

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2017

FINANCIAL SECTION

CITY OF MT. JULIET, TENNESSEE

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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, 2017, 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, 2017, 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 November 17, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Juliet's internal control over financial reporting and compliance.



November 17, 2017

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, 2017. 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 more than \$150 million.
- The government's total net position increased by almost \$21 million, due to increases in the business type activities net position of over \$4.5 million and over \$16 million due to government activity over 6/30/2016.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of almost \$33.5 million an increase of \$3.0 million in comparison with the prior year. Over 16.1% of this total amount, or \$5.4 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 \$5.4 million, or 40.2 percent of total governmental fund expenditures for the fiscal year excepting the transfers to construct the Eastern Connector.
- The City of Mt. Juliet's long-term debt decreased by \$1.15 million (6.9%) 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 \$220 thousand of principal for the capital note issued to upgrade the Emergency Communications System in 2011 as well as a reduction of the capital lease (fire-fighting vehicles) obligation by \$236,000.
- A reduction of the OPEB (Other Post-Employment Benefits) obligation was also decreased \$2.74 million in order to recognize a change in the eligibility of retiring employees for such benefits.
- 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

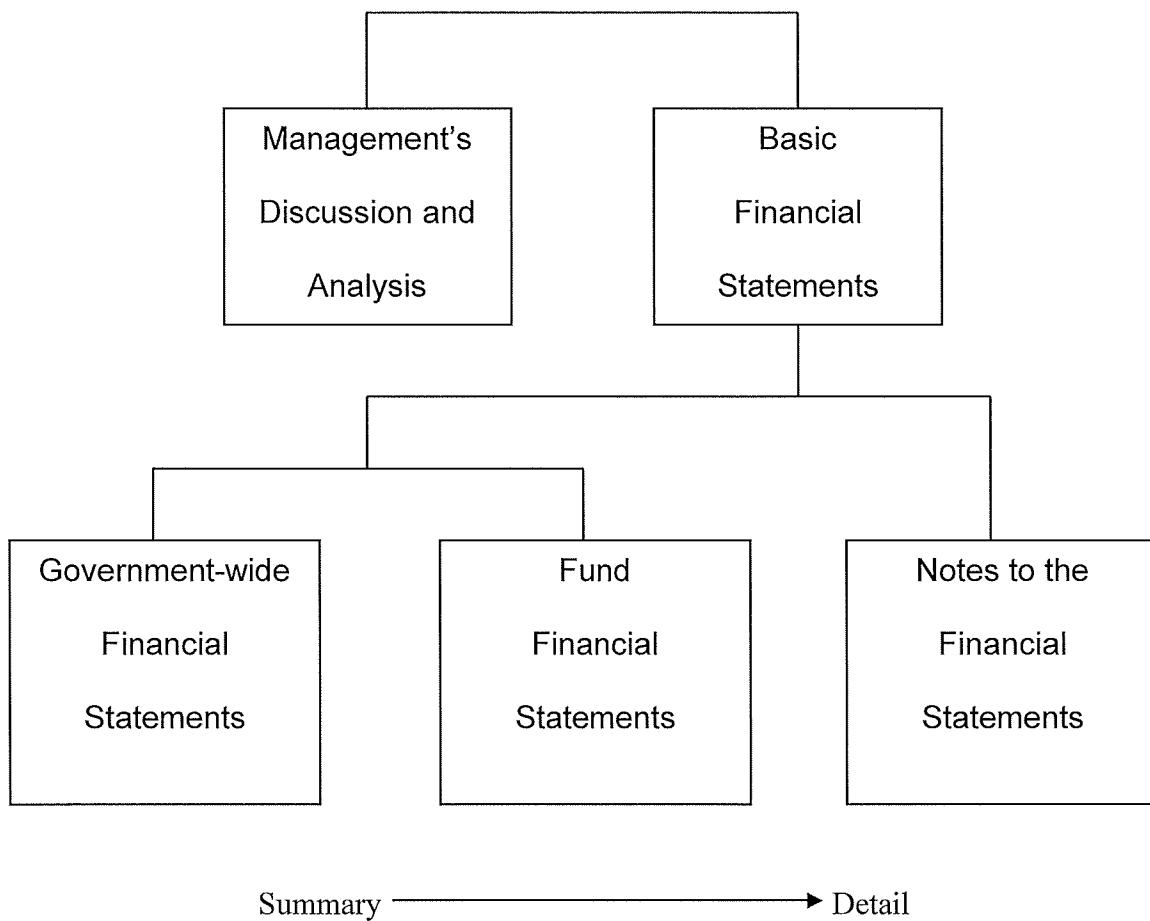
This discussion and analysis are intended to serve as an introduction to City of Mt. Juliet's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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

City of Mt. Juliet

other information that will enhance the reader's understanding of the financial condition of the City of Mt. Juliet.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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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, 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

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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.

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.

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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 more than \$150 million as of June 30, 2017. The City's net position increased by \$23.6 million for the fiscal year ended June 30, 2017 when compared to the fiscal year ended June 30, 2016. However, the largest portion, 68.7% 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, 6.7% represents resources that are subject to external restrictions on how they may be used. The remaining balance of over \$36.2 million 24% is unrestricted.

<u>City of Mt. Juliet Net Position</u>						
	Governmental Activities		Business Type Activities		Total	Total
	2017	2016*	2017	2016*	2017	2016*
Current and Other Assets	\$ 42,078,196	\$ 39,380,408	11,378,455	10,418,286	53,456,651	49,798,694
Capital Assets	67,516,191	55,753,102	53,309,535	49,815,823	120,825,726	105,568,925
Total Assets	<u>109,594,387</u>	<u>95,133,510</u>	<u>64,687,990</u>	<u>60,234,109</u>	<u>174,282,377</u>	<u>155,367,619</u>
Deferred Outflows of Resources	1,644,578	1,034,349	152,055	98,774	1,796,633	1,133,123
Long Term Liabilities Outstanding	15,596,682	19,093,172	137,113	519,618	15,733,795	19,612,790
Other Liabilities	6,226,230	3,951,339	1,605,780	1,211,788	7,832,010	5,163,127
Total Liabilities	<u>21,822,912</u>	<u>23,044,511</u>	<u>1,742,893</u>	<u>1,731,406</u>	<u>23,565,805</u>	<u>24,775,917</u>
Deferred Inflows of Resources	1,926,409	1,997,877	28,264	43,040	1,954,673	2,040,917
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	51,532,378	38,910,935	52,686,361	49,474,245	104,218,739	88,385,180
Restricted	6,606,808	6,596,009	3,479,450	2,720,974	10,086,258	9,316,983
Unrestricted	29,350,458	25,618,527	6,903,077	6,363,218	36,253,535	31,981,745
Total Net Position	<u>87,489,644</u>	<u>71,125,471</u>	<u>\$ 63,068,888</u>	<u>58,558,437</u>	<u>150,558,532</u>	<u>129,683,908</u>

* As Restated in Footnote 15

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.

City of Mt. Juliet

- Continued low cost of debt due to the City's high bond rating coupled with the refunding of the 2008 bonds to achieve lower interest.
- A sustained building "boom" that increases fees across the entire revenue spectrum.

<u>City of Mt. Juliet Changes in Net Position</u>						
	Governmental Activities		Business Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$ 3,828,526	\$ 3,877,422	\$ 6,281,451	\$ 5,762,521	\$ 10,109,977	\$ 9,639,943
Operating Grants and Contributions	1,560,703	2,043,876			1,560,703	2,043,876
Capital Grants and Contributions	11,362,340	7,323,574	4,031,087	3,282,996	15,393,427	10,606,570
General Revenues						
Sales Taxes	9,733,557	9,160,190			9,733,557	9,160,190
Property Tax	1,696,363	1,673,514			1,696,363	1,673,514
Other Locally Assessed Taxes	3,720,555	3,509,532			3,720,555	3,509,532
Other State Shared Taxes	2,830,086	3,096,242			2,830,086	3,096,242
Investment Earnings & Rental Income	36,762	23,282	79,663	96,678	116,425	119,960
Other	203,324	838,422			203,324	838,422
Total Revenues	\$ 34,972,216	\$ 31,546,054	\$ 10,392,201	\$ 9,142,195	\$ 45,364,417	\$ 40,688,249
Expenses						
General Government	\$ 3,016,421	\$ 3,661,410			\$ 3,016,421	\$ 3,661,410
Public Safety	8,555,623	7,900,095			8,555,623	7,900,095
Recreation and Culture	1,486,861	1,421,265			1,486,861	1,421,265
Streets and Public Works	4,878,050	4,096,269			4,878,050	4,096,269
Stormwater	186,327	232,915			186,327	232,915
Interest on Debt	484,761	664,874			484,761	664,874
Sewer			5,881,750	5,884,120	5,881,750	5,884,120
Total Expenses	\$ 18,608,043	\$ 17,976,828	\$ 5,881,750	\$ 5,884,120	\$ 24,489,793	\$ 23,860,948
Increase (Decrease) in Net Position	16,364,173	13,569,226	4,510,451	3,258,075	20,874,624	16,827,301
Net Position Beginning of Year	71,125,471	55,188,321	58,558,437	54,923,730	129,683,908	110,112,051
Restatement See Note 15	-	2,367,924	-	376,632	-	2,744,556
Net Position End of Year	\$ 87,489,644	\$ 71,125,471	\$ 63,068,888	\$ 58,558,437	\$ 150,558,532	\$ 129,683,908

Governmental Activities: Governmental activities increased the City's net position by over \$16.36 million, thereby accounting for 78.4% 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 6.3% with additional businesses in operation which is the fourth year in a row where such growth has exceeded 6%.
- 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 \$3.9 million for the year ended 6/30/2017.
- Developers also provided over \$393 thousand in road improvement fees.

Business-type activities: Business-type activities increased the City of Mt. Juliet's net position by \$4.51 million, accounting for over 21% 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 \$2.1 million.
- Development continues to increase the business-type assets with sewer tap fee and sewer development fee requirements.

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- 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, 5% rate increase in 2015-2016 and 3% rate increase for 2017-2018.
- The City expects to re-examine the sewer rates for 2018-2019 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 \$5.47 million, while total fund balance was over \$23.9 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 37.2% of total General Fund expenditures when including amounts transferred to the State Street Aid Fund and the Debt Service Fund while excluding transfers for the City's share of road construction projects while total fund balance represents 163.1% of the same expenditures.

