

**CITY OF MT. JULIET, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2009

**CITY OF MT. JULIET, TENNESSEE**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Mt. Juliet's management. Our responsibility is to express opinions on these financial statements based on our audit.

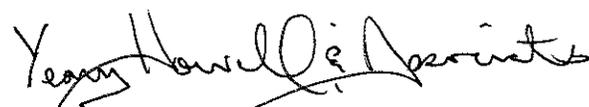
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of the City of Mt. Juliet, Tennessee at June 30, 2009, and the respective changes in financial position and cash flows where applicable and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2009, on our consideration of the City of Mt. Juliet's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages ii-ix, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Juliet's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, pages 31-36 and Financial Schedules, pages 37-47, as listed in the Table of Contents are not a required part of the basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, and the Financial Schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are stated fairly, in all material respects, in relation to the basic financial statements taken as a whole.

  
November 1, 2009

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

### **Management's Discussion and Analysis**

As management of the City of Mt. Juliet, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. The analysis will focus on significant financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

#### **FINANCIAL HIGHLIGHTS:**

The assets of the City of Mt. Juliet exceeded its liabilities at the close of the most recent fiscal year by \$56.0 million. Of this amount, \$7.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This represents an increase in unrestricted net assets value vs. the prior year of \$700 thousand dollars.

At the close of FY08-09, the City's governmental funds reported combined ending fund balances of \$10.4 million, a decrease of \$1.9 million in comparison to the prior year. The bulk of this decrease is a result of city expenditures to acquire ROW and provide a railroad Quiet Zone that did not increase the capital assets of the city. It is the city's responsibility to acquire ROW property for state use on which to expand state highway 171 also known as North Mt. Juliet Road. In addition the city expended over \$200 thousand in bond refunding costs to cure the "swap arrangement" created by the meltdown of the US Financial Institutions in 2008. The City will continue to incur spending on capital projects – related to the acquisition of right-of-way and construction of new roads and the ongoing build-out of the City's sewer collection system.

At the end of FY08-09, the fund balance of the General Fund was \$2.6 million, approximately \$152,000 of which was being held in reserve for future road and park projects and \$143,000 reserved for prepaid requirements. The balance of some \$2.3 million represented approximately 22% of annual recurring expenses including capital projects and debt service transfers.

The City made principal payments of \$255,000 on previously issued bonds and \$31,000 for capitalized leases in FY08-09. The City currently has three outstanding bond issues in the Governmental Activities, with amortization schedules running to 2010, 2026 and 2034. Scheduled principal payments on the Governmental Activities Bonds have been structured such that the City's debt service requirements for each year remain level at about \$1.1 million over the next 25 years. All Governmental Activities bond proceeds have been utilized for the construction of an animal shelter, ROW acquisition, and roads. The City made principal payments of \$158,000 on previously issued Business type bonds in FY08-09. One Business Type bond issues remains with amortization schedule running out to 2013. The debt service requirements for the Business Type Activities are approximately \$200,000 from 2010 thru 2013. All Business Type bond proceeds have been utilized for the expansion and build-out of the sewer collection system.

## OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the City of Mt. Juliet's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mt. Juliet include general government, park, police, planning, streets, and public works. The business-type activities of the City include the operations of its sewer collection system.

The government-wide financial statements can be found on pages 1-2 of this report. Following the government-wide financial statements are Fund Financial Statements discussed below, which provide more detail on financial activities by fund.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mt. Juliet, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds:** Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between funds and governmental activities.

The City maintains seven individual governmental funds (General Fund, Capital Projects Fund, Debt Service Fund, Drug Fund, State Street Aid Fund, Emergency Community Service Fund and Storm Water Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Expenditures Fund, and Debt Service Fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mt. Juliet adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 - 10 of this report.

