

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2018

CITY OF MT. JULIET, TENNESSEE

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FINANCIAL SECTION

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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, 2018, 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, 2018, 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.

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 xiii 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 26, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 Mt. Juliet's internal control over financial reporting and compliance.



November 26, 2018

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, 2018. 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 \$164 million.
- The government's total net position increased by \$14 million, due to increases in the business type activities net position of over \$3 million and over \$11 million due to government activity over 6/30/2017.
- As of the close of the current fiscal year, the City of Mt. Juliet's governmental funds reported combined ending fund balances of almost \$37 million an increase of \$3.3 million in comparison with the prior year. Over 21% of this total amount, or \$7.7 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 \$7.7 million, or 48 percent of total governmental fund expenditures for the fiscal year excepting the transfers to construct the Eastern Connector and road paving.
- The City of Mt. Juliet's long-term debt decreased by \$848 thousand (5.2%) during the current fiscal year. The decreases were created by principal payments of \$599 thousand as scheduled for bonds and capital notes including a reduction of the capital lease (fire-fighting vehicles) obligation by \$249,000.
- The City's Net OPEB (Other Post-Employment Benefits) obligation was affected by the implementation of GASB (Governmental Accounting Standards Board) Statement 75. The beginning balance was restated to \$1.3 million. Net changes through the year decreased this balance by \$20 thousand.
- The City of Mt. Juliet retained its AA+ rating by Standard and Poor's, held since 12/30/2013 and has been classified as stable since 6/30/2009.

Overview of the Financial Statements

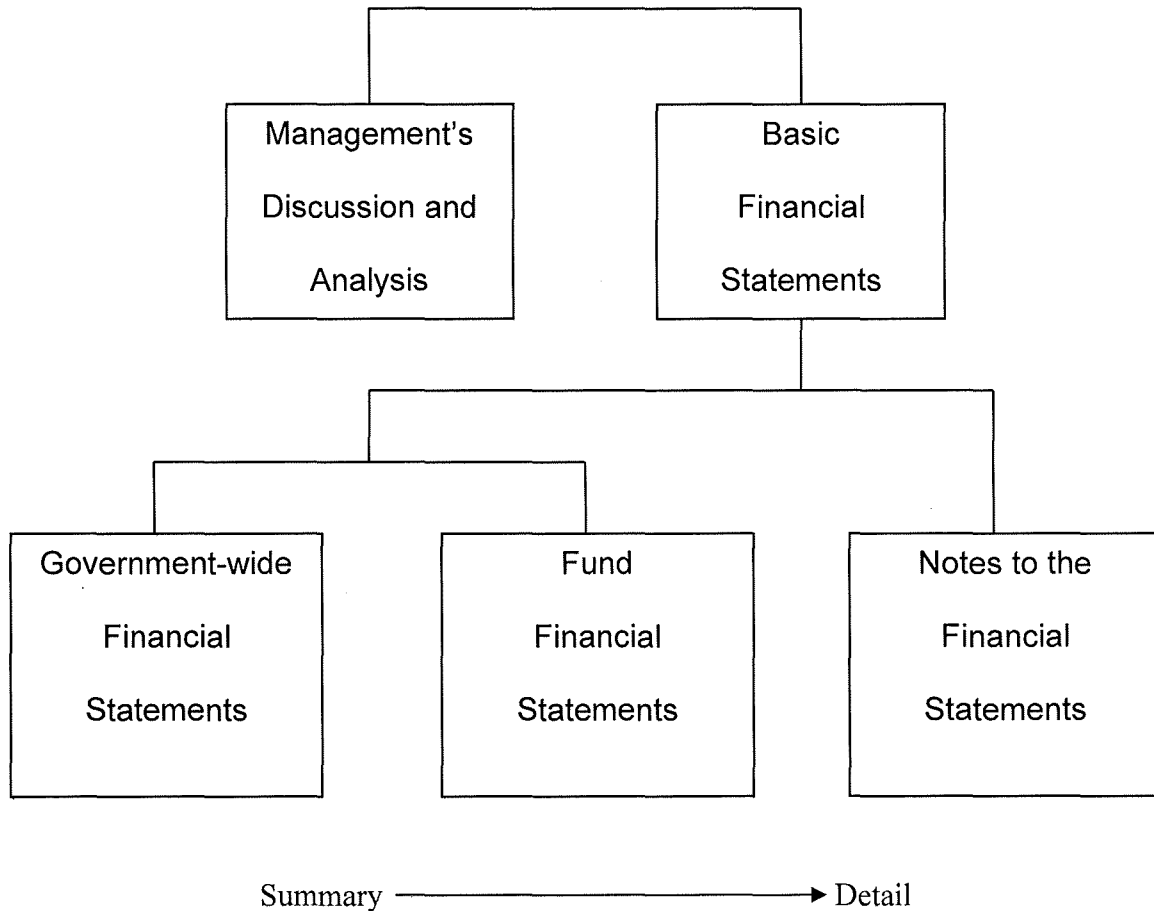
This discussion and analysis are intended to serve as an introduction to City of Mt. Juliet's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements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

City of Mt. Juliet

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 16-39. 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 two categories, governmental activities and business-type activities. 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 reported using an accounting method called *modified accrual accounting* that provides a

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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 and other post-employment benefits to its employees. Required supplementary information can be found on pages 40 through 43.

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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 \$164 million as of June 30, 2018. The City's net position increased by \$14 million for the fiscal year ended June 30, 2018 when compared to the fiscal year ended June 30, 2017. However, the largest portion, 67.4% reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding 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, 6.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of over \$42 million 25.7% is unrestricted.

	<u>City of Mt. Juliet Net Position</u>					
	Governmental Activities		Business Type Activities		Total	Total
	2018	2017*	2018	2017*	2018	2017*
Current and Other Assets	\$ 47,973,812	\$ 42,078,196	13,050,518	11,378,455	61,024,330	53,456,651
Capital Assets	73,681,114	67,516,191	54,636,000	53,309,535	128,317,114	120,825,726
Total Assets	121,654,926	109,594,387	67,686,518	64,687,990	189,341,444	174,282,377
Deferred Outflows of Resources	1,592,051	1,644,578	137,776	152,055	1,729,827	1,796,633
Long Term Liabilities Outstanding	13,611,098	15,681,790	135,516	130,954	13,746,614	15,812,744
Other Liabilities	8,941,281	6,226,274	1,377,053	1,605,780	10,318,334	7,832,054
Total Liabilities	22,552,379	21,908,064	1,512,569	1,736,734	24,064,948	23,644,798
Deferred Inflows of Resources	2,169,478	1,926,409	24,170	28,264	2,193,648	1,954,673
Net Position:						
Net Investment in Capital Assets						
Net of Related Debt	56,912,067	51,532,378	54,205,432	52,686,361	111,117,499	104,218,739
Restricted	6,881,974	6,606,808	4,340,092	3,491,768	11,222,066	10,098,576
Unrestricted	34,731,079	29,265,306	7,742,031	6,896,918	42,473,110	36,162,224
Total Net Position	98,525,120	87,404,492	\$ 66,287,555	\$ 63,075,047	164,812,675	150,479,539

*As restated

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

- Local sales tax collection increased due to incoming retail locations and maturity of others.
- Continued low cost of debt due to the City's high bond rating coupled with the refunding of the 2008 bonds to achieve lower interest.
- A sustained building "boom" that increases fees across the entire revenue spectrum.

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City of Mt. Juliet (City of Mt. Juliet Changes in Net Position)						
	Governmental Activities		Business Type Activities		Total	Total
	2018	2017*	2018	2017*	2018	2017*
Revenues						
Program Revenues:						
Charges for Services	\$ 4,698,143	\$ 3,828,526	\$ 6,366,595	\$ 6,281,451	\$ 11,064,738	\$ 10,109,977
Operating Grants and Contributions	1,431,544	1,560,703			1,431,544	1,560,703
Capital Grants and Contributions	5,114,305	11,362,340	3,282,210	4,031,087	8,396,515	15,393,427
General Revenues						
Sales Taxes	10,294,078	9,733,557			10,294,078	9,733,557
Property Tax	1,824,700	1,696,363			1,824,700	1,696,363
Other Locally Assessed Taxes	4,043,026	3,720,555			4,043,026	3,720,555
Other State Shared Taxes	3,217,487	2,830,086			3,217,487	2,830,086
Investment Earnings & Rental Income	23,458	36,762	86,568	79,663	110,026	116,425
Other	343,935	203,324			343,935	203,324
Total Revenues	\$ 30,990,676	\$ 34,972,216	\$ 9,735,373	\$ 10,392,201	\$ 40,726,049	\$ 45,364,417
Expenses:						
General Government	\$ 3,199,367	\$ 3,016,421			\$ 3,199,367	\$ 3,016,421
Public Safety	9,023,518	8,555,623			9,023,518	8,555,623
Recreation and Culture	1,577,454	1,486,861			1,577,454	1,486,861
Streets and Public Works	5,422,921	4,878,050			5,422,921	4,878,050
Stormwater	185,563	186,327			185,563	186,327
Interest on Debt	461,226	484,761			461,226	484,761
Sewer			6,522,865	5,881,750	6,522,865	5,881,750
Total Expenses	\$ 19,870,049	\$ 18,608,043	\$ 6,522,865	\$ 5,881,750	\$ 26,392,914	\$ 24,489,793
Increase (Decrease) in Net Position	11,120,627	16,364,173	3,212,508	4,510,451	14,333,135	20,874,624
Net Position Beginning of Year	87,404,492	71,125,471	63,075,047	58,558,437	150,479,539	129,683,908
Restatement See Note 14	-	(85,152)	-	6,159	-	(78,993)
Net Position End of Year	\$ 98,525,119	\$ 87,404,492	\$ 66,287,555	\$ 63,075,047	\$ 164,812,674	\$ 150,479,539

Governmental Activities: Governmental activities increased the City's net position by over \$11 million, thereby accounting for 77.6% of the total growth in the net position of the City of Mt. Juliet. Key elements of this increase are as follows:

- Local Option Sales Tax revenues increased over \$500 thousand or 5.7% over the prior year showing continued strong growth in the City business community.
- City codes require developers to build to a certain standard in streets for which the City then assumes responsibility and receives donated infrastructure, which totaled \$2.26 million for the year ended 6/30/2018.
- Developers also provided over \$235 thousand in road improvement fees.

Business-type activities: Business-type activities increased the City of Mt. Juliet's net position by \$3.2 million, accounting for over 22% of the total growth in the government's net position. Key elements of this increase are as follows:

- City codes require developers to build to a certain standard for sewers for which the City assumes responsibility and receives donated infrastructure, which totaled \$1.8 million.
- Development continues to increase the business-type assets with sewer tap fee and sewer development fee requirements.
- The City has taken a more aggressive approach to the recovery of the sewer services expenditures from customers in an effort to recover depreciation instituting a 5% rate increase during 2015-2016, 3% rate increase in 2017-2018 and 3% rate increase for 2018-2019.
- The City expects to re-examine the sewer rates for 2019-2020 fiscal year.

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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 \$7.7 million, while total fund balance was over \$29 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 47.9% of total General Fund expenditures when including amounts transferred to the State Street Aid Fund and while excluding transfers for the City's share of road construction projects while total fund balance represents 181.1% of the same expenditures.