At June 30, 2017, the governmental funds of City of Mt. Juliet reported a combined fund balance of almost \$33.5million, a 9.8 percent increase over last year. Included in this change are fund balance increases in the General, Capital Projects and Debt Service Funds and decreases in the State Street Aid and Emergency Services funds. The city instituted a property tax for the first time in over 10 years with the year ended 6/30/2012 dedicated to the Emergency Services Fund that has raised over \$8.9 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 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 \$1.68 million in the current year. Local Option Sales Tax revenues were near 6 percent above that of the prior year as well as 3.8% above the budget of such revenue which is the largest City revenue category. The third largest contributor to local revenue, Business Tax was 30.6% or over \$235 thousand above

City of Mt. Juliet

budget and 7.1% above the previous year as well. Revenue in most areas exceeded budget. 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. There was a significant shortfall of revenue from the Hall Income tax in that much of the revenue of 2015-2016 from this source was discovered in April of 2017 to have actually belonged rightfully to Wilson County requiring reallocation at the state level of such revenue. This reallocation and the Hall rate reduction resulted in this revenue being almost negligible.

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 Eastern Connector (Golden Bear Gateway) was completed in the first quarter of 2017-2018.

In addition to completing the Golden Bear Gateway construction, the City has tasked the Capital Projects Fund to provide the funding for the construction of the widening of the remainder of Golden Bear Gateway from Cedar Creek Road north to Lebanon Road, widening of Lebanon Road east to Golden Bear Gateway and the widening of Old Lebanon Dirt Road from west of Cobblestone Landing to Moreland Drive. While it was known that these projects could not possibly be completed in the 2016-2017 budget year simply for a lack of time as well as a lack of funds as a bond issue would have been required, it was deemed proper to provide the budgets for the projects in order to begin engineering that would allow the City to be considered for any grants that might be become available in the immediate future. Certain grants are more easily obtained when the planning, engineering, and budgets already exist. There were only minimal expenditures for these three projects as no grants were awarded and the expenditures budgeted were not necessary.

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 \$6.8 million. The total increase in net position for the fund was over \$4.5 million. The Fund recognized net operating income for the first time in many years despite including depreciation which had created losses as a percentage of Operating Income to under 3.4% at 6/30/2016 and 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 but increased 3% for fiscal 2017-2018.

- Developers built sewer lines to the required City standard which were then contributed to the City in the amount of near \$2.1 million. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.
- Developers also contributed almost \$1.9 million in tap fees that will be available for sewer expansion and replacement.

City of Mt. Juliet

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, 2017, totals almost \$121 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 2016-2017

Governmental Activities

Golden Bear Gateway Construction-Eastern Connector	7,837,000
Roads donated by Developers	3,883,000
Adaptative Signals Mt. Juliet Rd	557,000
Other Roads and Sidewalks	473,000
Police Vehicles and Equipment	372,000
Other Police Equipment	173,000
Information Technology Equipment	63,000
Building Codes and Planning	49,000
Recreation Improvements and Equipment	94,000
Improvements Contributed by Citizens	20,000
Public Works Building and Equipment	41,000
Emergency Communication Equipment	46,000
City Building Improvements	7,000
City Street Sweeper	230,000
Salt Trucks	153,000
Emergency Fire Vehicles and Equipment	114,000

Business Activities

Rehab Highway 70 Pump Station	286,000
Central Pike Pump Station Construction	408,000
Donation of Sewer Lines by Developers	2,096,000
Rehab City Manholes	7,000
Stoner Creek Construction	1,357,000
Pump Station upgrades	107,000
Other Sewer Equipment	242,000
Rehab Royal Oaks	429,000

City of Mt. Juliet

Asset Class	City of Mt. Juliet's Capital Assets					
	Governmental Activities		Business Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
Land	4,252,653	4,252,653	1,141,135	1,141,135	5,393,788	5,393,788
Bldgs and Improvements	16,243,287	7,010,669	5,883,870	505,692	22,127,157	7,516,361
Improv Other than Bldgs	7,049,811	3,917,874	505,692		7,555,503	3,917,874
Machinery and Equipment	4,798,746	10,872,636	761,381	701,761	5,560,127	11,574,397
Construction in Progress	12,615,281	8,165,093		7,993,941	12,615,281	16,159,034
Collection System			66,094,754	59,060,232	66,094,754	59,060,232
Infrastructure	42,758,086	38,856,509			42,758,086	38,856,509
Total Cost	87,717,864	73,075,434	74,386,832	69,402,761	162,104,696	142,478,195
Less Accumulated Depreciation	20,201,673	17,322,332	21,077,297	19,586,938	41,278,970	36,909,270
Net Capital Assets	67,516,191	55,753,102	53,309,535	49,815,823	120,825,726	105,568,925

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, 2017, the City of Mt. Juliet had total bonded debt, lease-purchases, long term obligations and capital notes outstanding of over \$15.5 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 Bonds and Capital Leases					
	Governmental Activities		Business Type Activities		Total	Total
	2017	2016	2017	2016	2017	2016
General Obligation Bonds/Capital Notes	\$ 13,406,500	\$ 14,317,000			\$ 13,406,500	\$ 14,317,000
Obligation to County School System	284,602	284,602			284,602	284,602
Capital Lease-Fire Apparatus	1,891,118	2,133,721			1,891,118	2,133,721
Revenue Bonds						
Total	\$ 15,582,220	\$ 16,735,323	\$ -	\$ -	\$ 15,582,220	\$ 16,735,323

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, \$620k, was supplemented with transfers from the General Fund, \$682k, and from the Emergency Services Fund, \$300k, in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's long-term debt decreased near \$1.15 million or near 6.9% 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 limit governmental total outstanding debt obligations to five percent (5%) of assessments, or \$1400 per capita whichever is lower. At 6/30/2017 governmental debt was less than 2.0% of assessments and less than \$600 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 26 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 2017 estimated at 3.2% is below the National average of 4.3% as well as the Tennessee rate of 3.4% and the Wilson County rate of 3.3%
- The City's office occupancy rates approaches 92% and more retail space is being created in the form of boutiques and restaurants with diverse offerings.
- The City expects to welcome its first large Furniture store to replace a bankrupt Electronics retail box.
- A new hotel is opening which should require 60 employees among them contributing to a projected job growth rate of almost 1%.
- The bankruptcy of a major retailer is expected to be offset by their location being taken over by another.
- 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, 2018

Governmental Activities: The sixth year of property tax revenue has been collected and the City will use this revenue to finance salaries and operating costs. The City anticipates nominal growth in local tax revenue, licenses and permits. The City has begun billing automobile insurance carriers for responses to accidents that consume manpower and material.

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 one year.

The City has budgeted for additional police officers for 6/30/2018.

Increases in the General Fund expenditures are anticipated with the largest increments for roadway construction. Budgeted expenditures are expected to exceed budgeted revenue for 6/30/2018 by near \$15 million due to effort directed city roadway improvements.

The City has also been awarded grants to improve the City's "walkability" over the next couple of years for sidewalks along Lebanon Road, Belinda City area as well as further Greenway development.

City of Mt. Juliet

Business-type Activities: The City sewer rates in the City project a 3% increase during the fiscal year ended 6/30/2018. Nominal revenue growth, 4%, will be funded by new customers. Purification costs of wastewater can be expected to rise 2.0% in accordance with the Metro contract. Personnel costs can be expected to rise 1.5%. General operating expenses will increase by 3.0% to cover increased costs of material, supplies, and other operating expenses. Considering depreciation, the Sewer Fund revenue expects to cover 100% of the cost of operations but will likely consider a rate increase for 2018-2019.

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

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, 2017

	Primary Government	Total	
	Governmental Activities	Business-type Activities	Primary Government
Assets			
Cash and cash equivalents	\$35,492,361	5,846,157	41,338,518
Investments	-	1,065,280	1,065,280
Receivables (net):			
Property taxes	1,731,225	-	1,731,225
Other taxes	189,275	-	189,275
Due from other governments	4,510,904	-	4,510,904
Internal balances	(89,875)	89,875	-
Interest receivable	26	5,581	5,607
Customers and other	11,718	811,023	822,741
Inventories	-	67,467	67,467
Restricted assets:			
Cash - construction	-	3,462,314	3,462,314
Prepaid expenses	92,157	13,622	105,779
Capital assets, net of accumulated depreciation	47,020,251	46,284,530	93,304,781
Land and construction in progress - nondepreciable	20,495,940	7,025,005	27,520,945
Net pension asset	140,405	17,136	157,541
 Total Assets	 109,594,387	 64,687,990	 174,282,377
Deferred Outflows of Resources			
Deferred pension outflows of resources	1,245,876	152,055	1,397,931
Deferred amounts on refunding	398,702	-	398,702
Total Deferred Outflows of Resources	 1,644,578	 152,055	 1,796,633
 Total Assets and deferred outflows of resources	 111,238,965	 64,840,045	 176,079,010
Liabilities			
Accounts payable	2,059,358	347,939	2,407,297
Accrued liabilities	1,345,293	53,318	1,398,611
Surety bonds	-	574,699	574,699
Accrued interest	74,837	-	74,837
Contracts payable	1,075,661	623,174	1,698,835
Long-term liabilities due within one year	1,671,081	6,650	1,677,731
Long-term liabilities due in more than one year	15,596,682	137,113	15,733,795
 Total Liabilities	 21,822,912	 1,742,893	 23,565,805
Deferred Inflows of Resources			
Deferred pension inflows of resources	231,583	28,264	259,847
Unlevied property and income taxes	1,694,826	-	1,694,826
Total Deferred Inflows of Resources	 1,926,409	 28,264	 1,954,673
 Total Liabilities and deferred inflows of resources	 23,749,321	 1,771,157	 25,520,478
Net Position			
Net investment in capital assets	51,532,378	52,686,361	104,218,739
Restricted for:			
Capital improvements	-	3,462,314	3,462,314
Debt service	264,426	-	264,426
Streets	2,098,746	-	2,098,746
Public safety	2,466,078	-	2,466,078
Stormwater	228,644	-	228,644
Parks	1,408,509	-	1,408,509
Pension benefits	140,405	17,136	157,541
Unrestricted	 29,350,458	 6,903,077	 36,253,535
 Total Net Position	 \$87,489,644	 63,068,888	 150,558,532

