSEE**

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

June 30, 2016

Insurance Coverage

Details of Coverage

Tennessee Municipal League Insurance Pool	
Public Officials Error & Omissions	\$3,000,000/ \$2,500 deductible
General Liability Automobile Liability, Bodily Injury, Law Enforcement	\$300,000 per person bodily injury as limited by tort liability act \$700,000 per occurrence bodily injury as limited by tort liability act \$100,000 per occurrence law enforcement as limited by tort liability act \$3,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$1,000 Collision \$1,000
Uninsured Motorist	\$300,000 per person bodily injury \$100,000 per occurrence law enforcement
Automobile Medical Payments	\$1,000 per person/\$10,000 per accident
Property, Multi-Peril	
Real and Personal Property (Total Insured)	\$22,737,320
EDP Equipment/Media	\$504,000
Mobile Equipment	\$1,052,264
Flood	\$1,000,000
Earthquake	\$1,500,000
Newly Acquired Property	\$1,500,000
Loss of Revenue	\$250,000
Extra Expenses	\$500,000
Terrorism	\$500,000
Property in course of construction	\$500,000
Demolition/Debris removal/Consequential loss/Leasehold interest	\$500,000 each
Accounts receivable/Valuable records	\$250,000 each
Crime Limits	
Employee Dishonesty	\$250,000
Forgery	\$250,000
Theft, Disappearance and Destruction	\$250,000
Computer Fraud	
Tennessee Risk Management Trust Insurance Pool (Workmen's Compensation)	\$1,000,000 Each accident limit \$1,000,000 Policy limit by disease \$1,000,000 Employee limit by disease

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of City Officials**

**June 30, 2016**

<u>Position</u>	<u>Annual Salary</u>
<u>Elected Officials:</u>	
Mayor Ed Hagerty	\$1,000/monthly
Vice Mayor James Maness	\$950/monthly
Commissioner Art Giles	\$950/monthly
Commissioner Ray Justice	\$950/monthly
Commissioner Brian Abston	\$950/monthly
<u>Employees:</u>	
City Manager, Kenneth Martin	
Finance Director, John T. Rossmaier, CMFO	
City Recorder, Sheila S. Luckett	
Public Works Director, Jessica Gore	
Police Chief, James Hambrick	
Fire Chief, Jamie Luffman	
Economic Development, Vacant	
Parks Manager, Roger Lee	
Human Resources Director, Janet Southards	

The City maintains a \$250,000 Public Officials conduct insurance policy.

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Sewer System Data**

**June 30, 2016**

	Commercial	Outside City Commercial	Inside City Residential	Outside City Residential
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$19.75	\$24.69	\$14.00	\$17.50
Each additional 1,000 gallons	\$9.56	\$11.95	\$6.86	\$8.58
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				\$2,000
Residential (outside city)				
Installation and pump charges				\$2,000
Development fees				
Residential (Based on zoning)				\$1,320-2,570/lot
Inspection fee				\$50
Number of customers				10,371

## **OTHER REPORTS**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

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

Board of Mayor and Commissioners  
Mt. Juliet, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mt. Juliet, Tennessee's, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2016.

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

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

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

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

### **Compliance and Other Matters**

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

We noted certain other matters that were reported to management in a separate letter dated October 26, 2016.

Board of Mayor and Commissioners  
Mt. Juliet, Tennessee

**Purpose of this Report**

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

October 26, 2016

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Mt. Juliet, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Mt. Juliet, Tennessee's major federal programs for the year ended June 30, 2016. City of Mt. Juliet, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Mt. Juliet, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mt. Juliet, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mt. Juliet, Tennessee's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Mt. Juliet, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

### **Report on Internal Control over Compliance**

Management of the City of Mt. Juliet, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mt. Juliet, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mt. Juliet, Tennessee's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance.

Accordingly, this report is not suitable for any other purpose.

October 26, 2016

## City of Mt Juliet, Tennessee

### Schedule of Prior Year Findings and Questioned Costs

For the Year June 30, 2016

#### Disposition of Prior Year Findings

#### Financial Statement Findings

Finding Number	Finding Title	Finding Status
2015-001	Pension Census Controls	Corrected
2015-002	Overtime Controls	Corrected

#### Federal Awards Findings and Questioned Costs

There were no prior year findings.

#### Prior Year Findings

2015-001 During the testing of pension controls related to City pension contributions, it was noted during the test period that there were certain employees with the same last name in which the contribution amounts were erroneously reported to the Tennessee Consolidated Retirement System (TCRS) for the incorrect employee. There were also small amounts related to life insurance benefits which were not properly calculated related to the contribution. Both these weaknesses in controls related to a period of time when the City payroll reporting to TCRS was being done manually due to changes in payroll software.