At June 30, 2018, the governmental funds of City of Mt. Juliet reported a combined fund balance of almost \$36.8 million, a 9.95 percent increase over last year. Included in this change are fund balance increases in the General and Storm Water Funds and decreases in the State Street Aid, Emergency Services, Capital Projects and Debt Service funds. The city instituted a property tax for the first time in over 10 years with the year ended 6/30/2012. The property tax is dedicated to the Emergency Services Fund and has raised over \$10.7 million since inception. The funds raised are for the purchase of capital resources, salaries and operating costs for and of the Fire Department with the remainder 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 \$1.8 million in the current year. Local Option Sales Tax revenues were near 5.7 percent above that of the prior year as well as 5.9% above the budget of such revenue, which is the largest City revenue category. The third largest contributor to local revenue, Business Tax was 9.8% or over \$98 thousand above budget and 9.9% above the previous year as well. Revenue in most areas exceeded budget. The other largest increases were the result of contributions from others and various permit fees as well as franchise taxes and state shared sales and income tax revenue. License and Permit fees were well above budget due mostly from a continued surge in building permits.

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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 upcoming project to widen the bridge over Interstate 40 as well as other infrastructure improvements including sidewalks and bike lanes. Some repairs and improvements to infrastructure items that had been deferred until completion of the Eastern Connector were able to be completed including road repaving projects. 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 is utilizing 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, the 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. Projects of this size typically span longer than one fiscal year however, it is necessary 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 become available in the immediate future. Certain grants are more easily obtained when the planning, engineering, and budgets already exist. With the completion of the Golden Bear Gateway, the City was able to free up staff time and resources to begin the engineering to move the other projects forward.

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 \$7.7 million. The total increase in net position for the fund was over \$3 million.

- Developers built sewer lines to the required City standard, which were contributed to the City, in the amount of over \$1.8 million. The City assumed responsibility for maintenance, repair and eventual replacement of these assets.
- Developers also contributed almost \$1.5 million in tap fees that will be available for sewer expansion and replacement.

Capital Asset and Debt Administration

Capital Assets: The City of Mt. Juliet's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totals almost \$128 million (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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Major Capital Asset Acquisitions Fiscal Year 2017-2018

Governmental Activities

Golden Bear Gateway Construction-Eastern Connector	3,808,204
Roads Donated by Developers	2,266,400
Police Communications System	1,204,557
City Building Improvements	595,198
Road and Sidewalk Improvements	531,452
Police Infrastructure Improvements	475,171
Police Vehicles and Equipment	292,455
Recreation Equipment and Improvements	186,253
City Bucket Truck	186,187
Public Works Vehicles and Equipment	161,045
Cedar Creek Greenway	106,765
Information Technology Vehicles and Equipment	75,678
Building Codes and Planning	29,000
Emergency Fire Equipment	22,371

Business Activities

Sewer Line Donations by Developers	1,831,070
Sewer Vehicles and Equipment	275,744
Stoner Creek Construction	254,602
HWY 70 Pump Station Modifications	225,975
Central Pike Pump Station Construction	206,936
Rehab Providence	173,266
Rehab Royal Oaks	48,688
Rehab Belinda City	22,776

<u>Asset Class</u>	<u>City of Mt. Juliet's Capital Assets</u>					
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	<u>Total</u>
	<u>Activities</u>		<u>Activities</u>			
	2018	2017	2018	2017	2018	2017
Land	6,576,231	4,252,653	1,141,135	1,141,135	7,717,366	5,393,788
Bldgs and Improvements	7,049,811	7,049,811	505,692	505,692	7,555,503	7,555,503
Improv Other than Bldgs	6,084,548	4,798,746	256,909	54,676	6,341,457	4,853,422
Machinery and Equipment	14,058,976	12,615,281	893,762	706,706	14,952,738	13,321,987
Construction in Progress	1,523,497	16,243,287	733,227	5,883,870	2,256,724	22,127,157
Collection System			73,868,432	66,094,754	73,868,432	66,094,754
Infrastructure	61,624,616	42,758,086			61,624,616	42,758,086
					-	-
Total Cost	96,917,679	87,717,864	77,399,157	74,386,833	174,316,836	162,104,697
Less Accumulated Depreciation	23,236,563	20,201,673	22,763,155	21,077,297	45,999,718	41,278,970
Net Capital Assets	73,681,116	67,516,191	54,636,002	53,309,536	128,317,118	120,825,727

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

City of Mt. Juliet

Long-term Debt: As of June 30, 2018, the City of Mt. Juliet had total bonded debt, lease-purchases, long-term obligations and capital notes outstanding of over \$14 million. The entire debt is backed by the full faith and credit of the City of Mt. Juliet.

	Governmental Activities		Business Type Activities		Total	Total
	2018	2017	2018	2017	2018	2017
General Obligation Bonds/Capital Notes	\$ 12,807,500	\$ 13,406,500			\$ 12,807,500	\$ 13,406,500
Obligation to County School System	284,602	284,602			284,602	284,602
Capital Lease-Fire Apparatus	1,641,989	1,891,118			1,641,989	1,891,118
Revenue Bonds					-	-
Total	\$ 14,734,091	\$ 15,582,220	\$ -	\$ -	\$ 14,734,091	\$ 15,582,220

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. This revenue of over \$797 thousand was supplemented with a transfer from the Emergency Services Fund of \$300 thousand, in order for the fund to meet the outstanding obligations. The City of Mt. Juliet's long-term debt decreased near \$848 thousand or near 5.4% 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 6/30/2018 governmental debt was less than 1.4% of assessments and less than \$470 per capita.

Total debt payments for the next fiscal year are near \$1.68 million. Additional information regarding the City of Mt. Juliet's long-term debt can be found in note 6 beginning on page 25 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 2018 estimated at 3.1% is below the National average of 3.9% as well as the Tennessee rate of 3.5% and the Wilson County rate of 3.1%
- The City expects to welcome a new Emergency Medical Center bringing with it 50 new jobs.
- Two new hotels will open in 2019, which should require 165 employees among them contributing to a projected job growth rate of almost 2.4%.
- The City will see two new restaurants, one currently under construction with plans to open in the first quarter of 2019 and one estimated to open in the fourth quarter. Both look to bring 110 jobs to the area.

City of Mt. Juliet

- The City will see the addition of 6 retail establishments in 2019 including an 88k square foot home furnishings facility and a new car dealership. These look to bring upwards of 300 jobs to the City.

Budget Highlights for the Fiscal Year Ending June 30, 2019

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 for Emergency Services. The City anticipates nominal growth in local tax revenue, licenses and permits.

The City has budgeted for additional police officers as well as positions for the Storm Water and Sewer departments for 6/30/2019.

Increases in the General Fund expenditures are anticipated with the largest increments for roadway construction. Budgeted expenditures are expected to exceed budgeted revenue for 6/30/2019 by near \$17 million due to effort directed city roadway improvements.

The City has been awarded grants to improve the City's sidewalks and bike lanes over the next couple of years along the areas of Lebanon Road, Woodridge Place, the I-40 bridge as well as further Greenway development.

The City was also awarded a grant for the design and construction of an ITS and Signal Improvements project. This project will implement an interconnected signal system along Mt. Juliet Road from Central Pike to City Hall for 13 total signals within the corridor. This includes the installation of fiber optic cable, expansion of the traffic operations center at City Hall, implementation of Advanced Signal Control Technology, and the construction of a new signal within the corridor.

Business-type Activities: The City projects a 3% increase in sewer rates during the fiscal year ended 6/30/2019. 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 2019-2020.

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, Dana Swinea, PO Box 679, Mt. Juliet, TN 37121-0679 or email at dswinea@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, 2018

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
<u>Assets</u>			
Cash and cash equivalents	\$41,089,962	6,530,341	47,620,303
Investments	-	1,073,289	1,073,289
Receivables (net):			
Property taxes	1,893,871	-	1,893,871
Other taxes	190,168	-	190,168
Due from other governments	4,334,771	-	4,334,771
Internal balances	(173,113)	173,113	-
Interest receivable	31	5,288	5,319
Customers and other	110,676	836,207	946,883
Inventories	-	83,314	83,314
Restricted assets:			
Cash - construction	-	4,290,839	4,290,839
Prepaid expenses	90,395	8,874	99,269
Capital assets, net of accumulated depreciation	65,581,386	52,761,638	118,343,024
Land and construction in progress - nondepreciable	8,099,728	1,874,362	9,974,090
Net pension asset	437,051	49,253	486,304
Total Assets	121,654,926	67,686,518	189,341,444
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows of resources	1,221,706	137,679	1,359,385
Deferred OPEB outflows of resources	872	97	969
Deferred amounts on refunding	369,473	-	369,473
Total Deferred Outflows of Resources	1,592,051	137,776	1,729,827
Total Assets and deferred outflows of resources	123,246,977	67,824,294	191,071,271
<u>Liabilities</u>			
Accounts payable	2,403,763	544,616	2,948,379
Accrued liabilities	870,826	57,199	928,025
Surety bonds	-	331,460	331,460
Accrued interest	67,678	-	67,678
Contracts payable	2,680,822	430,568	3,111,390
Unearned revenue	10,411	13,210	23,621
Long-term liabilities due within one year	1,688,133	-	1,688,133
Long-term liabilities due in more than one year	13,611,098	-	13,611,098
OPEB liability	1,219,648	135,516	1,355,164
Total Liabilities	22,552,379	1,512,569	24,064,948
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows of resources	214,478	24,170	238,648
Unlevied property and income taxes	1,955,000	-	1,955,000
Total Deferred Inflows of Resources	2,169,478	24,170	2,193,648
Total Liabilities and deferred inflows of resources	24,721,857	1,536,739	26,258,596
<u>Net Position</u>			
Net investment in capital assets	56,912,067	54,205,432	111,117,499
Restricted for:			
Capital improvements	-	4,290,839	4,290,839
Debt service	76,692	-	76,692
Streets	1,938,588	-	1,938,588
Public safety	2,069,418	-	2,069,418
Stormwater	458,703	-	458,703
Parks	1,901,522	-	1,901,522
Pension benefits	437,051	49,253	486,304
Unrestricted	34,731,079	7,742,031	42,473,110
Total Net Position	\$98,525,120	66,287,555	164,812,675

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2018

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$3,199,367	2,083,351	17,325	-	(1,098,691)	-	(1,098,691)
Public safety	9,023,518	1,269,334	239,893	43,006	(7,471,285)	-	(7,471,285)
Recreation and Culture	1,577,454	117,318	-	10,000	(1,450,136)	-	(1,450,136)
Streets and public works	5,422,921	-	1,174,326	5,061,299	812,704	-	812,704
Stormwater	185,563	430,256	-	-	244,693	-	244,693
Interest on debt	461,226	797,884	-	-	336,658	-	336,658
Total Government Activities	19,870,049	4,698,143	1,431,544	5,114,305	(8,626,057)	-	(8,626,057)
Business-type Activities:							
Sewer	6,522,865	6,366,595	-	3,282,210	-	3,125,940	3,125,940
Total Business-type Activities	6,522,865	6,366,595	-	3,282,210	-	3,125,940	3,125,940
Total Primary Government	\$26,392,914	11,064,738	1,431,544	8,396,515	(8,626,057)	3,125,940	(5,500,117)
General Revenues:							
Property taxes					\$1,824,700	-	1,824,700
Sales taxes					10,294,078	-	10,294,078
Wholesale beer tax					823,098	-	823,098
Wholesale liquor tax					468,420	-	468,420
Franchise tax					1,019,067	-	1,019,067
Hotel/motel tax					651,682	-	651,682
Business tax					1,080,759	-	1,080,759
State shared unrestricted taxes:							
State shared sales tax					2,424,663	-	2,424,663
State shared beer tax					13,137	-	13,137
State alcoholic beverage tax					160,550	-	160,550
State shared income tax					299,828	-	299,828
State shared TVA tax					319,309	-	319,309
Other unrestricted state shared taxes					23,458	-	23,458
Unrestricted investment earnings and rental income					235,209	86,568	321,777
Other					108,727	-	108,727
Total general revenues					19,746,685	86,568	19,833,253
Change in net position					11,120,628	3,212,508	14,333,136
Net position - beginning of year, as restated					87,404,492	63,075,047	150,479,539
Net position - end of year					\$98,525,120	66,287,555	164,812,675