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2017

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Primary Government:	Operating			Primary Government		Total
		Expenses	Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:							
General government	\$3,016,421	1,653,161	10,495	-	(1,352,765)	-	(1,352,765)
Public safety	8,555,623	1,134,282	67,782	153,265	(7,200,294)	-	(7,200,294)
Recreation and Culture	1,486,861	105,008	-	62,720	(1,319,133)	-	(1,319,133)
Streets and public works	4,878,050	-	1,482,426	11,146,355	7,750,731	-	7,750,731
Stormwater	186,327	315,343	-	-	129,016	-	129,016
Interest on debt	484,761	620,732	-	-	135,971	-	135,971
Total Government Activities	<u>18,608,043</u>	<u>3,828,526</u>	<u>1,560,703</u>	<u>11,362,340</u>	<u>(1,856,474)</u>	<u>-</u>	<u>(1,856,474)</u>
Business-type Activities:							
Sewer	5,881,750	6,281,451	-	4,031,087	-	4,430,788	4,430,788
Total Business-type Activities	<u>5,881,750</u>	<u>6,281,451</u>	<u>-</u>	<u>4,031,087</u>	<u>-</u>	<u>4,430,788</u>	<u>4,430,788</u>
Total Primary Government	\$24,489,793	10,109,977	1,560,703	15,393,427	(1,856,474)	4,430,788	2,574,314
General Revenues:							
Property taxes				\$1,696,363	-	1,696,363	
Sales taxes				9,733,557	-	9,733,557	
Wholesale beer tax				828,738	-	828,738	
Wholesale liquor tax				449,940	-	449,940	
Franchise tax				889,167	-	889,167	
Hotel/motel tax				539,962	-	539,962	
Business tax				1,012,748	-	1,012,748	
State shared unrestricted taxes:							
State shared sales tax				2,333,766	-	2,333,766	
State shared beer tax				13,596	-	13,596	
State alcoholic beverage tax				135,688	-	135,688	
State shared income tax				29,319	-	29,319	
State shared TVA tax				317,717	-	317,717	
Other unrestricted state shared taxes				36,762	-	36,762	
Unrestricted investment earnings and rental income				188,003	79,663	267,666	
Other				15,321	-	15,321	
Total general revenues	<u>18,220,647</u>			<u>79,663</u>		<u>18,300,310</u>	
Change in net position				<u>16,364,173</u>	<u>4,510,451</u>	<u>20,874,624</u>	
Net position - beginning of year, as restated, see footnote 15				<u>71,125,471</u>	<u>58,558,437</u>	<u>129,683,908</u>	
Net position - end of year				<u>\$87,489,644</u>	<u>63,068,888</u>	<u>150,558,532</u>	

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2017

	Special Revenue Funds		Capital Projects Fund		Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund			
Assets							
Cash	\$24,854,373	848,725	2,137,547	5,478,303	264,426	636,066	34,219,440
Receivables (net)							
Property taxes	-	-	1,735,275	-	-	-	1,735,275
Other taxes	189,275						189,275
Due from other governments	2,278,618	135,487	19,945	2,076,854	-	-	4,510,904
Due from other funds	-	340,196	-	-	-	-	340,196
Other	224						224
Interest receivable	26	-	-	-	-	-	26
Prepaid items	84,971	-	5,332	-	-	1,854	92,157
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$27,407,487</u>	<u>1,324,408</u>	<u>3,898,099</u>	<u>7,555,157</u>	<u>264,426</u>	<u>637,920</u>	<u>41,087,497</u>
Liabilities							
Accounts payable	\$595,458	783,168	33,911	402,454	-	36,954	1,851,945
Accrued costs	1,322,248	-	15,320	-	-	7,725	1,345,293
Contracts payable	-	-	-	1,075,661	-	-	1,075,661
Due to other funds	340,196	-	-	-	-	-	340,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,257,902</u>	<u>783,168</u>	<u>49,231</u>	<u>1,478,115</u>	<u>-</u>	<u>44,679</u>	<u>4,613,095</u>
Deferred Inflows of Resources							
Unavailable revenue	<u>1,178,454</u>	<u>70,143</u>	<u>1,732,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,980,792</u>
Fund Balance							
Nonspendable:							
Prepays	84,971	-	5,332	-	-	1,854	92,157
Restricted for:							
Streets	1,557,506	471,097	-	-	-	-	2,028,603
Parks	1,408,509	-	-	-	-	-	1,408,509
Public safety	-	-	2,111,341	-	-	351,517	2,462,858
Stormwater	-	-	-	-	-	239,870	239,870
Debt service	-	-	-	-	264,426	-	264,426
Committed:							
Capital projects	-	-	-	6,077,042	-	-	6,077,042
Stabilization	600,000	-	-	-	-	-	600,000
Assigned for:							
Parks project	30,000	-	-	-	-	-	30,000
Subsequent year's budget	14,820,128	-	-	-	-	-	14,820,128
Unassigned:	5,470,017	-	-	-	-	-	5,470,017
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>23,971,131</u>	<u>471,097</u>	<u>2,116,673</u>	<u>6,077,042</u>	<u>264,426</u>	<u>593,241</u>	<u>33,493,610</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$27,407,487</u>	<u>1,324,408</u>	<u>3,898,099</u>	<u>7,555,157</u>	<u>264,426</u>	<u>637,920</u>	<u>41,087,497</u>

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, 2017

Amounts reported for fund balance - total governmental funds	\$33,493,610
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	67,516,191
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,238,597
State shared revenue and local option sales tax receivable	43,319
Property taxes receivable	987,127
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.	(74,837)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(9,236)
Bond premiums are amortized over the life of the bonds in the statement of activities	398,702
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position	140,405
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.	1,245,876
Net pension asset	(231,583)
Deferred outflows of resources	1,154,698
Deferred inflows of resources	(17,258,527)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.	\$87,489,644
Governmental bonds and notes payable	(\$13,406,500)
Capital leases payable	(1,891,118)
Obligation to county schools	(284,602)
Other post employment benefits	(1,153,286)
Compensated absences	(523,021)

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, 2017

	Special Revenue Funds			Capital Projects Fund			Total Governmental Funds
	State Street Fund	Aid Fund	Emergency Services Fund	General Capital Projects Fund	Debt Service Fund	Other Governmental Funds	
Revenues							
Taxes	\$13,377,265	-	1,684,601	-	-	-	15,061,866
Intergovernmental	2,967,397	781,898	104,125	7,516,286	-	3,202	11,372,908
Fines and fees	1,005,020	-	-	-	-	113,681	1,118,701
Licenses and permits	1,561,061	-	49,140	-	620,732	315,343	2,546,276
Charges for services	510,735	-	-	-	-	-	510,735
Uses of money and property	233,506	3,686	21,903	15,784	1,917	3,307	280,103
Miscellaneous	124,003	-	2,875	-	-	-	126,878
Total Revenue	19,778,987	785,584	1,862,644	7,532,070	622,649	435,533	31,017,467
Expenditures							
Current:							
General government	3,089,370	-	-	-	-	-	3,089,370
Police	6,074,600	-	-	-	-	83,189	6,157,789
Fire	-	-	1,740,307	-	-	-	1,740,307
Streets and public works	1,776,612	1,197,173	-	273,268	-	-	3,247,053
Stormwater	-	-	-	-	-	203,373	203,373
Parks and culture	1,162,797	-	-	20,212	-	-	1,183,009
Debt service	-	-	-	-	1,600,147	-	1,600,147
Capital outlay	1,272,873	62,496	159,968	9,228,321	-	72,430	10,796,088
Total Expenditures	13,376,252	1,259,669	1,900,275	9,521,801	1,600,147	358,992	28,017,136
Excess (deficiency) revenues over expenditures	6,402,735	(474,085)	(37,631)	(1,989,731)	(977,498)	76,541	3,000,331
Other Financing Sources (Uses)							
Transfers from (to) other funds	(6,039,782)	340,196	(300,000)	5,017,346	982,240	-	-
Total Other Financing Sources (Uses)	(6,039,782)	340,196	(300,000)	5,017,346	982,240	-	-
Net Change in Fund Balance	362,953	(133,889)	(337,631)	3,027,615	4,742	76,541	3,000,331
Fund Balance, Beginning of Year	23,608,178	604,986	2,454,304	3,049,427	259,684	516,700	30,493,279
Fund Balance, End of Year	\$23,971,131	471,097	2,116,673	6,077,042	264,426	593,241	33,493,610

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, 2017

Amounts reported for net change in fund balance - total governmental funds	\$3,000,331
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Cost of assets acquired	10,796,088
Disposal of capital asset	(16,149)
Depreciation expense	(2,920,052)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	11,762
Local option sales tax	66,830
State shared revenues	15,402
Contributed capital assets	3,903,202
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	1,153,103
Amortization of debt discounts, premiums and losses on refunding	(28,102)
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	(9,615)
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	(42,809)
Other post employment benefits	(8,813)
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	369,754
Internal service funds are used by management to charge the costs of 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)	73,241
Change in net position of governmental activities	<u>\$16,364,173</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, 2017