**Proprietary Funds:** The City of Mt. Juliet maintains one type of proprietary fund. It uses an enterprise fund to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the operations of its sewer collection system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 11 –13 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-30 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 31-36 of this report. Financial Schedules can be found on pages 37-47 of this report

## **FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS**

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mt. Juliet, assets exceeded liabilities by \$56 million at the close of FY08-09, the most recently completed fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding, plus unspent bond proceeds on hand. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of debt, it should be noted that the cash flows needed to repay this debt must be provided from other sources, since, with few exceptions, the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mt. Juliet Net Assets**

	Governmental		Business Type		Total	Total
	Activities		Activities			
	2009	2008	2009	2008		
Current and Other Assets	12,550,244	14,183,052	5,946,581	6,072,041	\$ 18,496,825	20,255,093
Capital Assets	23,858,553	17,443,080	33,703,430	31,950,012	57,561,983	49,393,092
<b>Total Assets</b>	<b>36,408,797</b>	<b>31,626,132</b>	<b>39,650,011</b>	<b>38,022,053</b>	<b>76,058,808</b>	<b>69,648,185</b>
Long Term Liabilities Outstanding	16,777,250	16,821,258	623,444	708,000	17,400,694	17,529,258
Other Liabilities	2,035,430	1,758,338	599,074	1,108,621	2,634,504	2,866,959
<b>Total Liabilities</b>	<b>18,812,680</b>	<b>18,579,596</b>	<b>1,222,518</b>	<b>1,816,621</b>	<b>20,035,198</b>	<b>20,396,217</b>
<b>Net Assets:</b>						
Invested in Capital Assets,						
Net of Related Debt	12,957,465	8,911,628	32,995,430	31,084,012	45,952,895	39,995,640
Restricted	2,289,770	2,160,456	-	-	2,289,770	2,160,456
Unrestricted	2,348,882	1,974,452	5,432,063	5,121,420	7,780,945	7,095,872
<b>Total Net Assets</b>	<b>17,596,117</b>	<b>13,046,536</b>	<b>38,427,493</b>	<b>36,205,432</b>	<b>56,023,610</b>	<b>49,251,968</b>

**FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS**

**CITY OF MT. JULIET NET ASSETS**

Capital Assets of the City in Governmental activities increased from \$17.4 million to \$23.8 million in FY08-09. Net Capital Assets of the City in Business-type activities increased from \$32.0 million to \$33.7 million in FY08-09.

Governmental Activities

Governmental activities increased the City's net assets by \$4.5 million. The City has consistently appropriated and spent less in ongoing operations than it receives in ongoing revenues. The excess in revenue has historically been invested in and increased the value of the City's net assets. We expect this trend to continue in the future and to be evident once again in next year's financial report but to a lesser extent due to the economic downturn which the country is experiencing which in turn should reduce funding sources.

Business-Type Activities

Business-type activities increased the City's net assets by \$2.2 million. The most significant component of this increase were payments of tap & capacity fees and additions to the collection system built by the City as well as additions built by developers and dedicated to the City. City growth is expected to continue in these areas albeit at a slower rate due to economic woes of the entire country.

**City of Mt. Juliet Changes in Net Assets**

	Governmental		Business Type		Total	Total
	Activities		Activities		2009	2008
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 2,608,686	\$ 2,903,889	\$ 4,641,656	\$ 3,595,831	\$ 7,250,342	\$ 6,499,720
Operating Grants and Contributions	902,665	698,271			902,665	698,271
Capital Grants and Contributions	4,225,000	2,863,763	3,357,050	6,124,059	7,582,050	8,987,822
General Revenues					-	-
Sales Taxes	4,908,305	4,150,476			4,908,305	4,150,476
Other Locally Assessed Taxes	1,766,228	1,541,443			1,766,228	1,541,443
Other State Shared Taxes	2,086,857	1,969,626			2,086,857	1,969,626
Investment Earnings & Rental Income	353,840	259,636	83,598	125,868	437,438	385,504
Other	205,231	75,827			205,231	75,827
<b>Total Revenues</b>	<b>17,056,812</b>	<b>14,462,931</b>	<b>8,082,304</b>	<b>9,845,758</b>	<b>25,139,116</b>	<b>24,308,689</b>
Expenses:						
General Government	2,739,990	2,374,459			2,739,990	2,374,459
Public Safety	4,531,105	3,973,533			4,531,105	3,973,533
Recreation and Culture	1,200,051	1,022,901			1,200,051	1,022,901
Streets and Public Works	3,044,446	2,529,388			3,044,446	2,529,388
Stormwater	277,615	181,972			277,615	181,972
Interest on Debt	714,024	498,633			714,024	498,633
Sewer			5,860,243	4,151,025	5,860,243	4,151,025
<b>Total Expenses</b>	<b>12,507,231</b>	<b>10,580,886</b>	<b>5,860,243</b>	<b>4,151,025</b>	<b>18,367,474</b>	<b>14,731,911</b>
Increase (Decrease) in Net Assets	4,549,581	3,882,045	2,222,061	5,694,733	6,771,642	9,576,778
Net Assets Beginning of Year	13,046,536	9,164,491	36,205,432	30,510,699	49,251,968	39,675,190
Net Assets End of Year	17,596,117	13,046,536	38,427,493	36,205,432	56,023,610	49,251,968