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2018

	Special Revenue Funds		Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	State Street Aid Fund	Emergency Services Fund			
<u>Assets</u>						
Cash	\$30,017,341	1,114,481	1,765,808	5,537,028	76,692	799,891
Receivables (net)						
Property taxes	-	-	1,896,302	-	-	1,896,302
Other taxes	190,168					190,168
Due from other governments	2,756,037	175,300	52,602	1,350,832	-	4,334,771
Other	1,424		-			1,424
Interest receivable	25	-	6	-	-	31
Prepaid items	84,019	-	5,512	-	864	90,395
Total Assets	<u>\$33,049,014</u>	<u>1,289,781</u>	<u>3,720,230</u>	<u>6,887,860</u>	<u>800,755</u>	<u>45,824,332</u>
<u>Liabilities</u>						
Accounts payable	\$588,272	1,100,992	7,901	464,001	8,456	2,169,622
Accrued costs	842,540	-	20,234	-	8,052	870,826
Contracts payable	1,046,613	-	-	1,634,209	-	2,680,822
Unearned revenue	10,411	-	-	-	-	10,411
Total Liabilities	<u>2,487,836</u>	<u>1,100,992</u>	<u>28,135</u>	<u>2,098,210</u>	<u>16,508</u>	<u>5,731,681</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue	<u>1,280,478</u>	<u>89,960</u>	<u>1,895,357</u>	<u>-</u>	<u>-</u>	<u>3,265,795</u>
<u>Fund Balance</u>						
Nonspendable:						
Prepays	84,019	-	5,512	-	864	90,395
Restricted for:						
Streets	1,749,799	98,829	-	-	-	1,848,628
Parks	1,901,522	-	-	-	-	1,901,522
Public safety	-	-	1,791,226	-	312,319	2,103,545
Stormwater	-	-	-	-	471,064	471,064
Debt service	-	-	-	76,692	-	76,692
Committed:						
Capital projects	-	-	-	4,789,650	-	4,789,650
Stabilization	600,000	-	-	-	-	600,000
Assigned for:						
Parks project	30,000	-	-	-	-	30,000
Subsequent year's budget	17,175,939	-	-	-	-	17,175,939
Unassigned:	7,739,421	-	-	-	-	7,739,421
Total Fund Balances	<u>29,280,700</u>	<u>98,829</u>	<u>1,796,738</u>	<u>4,789,650</u>	<u>784,247</u>	<u>36,826,856</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$33,049,014</u>	<u>1,289,781</u>	<u>3,720,230</u>	<u>6,887,860</u>	<u>800,755</u>	<u>45,824,332</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, 2018

Amounts reported for fund balance - total governmental funds	\$36,826,856
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	73,681,114
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
State shared revenue and local option sales tax receivable	1,290,437
Property taxes receivable	17,926
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.	1,480,720
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(67,678)
Bond premiums are amortized over the life of the bonds in the statement of activities.	(8,209)
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net position	369,473
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.	
Net pension asset	437,051
Deferred outflows of resources	1,221,706
Deferred inflows of resources	<u>(214,478)</u>
	1,444,279
OPEB 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.	
Net OPEB liability	(1,219,648)
Deferred outflows of resources	<u>872</u>
	(1,218,776)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.	
Governmental bonds and notes payable	(\$12,807,500)
Capital leases payable	(1,641,989)
Obligation to county schools	(284,602)
Compensated absences	<u>(556,931)</u>
	(15,291,022)
Net position of governmental activities	<u>\$98,525,120</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2018

	General	Special Revenue Funds		Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		State Street Aid Fund	Emergency Services Fund	General Capital Projects Fund			
Revenues							
Taxes	\$14,344,896	-	1,850,093	-	-	-	16,194,989
Intergovernmental	3,301,886	933,693	202,296	2,671,405	-	6,530	7,115,810
Fines and fees	1,111,431	-	-	-	-	109,912	1,221,343
Licenses and permits	1,987,351	-	43,006	-	797,884	430,256	3,258,497
Charges for services	236,913	-	-	-	-	-	236,913
Uses of money and property	265,614	4,135	22,463	32,213	2,694	4,090	331,209
Miscellaneous	278,942	-	4,177	64,323	-	-	347,442
Total Revenue	<u>21,527,033</u>	<u>937,828</u>	<u>2,122,035</u>	<u>2,767,941</u>	<u>800,578</u>	<u>550,788</u>	<u>28,706,203</u>
Expenditures							
Current:							
General government	3,331,904	-	-	-	-	-	3,331,904
Police	6,259,100	-	-	-	-	67,822	6,326,922
Fire	-	-	2,119,599	-	-	-	2,119,599
Streets and public works	2,036,131	1,372,858	-	24,631	-	-	3,433,620
Stormwater	-	-	-	-	-	202,126	202,126
Parks and culture	1,328,942	-	-	855	-	-	1,329,797
Debt service	-	-	-	-	1,288,312	-	1,288,312
Capital outlay	3,113,126	37,725	22,371	4,077,621	-	89,834	7,340,677
Total Expenditures	<u>16,069,203</u>	<u>1,410,583</u>	<u>2,141,970</u>	<u>4,103,107</u>	<u>1,288,312</u>	<u>359,782</u>	<u>25,372,957</u>
Excess (deficiency) revenues over expenditures	<u>5,457,830</u>	<u>(472,755)</u>	<u>(19,935)</u>	<u>(1,335,166)</u>	<u>(487,734)</u>	<u>191,006</u>	<u>3,333,246</u>
Other Financing Sources (Uses)							
Transfers from (to) other funds	<u>(148,261)</u>	<u>100,487</u>	<u>(300,000)</u>	<u>47,774</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(148,261)</u>	<u>100,487</u>	<u>(300,000)</u>	<u>47,774</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	5,309,569	(372,268)	(319,935)	(1,287,392)	(187,734)	191,006	3,333,246
Fund Balance, Beginning of Year	<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>
Fund Balance, End of Year	<u>\$29,280,700</u>	<u>98,829</u>	<u>1,796,738</u>	<u>4,789,650</u>	<u>76,692</u>	<u>784,247</u>	<u>36,826,856</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2018

Amounts reported for net change in fund balance - total governmental funds	\$3,333,246
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	7,340,677
Disposal of capital asset	(8,377)
Depreciation expense	(3,433,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(25,393)
Local option sales tax	13,185
State shared revenues	38,655
Contributed capital assets	2,266,400
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	848,129
Amortization of debt discounts, premiums and losses on refunding	(28,202)
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	7,159
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Compensated absences	(33,910)
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	289,579
OPEB expenditures in the governmental funds reflects amounts currently paid for OPEB costs; however OPEB expense in the statement of activities is a comprehensive measurement consisting of elements deferrals and amortization of expenses which results in a difference in OPEB costs.	
OPEB costs	19,664
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)	493,592
Change in net position of governmental activities	<u>\$11,120,628</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, 2018

<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:				
Local sales taxes	\$9,710,000	9,710,000	10,280,893	570,893
Wholesale beer	820,000	820,000	823,098	3,098
Wholesale liquor	500,000	500,000	468,420	(31,580)
Franchise taxes	876,000	876,000	1,019,067	143,067
Hotel/Motel taxes	534,000	534,000	651,682	117,682
Business taxes	1,003,000	1,003,000	1,101,736	98,736
Total Local Taxes	<u>13,443,000</u>	<u>13,443,000</u>	<u>14,344,896</u>	<u>901,896</u>
Intergovernmental:				
State sales tax	2,263,000	2,263,000	2,390,790	127,790
State beer tax	12,800	12,800	13,137	337
State income tax	177,660	177,660	299,828	122,168
City petroleum special tax	57,000	57,000	56,737	(263)
State alcohol beverage tax	125,000	125,000	160,550	35,550
Police inservice	33,000	33,000	24,000	(9,000)
Other state revenue allocation	18,400	18,400	17,968	(432)
TVA in lieu of tax	318,000	318,000	319,309	1,309
Grants	2,500	2,500	19,567	17,067
	<u>3,007,360</u>	<u>3,007,360</u>	<u>3,301,886</u>	<u>294,526</u>
Fines and Penalties:				
City court and drug control	946,100	946,100	1,111,431	165,331
Total Fines and Penalties	<u>946,100</u>	<u>946,100</u>	<u>1,111,431</u>	<u>165,331</u>
Licenses and Permits:				
Building permits	550,000	550,000	762,550	212,550
Plumbing permits	75,000	75,000	146,763	71,763
Review and inspection fees	250,000	250,000	423,430	173,430
Zoning permits	150	150	7,770	7,620
Sign permits	8,000	8,000	9,025	1,025
Electrical permits	250,000	250,000	287,927	37,927
Other permits	235,500	235,500	349,886	114,386
Total Licenses & Permits	<u>1,368,650</u>	<u>1,368,650</u>	<u>1,987,351</u>	<u>618,701</u>
Charges for Services:				
Public safety charges	24,000	24,000	43,814	19,814
Road improvement fees	90,100	90,100	75,781	(14,319)
Recreational fees	80,500	91,074	117,318	26,244
Total Charges for Services	<u>194,600</u>	<u>205,174</u>	<u>236,913</u>	<u>31,739</u>
Uses of Property and Money				
Administrative support services	94,200	94,200	96,000	1,800
Rent	21,500	21,500	23,401	1,901
Interest	95,000	95,000	146,213	51,213
Total Uses of Property and money	<u>210,700</u>	<u>210,700</u>	<u>265,614</u>	<u>54,914</u>
Other Revenues:				
Contributions from others	127,500	127,500	161,842	34,342
Sale of assets	-	606	47,496	46,890
Miscellaneous	19,525	28,634	69,604	40,970
Total Other Revenues	<u>147,025</u>	<u>156,740</u>	<u>278,942</u>	<u>122,202</u>
Total Revenues	<u>19,317,435</u>	<u>19,337,724</u>	<u>21,527,033</u>	<u>2,189,309</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, 2018