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Local Taxes:				
Local sales taxes	\$9,311,000	9,311,000	9,666,727	355,727
Wholesale beer	800,000	800,000	828,738	28,738
Wholesale liquor	425,000	425,000	449,940	24,940
Franchise taxes	805,000	805,000	889,167	84,167
Hotel/Motel taxes	445,000	445,000	539,962	94,962
Business taxes	767,500	767,500	1,002,731	235,231
Total Local Taxes	<u>12,553,500</u>	<u>12,553,500</u>	<u>13,377,265</u>	<u>823,765</u>
Intergovernmental:				
State sales tax	2,352,684	2,352,684	2,334,595	(18,089)
State beer tax	11,000	11,000	13,596	2,596
State income tax	246,000	246,000	29,319	(216,681)
City petroleum special tax	50,000	50,000	56,910	6,910
State alcohol beverage tax	100,000	100,000	135,688	35,688
Police inservice	33,000	33,000	26,400	(6,600)
Police overtime reimbursement	5,000	5,000	20,654	15,654
Other state revenue allocation	15,300	15,300	28,012	12,712
TVA in lieu of tax	332,000	332,000	317,717	(14,283)
Grants	15,500	18,000	4,506	(13,494)
	<u>3,160,484</u>	<u>3,162,984</u>	<u>2,967,397</u>	<u>(195,587)</u>
Fines and Penalties:				
City court and drug control	905,400	905,400	1,005,020	99,620
Total Fines and Penalties	<u>905,400</u>	<u>905,400</u>	<u>1,005,020</u>	<u>99,620</u>
Licenses and Permits:				
Building permits	596,000	596,000	591,882	(4,118)
Plumbing permits	79,000	79,000	87,295	8,295
Review and inspection fees	208,000	208,000	330,329	122,329
Zoning permits	5,000	5,000	4,267	(733)
Sign permits	8,000	8,000	10,725	2,725
Electrical permits	253,000	253,000	270,841	17,841
Other permits	235,800	235,800	265,722	29,922
Total Licenses & Permits	<u>1,384,800</u>	<u>1,384,800</u>	<u>1,561,061</u>	<u>176,261</u>
Charges for Services:				
Public safety charges	20,700	20,700	12,706	(7,994)
Road improvement fees	193,400	193,400	393,021	199,621
Recreational fees	86,675	86,675	105,008	18,333
Total Charges for Services	<u>300,775</u>	<u>300,775</u>	<u>510,735</u>	<u>209,960</u>
Uses of Property and Money				
Administrative support services	92,100	92,100	92,100	-
Rent	19,000	19,000	22,551	3,551
Interest	90,000	90,000	118,855	28,855
Total Uses of Property and money	<u>201,100</u>	<u>201,100</u>	<u>233,506</u>	<u>32,406</u>
Other Revenues:				
Contributions from others	102,400	158,840	66,235	(92,605)
Sale of assets	10,000	10,000	7,978	(2,022)
Miscellaneous	17,820	49,668	49,790	122
Total Other Revenues	<u>130,220</u>	<u>218,508</u>	<u>124,003</u>	<u>(94,505)</u>
Total Revenues	<u>18,636,279</u>	<u>18,727,067</u>	<u>19,778,987</u>	<u>1,051,920</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, 2017

<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:				
Legislative Board:				
Salaries	\$66,008	66,008	64,812	1,196
Employee benefits	5,875	5,875	5,288	587
Supplies and other	3,850	3,850	1,906	1,944
Total Legislative Board	<u>75,733</u>	<u>75,733</u>	<u>72,006</u>	<u>3,727</u>
City Court:				
Salaries	13,500	13,500	8,685	4,815
Employee benefits	1,033	1,033	780	253
Outside services	5,200	5,200	4,550	650
Supplies	2,000	2,000	1,006	994
Total City Court	<u>21,733</u>	<u>21,733</u>	<u>15,021</u>	<u>6,712</u>
City Manager:				
Salaries	434,917	434,917	430,488	4,429
Employee benefits	170,941	170,941	170,376	565
Outside services	16,500	16,500	12,032	4,468
Membership and dues	25,000	25,000	19,521	5,479
Events and city beautification	45,922	45,922	37,964	7,958
Supplies	12,850	12,850	8,189	4,661
Insurance	4,000	4,000	4,073	(73)
Other costs	10,100	10,100	3,692	6,408
Retiree benefits	103,259	103,259	55,252	48,007
Capital outlay	20,000	20,000	18,375	1,625
Total City Manager	<u>843,489</u>	<u>843,489</u>	<u>759,962</u>	<u>83,527</u>
Finance:				
Salaries	233,591	233,591	227,386	6,205
Employee benefits	102,277	102,277	101,049	1,228
Outside services	51,300	51,300	51,965	(665)
Supplies	17,700	17,700	13,236	4,464
Other costs	3,775	3,775	1,554	2,221
Total Finance	<u>408,643</u>	<u>408,643</u>	<u>395,190</u>	<u>13,453</u>
City Attorney:				
Outside services	250,000	250,000	231,792	18,208
Other costs	38,000	38,000	874	37,126
Total City Attorney	<u>288,000</u>	<u>288,000</u>	<u>232,666</u>	<u>55,334</u>
Economic and Community Development:				
Salaries	92,763	92,763	45,317	47,446
Employee benefits	55,286	55,286	45,057	10,229
City beautification	26,000	26,000	14,164	11,836
Outside services	-	64,000	63,858	142
Other costs	31,450	31,450	3,279	28,171
Capital outlay	-	-	-	-
Total Economic and Community Development	<u>205,499</u>	<u>269,499</u>	<u>171,675</u>	<u>97,824</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, 2017

Expenditures

General Government, continued:

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Planning and Codes:				
Salaries	\$316,369	316,369	298,596	17,773
Employee benefits	120,009	120,009	113,118	6,891
Supplies	118,400	118,400	116,486	1,914
Outside services	80,500	80,500	50,550	29,950
Other costs	15,800	15,800	5,489	10,311
Capital outlay	75,936	75,936	48,679	27,257
Total Planning and Codes	<u>727,014</u>	<u>727,014</u>	<u>632,918</u>	<u>94,096</u>
City Buildings and IT Services:				
Salaries	205,316	205,316	204,120	1,196
Employee benefits	64,407	64,407	60,969	3,438
Supplies	83,077	98,100	47,806	50,294
Repairs and maintenance	52,900	52,900	24,197	28,703
Outside services	109,992	109,992	87,092	22,900
Utilities	255,300	255,300	223,223	32,077
Insurance	31,050	31,050	20,202	10,848
Equipment rental	124,000	124,000	130,073	(6,073)
Other costs	34,400	34,400	2,636	31,764
Capital outlay	209,993	209,993	209,762	231
Total City Hall Buildings	<u>1,170,435</u>	<u>1,185,458</u>	<u>1,010,080</u>	<u>175,378</u>
City Garage:				
Salaries	54,897	54,897	54,357	540
Benefits	14,911	14,911	14,249	662
Supplies	6,850	6,850	6,002	848
Other	5,400	5,400	2,060	3,340
Capital outlay	-	-	-	-
Total City Garage	<u>82,058</u>	<u>82,058</u>	<u>76,668</u>	<u>5,390</u>
Total General Government	<u>3,822,604</u>	<u>3,901,627</u>	<u>3,366,186</u>	<u>535,441</u>

Public Safety:

Police Department:				
Salaries	3,780,428	3,780,428	3,586,900	193,528
Benefits	1,703,617	1,673,617	1,572,496	101,121
Repairs and maintenance	115,230	116,250	120,346	(4,096)
Supplies	425,300	437,300	296,306	140,994
Outside services	301,920	301,920	245,525	56,395
Utilities	57,580	57,580	42,901	14,679
Insurance	163,500	163,500	139,865	23,635
Other costs	68,474	68,474	70,261	(1,787)
Capital outlay	579,000	610,848	501,299	109,549
Total Public Safety	<u>7,195,049</u>	<u>7,209,917</u>	<u>6,575,899</u>	<u>634,018</u>

Streets and Public Works:

Salaries	1,110,934	1,143,934	1,013,134	130,800
Employee benefits	630,433	649,583	587,868	61,715
Repairs and maintenance	48,000	48,000	26,432	21,568
Supplies	100,000	100,000	97,424	2,576
Outside services	61,600	61,600	18,676	42,924
Insurance	28,000	28,000	23,705	4,295
Other costs	19,700	19,700	9,373	10,327
Capital outlay	495,900	495,900	419,588	76,312
Total Streets and Public Works	<u>2,494,567</u>	<u>2,546,717</u>	<u>2,196,200</u>	<u>350,517</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, 2017

<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	\$584,087	584,087	501,384	82,703
Employee benefits	245,074	245,074	221,010	24,064
Repairs and maintenance	55,224	55,224	46,598	8,626
Supplies	94,800	102,000	55,148	46,852
Outside services	33,000	33,000	8,345	24,655
Insurance	20,000	20,000	16,863	3,137
Utilities	67,250	67,250	64,782	2,468
Other costs	4,062	4,062	1,952	2,110
Appropriations to nonprofits	102,895	249,270	246,715	2,555
Capital outlay	49,936	74,936	75,170	(234)
Total Recreation and Culture	<u>1,256,328</u>	<u>1,434,903</u>	<u>1,237,967</u>	<u>196,936</u>
Total Expenditures	<u>14,768,548</u>	<u>15,093,164</u>	<u>13,376,252</u>	<u>1,716,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,867,731</u>	<u>3,633,903</u>	<u>6,402,735</u>	<u>2,768,832</u>
Other Financing Sources (Uses):				
Transfers out	(14,168,330)	(30,568,330)	(6,039,782)	24,528,548
Total Other Financing Sources (Uses)	<u>(14,168,330)</u>	<u>(30,568,330)</u>	<u>(6,039,782)</u>	<u>24,528,548</u>
Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>(10,300,599)</u>	<u>(26,934,427)</u>	<u>362,953</u>	<u>27,297,380</u>
Fund Balance, Beginning of Year	<u>23,608,178</u>	<u>23,608,178</u>	<u>23,608,178</u>	<u>-</u>
Fund Balance, End of Year	<u>\$13,307,579</u>	<u>(3,326,249)</u>	<u>23,971,131</u>	<u>27,297,380</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, 2017

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Gasoline motor fuel city tax	\$535,000	535,000	536,310	1,310
Gas 1989 tax	85,000	85,000	85,990	990
Gas three cent tax	168,452	168,452	159,598	(8,854)
Interest	6,000	6,000	3,686	(2,314)
Total Revenues	794,452	794,452	785,584	(8,868)
Expenditures				
Street Maintenance				
Repairs and maintenance	1,140,000	1,175,000	1,104,487	70,513
Street lighting and signage	170,000	170,000	92,686	77,314
Capital outlay	70,000	70,000	62,496	7,504
Total Expenditures	1,380,000	1,415,000	1,259,669	155,331
Excess of Revenues Over Expenditures	(585,548)	(620,548)	(474,085)	146,463
Other Financing Sources (Uses)				
Transfers In (Out)	340,196	340,196	340,196	-
Fund Balance, Beginning of Year	604,986	604,986	604,986	-
Fund Balance, End of Year	\$359,634	324,634	471,097	146,463