Governmental Funds

The primary focus of the City of Mt. Juliet’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. The information is useful in assessing the City’s financing requirements. The unreserved fund balance is a measure of the government’s net resources that are available for spending at the end of the fiscal year.

As of the end of the current year, the city’s governmental funds reported combined ending fund balances of \$10.4 million, a decrease of \$2.0 million. This has occurred despite a \$1.0 million overall increase in tax revenue offset by an 18.7% increase in expenditures for Public Safety or \$700 thousand dollars. Increased debt service expenditures of \$550 thousand were required to pay for the bond refunding and additional interest costs necessary to relieve the city of financial demands created by the institutional financial crisis of 2008. Again the city has continued to invest in ROW for the state and the railroad Quiet Zone neither of which create a city asset. The general fund unreserved balance at the end of the fiscal year was \$2.3 million out of a total general fund balance of \$2.6 million. The City estimates that it will continue spending on major road, transportation, and infrastructure projects in the new fiscal year.

The City’s proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS (see pages 7-10)

The City's General Fund collected almost \$500 thousand more in revenue than forecast at the time of the adoption of the final budget.

Local option sales tax revenue increased 17% above the prior year and 8% above the budget. This increase is in stark contrast to the state's sales tax collection decline as well as the decline that other nearby communities have endured. The city was fortunate to have the newest shopping arena in the area and incoming retailers and restaurants had already committed to buildings before the economic downturn. The large increase helped to offset the 27% budget shortfall in licenses and permits, another reflection of the economic slowdown, as well as the 9% shortfall from the state sales tax shared revenue. There is much less buying and building nationwide but the extra Mt. Juliet retailers have insulated the city from further decline.

For expenditures in the General Fund, prior to transfers to other funds, there was \$823 thousand less expended than budgeted. Every departmental function responded to declining state shared revenue and license revenue declines by curtailing expenditures at all points, deferring where possible and expending less than was budgeted in the overall.

In the fiscal year ended June 30, 2006 the City established a Capital Projects Fund to account and record expenditures for capital related projects discussed below and a Debt Service Fund to account for required Interest and Principal Obligations formally recorded in the General Fund. Transfers from the General Fund to the Capital Projects Fund were \$62 thousand less than budgeted primarily due to small cutbacks by Department Heads in reducing their anticipated budget expenditures in response to state shared revenue reductions.

**CAPITAL PROJECTS FUND:** (See Page 37)

As previously mentioned, during the fiscal year ended June 30, 2006 the City established a Capital Projects Fund to record and monitor expenditures on Capital Projects. The primary financing source of the Capital Projects Fund is transfers in from the General Fund. The City anticipates that there will be major expenditures in the new fiscal year for road and infrastructure projects in the Capital Projects Fund continuing to be paid from the 2008 bond proceeds and anticipated state grants through the Federal ARRA stimulus funds. In addition there will be capital expenditure requirements by the departments of the city necessary to continue to perform their functions.