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
General Government:	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Legislative Board:				<u>Positive</u>
Salaries	\$66,001	66,001	64,856	(Negative)
Employee benefits	5,874	5,874	4,951	1,145
Supplies and other	6,750	6,750	1,184	923
Total Legislative Board	78,625	78,625	70,991	5,566
City Court:				
Salaries	10,125	10,125	8,325	1,800
Employee benefits	775	775	687	88
Outside services	4,500	4,500	2,450	2,050
Supplies	1,000	1,000	437	563
Total City Court	16,400	16,400	11,899	4,501
City Manager:				
Salaries	440,415	440,415	441,008	(593)
Employee benefits	174,405	174,405	167,872	6,533
Outside services	16,500	16,500	11,531	4,969
Membership and dues	28,746	28,746	27,943	803
Events and city beautification	69,000	69,000	47,951	21,049
Supplies	12,650	12,650	8,173	4,477
Insurance	4,200	4,200	4,370	(170)
Other costs	4,800	4,800	3,399	1,401
Retiree benefits	104,378	104,378	71,714	32,664
Capital outlay	-	-	-	-
Total City Manager	855,094	855,094	783,961	71,133
Finance:				
Salaries	234,697	234,697	232,770	1,927
Employee benefits	93,810	93,810	92,934	876
Outside services	51,750	51,750	52,377	(627)
Supplies	17,440	17,440	12,915	4,525
Other costs	3,925	3,925	4,738	(813)
Capital outlay	-	-	-	-
Total Finance	401,622	401,622	395,734	5,888
City Attorney:				
Outside services	270,000	270,000	236,522	33,478
Other costs	23,000	23,000	3,368	19,632
Total City Attorney	293,000	293,000	239,890	53,110
Economic and Community Development:				
Salaries	57,924	57,924	16,827	41,097
Employee benefits	4,825	4,825	392	4,433
City beautification	26,000	26,000	15,938	10,062
Outside services	67,000	67,000	66,410	590
Special census	40,000	40,000	34,570	5,430
Other costs	29,755	29,755	4,737	25,018
Capital outlay	-	-	-	-
Total Economic and Community Development	225,504	225,504	138,874	86,630

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, 2018

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>General Government, continued:</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Planning and Codes:				<u>Positive</u>
				<u>(Negative)</u>
Salaries	\$290,395	290,395	252,292	38,103
Employee benefits	114,913	114,913	103,860	11,053
Supplies	13,550	13,550	8,676	4,874
Outside services	135,500	135,500	51,747	83,753
Other costs	9,180	9,180	5,728	3,452
Capital outlay	-	-	-	-
Total Planning and Codes	563,538	563,538	422,303	141,235
 City Buildings and IT Services:				
Salaries	206,770	206,770	207,189	(419)
Employee benefits	62,345	62,345	57,940	4,405
Supplies	387,875	387,875	329,199	58,676
Repairs and maintenance	72,400	72,400	60,725	11,675
Outside services	111,530	111,530	92,046	19,484
Utilities	251,100	251,100	237,971	13,129
Insurance	29,600	29,600	20,888	8,712
Equipment rental	139,500	139,500	134,872	4,628
RTA commuter rail	-	30,000	30,000	-
Other costs	4,500	4,500	2,515	1,985
Capital outlay	600,000	600,000	597,520	2,480
Total City Hall Buildings	1,865,620	1,895,620	1,770,865	124,755
 City Garage:				
Salaries	55,384	55,384	55,105	279
Benefits	32,740	32,740	31,609	1,131
Supplies	6,850	6,850	4,026	2,824
Other	5,910	5,910	4,167	1,743
Capital outlay	-	-	-	-
Total City Garage	100,884	100,884	94,907	5,977
 Total General Government	4,400,287	4,430,287	3,929,424	500,863
 Public Safety:				
Police Department:				
Salaries	4,032,797	4,010,797	3,783,575	227,222
Benefits	1,686,189	1,686,189	1,559,439	126,750
Repairs and maintenance	112,750	112,750	112,889	(139)
Supplies	262,560	284,560	261,748	22,812
Outside services	305,349	305,349	284,547	20,802
Utilities	58,050	58,050	47,556	10,494
Insurance	179,175	179,175	161,880	17,295
Other costs	127,890	127,890	47,466	80,424
Capital outlay	1,900,000	1,900,000	1,891,141	8,859
Total Public Safety	8,664,760	8,664,760	8,150,241	514,519
 Streets and Public Works:				
Salaries	1,282,200	1,282,200	1,183,341	98,859
Employee benefits	688,523	653,523	645,244	8,279
Repairs and maintenance	20,915	92,300	87,507	4,793
Supplies	111,185	111,185	54,070	57,115
Outside services	103,445	103,445	31,580	71,865
Insurance	33,900	33,900	23,739	10,161
Other costs	29,000	29,000	10,650	18,350
Capital outlay	405,000	405,000	404,205	795
Total Streets and Public Works	2,674,168	2,710,553	2,440,336	270,217

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Expenditures</u>				<u>Positive</u>
				<u>(Negative)</u>
Recreation and Culture:				
Salaries	\$680,334	680,334	563,663	116,671
Employee benefits	308,960	308,960	276,930	32,030
Repairs and maintenance	42,500	42,500	42,321	179
Supplies	154,400	166,009	104,256	61,753
Outside services	17,000	17,000	5,123	11,877
Insurance	22,800	22,800	18,978	3,822
Utilities	58,500	58,500	63,279	(4,779)
Other costs	5,300	5,300	1,442	3,858
Appropriations to nonprofits	249,271	257,950	252,950	5,000
Capital outlay	225,000	225,000	220,260	4,740
Total Recreation and Culture	<u>1,764,065</u>	<u>1,784,353</u>	<u>1,549,202</u>	<u>235,151</u>
 Total Expenditures	<u>17,503,280</u>	<u>17,589,953</u>	<u>16,069,203</u>	<u>1,520,750</u>
 Excess (Deficiency) of Revenues Over Expenditures	<u>1,814,155</u>	<u>1,747,771</u>	<u>5,457,830</u>	<u>3,710,059</u>
 Other Financing Sources (Uses):				
Transfers out	<u>(16,634,290)</u>	<u>(16,634,290)</u>	<u>(148,261)</u>	<u>16,486,029</u>
Total Other Financing Sources (Uses)	<u>(16,634,290)</u>	<u>(16,634,290)</u>	<u>(148,261)</u>	<u>16,486,029</u>
 Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>(14,820,135)</u>	<u>(14,886,519)</u>	<u>5,309,569</u>	<u>20,196,088</u>
 Fund Balance, Beginning of Year	<u>23,971,131</u>	<u>23,971,131</u>	<u>23,971,131</u>	<u>-</u>
 Fund Balance, End of Year	<u>\$9,150,996</u>	<u>9,084,612</u>	<u>29,280,700</u>	<u>20,196,088</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Gasoline motor fuel city tax	\$540,000	540,000	541,893	1,893
Gas 1989 tax	85,000	85,000	86,535	1,535
Gas three cent tax	160,000	160,000	160,368	368
2017 tax	149,000	149,000	144,897	(4,103)
Interest	1,000	1,000	4,135	3,135
Total Revenues	<u>935,000</u>	<u>935,000</u>	<u>937,828</u>	<u>2,828</u>
<u>Expenditures</u>				
Street Maintenance				
Repairs and maintenance	1,165,000	1,165,000	1,185,315	(20,315)
Street lighting and signage	215,000	215,000	187,543	27,457
Capital outlay	40,000	40,000	37,725	2,275
Total Expenditures	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,410,583</u>	<u>9,417</u>
Excess of Revenues Over Expenditures	(485,000)	(485,000)	(472,755)	12,245
Other Financing Sources (Uses)				
Transfers In (Out)	<u>100,487</u>	<u>100,487</u>	<u>100,487</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>471,097</u>	<u>471,097</u>	<u>471,097</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$86,584</u></u>	<u><u>86,584</u></u>	<u><u>98,829</u></u>	<u><u>12,245</u></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**

Emergency Services Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Local taxes:				
Property tax	\$1,705,604	1,705,604	1,850,093	144,489
Interest	10,000	10,000	22,463	12,463
Licenses and permits	51,000	51,000	43,006	(7,994)
Grants	187,000	187,000	202,296	15,296
Other - contributions, etc	-	4,100	4,177	77
Total Revenues	<u>1,953,604</u>	<u>1,957,704</u>	<u>2,122,035</u>	<u>164,331</u>
<u>Expenditures</u>				
Fire				
Salaries	1,219,236	1,219,236	1,229,708	(10,472)
Benefits	600,905	596,895	572,829	24,066
Utilities	27,000	27,000	22,650	4,350
Contract services	7,000	7,000	7,558	(558)
Supplies	121,000	124,300	162,446	(38,146)
Repairs and maintenance	67,000	74,100	77,839	(3,739)
Insurance	26,000	26,000	21,868	4,132
Other	24,550	28,260	24,701	3,559
Capital outlay	63,000	548,000	22,371	525,629
Total Expenditures	<u>2,155,691</u>	<u>2,650,791</u>	<u>2,141,970</u>	<u>508,821</u>
Excess (Deficiency) of Revenues Over Expenditures	(202,087)	(693,087)	(19,935)	673,152
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	(502,087)	(993,087)	(319,935)	673,152
Fund Balance, Beginning of Year	<u>2,116,673</u>	<u>2,116,673</u>	<u>2,116,673</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$1,614,586</u></u>	<u><u>1,123,586</u></u>	<u><u>1,796,738</u></u>	<u><u>673,152</u></u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2018

	Business -type Activities Sewer Enterprise Fund	Internal Service Fund
<u>Assets</u>		
Current Assets:		
Cash	\$6,530,341	1,778,721
Investments	1,073,289	-
Receivable-net of allowance for doubtful accounts of \$19,275	836,207	109,252
Interest receivable	5,288	-
Prepaid insurance	8,874	-
Inventory	83,314	-
Total Current Assets	8,537,313	1,887,973
Noncurrent Assets:		
Restricted cash - restricted for capital projects	4,290,839	-
Net pension asset	49,253	-
Capital Assets:		
Land	1,141,135	-
Construction in progress	733,227	-
Collection system	73,868,431	-
Buildings	505,692	-
Equipment	1,150,671	-
Total Capital Assets	77,399,156	-
Less: accumulated depreciation	(22,763,156)	-
Net Property, Plant and Equipment	54,636,000	-
Total Noncurrent Assets	58,976,092	-
Total Assets	67,513,405	1,887,973
<u>Deferred Outflows of Resources</u>		
Net difference between projected and actual experience -OPEB plan	97	-
Net difference between projected and actual earnings -pension plan	137,679	-
Total Deferred Outflows of Resources	137,776	-
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	544,616	234,141
Accrued expenses	57,199	-
Surety bonds	331,460	-
Contract payable	430,568	-
Unearned revenue	13,210	-
Total Current Liabilities	1,377,053	234,141
Noncurrent Liabilities:		
Other post-employment benefit obligation	135,516	-
Total Noncurrent Liabilities	135,516	-
Total Liabilities	1,512,569	234,141
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources related to pensions	24,170	-
<u>Net Position</u>		
Net investment in capital assets	54,205,432	-
Restricted for capital improvements	4,290,839	-
Restricted for pension benefits	49,253	-
Unrestricted	7,568,918	1,653,832
Total Net Position	\$66,114,442	1,653,832
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	173,113	-
Net Position of business -type activities	\$66,287,555	-