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, 2017

<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>		
Local taxes:				
Property tax	\$1,651,000	1,651,000	1,684,601	33,601
Interest	15,500	15,500	21,903	6,403
Licenses and permits	75,000	75,000	49,140	(25,860)
Grants	-	142,264	104,125	(38,139)
Other - contributions, etc	6,000	7,850	2,875	(4,975)
Total Revenues	1,747,500	1,891,614	1,862,644	(28,970)
Expenditures				
Fire				
Salaries	1,008,814	1,120,467	1,026,857	93,610
Benefits	509,084	580,194	496,743	83,451
Utilities	20,000	20,000	16,306	3,694
Contract services	7,500	7,500	6,128	1,372
Supplies	116,500	127,850	126,099	1,751
Repairs and maintenance	33,001	36,150	36,950	(800)
Insurance	26,000	26,000	21,747	4,253
Other	10,350	10,350	9,477	873
Capital outlay	73,910	436,910	159,968	276,942
Total Expenditures	1,805,159	2,365,421	1,900,275	465,146
Excess of Revenues Over Expenditures	(57,659)	(473,807)	(37,631)	436,176
Other Financing Sources (Uses)				
Transfers In (Out)	(300,000)	(300,000)	(300,000)	-
	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(357,659)	(773,807)	(337,631)	436,176
Fund Balance, Beginning of Year	2,454,304	2,454,304	2,454,304	-
Fund Balance, End of Year	\$2,096,645	1,680,497	2,116,673	436,176

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2017

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
Assets		
Current Assets:		
Cash	\$5,846,157	1,272,921
Investments	1,065,280	-
Receivable-net of allowance for doubtful accounts of \$26,482	811,023	11,494
Interest receivable	5,581	-
Prepaid insurance	13,622	-
Inventory	67,467	-
Total Current Assets	<u>7,809,130</u>	<u>1,284,415</u>
Noncurrent Assets:		
Restricted cash - restricted for capital projects	3,462,314	-
Net pension asset	<u>17,136</u>	<u>-</u>
Capital Assets:		
Land	1,141,135	-
Construction in progress	5,883,870	-
Collection system	66,094,754	-
Buildings	505,692	-
Equipment	761,381	-
Total Capital Assets	<u>74,386,832</u>	<u>-</u>
Less: accumulated depreciation	(21,077,297)	-
Net Property, Plant and Equipment	<u>53,309,535</u>	<u>-</u>
Total Noncurrent Assets	<u>56,788,985</u>	<u>-</u>
Total Assets	<u>64,598,115</u>	<u>1,284,415</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings -pension plan	<u>152,055</u>	<u>-</u>
Liabilities		
Current Liabilities:		
Accounts payable	347,939	207,413
Accrued expenses	53,318	-
Surety bonds	574,699	-
Contract payable	623,174	-
Other post-employment benefit obligation	6650	-
Total Current Liabilities	<u>1,605,780</u>	<u>207,413</u>
Noncurrent Liabilities:		
Other post-employment benefit obligation	137,113	-
Total Noncurrent Liabilities	<u>137,113</u>	<u>-</u>
Total Liabilities	<u>1,742,893</u>	<u>207,413</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	<u>28,264</u>	<u>-</u>
Net Position		
Net investment in capital assets	52,686,361	-
Restricted for capital improvements	3,462,314	-
Restricted for pension benefits	17,136	-
Unrestricted	6,813,202	1,077,002
Total Net Position	<u>\$62,979,013</u>	<u>1,077,002</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	89,875	-
Net Position of business -type activities	<u>\$63,068,888</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2017

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$5,657,620	\$2,344,572
Sewer inspection and administrative charges	487,067	-
Penalties	92,745	-
Other	44,019	-
Total Operating Revenues	6,281,451	2,344,572
Operating Expenses:		
Sewer line and pump maintenance	1,155,105	-
Sewer lift station operation	260,457	-
Administrative and accounting	307,331	2,219,149
Sewer transportation and treatment	2,587,791	-
Depreciation	1,490,359	-
Professional services	132,883	-
Total Operating Expenses	5,933,926	2,219,149
Operating Income (Loss)	347,525	125,423
Nonoperating Revenues (Expenses):		
Rent	24,000	-
Interest income	55,663	-
Net Nonoperating Revenues (Expenses)	79,663	-
Net Income (Loss) Before Contributions	427,188	125,423
Contributions:		
Capital contribution - Tap fees	1,934,902	-
Capital contribution - Utility plant	2,096,185	-
Total Contributions	4,031,087	-
Change in Net Position	4,458,275	125,423
Net Position - Beginning of Year, as restated, see note 15	58,520,738	951,579
Net Position - End of Year	\$62,979,013	1,077,002
Change in Net Position as shown above	4,458,275	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	52,176	
Change in Net Position of business -type activities	\$4,510,451	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2017

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$6,213,681	-
Cash paid for personnel services	(887,984)	-
Cash paid to suppliers for goods and services	(3,431,550)	-
Cash received returned for surety bonds	(314,194)	-
Cash paid for interfund administrative support services	(92,100)	-
Premiums received/reimbursements received	-	2,349,577
Medical claims and administrative expenses paid	-	(2,230,072)
Net Cash Provided (Used) by Operating Activities	<u>1,487,853</u>	<u>119,505</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(2,606,290)	-
Contributions from customers	1,934,902	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(671,388)</u>	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(8,416)	-
Rent received	24,000	-
Interest received on investments	55,017	-
	<u>70,601</u>	<u>-</u>
Net Increase (Decrease) in Cash	887,066	119,505
Cash and Cash Equivalents, Beginning of Year	<u>8,421,405</u>	<u>1,153,416</u>
Cash and Cash Equivalents, End of Year	<u>\$9,308,471</u>	<u>1,272,921</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	\$347,525	125,423
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,490,359	-
Change in deferred outflows of resources-pension related	(7,196)	-
Change in deferred inflows of resources-pension related	(60,861)	-
Change in net pension asset	28,943	-
Change in other post-employment benefit obligation	777	-
(Increase) Decrease in:		
Accounts receivable	(67,770)	5,005
Prepaid expenses	1,528	-
Inventory	25,434	-
Increase (Decrease) in:		
Accounts payable	85,651	(10,923)
Accrued expenses	(42,343)	-
Surety bonds	(314,194)	-
Net cash provided by operating activities	<u>\$1,487,853</u>	<u>119,505</u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$2,096,185
During the year the City incurred contracts payable related to capital assets acquisitions in the amount of \$281,596

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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, 2017, 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, 2017

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, 2017

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, 2017 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 \$89,875 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, 2017

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. Gifts or contributions of capital assets, including intangible assets, are recorded at acquisition value when received.

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, 2017

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 balance that can be spent only for the specific purposes stipulated by external resource or through enabling legislation.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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 \$0.1664 and \$0.1664 per \$100 of assessed valuation for years 2016 and 2017. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,649,944 for the fiscal year ended June 30, 2017 were approximately 97% 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 \$1,731,225 which is net of an allowance for doubtful collections of \$4,050. Of this receivable \$1,684,825 represents the estimated net realizable 2017 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 \$1,735,275 with offsetting deferred inflows of resources for amounts not available at June 30, 2017. The additional taxes receivable of \$189,275 are beer, hotel/motel, and franchise taxes. There were no tax abatements requiring disclosure under GASB 77.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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, 2017 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, 2017 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	\$ 1,065,280	186	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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Reclasses	Ending Balance
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,252,653	-	-	-	4,252,653
Construction in progress	8,165,093	8,670,687	-	(592,493)	16,243,287
<u>Capital assets being depreciated:</u>					
Buildings and improvements	7,010,669	39,142	-	-	7,049,811
Improvements other than buildings	3,917,874	288,379	-	592,493	4,798,746
Machinery and equipment	10,872,636	1,799,505	(56,860)	-	12,615,281
Infrastructure	38,856,509	3,901,577	-	-	42,758,086
Total capital assets	\$ 73,075,434	14,699,290	(56,860)	-	87,717,864

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

3) CAPITAL ASSETS, (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Governmental activities					
<u>Less accumulated depreciation for:</u>					
Buildings and other improvements	\$ 2,070,777	176,691	-	-	2,247,468
Improvements other than buildings	1,901,770	252,657	-	-	2,154,427
Machinery and equipment	4,949,849	1,119,626	(40,711)	-	6,028,764
Infrastructure	<u>8,399,936</u>	<u>1,371,078</u>	-	-	<u>9,771,014</u>
Total accumulated depreciation	<u>17,322,332</u>	<u>2,920,052</u>	<u>(40,711)</u>	-	<u>20,201,673</u>
Governmental activities capital assets, net	<u>\$ 55,753,102</u>				<u>67,516,191</u>

During the year, the City accepted donated improvements and infrastructure in the amount of \$3,903,202.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Business-type activities:					
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,141,135	-	-	-	1,141,135
Construction in process	7,993,941	2,544,393	-	(4,654,464)	5,883,870
<u>Capital assets being depreciated:</u>					
Building	505,692	-	-	-	505,692
Collections System	59,060,232	2,380,058	-	4,654,464	66,094,754
Equipment	<u>701,761</u>	<u>59,620</u>	-	-	<u>761,381</u>
Total capital assets	<u>\$ 69,402,761</u>	<u>4,984,071</u>	<u>—</u>	<u>—</u>	<u>74,386,832</u>
<u>Less accumulated depreciation for:</u>					
Collection System and building	\$ 19,025,487	1,470,352	-	-	20,495,839
Equipment	<u>561,451</u>	<u>20,007</u>	-	-	<u>581,458</u>
Total accumulated depreciation	<u>19,586,938</u>	<u>1,490,359</u>	<u>—</u>	<u>—</u>	<u>21,077,297</u>
Business-type activities capital assets, net	<u>\$ 49,815,823</u>				<u>53,309,535</u>

During the year the City accepted donated infrastructure in the amount of \$2,096,185. Depreciation expense was charged to function/programs as of June 30, 2017, as follows:

Governmental activities:	
General government	\$ 98,608
Public safety	933,704
Street and public works	1,564,224
Stormwater	3,466
Recreational and culture	<u>320,050</u>
Total depreciation expense-governmental activities	<u>\$2,920,052</u>
Business-type activities:	
Water and Sewer	<u>\$1,490,359</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