**DEBT SERVICE FUND:** (See Page 38)

The Debt Service Fund was required to refund/refinance two variable rate bond issues due to the economic crisis that affected banks' lending ability and bond insurers' financial stability during late 2008. The crisis had resulted in the city paying higher rates of interest for the bonds involved in interest rate swaps that had been contracted to be at artificial fixed rates as well as accelerated principle maturities(the next 7 years as opposed to 17 years) required by the bond covenants. Since the city had not planned to budget redemption of the bonds at the accelerated rate nor pay the higher rates of interest, refunding appeared to be the only option. Such refunding costs and redemption of the "swap" arrangement was paid for by an additional issuance of bonds in the amount of some \$250,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION** (pages 19-23)

**Capital Assets**

The City of Mt. Juliet's investments in capital assets from its governmental and business-type activities at June 30, 2009 amounts to \$57.5 million (net of accumulated depreciated). This investment in capital assets is in land, buildings, improvements, machinery and equipment, park facilities, road and highways. The total increase in the City's investment in capital assets for the current fiscal year was 16.5% (a 36.8% increase for governmental activities and a 5.5% increase in business-type activities).

Major capital asset acquisitions during the FY08-09 fiscal year included the following:

Governmental Type Activities:

Park Pavilion, Equipment and Greenway Projects	\$ 72,000
Public Works Dump Truck	65,000
Public works Brush Chipper	36,000
Animal Shelter Building Completion	551,000
Police Vehicles and Equipment	207,000
911 Communications/Dispatch Center	237,000
Road Construction and ROW Projects	2,347,000
Donated Infrastructure	3,985,000
<b>Total Governmental Activities</b>	<b>\$ 7,500,000</b>

Business Type Activities:

Collection System and Projects	\$ 2,372,000
Land	16,000
Equipment	19,000
<b>Total Business Activities</b>	<b>\$ 2,407,000</b>

	City of Mt. Juliet's Capital Assets					
	Governmental Activities		Business Type Activities		Total	Total
	2009	2008	2009	2008	2009	2008
Land	\$ 1,376,600	\$ 1,189,819	\$ 1,000,044	\$ 984,044	\$ 2,376,644	\$ 2,173,863
Bldgs and Improvements	6,136,976	2,891,235	379,089	379,089	6,516,065	3,270,324
Improv Other than Bldgs	13,950,945	2,349,773			13,950,945	2,349,773
Machinery and Equipment	3,319,485	2,868,155	1,118,718	1,099,607	4,438,203	3,967,762
Construction in Progress	4,477,745	2,673,115	302,532	2,490,516	4,780,277	5,163,631
Collection System Infrastructure		9,926,397	42,267,523	37,309,124	42,267,523	37,309,124
<b>Total Cost</b>	<b>29,261,751</b>	<b>21,898,495</b>	<b>45,067,906</b>	<b>42,262,380</b>	<b>74,329,657</b>	<b>64,160,875</b>
Less Acc Depr	5,403,199	4,455,415	11,364,476	10,312,368	16,767,675	14,767,783
<b>Net Capital Assets</b>	<b>\$ 23,858,552</b>	<b>\$ 17,443,080</b>	<b>\$ 33,703,430</b>	<b>\$ 31,950,012</b>	<b>\$ 57,561,982</b>	<b>\$ 49,393,092</b>

Additional information on the City of Mt. Juliet's capital assets can be found in the notes to the financial statements section of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Mt. Juliet had bonded debt outstanding of \$17.7 million. The City of Mt. Juliet's total debt decreased by \$200,000 during the current fiscal year due to principle payments of over \$400,000 but refinancing costs of variable rate bond issues were paid from bond proceeds in excess of \$200,000 offsetting a portion of the principle payments. Total transfers out of the General Fund to the Debt Service Fund of \$325,000 were required to offset the 15.6% shortfall of Impact fees as a result of the lack of new development that had been anticipated prior to the economic slow-down. In addition, interest expenditures were 13.7% higher than budgeted because of the financial institutional collapse suffered by the country as a whole. The city had issued variable rate bonds insured by carriers who no longer could maintain financial ratings adequate to meet the bond covenants agreed to by the city when issuing the bonds. The decline of these ratings triggered principle acceleration payments and rising interest rates in accordance with the bond

indebtedness documents. Principle acceleration was circumvented by refunding all the variable rate bonds affected with fixed rate bonds. Fortunately, the city of Mt. Juliet was able to improve its own credit worthiness rating due to sound fiscal management and the new bonds could be issued without offering the backing of an insurance carrier that was not available at reasonable pricing. The city was also able to issue bonds at interest rates that should allow the city to continue to budget debt service funding for interest and principle at nearly the same level as had been expected prior to the refunding despite adding 200,000 in expenditures to buy out the city's commitment to the interest rate swap and 60,000 in bond issuance costs that were paid for with additional bonds.