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, 2018

	Business -type Activities Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$5,941,979	\$2,580,977
Sewer inspection and administrative charges	250,615	-
Penalties	104,700	-
Other	69,301	-
Total Operating Revenues	<u>6,366,595</u>	<u>2,580,977</u>
Operating Expenses:		
Sewer line and pump maintenance	1,157,446	-
Sewer lift station operation	285,363	-
Administrative and accounting	443,533	2,004,147
Sewer transportation and treatment	2,846,442	-
Depreciation	1,685,859	-
Professional services	187,460	-
Total Operating Expenses	<u>6,606,103</u>	<u>2,004,147</u>
Operating Income (Loss)	<u>(239,508)</u>	<u>576,830</u>
Nonoperating Revenues (Expenses):		
Rent	24,000	-
Interest income	62,568	-
Net Nonoperating Revenues (Expenses)	<u>86,568</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(152,940)</u>	<u>576,830</u>
Contributions:		
Capital contribution - Tap fees	1,451,140	-
Capital contribution - Utility plant	1,831,070	-
Total Contributions	<u>3,282,210</u>	<u>-</u>
Change in Net Position	<u>3,129,270</u>	<u>576,830</u>
Net Position - Beginning of Year, as restated	<u>62,985,172</u>	<u>1,077,002</u>
Net Position - End of Year	<u>\$66,114,442</u>	<u>1,653,832</u>
Change in Net Position as shown above	3,129,270	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>83,238</u>	
Change in Net Position of business -type activities	<u>\$3,212,508</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2018

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$6,354,621	-
Cash paid for personnel services	(857,389)	-
Cash paid to suppliers for goods and services	(3,801,416)	-
Cash received (returned) for surety bonds	(243,239)	-
Cash paid for interfund administrative support services	(96,000)	-
Premiums received/reimbursements received	-	2,483,220
Medical claims and administrative expenses paid	-	(1,977,420)
Net Cash Provided (Used) by Operating Activities	<u>1,356,577</u>	<u>505,800</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(1,373,860)	-
Contributions from customers	1,451,140	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>77,280</u>	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(8,009)	-
Rent received	24,000	-
Interest received on investments	62,861	-
	<u>78,852</u>	<u>-</u>
Net Increase (Decrease) in Cash	1,512,709	505,800
Cash and Cash Equivalents, Beginning of Year	<u>9,308,471</u>	<u>1,272,921</u>
Cash and Cash Equivalents, End of Year	<u>\$10,821,180</u>	<u>1,778,721</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	(\$239,508)	576,830
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,685,859	-
Change in deferred outflows of resources-pension related	14,376	-
Change in deferred outflows of resources-opeb related	(97)	-
Change in deferred inflows of resources-pension related	(4,094)	-
Change in net pension asset	(32,117)	-
Change in other post-employment benefit obligation	(2,088)	-
(Increase) Decrease in:		
Accounts receivable	(25,184)	(97,757)
Prepaid expenses	4,748	-
Inventory	(15,847)	-
Increase (Decrease) in:		
Accounts payable	196,677	26,727
Accrued expenses	3,881	-
Surety bonds	(243,239)	-
Unearned revenue	13,210	-
Net cash provided by operating activities	<u>\$1,356,577</u>	<u>505,800</u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$1,831,070

During the year the City liquidated contracts payable related to capital assets acquisitions in the amount of \$192,606

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018, 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, 2018

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, 2018

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, 2018 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 \$173,113 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, 2018

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 City 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, 2018

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 three 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 as well as deferred amounts related to other post employment benefits.

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, 2018

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 2017 and 2018. Payments may be made during the period October 1 through February 28. Current tax collections of \$1,807,018 for the fiscal year ended June 30, 2018 were approximately 99% 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 \$1,893,871 which is net of an allowance for doubtful collections of \$2,431. Of this receivable \$1,875,000 represents the estimated net realizable 2018 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 \$1,896,302 with offsetting deferred inflows of resources for amounts not available at June 30, 2018. The additional taxes receivable of \$190,168 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, 2018

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, 2018 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, 2018 the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Weighted Average Days to Maturity</u>	<u>Average Credit Quality Rating</u>
Certificates of Deposit	\$1,073,289	304	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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,252,653	-	-	2,323,578	6,576,231
Construction in progress	16,243,287	4,616,249	-	(19,336,039)	1,523,497
<u>Capital assets being depreciated:</u>					
Buildings and improvements	7,049,811	-	-	-	7,049,811
Improvements other than buildings	4,798,746	713,471	-	572,332	6,084,549
Machinery and equipment	12,615,281	1,850,957	(407,263)	-	14,058,975
Infrastructure	42,758,086	2,426,400	-	16,440,129	61,624,615
Total capital assets	\$ 87,717,864	9,607,077	(407,263)	-	96,917,678

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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	\$ 2,247,468	173,672	-	-	2,421,140
Improvements other than buildings	2,154,427	308,386	-	-	2,462,813
Machinery and equipment	6,028,764	1,204,648	(398,885)	-	6,834,527
Infrastructure	<u>9,771,014</u>	<u>1,747,070</u>	<u>-</u>	<u>-</u>	<u>11,518,084</u>
Total accumulated depreciation	<u>20,201,673</u>	<u>3,433,776</u>	<u>(398,885)</u>	<u>-</u>	<u>23,236,564</u>
Governmental activities capital assets, net	\$ <u>67,516,191</u>				<u>73,681,114</u>

During the year, the City accepted donated improvements and infrastructure in the amount of \$2,266,400.

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,141,135	-	-	-	1,141,135
Construction in process	5,883,870	732,245	-	(5,882,888)	733,227
<u>Capital assets being depreciated:</u>					
Building	505,692	-	-	-	505,692
Collections System	66,094,754	1,895,457	-	5,878,220	73,868,431
Equipment	<u>761,381</u>	<u>384,622</u>	<u>-</u>	<u>4,668</u>	<u>1,150,671</u>
Total capital assets	\$ <u>74,386,832</u>	<u>3,012,324</u>	<u>-</u>	<u>-</u>	<u>77,399,156</u>
<u>Less accumulated depreciation for:</u>					
Collection System and building	\$ 20,469,672	1,632,174	-	-	22,101,846
Equipment	<u>607,625</u>	<u>53,685</u>	<u>-</u>	<u>-</u>	<u>661,310</u>
Total accumulated depreciation	<u>21,077,297</u>	<u>1,685,859</u>	<u>-</u>	<u>-</u>	<u>22,763,156</u>
Business-type activities capital assets, net	\$ <u>53,309,535</u>				<u>54,636,000</u>

During the year the City accepted donated infrastructure in the amount of \$1,831,070. Depreciation expense was charged to function/programs as of June 30, 2018, as follows:

Governmental activities:	
General government	\$ 103,227
Public safety	955,735
Street and public works	2,059,971
Stormwater	3,466
Recreational and culture	<u>311,377</u>
Total depreciation expense-governmental activities	<u>\$3,433,776</u>
Business-type activities:	
Water and Sewer	<u>\$1,685,859</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

4) RECEIVABLES

Accounts and taxes receivable at June 30, 2018 consisted of the following:

	General	Emergency	Capital	State	Enterprise	Internal	
	Fund	Services Fund	Projects	Street Aid	Fund	Service	Total
			Fund	Fund		Fund	
Property taxes	\$ -	1,896,302	-	-	-	-	1,896,302
Beer/liquor taxes/franchise	117,862	-	-	-	-	-	117,862
Hotel/Motel tax	72,306	-	-	-	-	-	72,306
Other governments	2,756,037	52,602	1,350,832	175,300	-	-	4,334,771
Customer	-	-	-	-	855,482	-	855,482
Other	1,449	6	-	-	5,288	109,252	115,995
Allowance for-							
doubtful accounts	-	(2,431)	-	-	(19,275)	-	(21,706)
	<u>\$ 2,947,654</u>	<u>1,946,479</u>	<u>1,350,832</u>	<u>175,300</u>	<u>841,495</u>	<u>109,252</u>	<u>7,371,012</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, 2018, the components of deferred outflows and inflows on the government wide statement of net position consisted of the following:

	Governmental	Business-type
	Activities	Activities
<u>Deferred outflows of resources:</u>		
Deferred charge on refunding	\$ 369,473	-
Deferred current year pension contribution	841,755	94,860
Deferred difference in pension expected and actual experience	97,569	10,996
Deferred differences in pension due to changes in assumption	282,382	31,823
Deferred differences expected and actual OPEB experience	872	97
	<u>\$ 1,592,051</u>	<u>137,776</u>
<u>Deferred inflows of resources:</u>		
Property taxes:		
2018 assessed and unlevied	\$ 1,875,000	-
Estimated 2018 Hall Income tax	80,000	-
Deferred difference in pension expected and actual experience	200,525	22,598
Deferred difference in pension projected and actual earnings on investments	13,953	1,572
	<u>\$ 2,169,478</u>	<u>24,170</u>

Deferred inflows of resources in the governmental fund statements totaled \$3,265,795 and consisted of unlevied property taxes of \$1,875,000, delinquent property taxes of \$20,357 and unavailable state and local shared taxes of \$1,370,438.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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 fund responsible for the employer which is the General, Emergency Services and Stormwater Funds.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance <u>07-01-17</u>	<u>Addition</u>	<u>Reductions</u>	Balance <u>06-30-18</u>	Current <u>Portion</u>
<u>Governmental Activities</u>					
Public Improvement Bonds	\$ 13,406,500		(599,000)	12,807,500	617,700
Obligation to county school system	284,602	-		284,602	284,602
Capital lease	1,891,118	-	(249,129)	1,641,989	255,831
Compensated absences	<u>523,021</u>	<u>33,910</u>	-	<u>556,931</u>	<u>530,000</u>
Total Governmental Activities	\$16,105,241	33,910	(848,129)	15,291,022	<u>1,688,133</u>
Bond discounts/premiums	<u>9,236</u>	-	<u>(1,027)</u>	<u>8,209</u>	
	<u>\$16,114,477</u>	<u>33,910</u>	<u>(849,156)</u>	<u>15,299,231</u>	
<u>Business-type Activities</u>					
Compensated absences*	\$ <u>42,853</u>	<u>1,056</u>	-	<u>43,909</u>	<u>43,909</u>

*Included in accrued liabilities

Long term bonds and notes at June 30, 2018 consisted of the following obligations:

	Balance <u>June 30, 2018</u>
<u>Governmental-type Activities</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%.	\$ 3,870,000
\$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%.	8,937,500
Obligation to County School System (non capital related)	<u>284,602</u>
Total Governmental-type Activities	\$ <u>13,092,102</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2018 are as follows:

Fiscal Year	Governmental-type			
	Refunding & Public Improvement	Obligation to County School		
	<u>Bonds</u>	<u>System</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 617,700	284,602	370,446	1,272,748
2020	636,700	-	350,903	987,603
2021	645,700	-	330,133	975,833
2022	664,300	-	308,464	972,764
2023	697,900	-	285,491	983,391
2024-2028	3,884,400	-	1,042,617	4,927,017
2029-2033	4,646,300	-	472,187	5,118,487
2034	1,014,500	-	24,855	1,039,355
	<u>\$12,807,500</u>	<u>284,602</u>	<u>3,185,096</u>	<u>16,277,198</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	<u>975,471</u>
	\$ <u>1,624,557</u>

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

	Lease Payments
2019	\$ 300,000
2020	300,000
2021	300,000
2022	300,000
2023	300,000
2024	<u>300,000</u>
	1,800,000
Less amount representing interest	<u>(158,011)</u>
	\$ <u>1,641,989</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2017, 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	106
Active employees	<u>155</u>
	<u>296</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, 2018, employer contributions for City of Mt. Juliet were \$936,615, 11.24 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, 2018

7) PENSION PLAN, Continued

Net Pension Liability (Asset)

City of Mt. Juliet's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 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.