4) RECEIVABLES

Accounts and taxes receivable at June 30, 2017 consisted of the following:

		General Fund	Emergency Services Fund	Projects Fund	Street Aid Fund	Enterprise Fund	Capital State Total
Property taxes	\$ -	1,735,275	-	-	-	-	1,735,275
Beer/liquor taxes/franchise	125,285	-	-	-	-	-	125,285
Hotel/Motel tax	63,990	-	-	-	-	-	63,990
Other governments	2,278,618	19,945	2,076,854	135,487	-	-	4,510,904
Customer	-	-	-	-	837,505	837,505	
Other	11,744	-	-	-	5,581	17,325	
Allowance for- doubtful accounts	-	(4,050)	-	-	(26,482)	(30,532)	
	\$ <u>2,479,637</u>	<u>1,751,170</u>	<u>2,076,854</u>	<u>135,487</u>	<u>816,604</u>	<u>7,259,752</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, 2017, 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	\$ 398,702	-
Deferred current year pension contribution	853,101	104,119
Net difference in projected and actual pension plans and earnings	392,775	47,936
	\$ <u>1,644,578</u>	<u>152,055</u>
<u>Deferred inflows of resources:</u>		
Property taxes:		
2017 assessed and unlevied	\$ 1,684,825	-
Estimated 2017 Hall Income tax	10,001	-
Deferred difference in pension expected and actual experience	231,583	28,264
	\$ <u>1,926,409</u>	<u>28,264</u>

Deferred inflows of resources in the governmental fund statements totaled \$2,980,792 and consisted of unlevied property taxes of \$1,684,825, delinquent property taxes of \$47,369 and unavailable state and local shared taxes of \$1,248,598.

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, 2017

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, 2017:

	Balance 07-01-16	Addition	Reductions	Balance 06-30-17	Current Portion
<u>Governmental Activities</u>					
Public Improvement Bonds	\$ 14,097,000*	-	(690,500)	13,406,500	599,000
Capital Outlay Notes	220,000	-	(220,000)	-	-
Obligation to county school system	284,602	-	-	284,602	284,602
Capital lease	2,133,721	-	(242,603)	1,891,118	249,129
Net OPEB obligation	1,144,473**	8,813	-	1,153,286	53,350
Compensated absences	<u>480,212</u>	<u>42,809</u>	<u>-</u>	<u>523,021</u>	<u>485,000</u>
Total Governmental Activities	<u>\$18,360,008</u>	<u>51,622</u>	<u>(1,153,103)</u>	<u>17,258,527</u>	<u>1,671,081</u>
Bond discounts/premiums	<u>10,263</u>	<u>-</u>	<u>(1,027)</u>	<u>9,236</u>	
	<u><u>\$18,370,271</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>17,267,763</u></u>	
<u>Business-type Activities</u>					
Net OPEB Obligation	\$ 142,986**	777	-	143,763	6,650

*Reclassification – See Note 14

**As restated – See Note 15

Long term bonds and notes at June 30, 2017 consisted of the following obligations:

<u>Governmental-type Activities</u>	<u>Balance June 30, 2017</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%.	\$ 4,270,000
\$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%.	9,136,500
Obligation to County School System (non capital related)	<u>284,602</u>
Total Governmental-type Activities	<u>\$ 13,691,102</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2017 are as follows:

Governmental-type					
Fiscal Year	Refunding & Public Improvement		Obligation to County School		
	Bonds	System	Interest	Total	
2018	\$ 599,000	284,602	389,322	1,272,924	
2019	617,700	-	370,446	988,146	
2020	636,700	-	350,903	987,603	
2021	645,700	-	330,133	975,833	
2022	664,300	-	308,464	972,764	
2023-2027	3,733,000	-	1,168,611	4,901,611	
2028-2032	4,513,200	-	582,760	5,095,960	
2033-2034	1,996,900	-	73,779	2,070,679	
	<u>\$13,406,500</u>	<u>284,602</u>	<u>3,574,418</u>	<u>17,265,520</u>	

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	(758,699)
	<u>\$ 1,841,329</u>

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

	Lease Payments
2018	\$ 300,000
2019	300,000
2020	300,000
2021	300,000
2022	300,000
2023-2024	600,000
	2,100,000
Less amount representing interest	(208.882)
	<u>\$ 1,891,118</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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.

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	103
Active employees	140
	<u>278</u>

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, 2017, employer contributions for City of Mt. Juliet were \$957,220, 11.92 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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

7) PENSION PLAN, Continued

Net Pension Liability (Asset)

City of Mt. Juliet's net pension liability (asset) was measured as of June 30, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset Valuation	Fair market value
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
Retirement age	Pattern retirement determined by experience study

Mortality rates were determined by using a customized table based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2016 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. 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%	1%
		<u>100%</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

7) PENSION PLAN, Continued

Net Pension Liability (Asset)

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)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Balance at 6/30/15	\$ 11,584,560	11,985,949	(401,389)
Changes for the year:			
Service cost	546,207	-	546,207
Interest	899,978	-	899,978
Differences between expected and actual experience	(25,115)	-	(25,115)
Contributions:			
Employer	-	860,287	(860,287)
Contributions:			
Employees	-	1,762	(1,762)
Net investment income	-	325,756	(325,756)
Benefit payments, including refunds of employee contributions	(262,126)	(262,126)	-
Administrative expense	-	(10,583)	10,583
Net changes	<u>1,158,944</u>	<u>915,096</u>	<u>243,848</u>
Balance at 6/30/16	<u>\$ 12,743,504</u>	<u>12,901,045</u>	<u>(157,541)</u>

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)	\$ 2,046,199	(157,541)	(1,912,170)

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

7) PENSION PLAN, Continued

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

Pension expense. For the year ended June 30, 2017, City of Mt. Juliet recognized pension expense of \$548,354.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, City of Mt. Juliet reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	(259,847)
Net difference between projected and actual earning on pension plan investments	440,711	-
Contributions subsequent to the measurement date of June 30, 2016	<u>957,220</u>	-
Total	<u>\$ 1,397,931</u>	<u>(259,847)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," 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:	
2018	14,394
2019	14,394
2020	182,693
2021	82,334
2022	(36,724)
Thereafter	(76,227)

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

As of June 30, 2017, 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, 2017

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. 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. Retiree must have been hired prior to February 10, 1999.
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.
Medical Plan Benefit	Two plans are offered with differing deductibles and out-of-pocket limits. Rates differ for smokers and non-smokers.
Other Benefits	Dental and vision coverage is provided to eligible retirees with a contribution required from the retiree for single coverage. The City pays full contribution for life insurance coverage. Family coverage is available with a full retiree contribution for the additional coverage.
Plan changes	Effective for retirements on or after October 9, 2017, the retiree benefits will terminate at age 65. Current retirees will have lifetime benefits.

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, 2016. The following table summarizes active and retiree demographic information:

<u>Status</u>	<u>Participants</u>	<u>Employee</u>	<u>Employee &</u>
		<u>Only</u>	<u>Family</u>
Active	12	6	6
Retired	5	5	0
Total	17	11	6

Note: This table reflects eligible, active employees and retirees as of July 1, 2016 and excludes employees hired after February 1, 1999.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 83,425
Increase due to interest	38,624
Amortization of prior year	
Net OPEB contribution	(64,722)
Annual OPEB cost	57,327
Amount of contribution*	(47,737)
Increase in OPEB Obligation	9,590
Net OPEB Obligation 7/1/16***	1,287,459
Net OPEB Obligation 6/30/17**	\$ 1,297,049

*Based on expected contribution per study.

**Governmental Activities - \$1,153,286; Business Activities - \$143,763

***As restated – See Note 15.

Annual OPEB Cost Summary

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/17	\$ 57,327	83.27%	\$1,297,049
6/30/16	616,743*	7.44%*	1,287,459**
6/30/15	621,057*	5.96%*	3,461,166*

*Information to reflect restatement not available.

**As restated.

Funded Status and Funding Progress

Actuarial valuation date	7/1/16
Actuarial accrued liability (AAL)	\$ 1,287,459
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	1,287,459
Actuarial value of assets as a % of AAL	-
Covered payroll	\$ 851,297
UAAL as a percentage of covered payroll	151.24%

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 of 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, 2017

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, 2016:

<u>AGE</u>	<u>MEDICAL</u>	<u>AGE</u>	<u>MEDICAL</u>
55	13,585	59	14,995
56	13,925	60	15,370
57	14,273	64	16,966
58	14,629		

Medicare becomes primary at age 65. A flat annual claim cost of \$469.68 was used for dental/vision coverage. Retirees retiring after October 9, 2017 will be covered until age 65. Retirees retiring prior to that date will have lifetime 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-2014 Total Table with projection MP - 2015
Turnover	Rates varying by age. Sample rates: <u>Age 25</u> <u>Age 40</u> <u>Age 55</u> 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, 2017

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, 2016

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 \$604 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 \$2,495,691 for sewer treatment and \$556,888 for connection charges under this agreement.

Contracts

The City currently has approximately \$13,822,317 in general government project contracts. These contracts were approximately 83% complete at June 30, 2017 and are being financed with available reserves and grants.

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, 2017

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 \$89,912 during 2017. Future lease obligations are as follows:

2018	\$ 97,818
2019	76,739
2020	58,672
2021	<u>26,079</u>
	<u>\$259,308</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, 2017

10) RISK MANAGEMENT, Continued

Changes in the balance of claims liabilities during the past three 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>
2014-2015	\$ 116,767	1,849,118	(1,667,557)	298,328
2015-2016	\$ 298,328	1,877,525	(1,957,517)	218,336
2016-2017	\$ 218,336	2,219,149	(2,230,072)	207,413

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, 2017 and 2016, the Board had an accumulated net position of \$563,255 and \$536,653 respectively. The net change in net position for fiscal year 2017 was \$26,602. 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, 2017. The balances were eliminated in the government-wide financial statements. The composition of interfund balances is as follows and relates to amounts expended for projects that are to be reimbursed by the General Fund and Capital Projects Fund. All interfund amounts were liquidated subsequent to year end.