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Mt. Juliet's debt can be found in the notes to the financial section of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

There is no unemployment rate data available for the City of Mt. Juliet. The unemployment rate for Wilson County in June, 2009 was 9.6 % compared to the State unemployment rate of 11.1% and the national rate of 9.5%.

The 2009-2010 budget forecasted General Fund revenues to decrease by 9.3% from the 2008-2009 budget. Recurring revenue, due to retail activity, is forecast to almost match that of 2008-2009 for the fiscal 2009-2010 year. However, the state continues to struggle indicating that state shared revenue will be below 2008-2009 for 2009-2010. This is a quite conservative view and should the two major retailers that the city has continued to expect for over a year, begin operations in 2009-2010 it is possible the revenue budget will be reconsidered.

All of these factors were considered in preparing the City's budget for the fiscal 2009-2010 year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Mt. Juliet's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
City of Mt. Juliet  
PO Box 256  
Mt. Juliet, TN 37122

**CITY OF MT. JULIET, TENNESSEE**

**Statement of Net Assets**

**June 30, 2009**

Assets	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$4,017,757	2,342,929	6,360,686
Investments	-	947,279	947,279
Receivables (net):			
Taxes	70,643	-	70,643
Due from other governments	1,384,890	-	1,384,890
Internal balances	42,218	(42,218)	-
Interest receivable	81	12,223	12,304
Accounts receivable	64,076	426,743	490,819
Inventories	-	83,880	83,880
Restricted assets:			
Cash - construction	152,093	2,172,519	2,324,612
Cash - bond proceeds	6,082,620	-	6,082,620
Investments - bond proceeds	480,000	-	480,000
Prepaid expenses	143,239	3,226	146,465
Bond issue costs, net	112,627	-	112,627
Capital assets, net of accumulated depreciation	18,004,208	32,400,854	50,405,062
Land and construction in progress - nondepreciable	5,854,345	1,302,576	7,156,921
	<u>\$36,408,797</u>	<u>39,650,011</u>	<u>76,058,808</u>
<b>Liabilities</b>			
Accounts payable	\$345,852	168,746	514,598
Accrued liabilities	269,159	73,876	343,035
Accrued interest	37,728	5,711	43,439
Contracts payable	629,415	179,903	809,318
Deferred revenue	40,472	-	40,472
Customer deposits	-	5,838	5,838
Long-term liabilities due within one year	712,804	165,000	877,804
Long-term liabilities due in more than one year	16,777,250	623,444	17,400,694
	<u>18,812,680</u>	<u>1,222,518</u>	<u>20,035,198</u>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	12,957,465	32,995,430	45,952,895
Restricted for:			
Capital projects - emergency services	38,647	-	38,647
Street maintenance	1,618,108	-	1,618,108
Stormwater maintenance	421,828	-	421,828
Law enforcement	59,094	-	59,094
Road and park projects	152,093	-	152,093
Unrestricted	2,348,882	5,432,063	7,780,945
	<u>\$17,596,117</u>	<u>38,427,493</u>	<u>56,023,610</u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total
<b>Functions / Programs:</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$2,739,990	558,179	22,558	-	(2,159,253)	-	(2,159,253)
Public safety	4,531,105	1,076,948	(71,595)	-	(3,525,752)	-	(3,525,752)
Recreation and Culture	1,200,051	96,538	-	-	(1,103,513)	-	(1,103,513)
Streets and public works	3,044,446	627,365	825,081	4,351,621	2,759,621	-	2,759,621
Stormwater	277,615	249,656	-	-	(27,959)	-	(27,959)
Interest on debt	714,024	-	-	-	(714,024)	-	(714,024)
Total Government Activities	<u>12,507,231</u>	<u>2,608,686</u>	<u>776,044</u>	<u>4,351,621</u>	<u>(4,770,880)</u>	-	<u>(4,770,880)</u>
<b>Business-type Activities:</b>							
Sewer	4,679,972	3,461,385	57,954	3,299,096	-	2,138,463	2,138,463
Total Business-type Activities	<u>4,679,972</u>	<u>3,461,385</u>	<u>57,954</u>	<u>3,299,096</u>	-	<u>2,138,463</u>	<u>2,138,463</u>
<b>Total Primary Government</b>	<u>\$17,187,203</u>	<u>6,070,071</u>	<u>833,998</u>	<u>7,650,717</u>	<u>(4,770,880)</u>	<u>2,138,463</u>	<u>(2,632,417)</u>
<b>General Revenues:</b>							
Sales taxes					\$4,908,305	-	4,908,305
Unrestricted other locally assessed taxes					1,766,228	-	1,766,228
Unrestricted other state shared taxes					2,086,857	-	2,086,857
Unrestricted investment earnings and rental income					353,840	83,598	437,438
Other					205,231	-	205,231
Total general revenues					<u>9,320,461</u>	<u>83,598</u>	<u>9,404,059</u>
Change in net assets					4,549,581	2,222,061	6,771,642
Net assets - beginning of year					13,046,536	36,205,432	49,251,968
Net assets - end of year					<u>\$17,596,117</u>	<u>38,427,493</u>	<u>56,023,610</u>