The money weighted rate of return for the year June 30, 2017 was 11.3%.

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 6/30/16	\$ 12,743,504	12,901,045	(157,541)
Changes for the year:			
Service cost	645,473		645,473
Interest	992,200		992,200
Differences between expected and actual experience	122,136		122,136
Changes in assumptions	353,481		353,481
Contributions- employer		957,220	(957,220)
Contributions- employees		199	(199)
Net investment income		1,497,426	(1,497,426)
Benefit payments, including refunds of employee contributions	(319,276)	(319,276)	
Administrative expense		(12,792)	12,792
Net changes	<u>1,794,014</u>	<u>2,122,777</u>	<u>(328,763)</u>
Balance at 6/30/17	\$ <u>14,537,518</u>	<u>15,023,822</u>	<u>(\$486,304)</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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City of Mt. Juliet's net pension liability (asset)	\$ 2,099,778	(\$486,304)	(\$2,542,449)

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018, City of Mt. Juliet recognized pension expense of \$625,199.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, City of Mt. Juliet reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 108,565	223,123
Net difference between projected and actual earning on pension plan investments	-	15,525
Changes in assumption	314,205	-
Contributions subsequent to the measurement date of June 30, 2017	<u>936,615</u>	<u>-</u>
Total	\$ <u>1,359,385</u>	<u>238,648</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” 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:	
2019	\$ (34,038)
2020	134,261
2021	33,902
2022	(85,156)
2023	16,123
Thereafter	119,026

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

As of June 30, 2018, 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, 2018

8) OTHER POST EMPLOYMENT HEALTHCARE PLAN

During 2017, the City's annual OPEB cost was calculated based on the Annual Required Contributions (ARC) of the employer. The (ARC) is the amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represented a level of funding that, if paid on an ongoing basis, was projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

During 2018, the City adopted GASB Statement No. 75. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 75 requires the City to report the total liability on the face of the financial statements and also requires the presentation of more extensive note disclosures and required supplementary information about their OPEB.

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. The City has adopted GASB 75 as it relates to OPEB for the accounting and reporting.

1. **Medical Benefits:** The Medical Plan is a self insured plan. Dental, vision and life insurance are fully insured. Current retiree premium rates are as follows:

a) Dental (single):	\$29.93 per month.
b) Vision (single):	\$5.40 per month.
c) Pre-age 65 Prescription:	\$0.95 per month.
d) Pre-age 65 Medical:	No premium rate equivalent provided, so recent contributions and claims costs reflected.

Two plans are offered with differing deductibles and out-of-pocket limits. Rates differ for smokers and non-smokers. Adjustments to these premium rates to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group, were required, in accordance with ASOP 6. The retiree and the spouse are covered under the program. For City of Mount Juliet, these adjustments were required for the Pre-Medicare liabilities. The retiree pays for the additional coverage.

2. **Medicare Part B Premiums:** Not applicable.
3. **Eligibility:** Only Employees hired prior to 2/1/1999 are eligible. Pre-November 2017 retirees were grandfathered.
4. **Retiree Contributions:** Dollar amounts apply for medical, dental and vision (0% for Life ins.) For FYE 2018, annual dollar amounts for single coverage included \$1,199.76 for medical, \$81.84 for dental and \$15.50 for vision.
5. **Funding Policy:** The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (ie., pay-as-you-go). The City has chosen not to pre-fund retiree medical benefit obligations in a Trust at this time and no assets have been segregated and restricted to provide for post employment benefits.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

8) OTHER POST EMPLOYMENT HEALTHCARE PLAN, Continued

6. Membership Counts At 6/30/18:

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Total	11	5	16

7. Actuarial Funding Method: Entry Age Normal, level % pay

8. Actuarial Assumptions

1. Valuation Date 7/1/2017 (6/30/2018 EOY discls)
2. Discount Rate 2.98% per annum*
(1.98% and 3.98% are illustrated for Sensitivity)

*GASB #75 requires results be presented on your financial statements based on actual rates as of your year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of 6/30/2018 was 2.98%). Since the plan is not pre-funded, the Index will apply.

3. Salary Scale 3% per annum (for EAN)
4. Mortality: RP-2014 mortality table with MP-2016 projection.
5. Withdrawal: Sarasson T-5 Table
6. Disability: N/A
7. Retirement: The following table illustrates the retirement rates:

	<u>Retirement Age</u>	<u>Retirement Rates</u>
All eligible employees	60	25%
61	15%	
62	15%	
63	15%	
64	15%	
65	100%	

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

8) OTHER POST EMPLOYMENT HEALTHCARE PLAN, Continued

8. Health Care Cost

Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7	5.0%

9. Marital- Actives: N/A

10. Participation Rate: 100% of eligible retirees are expected to participate.

11. Inflation Rate: 3.0% per annum.

12. Change in provision None.

9. Asset Valuation Method: Market value.

10. Amortization Basis: For experience losses, over the average expected working lifetime of the active group.

11. Sensitivity – Discount Rate

	1% Decrease	Discount Rate	1% Increase
	<u>1.98%</u>	<u>2.98%</u>	<u>3.98%</u>
Net OPEB Liability 6/30/18	1,518,318	1,355,164	1,191,990

12. Sensitivity – Health Care Trend Rate

	1% Decrease	Healthcare Trend Rates	1% Increase
	<u>7.0%</u>	<u>8.0%</u>	<u>9.0%</u>
	<u>decreasing to</u>	<u>decreasing to</u>	<u>decreasing</u>
	<u>4.0%</u>	<u>5.0%</u>	<u>to</u>
			<u>6.0%</u>
Net OPEB Liability 6/30/18	1,163,613	1,355,164	1,574,732

NOTES: Have used a 2.98% discount rate, with sensitivity at 1.98% and 3.98%. The S&P 20AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.98% on 6/30/18, the Measurement Date. Due to the small OPEB Trust level (Zero) vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 2.98% Municipal Bond Rate will apply. Net OPEB Liability is the GASB #75 term now used for Unfunded Accrued Liability.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

8) OTHER POST EMPLOYMENT HEALTHCARE PLAN, Continued

13. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the City recognized OPEB expense of \$50,705.

Service Cost	\$10,780
Interest Cost	39,925
Experience loss Amort (none yr 1)	-
Investment loss Amort	-
GASB #75 Annual OPEB Expense	<u>\$50,705</u>

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 969	0
Changes of assumption	0	0
Net difference between projected and actual Earnings of OPEB plan investments	<u>0</u>	<u>0</u>
Total	\$ <u>969</u>	<u>0</u>

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

Year ended June 30:	
2019	\$ 97
2020	\$ 97
2021	\$ 97
2022	\$ 97
2023	\$ 97
Thereafter (5 years)	\$ 97

14. Development of Changes in OPEB Liability, Plan Fiduciary Net Position, and Related Ratios

Changes in the Total OPEB Liability

Net OPEB Obligation (Asset), June 30, 2017,	
Calculated under provision of GASB 45	\$ 1,297,049
Restatement required under GASB 75	<u>78,993</u>
Balance at June 30, 2017, GASB 75	<u>1,376,042</u>
Changes for the year:	
Service cost	10,780
Interest	39,925
Benefit payments	(72,552)
Difference between expected and actual experience	<u>969</u>
Net changes	<u>(20,878)</u>
Balance at 6/30/18	\$ <u>1,355,164</u>

Plan fiduciary net position, end of year -%

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

8) OTHER POST EMPLOYMENT HEALTHCARE PLAN, Continued

14. Development of Changes in OPEB Liability, Plan Fiduciary Net Position, and Related Ratios, Continued

<u>Actuarial Valuation Date</u>	<u>Fiduciary Net Position</u>	<u>Total OPEB Liability</u>	<u>Net OPEB Liability</u>	<u>Changes in NET OPEB Liability</u>	<u>Covered Payroll</u>	<u>NET OPEB Liability as a % of Covered Payroll</u>
7/1/2017	\$0	\$1,376,042	\$1,376,042	0.0%	\$739,482	186%

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 \$2,846,442 for sewer treatment and \$326,160 for connection charges under this agreement.

Contracts

The City currently has approximately \$187,672 in project contracts. These contracts were approximately 92% complete at June 30, 2018 and are being financed with available reserves.

Litigation

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

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 \$112,788 during 2018. Future lease obligations are as follows:

2019	\$ 102,401
2020	84,335
2021	51,741
2022	<u>10,693</u>
	\$ <u>249,170</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

9) COMMITMENTS AND CONTINGENCIES, Continued

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 \$125,000, and \$2,286,237 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.

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

	Beginning-of- Fiscal-Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance of Fiscal Year-End
2015-2016	\$ 298,328	1,877,525	(1,957,517)	218,336
2016-2017	\$ 218,336	2,219,149	(2,230,072)	207,413
2017-2018	\$ 207,413	2,004,147	(1,977,419)	234,141

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

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, 2018 and 2017, the Board had an accumulated net position of \$598,463 and \$563,255 respectively. The net change in net position for fiscal year 2018 was \$35,228. During the year the Board reimbursed the City \$7,984 for infrastructure costs. Separate financial statement information regarding the joint venture is available from the City.

12) INTERFUND TRANSACTIONS

Interfund receivable/payable balances between activities in the government wide financial statements include \$173,113 related to the consolidation of the internal service fund.

Interfund transfers for the year ended June 30, 2018 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In			
	State Street Aid Fund	Capital Projects Fund	Debt Service Fund	Total
Transfer out:				
General Fund	\$100,487	47,774	-	148,261
Emergency Services Fund	-	-	300,000	300,000

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

13) BUDGETS AND BUDGETARY ACCOUNTING, Continued

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

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

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

General Fund:	
General Government	\$ 30,000
Streets and Public Works	36,385
Recreation & Culture	<u>20,288</u>
	\$ <u>86,673</u>
Emergency	
Services Fund	\$ 495,100
Capital Projects Fund	\$ 600,000
Drug Fund	\$ 50,000

General Fund budget amendments primarily related to general operations. Due to the projects not beginning in 2018, most of the budgeted transfers were not executed. The Capital Projects Fund budget was amended primarily for road projects that did not get started in this fiscal year. The Emergency Services Fund and Drug Fund budget amendments were to fund capital expenditures.

14) RESTATEMENT

During the year the City implemented GASB 75 relating to the accounting and reporting of other post employment Benefits. The effect of this implementation on beginning net assets was as follows:

	Governmental Activities	Business Activities
Net position, beginning of year as originally reported	\$ 87,489,644	63,068,888
Restatement of OPEB Liability	(85,152)	<u>6,159</u>
	\$ <u>87,404,492</u>	<u>63,075,047</u>

The proprietary fund beginning net assets also increased by \$6,159.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2018

15) SUBSEQUENT EVENTS

Subsequent to year end the City made an offer of \$325,000 to the Wilson County Board of Education to settle the lawsuit mentioned in Footnote 9 under Contingencies. The City has also accepted grants totaling approximately \$1.2 million with 20% required matching funds for bridge and sidewalk improvements and \$2.3 million with no required matching funds for traffic signalization. The projects are expected to be funded with available reserves.