<u>Receivable Fund</u>		<u>Payable Fund</u>	
State Street Aid Fund	<u>\$340,196</u>	General Fund	<u>\$340,196</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2017

12) INTERFUND TRANSACTIONS, Continued

Interfund receivable/payable balances between activities in the government wide financial statements also include \$89,875 related to the consolidation of the internal service fund.

Interfund transfers for the year ended June 30, 2017 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In				State Street
	Capital Projects	Debt Services		Aid	
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Transfer out:	\$5,017,346	682,240	340,196	6,039,782	
General Fund	—	300,000	—	300,000	
Emergency Services Fund	\$5,017,346	982,240	340,196	6,339,782	

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, 2017

13) BUDGETS AND BUDGETARY ACCOUNTING, Continued

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

General Fund:	
General Government	\$ 79,023
Public Safety	14,868
Streets and Public Works	52,150
Recreation & Culture	<u>178,575</u>
	\$ <u>324,616</u>
Transfers out	<u>\$16,400,000</u>
State Street Aid	\$ <u>35,000</u>
Emergency Services Fund	\$ <u>560,262</u>
Capital Projects Fund	<u>\$17,415,541</u>
Drug Fund	\$ <u>50,500</u>

General Government budget amendments primarily related to general operations and the transfer out increase was related to transfers to the Capital Projects Fund. Due to the projects not beginning in 2017, most of the transfers were not executed. Public Safety and Public Works amendments primarily related to general operations while Recreation and Culture amendments primarily related to appropriation to non-profits. The Capital Projects Fund budget was amended primarily for road projects that did not get started in this fiscal year.

14) RECLASSIFICATION

In the prior fiscal year the City refunded general obligation bonds. In relation to this refunding the loss on refunding was understated by \$155,000 and bonds payable were understated by the same amount. The amounts were reclassified in the current year with no effect on fund balance or net position.

15) RESTATEMENT

During 2017 the City discovered that prior period actuarial valuations for the Post Employment Healthcare Program had not considered eligibility changes previously enacted by the Board. The net effect of these changes resulted in increases of \$2,367,924 and \$376,632 to governmental and business-type activity and net positions at July 1, 2016.

16) SUBSEQUENT EVENTS

Subsequent to year end, the City entered into construction contracts for city hall and police station improvements in the approximate amount of \$580,000. These projects 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

	2014	2015	2016
Total pension liability			
Service cost	\$ 443,365	485,779	546,207
Interest	763,410	830,197	899,978
Changes in benefit terms	-	-	-
Differences between actual & expected experience	(114,265)	(202,551)	(25,115)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)	(262,126)
Net change in total pension liability	<u>828,378</u>	<u>888,678</u>	<u>1,158,944</u>
Total pension liability- beginning	<u>9,867,504</u>	<u>10,695,882</u>	<u>11,584,560</u>
Total pension liability- ending (a)	<u><u>\$ 10,695,882</u></u>	<u><u>11,584,560</u></u>	<u><u>12,743,504</u></u>
 Plan fiduciary net position			
Contributions - employer	\$ 806,691	798,473	860,287
Contributions - employee	-	398	1,762
Net investment income	1,536,270	349,649	325,756
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)	(262,126)
Administrative expense	(4,822)	(6,657)	(10,583)
Net change in plan fiduciary net position	2,074,007	917,116	915,096
Plan fiduciary net position- beginning	<u>8,994,826</u>	<u>11,068,833</u>	<u>11,985,949</u>
Plan fiduciary net position- ending (b)	<u><u>\$ 11,068,833</u></u>	<u><u>11,985,949</u></u>	<u><u>12,901,045</u></u>
 Net Pension Liability (asset) ending (a) - (b)	<u><u>\$ (372,951)</u></u>	<u><u>(401,389)</u></u>	<u><u>(157,541)</u></u>
Plan fiduciary net position as a percentage of total pension liability	103.49%	103.46%	101.24%
Covered employee payroll	\$ 6,432,941	6,692,987	7,211,166
Net pension liability (asset) as a percentage of covered employee payroll	(5.8)%	(6.0)%	(2.18)%

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>	<u>2017</u>
Actuarially determined contribution	\$ 806,691	798,473	860,287	957,220
Contributions in relation to actuarilly determined contribution	<u>806,691</u>	<u>798,473</u>	<u>860,287</u>	<u>957,220</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Covered-employee payroll	 \$ 6,432,941	 6,694,908	 7,211,166	 8,030,369
Contributions as a percentage covered-employee payroll	12.54%	11.93%	11.93%	11.92%

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 2017 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies year by year
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	7/1/16
Actuarial valuation date					
Actuarial accrued liability (AAL)	\$ 3,632,044 *	2,516,208 *	3,144,802 *	4,208,545 *	1,287,459
Actuarial value of plan asset	-	-	-	-	-
Unfunded actuarial accrued liability	3,632,044 *	2,516,208 *	3,144,802 *	4,208,545 *	1,287,459
Actuarial value of assets as a % of AAL	-	-	-	-	-
Covered payroll	\$ 5,006,921 *	5,627,845 *	6,187,137 *	6,749,693 *	851,293
UAAL as a percentage of covered payroll	72.50% *	44.71% *	50.83% *	62.35% *	151.24%

* Information to reflect restatement is not available.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Drug Fund	Stormwater Fund	
<u>Assets</u>			
Cash and cash equivalents	\$388,274	247,792	636,066
Prepays	-	1,854	1,854
Total Assets	<u>388,274</u>	<u>249,646</u>	<u>637,920</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$36,757	197	36,954
Accrued liabilities	-	7,725	7,725
Total Liabilities	<u>36,757</u>	<u>7,922</u>	<u>44,679</u>
Fund Balances:			
Nonspendable - prepays	-	1,854	1,854
Restricted	351,517	239,870	591,387
Total Fund Balance	<u>351,517</u>	<u>241,724</u>	<u>593,241</u>
Total Liabilities & Fund Balances	<u>\$388,274</u>	<u>249,646</u>	<u>637,920</u>

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	<u>Nonmajor Governmental Funds</u>
<u>Revenues</u>			
Interest	\$2,168	1,139	3,307
Grants	3,202	-	3,202
Licences and permits and fees	-	315,343	315,343
Drug related fines, seizures, and sales	113,681	-	113,681
Total Revenues	119,051	316,482	435,533
<u>Expenditures</u>			
Stormwater:			
Current:			
Salaries	-	109,457	109,457
Employee benefits	-	53,076	53,076
Other	-	40,840	40,840
Capital outlay	-	-	-
Police:			
Current:			
Supplies and investigations	83,189	-	83,189
Capital outlay	72,430	-	72,430
Total Expenditures	155,619	203,373	358,992
Excess (Deficiency) of Revenues Over Expenditures	(36,568)	113,109	76,541
Fund Balance, Beginning of Year	388,085	128,615	516,700
Fund Balance, End of Year	\$351,517	241,724	593,241

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, 2017

<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>		
Other:				
Interest	\$1,000	1,000	2,168	1,168
Grants	8,000	8,000	3,202	(4,798)
Drug related fines, seizures and sales	138,000	138,000	113,681	(24,319)
Total Revenues	147,000	147,000	119,051	(27,949)
 <u>Expenditures</u>				
Program costs				
Training	1,500	1,500	1,250	250
Supplies	22,000	52,000	65,711	(13,711)
Investigations	41,000	41,000	8,865	32,135
Contract services	6,250	6,250	5,245	1,005
Travel	2,000	2,000	2,118	(118)
Capital outlay	60,000	80,500	72,430	8,070
Total Expenditures	132,750	183,250	155,619	27,631
Excess of Revenues Over Expenditures	14,250	(36,250)	(36,568)	(318)
 Fund Balance, Beginning of Year	388,085	388,085	388,085	-
Fund Balance, End of Year	<u>\$402,335</u>	<u>351,835</u>	<u>351,517</u>	<u>(318)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Interest	\$100	100	1,139	1,039
Licenses and permits:				
Inspection and other fees	304,000	304,000	315,343	11,343
Total Revenues	<u>304,100</u>	<u>304,100</u>	<u>316,482</u>	<u>12,382</u>
Expenditures				
Street Maintenance				
Salaries	110,497	110,497	109,457	1,040
Employee benefits	56,248	56,248	53,076	3,172
Professional services	20,000	20,000	16,935	3,065
Supplies	11,800	11,800	4,326	7,474
Other	27,800	27,800	19,579	8,221
Capital outlay	-	-	-	-
Total Expenditures	<u>226,345</u>	<u>226,345</u>	<u>203,373</u>	<u>22,972</u>
Excess of Revenues Over Expenditures	<u>77,755</u>	<u>77,755</u>	<u>113,109</u>	<u>35,354</u>
Fund Balance, Beginning of Year	<u>128,615</u>	<u>128,615</u>	<u>128,615</u>	<u>-</u>
Fund Balance, End of Year	<u>\$206,370</u>	<u>206,370</u>	<u>241,724</u>	<u>35,354</u>