See accompanying notes to financial statements

**CITY OF MT. JULIET, TENNESSEE**

**Balance Sheet  
Governmental Funds**

**June 30, 2009**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$1,830,615	15,532	48,443	2,028,303	3,922,893
Cash - restricted - construction	152,093	-	-	-	152,093
Cash - restricted - bond proceeds	-	6,082,620	-	-	6,082,620
Investments	-	480,000	-	-	480,000
Receivables (net)					
Taxes	70,643	-	-	-	70,643
Due from other governments	1,264,160	-	-	120,730	1,384,890
Due from other funds	166,233	-	-	-	166,233
Interest receivable	81	-	-	-	81
Prepaid items	143,239	-	-	-	143,239
<b>Total Assets</b>	<u>\$3,627,064</u>	<u>6,578,152</u>	<u>48,443</u>	<u>2,149,033</u>	<u>12,402,692</u>
<b>Liabilities and Fund Balances</b>					
Accounts payable	\$92,804	124,319	-	7,111	224,234
Accrued costs	264,914	-	-	4,245	269,159
Contracts payable	-	629,415	-	-	629,415
Due to other funds	-	-	158,081	-	158,081
Deferred revenue	623,474	-	-	59,396	682,870
<b>Total Liabilities</b>	<u>981,192</u>	<u>753,734</u>	<u>158,081</u>	<u>70,752</u>	<u>1,963,759</u>
<b>Fund Balance:</b>					
Reserved for prepaids	143,239	-	-	-	143,239
Reserved for roads and parks	152,093	-	-	-	152,093
Reserved for capital projects	-	5,824,418	-	-	5,824,418
Unreserved and undesignated					
General Fund	2,350,540	-	-	-	2,350,540
Special Revenue Funds	-	-	-	2,078,281	2,078,281
Debt Service Fund	-	-	(109,638)	-	(109,638)
<b>Total Fund Balances</b>	<u>2,645,872</u>	<u>5,824,418</u>	<u>(109,638)</u>	<u>2,078,281</u>	<u>10,438,933</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$3,627,064</u>	<u>6,578,152</u>	<u>48,443</u>	<u>2,149,033</u>	<u>12,402,692</u>