Procedures were extended for the employees with the same last name and it was noted that correct reporting was accomplished after the payroll software was implemented. The errors have been reported to TCRS.

Recommendation: We recommend the City routinely check the TCRS census records with the City payroll records to assure accurate information has been reported.

Status: Resolved.

2015-002 During the fiscal year City officials became aware of a police officer submitting overtime hours that could not be documented that were worked, and also \$1,600 of drug investigative funds were not accounted for. The case was investigated by the Tennessee Bureau of Investigation and the US Drug Enforcement Agency. According to reports from the investigation, the amount of overtime payments questioned were approximately \$27,280 of which approximately \$13,100 was reimbursed to the City by the Department of Justice.

The officer pled guilty to the federal portion of the case and has been sentenced with a requirement to repay the Department of Justice the federal portion of the overtime payments. The Tennessee Bureau of Investigation is expected to pursue the remaining City portion of the case.

## **City of Mt Juliet, Tennessee**

### Schedule of Prior Year Findings and Questioned Costs

For the Year June 30, 2016

#### Prior Year Findings (Continued)

2015-002 Recommendation: We recommend that overtime approval and oversight be improved by requiring written authorization by a supervisor for overtime to be worked and approval by the supervisor prior to payment of overtime.

Status: Resolved. The officer pled guilty to the TBI prosecution. Subsequent to the fiscal year end, but prior to the issuance of the report, the \$1,600 in evidence was returned to the City and the City was awarded the officer's unpaid accrual vacation in the amount of \$3,700. The remaining shortage has been determined to be uncollectible by the City.

## City of Mt. Juliet, Tennessee

### Schedule of Findings and Questioned Costs

June 30, 2016

#### I. Summary of Auditor's Results

- A. The June 30, 2016 Auditor's Report on the Financial Statements was an unmodified opinion.
- B. There were no significant deficiencies or material weaknesses in the internal control disclosed during the audit of the financial statements.
- C. The audit disclosed no instances of noncompliance or other matters which is material to the financial statements.
- D. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
- E. The June 30, 2016 report on compliance for major programs was an unmodified opinion.
- F. The audit did not disclose any audit findings which are required to be reported under 2CFR Section 200.516(a).
- G. Major Programs – Surface Transportation Program, Transportation Alternative Program, CFDA#20.205.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$750,000.
- I. The City of Mt. Juliet was not considered to be a low risk auditee.

#### II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

##### Current Year

There are no findings.

#### III. Federal Findings and Questioned Costs

##### Current Year

There are no federal awards findings or questioned costs.

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

October 26, 2016

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

We would like to bring the following matters to your attention to consider to improve your accounting system and procedures:

- a.) (FYE 2013) The Sewer fund has experienced operating losses. We recommend that sewer rates be evaluated to assure sufficient revenues are generated to pay operating expenses and to provide for replacement of utility assets.

STATUS: Condition continues.

- b.) (FYE 2013) During our testing of receipts we continued to note instances in which permits and fees were not deposited within three banking days. These included sign permits and stormwater fees. We recommend that all receipts be deposited within three banking days to improve internal control over the receipts.

STATUS: Resolved.

- c.) (FYE 2014) During our review of payroll procedures, we noted that certain benefits provided, such as clothing allowances, are not being included as taxable benefits as required by IRS guidelines.

STATUS: Condition continues.

- d.) (FYE 2015) We noted that capital improvement expenditures in the sewer fund were not reimbursed from restricted cash reserves on a timely basis. We recommend that qualified capital expenditures be reimbursed from the restricted cash account on a quarterly basis.

STATUS: Resolved.

- e.) (FYE 2016) During testing of disbursements we noted two instances in which the City paid small amounts of sales tax on purchased items. We recommend the City take measures to assure the City receives the most benefit of sales tax exemption.

- f.) (FYE 2016) During the year the City began collecting the electronic traffic citation fee provided by Senate Bill No. 750. The bill provides that funds collected be accounted for in a special revenue fund, however the City has already purchased an electronic citation system and the system is in operation. The City has expended more funds than is expected to be generated by the fee in the allowable five years, so at June 30, 2016, there would be no restricted funds. The City is researching as to whether a special revenue fund is still necessary and if so, one will be established for the 2017 fiscal year.

We would also like to suggest that due to the growth of the City and the addition of the Fire Department, the City consider centralizing the purchasing and bidding functions now being performed by each department. Centralization may provide efficiency and cost benefits to the City. Also due to the increase in employees of the City, we recommend the future impact of the post employment healthcare plan be evaluated to assure sound financial planning related to this obligation.

We appreciate the opportunity to serve the City of Mt. Juliet, and if we can assist in the above matters, please let us know.

Sincerely,

Gregory V. Howell, CPA