CITY OF MT. JULIET, TENNESSEE

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

General Capital Projects Fund

For the Year Ended June 30, 2017

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original	Final	Positive (Negative)
<u>Revenues</u>			
Intergovernmental:			
Grants	\$23,943,224	25,108,765	7,516,286
Other:			(17,592,479)
Interest	5,000	5,000	15,784
Total Revenues	<u>23,948,224</u>	<u>25,113,765</u>	<u>(17,581,695)</u>
<u>Expenditures</u>			
Streets and Public Works			
Repairs and maintenance	300,000	55,796,922	293,480
Capital outlay	<u>38,381,381</u>	<u>300,000</u>	<u>(8,928,321)</u>
Total Streets and Public Works	<u>38,681,381</u>	<u>56,096,922</u>	<u>46,575,121</u>
Total Expenditures	<u>38,681,381</u>	<u>56,096,922</u>	<u>46,575,121</u>
Excess of Revenues Over Expenditures	(14,733,157)	(30,983,157)	(1,989,731)
Excess of Revenues Over Expenditures	(14,733,157)	(30,983,157)	(1,989,731)
Other Financing Sources (Uses)			
Operating transfer in	13,099,157	29,499,157	5,017,346
Total other Financing Sources (Uses)	<u>13,099,157</u>	<u>29,499,157</u>	<u>(24,481,811)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(1,634,000)	(1,484,000)	3,027,615
Fund Balance, Beginning of Year	<u>3,049,427</u>	<u>3,049,427</u>	<u>3,049,427</u>
Fund Balance, End of Year	<u>\$1,415,427</u>	<u>1,565,427</u>	<u>6,077,042</u>
Fund Balance, End of Year	<u>\$1,415,427</u>	<u>1,565,427</u>	<u>4,511,615</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Other:				
Interest	\$1,500	1,500	1,917	417
Impact fees	640,000	640,000	620,732	(19,268)
Total Revenues	<u>641,500</u>	<u>641,500</u>	<u>622,649</u>	<u>(18,851)</u>
Expenditures				
Debt Service				
Principal	1,053,655	1,053,655	1,153,103	(99,448)
Interest	616,822	616,822	447,044	169,778
Total Expenditures	<u>1,670,477</u>	<u>1,670,477</u>	<u>1,600,147</u>	<u>70,330</u>
Excess of Revenues Over Expenditures	(1,028,977)	(1,028,977)	(977,498)	51,479
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Payment to escrow to refund bonds	-	-	-	-
Operating transfer in	1,028,977	1,028,977	982,240	(46,737)
Total other Financing Sources (Uses)	<u>1,028,977</u>	<u>1,028,977</u>	<u>982,240</u>	<u>(46,737)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	-	-	4,742	4,742
Fund Balance, Beginning of Year	259,684	259,684	259,684	-
Fund Balance, End of Year	<u>\$259,684</u>	<u>259,684</u>	<u>264,426</u>	<u>4,742</u>

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2017

	<u>Land</u>	<u>Building & Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$202,950	1,004,141	689,299	-	7,465	1,903,855
Public safety:						
Police	375,000	2,691,623	4,663,323	-	-	7,729,946
Fire	255,425	1,754,031	3,842,632	-	-	5,852,088
Streets and Public Works	2,714,849	1,597,651	2,243,692	42,235,097	16,140,376	64,931,665
Stormwater	-	-	58,152	-	-	58,152
Parks	704,429	4,801,111	1,118,183	522,989	95,446	7,242,158
Total governmental funds capital assets	<u>\$4,252,653</u>	<u>11,848,557</u>	<u>12,615,281</u>	<u>42,758,086</u>	<u>16,243,287</u>	<u>87,717,864</u>

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets By Function and Activity

For the Year Ended June 30, 2017

Function and Activity	Balance June 30, 2016	Additions	Transfers & Deletions	Balance June 30, 2017
General Government	\$1,864,175	199,343	(159,663)	1,903,855
Public safety:				
Police	7,148,377	573,729	7,840	7,729,946
Fire	5,692,120	159,968		5,852,088
Streets and Public Works	51,187,834	13,648,868	94,963	64,931,665
Stormwater	58,152			58,152
Parks	7,124,776	117,382		7,242,158
 Total governmental funds capital assets	<u>\$73,075,434</u>	<u>14,699,290</u>	<u>(56,860)</u>	<u>87,717,864</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2017

Major Governmental Funds

	Interest Rates	Amount
General Fund:		
Passbook and checking accounts	-	\$24,852,563
Petty Cash	-	1,810
Total General Fund		<u>24,854,373</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	5,478,303
Total Capital Projects Fund		<u>5,478,303</u>
Debt Service Fund		
Passbook and checking accounts	-	264,426
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>2,137,547</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Passbook and checking accounts	-	<u>848,725</u>
Drug Fund:		
Cash on hand	-	6,325
Passbook and checking accounts	-	381,949
Total Drug Fund		<u>388,274</u>
Storm Water:		
Checking accounts	-	<u>247,792</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	550
Passbook and checking accounts	-	9,307,921
Total Sewer Enterprise Fund		<u>9,308,471</u>
Internal Service Fund		
Passbook and checking accounts	-	<u>1,272,921</u>
Total		<u>\$44,800,832</u>

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2017

Fiscal Year	Tax Rate	<u>Assessment</u>	<u>Levy</u>	<u>Taxes Receivable June 30, 2016</u>	<u>Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Taxes Receivable June 30, 2017</u>
2017	\$0.20	998,442,380	1661408.00	-	1,696,052	(1,649,944)	(155)	45,953
2016	* 0.20	835,164,098	1,670,889	38,203	-	(34,833)	(14)	3,356
2015	* 0.20	788,758,500	1,577,517	3,076	-	(2,996)	-	80
2014	* 0.20	742,716,000	1,485,432	499	-	(239)	-	260
2013	* 0.20	708,757,810	1,416,493	243	-	(108)	-	135
2012	* 0.20	681,578,500	1,363,157	666	-	-	-	666
				<u><u>\$42,687</u></u>	<u><u>1,696,052</u></u>	<u><u>(1,688,120)</u></u>	<u><u>(169)</u></u>	<u><u>50,450</u></u>
<hr/>								
** 2018 Levy								
Property taxes receivable per the Governmental Funds Financial Statements								
Allowance for uncollectables								
Property taxes receivable per the Government Wide Financial Statement s								
<hr/>								
* 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								
<hr/>								
1,684,825								
1,735,275								
(4,050)								
<u><u>\$1,731,225</u></u>								

CITY OF MT. JULIET, TENNESSEE

Schedule of Long Term Debt Requirements

Governmental-Type Activities

June 30, 2017

Fiscal Year	Refunding Public Improvement Bonds		Public Improvement Refunding Bonds		Obligation to County School System	Total
	Principal	Interest	Principal	Interest		
2018	\$199,000	223,844	400,000	165,478	284,602	1,272,924
2019	197,700	218,969	420,000	151,477	-	988,146
2020	196,700	214,125	440,000	136,778	-	987,603
2021	195,700	209,306	450,000	120,827	-	975,833
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
Total	<u>\$9,136,500</u>	<u>2,677,205</u>	<u>4,270,000</u>	<u>897,213</u>	<u>284,602</u>	<u>17,265,520</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2017

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Federal Identifying Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Total Program Expenditures</u>
16.607	Bullet Proof Vest Grant	US Department of Justice	N/A		\$4,125	4,125
97.083	SAFER	Federal Emergency Agency	EMW-2015-FH-00231		104,125	104,125
20.205	Surface Transportation Program	TN Department of Transportation	STP-M-9322(1) * 95LPLM-F2-014 95LPLM-F3-015 95LPLM-F1-016		6,739,790	
20.205	Surface Transportation Program	TN Department of Transportation	STP-M-171(28) * 95LPLM-F3-033		391,941	
20.205	Transportation Alternatives Program	TN Department of Transportation	TAP-M-4855(10) * 95LPLM-F0-050		44,020	7,175,751
20.600	High Visibility Law Enforcement Grant	TN Department of Safety	N/A	154AL-16-225	381	381
					<u>\$7,284,382</u>	<u>7,284,382</u>

* Major Program

Notes:

During 2017 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, 2017

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

CFDA Number	Grant/Contract Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/16	Cash Receipts	Program Income	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/17
16.607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice	\$-	-	-	-	4,125	(4,125)
97.083	EMW-2015-FH-0231	SAFER	Federal Emergency Management	-	84,274	-	-	104,125	(19,851)
16.922	N/A	Equitable Sharing	U. S. Department of Justice	31,100	3,202	181	-	-	34,483
20.205	95LPLM-F2-014,F3-015,F1-016	Surface Transportation Program	* Federal Highway Administration	(3,479,693)	8,835,818	-	139	6,739,790	(1,383,526)
20.205	95LPLM-F3-033	Surface Transportation Program	* Federal Highway Administration	(259,213)	466,134	-	-	391,941	(185,020)
20.205	95LPLM-F0-050	Transportation Alternative Program (Greenway)	* Federal Highway Administration	-	44,020	-	-	44,020	-
20.600	Z15GHS255	High Visibility Law Enforcement Grant	** Federal Highway Administration	(2,756)	3,137	-	-	381	-
				<u><u>(\$3,710,562)</u></u>	<u><u>9,436,585</u></u>	<u><u>181</u></u>	<u><u>139</u></u>	<u><u>7,284,382</u></u>	<u><u>(1,558,039)</u></u>

* Passed through the Tennessee Department of Transportation

** Passed through the Tennessee Department of Safety

State Assistance

N/A	95LPLM-S3-041	State Industrial Access Grant	TN Department of Transportation	(\$260,465)	-	-	508	-	(259,957)
N/A	95LPLM-S0-045	Multimodal Access Grant	TN Department of Transportation	-	72,484	-	-	86,556	(14,072)
N/A	FDIP-15-02	Fast Track Grant	TN Department of Economic & Community Development	-	-	-	-	266,477	(266,477)
				<u><u>(\$260,465)</u></u>	<u><u>72,484</u></u>	<u><u>-</u></u>	<u><u>508</u></u>	<u><u>353,033</u></u>	<u><u>(540,506)</u></u>

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, 2017

<u>Insurance Coverage</u>		<u>Details of Coverage</u>
Tennessee Municipal League Insurance Pool		\$4,000,000/\$2,500 deductible
Public Officials Error & Omissions		
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 \$4,000,000 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)		\$27,387,524
EDP Equipment/Media		\$579,000
Mobile Equipment		\$1,158,264
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		\$250,000
Tennessee Risk Management Trust Insurance Pool (Workmen's Compensation)		\$1,000,000 Each accident limit \$1,000,000 Policy limit by disease \$1,000,000 Employee limit by disease

CITY OF MT. JULIET, TENNESSEE

Schedule of City Officials

June 30, 2017

<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, 2017

	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				\$50.00
Number of customers				10,792

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, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 17, 2017.

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 November 17, 2017.

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.

A handwritten signature in black ink, appearing to read "Tom Howard".

November 17, 2017

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, 2017. 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, 2017.

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.



November 17, 2017

City of Mt Juliet, Tennessee

Schedule of Disposition of Prior Year Findings and Questioned Costs

For the Year June 30, 2017

Financial Statement Findings

Finding Number	Finding Title	Status
None.		

Federal Awards Findings and Questioned Costs

None.

City of Mt. Juliet, Tennessee

Schedule of Findings and Questioned Costs

June 30, 2017

I. Summary of Auditor's Results

- A. The June 30, 2017 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, 2017 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 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.