The City has also approved a contract to sell City property for \$425,000.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mt Juliet, Tennessee
Schedule of Changes in Net Pension Liability (Asset)
and Related Ratios Based on Participation in the Public Employee
Pension Plan of TCRS**

Last Fiscal Year Ending

	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 443,365	485,779	546,207	645,473
Interest	763,410	830,197	899,978	992,200
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	(114,265)	(202,551)	(25,115)	122,136
Change of assumptions	-	-	-	353,481
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)	(262,126)	(319,276)
Net change in total pension liability	828,378	888,678	1,158,944	1,794,014
Total pension liability- beginning	9,867,504	10,695,882	11,584,560	12,743,504
Total pension liability- ending (a)	\$ 10,695,882	11,584,560	12,743,504	14,537,518
Plan fiduciary net position				
Contributions - employer	\$ 806,691	798,473	860,287	957,220
Contributions - employee	-	398	1,762	199
Net investment income	1,536,270	349,649	325,756	1,497,426
Benefit payments, including refunds of employee contributions	(264,132)	(224,747)	(262,126)	(319,276)
Administrative expense	(4,822)	(6,657)	(10,583)	(12,792)
Net change in plan fiduciary net position	2,074,007	917,116	915,096	2,122,777
Plan fiduciary net position- beginning	8,994,826	11,068,833	11,985,949	12,901,045
Plan fiduciary net position- ending (b)	\$ 11,068,833	11,985,949	12,901,045	15,023,822
Net Pension Liability (asset) ending (a) - (b)	\$ (372,951)	(401,389)	(157,541)	(486,304)
Plan fiduciary net position as a percentage of total pension liability	103.49%	103.46%	101.24%	103.35%
Covered employee payroll	\$ 6,432,941	6,692,987	7,211,166	8,030,370
Net pension liability (asset) as a percentage of covered employee payroll	(5.8)%	(6.0)%	(2.18)%	(6.06)%

Notes to Schedule

Changes of assumptions: In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

**GASB 68 requires a 10-year schedule for this data to be presented starting with the *Implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data if needed.

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>	<u>2018</u>
Actuarially determined contribution	\$ 806,691	798,473	860,287	957,220	936,615
Contributions in relation to actuarially determined contribution	<u>806,691</u>	<u>798,473</u>	<u>860,287</u>	<u>957,220</u>	<u>936,615</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 6,432,941	6,694,908	7,211,166	8,030,369	8,332,874
Contributions as a percentage covered-employee payroll	12.54%	11.93%	11.93%	11.92%	11.24%

** GASB 68 requires a 10-year schedule for this data to be presented starting with the *Implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data if needed.

NOTES TO SCHEDULE

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the July 1, 2017 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry Age Normal
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	7.50 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 adjustment	2.50 percent

City of Mt. Juliet, Tennessee
Schedule of Changes in the Net OPEB Liability (Asset)
and Related Ratios

Last Fiscal Year ending June 30

	<u>2018</u>
Total pension liability	
Service cost	\$ 10,780
Interest	39,925
Changes in benefit terms	-
Differences between actual & expected experience	969
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(72,552)</u>
Net change in total OPEB liability	<u>(20,878)</u>
Total OPEB liability- beginning	<u>1,376,042</u>
Total OPEB liability- ending (a)	<u><u>\$ 1,355,164</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 72,552
Net investment income	-
Benefit payments, including refunds of employee contributions	(72,552)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position- beginning	<u>-</u>
Plan fiduciary net position- ending (b)	<u><u>\$ -</u></u>
 City's net OPEB Liability (asset) ending (a) - (b)	<u><u>\$ 1,355,164</u></u>
 Plan fiduciary net position as a percentage of total pension liability	0.00%
 Covered employee payroll	\$ 739,482
 Net pension liability (asset) as a percentage of covered employee payroll	183.26%

Notes to Schedule

Benefit changes - None.

GASB 75 requires a 10-year schedule for this data to be presented starting with the *Implementation of GASB 75*.
The information in this schedule is not required to be presented retroactively prior to the implementation date.

City of Mt Juliet, Tennessee
Schedule of OPEB Contributions and Assumptions

Fiscal Year Ending June 30

	<u>2018</u>
Actuarially determined contribution	\$ 50,705
Contributions in relation to actuarially determined contribution	<u>(72,552)</u>
Contribution excess (deficiency)	<u>21,847</u>
 Covered-employee payroll	 \$ 739,482
Contributions as a percentage covered-employee payroll	9.81%
 Annual money-weighted rate of return, net of investment expense (No OPEB Trust - Index will apply for discount rate purposes.)	 N/A

GASB 75 requires a 10-year schedule for this data to be presented starting with the *Implementation of GASB 75*.
The information in this schedule is not required to be presented retroactively prior to the implementation date.

NOTES TO SCHEDULE

Valuation date: 7/1/2017 (census 6/30/18)

Methods and assumptions used to determine the contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	N/A
Amortization period	N/A
Asset valuation	Market
Inflation	3.00%
Healthcare cost trend	
rates	8% decr to 5% ultimate
Salary Increases	3%
Investment Rate of Return	2.98%
Retirement age	Rates from age 60
Mortality	RP 2014
	w/MP 2016 proj

Other information:

GASB 75 requires a 10-year schedule for this data to be presented starting with the *Implementation of GASB 75*.
The information in this schedule is not required to be presented retroactively prior to the implementation date.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Drug Fund	Stormwater Fund	
<u>Assets</u>			
Cash and cash equivalents	\$320,411	479,480	799,891
Prepays	-	864	864
Total Assets	<u>320,411</u>	<u>480,344</u>	<u>800,755</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$8,092	364	8,456
Accrued liabilities	-	8,052	8,052
Total Liabilities	<u>8,092</u>	<u>8,416</u>	<u>16,508</u>
Fund Balances:			
Nonspendable - prepaids	-	864	864
Restricted	<u>312,319</u>	<u>471,064</u>	<u>783,383</u>
Total Fund Balance	<u>312,319</u>	<u>471,928</u>	<u>784,247</u>
Total Liabilities & Fund Balances	<u>\$320,411</u>	<u>480,344</u>	<u>800,755</u>

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Fund</u>	<u>Stormwater Fund</u>	
<u>Revenues</u>			
Interest	\$2,016	2,074	4,090
Grants	6,530	-	6,530
Licences and permits and fees	-	430,256	430,256
Drug related fines, seizures, and sales	109,912	-	109,912
Total Revenues	<u>118,458</u>	<u>432,330</u>	<u>550,788</u>
<u>Expenditures</u>			
Stormwater:			
Current:			
Salaries	-	115,098	115,098
Employee benefits	-	52,900	52,900
Other	-	34,128	34,128
Capital outlay	-	-	-
Police:			
Current:			
Supplies and investigations	67,822	-	67,822
Capital outlay	89,834	-	89,834
Total Expenditures	<u>157,656</u>	<u>202,126</u>	<u>359,782</u>
Excess (Deficiency) of Revenues Over Expenditures	(39,198)	230,204	191,006
Fund Balance, Beginning of Year	<u>351,517</u>	<u>241,724</u>	<u>593,241</u>
Fund Balance, End of Year	<u><u>\$312,319</u></u>	<u><u>471,928</u></u>	<u><u>784,247</u></u>

CITY OF MT. JULIET, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Other:				
Interest	\$1,000	1,000	2,016	1,016
Grants	6,000	6,000	6,530	530
Drug related fines, seizures and sales	121,000	121,000	109,912	(11,088)
Total Revenues	128,000	128,000	118,458	(9,542)
<u>Expenditures</u>				
Program costs				
Training	5,000	5,000	4,850	150
Supplies	48,500	48,500	27,959	20,541
Investigations	13,500	33,500	21,008	12,492
Repairs	-	5,000	3,753	1,247
Contract services	8,650	8,650	9,149	(499)
Travel	4,500	4,500	1,103	3,397
Capital outlay	84,000	109,000	89,834	19,166
Total Expenditures	164,150	214,150	157,656	56,494
Excess of Revenues Over Expenditures	(36,150)	(86,150)	(39,198)	46,952
Fund Balance, Beginning of Year	351,517	351,517	351,517	-
Fund Balance, End of Year	\$315,367	265,367	312,319	46,952

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Interest	\$500	500	2,074	1,574
Licenses and permits:				
Inspection and other fees	313,200	313,200	430,256	117,056
Total Revenues	313,700	313,700	432,330	118,630
<u>Expenditures</u>				
Street Maintenance				
Salaries	115,925	115,925	115,098	827
Employee benefits	55,916	55,916	52,900	3,016
Professional services	15,000	15,000	14,212	788
Supplies	9,900	9,900	5,177	4,723
Other	26,550	26,550	14,739	11,811
Capital outlay	-	-	-	-
Total Expenditures	223,291	223,291	202,126	21,165
Excess of Revenues Over Expenditures	90,409	90,409	230,204	139,795
Fund Balance, Beginning of Year	241,724	241,724	241,724	-
Fund Balance, End of Year	\$332,133	332,133	471,928	139,795

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental:				
Grants	\$8,283,292	8,883,292	2,671,405	(6,211,887)
Other:				
Interest	-	-	32,213	32,213
Other	-	-	64,323	64,323
Total Revenues	<u>8,283,292</u>	<u>8,883,292</u>	<u>2,767,941</u>	<u>(6,115,351)</u>
<u>Expenditures</u>				
Streets and Public Works				
Repairs and maintenance	50,000	50,000	25,576	24,424
Capital outlay	<u>36,875,647</u>	<u>37,475,647</u>	<u>3,970,856</u>	<u>33,504,791</u>
Total Streets and Public Works	<u>36,925,647</u>	<u>37,525,647</u>	<u>3,996,432</u>	<u>33,529,215</u>
Parks and culture				
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>106,675</u>	<u>13,325</u>
Total Expenditures	<u>37,045,647</u>	<u>37,645,647</u>	<u>4,103,107</u>	<u>33,542,540</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,762,355)	(28,762,355)	(1,335,166)	27,427,189
Other Financing Sources (Uses)				
Note proceeds	10,000,000	10,000,000	-	(10,000,000)
Operating transfer in	<u>15,965,807</u>	<u>15,965,807</u>	<u>47,774</u>	<u>(15,918,033)</u>
Total other Financing Sources (Uses)	<u>25,965,807</u>	<u>25,965,807</u>	<u>47,774</u>	<u>(25,918,033)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(2,796,548)	(2,796,548)	(1,287,392)	1,509,156
Fund Balance, Beginning of Year	<u>6,077,042</u>	<u>6,077,042</u>	<u>6,077,042</u>	<u>-</u>
Fund Balance, End of Year	<u>\$3,280,494</u>	<u>3,280,494</u>	<u>4,789,650</u>	<u>1,509,156</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Other:				
Interest	\$1,500	1,500	2,694	1,194
Impact fees	575,000	575,000	797,884	222,884
Total Revenues	576,500	576,500	800,578	224,078
<u>Expenditures</u>				
Debt Service				
Principal	1,133,026	1,133,026	848,129	284,897
Interest	471,033	471,033	440,183	30,850
Total Expenditures	1,604,059	1,604,059	1,288,312	315,747
Excess of (Deficiency) Revenues Over Expenditures	(1,027,559)	(1,027,559)	(487,734)	539,825
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Payment to escrow to refund bonds	-	-	-	-
Operating transfer in	867,996	867,996	300,000	(567,996)
Total other Financing Sources (Uses)	867,996	867,996	300,000	(567,996)
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	(159,563)	(159,563)	(187,734)	(28,171)
Fund Balance, Beginning of Year	264,426	264,426	264,426	-
Fund Balance, End of Year	\$104,863	104,863	76,692	(28,171)