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**

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

**June 30, 2009**

<b>Amounts reported for fund balance - total governmental funds</b>	<b>\$10,438,933</b>
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,858,553
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	642,398
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 is included in governmental activities in the statement of net assets.	71,388
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(37,728)
Bond issue costs are amortized over the life of the notes in the statement of activities.	112,627
Bond discounts costs are amortized over the life of the notes in the statement of activities.	5,090
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net assets	202,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.	
Governmental bonds and notes payable	(\$17,008,407)
Capital leases	(32,976)
Other post employment benefits	(404,340)
Compensated absences	(251,421)
	(17,697,144)
<b>Net assets of governmental activities</b>	<b>\$17,596,117</b>

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, 2009

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$6,627,816	-	-	-	6,627,816
Intergovernmental	2,163,148	126,621	-	663,362	2,953,131
Fines and fees	987,397	-	-	25,541	1,012,938
Licenses and permits	679,583	-	505,961	279,656	1,465,200
Charges for services	130,548	-	-	-	130,548
Uses of money and property	121,321	205,906	2,385	24,228	353,840
Miscellaneous	490,269	-	-	-	490,269
<b>Total Revenue</b>	<u>11,200,082</u>	<u>332,527</u>	<u>508,346</u>	<u>992,787</u>	<u>13,033,742</u>
<b>Expenditures</b>					
Current:					
General government	2,301,890	4,367	45,650	-	2,351,907
Police	4,428,974	6,241	-	1,321	4,436,536
Streets and public works	1,352,206	681,745	-	377,673	2,411,624
Stormwater	-	-	-	281,791	281,791
Parks and culture	999,160	1,702	-	-	1,000,862
Debt service	-	-	1,025,856	-	1,025,856
Capital outlay	-	3,343,889	-	171,724	3,515,613
<b>Total Expenditures</b>	<u>9,082,230</u>	<u>4,037,944</u>	<u>1,071,506</u>	<u>832,509</u>	<u>15,024,189</u>
Excess (deficiency) revenues over expenditures	2,117,852	(3,705,417)	(563,160)	160,278	(1,990,447)
<b>Other Financing Sources (Uses)</b>					
Transfers from (to) other funds	(1,384,963)	1,059,963	325,000	-	-
Refunding bond proceeds	-	-	6,820,000	-	6,820,000
Bond premium	-	-	17,452	-	17,452
Payment for refunded bonds	-	-	(6,575,000)	-	(6,575,000)
Loss on refunding - swap termination fee	-	-	(202,000)	-	(202,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,384,963)</u>	<u>1,059,963</u>	<u>385,452</u>	<u>-</u>	<u>60,452</u>
<b>Net Change in Fund Balance</b>	732,889	(2,645,454)	(177,708)	160,278	(1,929,995)
Fund Balance, Beginning of Year	1,912,983	8,469,872	68,070	1,918,003	12,368,928
Fund Balance, End of Year	<u>\$2,645,872</u>	<u>5,824,418</u>	<u>(109,638)</u>	<u>2,078,281</u>	<u>10,438,933</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, 2009

Amounts reported for net change in fund balance - total governmental funds (\$1,929,995)

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

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

Cost of assets acquired	3,515,613
Depreciation expense	(1,085,140)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Local option sales tax	46,717
State shared revenues	(8,647)
Contributed capital assets	3,985,000

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

Debt repayment	6,830,000
Debt issuance	(6,820,000)
Capital lease repayment	31,286
Debt issuance costs	45,650
Debt discount (premium)	184,548
Amortization of debt related costs	(26,993)
Amortization of debt discounts, premiums and losses on refunding	(952)

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	26,498
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Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Compensated absences	88,948
Other post employment benefits	(404,340)

Internal service funds are used by management to charge the costs of medical medical insurance to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported with governmental activities. (net of amount allocated to business activities)