FINANCIAL SCHEDULES

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2018

	<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	1,569,785	728,642	-	-	2,501,377
Public safety:						
Police	375,000	3,023,137	6,004,660	160,000	-	9,562,797
Fire	255,425	1,759,901	3,859,133	-	-	5,874,459
Streets and Public Works	5,038,427	1,879,524	2,277,508	60,941,626	1,321,286	71,458,371
Stormwater	-	-	58,152	-	-	58,152
Parks	704,429	4,902,013	1,130,880	522,989	202,211	7,462,522
Total governmental funds capital assets	<u>\$6,576,231</u>	<u>13,134,360</u>	<u>14,058,975</u>	<u>61,624,615</u>	<u>1,523,497</u>	<u>96,917,678</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, 2018

Function and Activity	Balance June 30, 2017	Additions	Transfers & Deletions	Balance June 30, 2018
General Government	\$1,903,855	597,522	-	2,501,377
Public safety:				
Police	7,729,946	1,980,975	(148,124)	9,562,797
Fire	5,852,088	22,371		5,874,459
Streets and Public Works	64,931,665	6,679,184	(152,478)	71,458,371
Stormwater	58,152	-	-	58,152
Parks	7,242,158	327,025	(106,661)	7,462,522
Total governmental funds capital assets	<u>\$87,717,864</u>	<u>9,607,077</u>	<u>(407,263)</u>	<u>96,917,678</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2018

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Passbook and checking accounts	-	\$30,015,331
Petty Cash	-	2,010
Total General Fund		<u>30,017,341</u>
General Capital Projects Fund:		
Passbook and checking accounts	-	5,537,028
Total Capital Projects Fund		<u>5,537,028</u>
Debt Service Fund		
Passbook and checking accounts	-	<u>76,692</u>
Emergency and Community Services Capital Projects Fund		
Passbook and checking accounts	-	<u>1,765,807</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Passbook and checking accounts	-	<u>1,114,481</u>
Drug Fund:		
Cash on hand	-	6,440
Passbook and checking accounts	-	313,971
Total Drug Fund		<u>320,411</u>
Storm Water:		
Checking accounts	-	<u>479,480</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	550
Passbook and checking accounts	-	10,820,631
Total Sewer Enterprise Fund		<u>10,821,181</u>
Internal Service Fund		
Passbook and checking accounts	-	<u>1,778,721</u>
Total		<u>\$51,911,142</u>

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2018

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>	<u>Taxes Receivable June 30, 2017</u>	<u>Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Taxes Receivable June 30, 2018</u>
2018	\$0.1664	1,077,751,835	1,823,590	-	1,823,590	(1,807,018)	(2,242)	14,330
2017	* 0.1664	998,442,380	1,661,408	45,953	-	(39,637)	(664)	5,652
2016	* 0.20	835,164,098	1,670,889	3,356	-	(3,284)	109	181
2015	* 0.20	788,758,500	1,577,517	80	-	-	-	80
2014	* 0.20	742,716,000	1,485,432	260	-	-	(2)	258
2013	* 0.20	708,757,810	1,416,493	135	-	-	-	135
2012	* 0.20	681,578,500	1,363,157	666	-	-	-	666
				<u>\$50,450</u>	<u>1,823,590</u>	<u>(1,849,939)</u>	<u>(2,799)</u>	<u>21,302</u>
** 2019 Levy								<u>1,875,000</u>
Property taxes receivable per the Governmental Funds Financial Statements								<u>1,896,302</u>
Allowance for uncollectibles								<u>(2,431)</u>
Property taxes receivable per the Government Wide Financial Statement s								<u>\$1,893,871</u>

* Turned over to County Clerk for collection.

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

** Current year anticipated levy

CITY OF MT. JULIET, TENNESSEE

Schedule of Long Term Debt Requirements

Governmental-Type Activities

June 30, 2018

Fiscal Year	Refunding Public Improvement Bonds		Public Improvement Refunding Bonds		Obligation to County School System	Total
	Principal	Interest	Principal	Interest		
2019	\$197,700	218,969	420,000	151,477	284,602	1,272,748
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>\$8,937,500</u>	<u>2,453,361</u>	<u>3,870,000</u>	<u>731,735</u>	<u>284,602</u>	<u>16,277,198</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2018

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		\$5,250	5,250
97.083	SAFER	* Federal Emergency Agency	EMW-2015-FH-00231		202,296	202,296
20.205	Surface Transportation Program	* TN Department of Transportation	STP-M-9322(1)	95LPLM-F2-014 95LPLM-F3-015 95LPLM-F1-016	2,542,585	
20.205	Transportation Alternative Program	* TN Department of Transportation	TAP-M-4855(10)	95LPLM-F1-051	82,632	2,625,217
20.600	High Visibility Law Enforcement Grant	TN Department of Safety	N/A	154AL-18-195	1,817	1,817
					<u>\$2,834,580</u>	<u>2,834,580</u>

* Major Program

Notes:

During 2018 there were no federal grant amounts provided to subrecipients and the City did not elect to use the de minimus 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, 2018

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

CFDA Number	Grant/Contract Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/17	Cash Receipts	Program Income	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/18
16.607	N/A	Bullet Proof Vest Grant	U. S. Department of Justice	(\$4,125)	4,125	-	-	5,250	(5,250)
97.083	EMW-2015-FH-0231	SAFER	Federal Emergency Management	(19,851)	169,545	-	-	202,296	(52,602)
16.922	N/A	Equitable Sharing	U. S. Department of Justice	34,483	6,530	214	-	-	41,227
20.205	95LPLM-F2-014,F3-015,F1- 016	Surface Transportation Program	* Federal Highway Administration	(1,383,526)	2,611,680	-	-	2,542,585	(1,314,431)
20.205	95LPLM-F3-033	Surface Transportation Program	* Federal Highway Administration	(185,020)	185,020	-	-	-	-
20.205	95LPLM-F1-051	Transportation Alternative Program (Greenway)	* Federal Highway Administration	-	57,836	-	-	82,632	(24,796)
20.600	Z18THS227	High Visibility Law Enforcement Grant	** Federal Highway Administration	-	-	-	-	1,817	(1,817)
				<u>(\$1,558,039)</u>	<u>3,034,736</u>	<u>214</u>	<u>-</u>	<u>2,834,580</u>	<u>(1,357,669)</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	(\$259,957)	259,957	-	-	-	-
N/A	95LPLM-S0-045	Multimodal Access Grant	TN Department of Transportation	(14,072)	25,084	-	-	14,681	(3,669)
	95LPLM-S3-068	State Industrial Access Grant	TN Department of Transportation	-	10,000	-	-	10,000	-
N/A	FDIP-15-02	Fast Track Grant	TN Department of Economic & Community Deve	(226,477)	250,000	-	-	23,523	-
				<u>(\$500,506)</u>	<u>545,041</u>	<u>-</u>	<u>-</u>	<u>48,204</u>	<u>(3,669)</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, 2018

<u>Insurance Coverage</u>	<u>Details of Coverage</u>
Tennessee Municipal League Insurance Pool	
Public Officials Error & Omissions	\$4,000,000/\$2,500 deductible
General Liability Automobile Liability, Bodily Injury, Law Enforcement	\$300,000 per person bodily injury as limited by tort ability 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)	\$31,086,690
EDP Equipment/Media	\$665,000
Mobile Equipment	\$1,390,596
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, 2018

<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
Commisioner Ray Justice	\$950/monthly
Commissioner Brian Abston	\$950/monthly

Employees:

City Manager, Kenneth Martin

Finance Director, Dana Swinea, CPA, 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, 2018

	<u>Commercial</u>	<u>Outside City Commercial</u>	<u>Inside City Residential</u>	<u>Outside City Residential</u>
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$20.34	\$25.43	\$14.42	\$18.03
Each additional 1,000 gallons	\$9.85	\$12.31	\$7.07	\$8.84
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				
Residential (outside city)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential (Based on zoning)				\$1,320-2,570/lot
Inspection fee				\$50.00
Number of customers				11,050

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, 2018, 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 26, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2018-001)

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 26, 2018.

Board of Mayor and Commissioners
Mt. Juliet, Tennessee

City of Mt Juliet, Tennessee's Response to Findings

City of Mt Juliet, Tennessee's response to findings identified in our audit is described in the accompanying Corrective Action Plan. City of Mt Juliet, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Young Howell & Associates

November 26, 2018

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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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, 2018. 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, 2018.

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

Report on Internal Control over Compliance

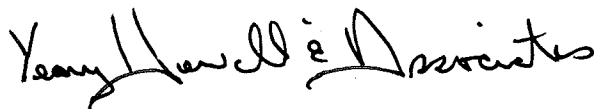
Management of the City of Mt. Juliet, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mt. Juliet, Tennessee '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. However, material weaknesses 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 26, 2018

City of Mt Juliet, Tennessee

Schedule of Prior Year Findings and Questioned Costs

For the Year June 30, 2018

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, 2018

I. Summary of Auditor's Results

- A. The June 30, 2018 Auditor's Report on the Financial Statements was an unmodified opinion.
- B. There was one significant deficiency or material weakness 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, 2018 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, SAFER Program CFDA #97.083.
- 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

2018-001 Ineffective internal controls over cash receipts

Criteria/condition/cause:

Internal controls over cash receipts are required to promote the proper recording of transactions and the safeguarding of assets. Ineffective internal controls related to the cash receipts of sewer new service payments resulted in the receipts not being properly recorded and the misappropriation of cash. This condition was caused by procedures not being in place to reconcile new customer accounts to the new customer receipts and deposits.

Effect:

This weakness in internal control resulted in sewer new service receipts to not be properly recorded and the misappropriation of \$1,450.

Recommendation:

Internal control procedures over sewer new service receipts should include a weekly/monthly reconciliation of new customer accounts with the amounts collected and deposited for the new service fees.

III. Federal Findings and Questioned Costs

Current Year

There are no federal awards findings or questioned costs.

Ed Hagerty
Mayor

James Maness
Vice-Mayor

Kenny Martin
City Manager

CITY OF MT. JULIET



Commissioners

Brian Abston
Art Giles
Ray Justice

Corrective Action Plan

June 30, 2018

Significant Deficiency:

(2018-001) Ineffective internal controls over cash receipts

Recommendation:

Internal control procedures over sewer new service receipts should include a weekly/monthly reconciliation of new customer accounts with the amounts collected and deposited for new service fees.

Action Taken:

The City took immediate corrective action to increase controls over cash payments for new sewer service when the deficiency was discovered. New sewer service payments taken by the clerks are now reconciled monthly between the contracts, detailed deposit listings and new service reports from the water department. Customers are given copies of their contracts showing their payment, the clerk's initials and the type of payment. Once the reconciliation is complete, letters are sent to those without contracts on file. The reconciliations are performed by the Sewer Manager.