71,388

Change in net assets of governmental activities

\$4,549,581

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, 2009

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Local Taxes:</b>				
Local sales taxes	\$4,550,000	4,550,000	4,861,588	311,588
Wholesale beer	390,000	390,000	453,409	63,409
Franchise taxes	530,000	530,000	613,898	83,898
Hotel/Motl taxes	225,000	225,000	189,258	(35,742)
Business taxes	386,000	386,000	509,663	123,663
Total Local Taxes	<u>6,081,000</u>	<u>6,081,000</u>	<u>6,627,816</u>	<u>546,816</u>
<b>Intergovernmental:</b>				
State sales tax	1,822,399	1,822,399	1,663,472	(158,927)
State beer tax	14,131	14,131	13,162	(969)
State income tax	31,575	31,575	64,473	32,898
State/City streets & transp.	54,505	54,505	54,217	(288)
Other state revenue allocation	55,000	55,000	114,314	59,314
TVA tax	243,508	243,508	241,985	(1,523)
Grants	4,500	4,500	11,525	7,025
	<u>2,225,618</u>	<u>2,225,618</u>	<u>2,163,148</u>	<u>(62,470)</u>
<b>Fines and Penalties:</b>				
City court and drug control	1,006,000	1,006,000	987,397	(18,603)
Total Fines and Penalties	<u>1,006,000</u>	<u>1,006,000</u>	<u>987,397</u>	<u>(18,603)</u>
<b>Licenses and Permits:</b>				
Building permits	450,000	450,000	376,463	(73,537)
Plumbing permits	45,000	45,000	32,495	(12,505)
Impact and inspection fees	231,000	231,000	121,404	(109,596)
Zoning permits	10,000	10,000	6,710	(3,290)
Sign permits	32,000	32,000	13,239	(18,761)
Other permits	172,200	172,200	129,272	(42,928)
Total Licenses & Permits	<u>940,200</u>	<u>940,200</u>	<u>679,583</u>	<u>(260,617)</u>
<b>Charges for Services:</b>				
Public safety charges	2,500	2,500	34,010	31,510
Recreational fees	87,500	87,500	96,538	9,038
Total Charges for Services	<u>90,000</u>	<u>90,000</u>	<u>130,548</u>	<u>40,548</u>
<b>Uses of Property and Money</b>				
Administrative support services	78,000	78,000	78,000	-
Rent	23,000	23,000	20,736	(2,264)
Interest	20,000	20,000	22,585	2,585
Total Uses of Property and money	<u>121,000</u>	<u>121,000</u>	<u>121,321</u>	<u>321</u>
<b>Other Revenues:</b>				
Contributions from others	94,200	250,000	285,038	35,038
Sale of assets	5,500	5,500	-	(5,500)
Miscellaneous	11,050	11,050	205,231	194,181
Total Other Revenues	<u>110,750</u>	<u>266,550</u>	<u>490,269</u>	<u>223,719</u>
Total Revenues	<u>10,574,568</u>	<u>10,730,368</u>	<u>11,200,082</u>	<u>469,714</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, 2009**

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
Legislative Board:				
Salaries	\$39,000	49,500	41,586	7,914
Employee benefits	3,909	3,909	3,503	406
Supplies	7,050	7,550	5,650	1,900
Total Legislative Board	<u>49,959</u>	<u>60,959</u>	<u>50,739</u>	<u>10,220</u>
City Court:				
Salaries	19,680	19,680	14,946	4,734
Employee benefits	1,504	1,504	573	931
Outside services	8,750	8,750	5,600	3,150
Supplies	5,000	5,000	799	4,201
Total City Court	<u>34,934</u>	<u>34,934</u>	<u>21,918</u>	<u>13,016</u>
City Manager:				
Salaries	310,240	353,644	350,395	3,249
Employee benefits	96,123	105,103	100,834	4,269
Outside services	60,500	60,500	56,871	3,629
Membership and dues	7,600	14,000	19,077	(5,077)
Telephone	3,000	3,000	2,039	961
Supplies	13,500	13,500	7,033	6,467
Election costs	37,000	37,000	34,670	2,330
Other costs	13,200	14,000	7,954	6,046
Retiree benefits	40,000	40,000	40,027	(27)
Capital outlay	-	-	-	-
Total City Manager	<u>581,163</u>	<u>640,747</u>	<u>618,900</u>	<u>21,847</u>
Finance:				
Salaries	211,200	213,570	200,498	13,072
Employee benefits	81,547	81,547	71,050	10,497
Outside services	22,500	22,500	22,993	(493)
Supplies	7,900	7,900	5,547	2,353
Other costs	2,200	2,200	733	1,467
Capital outlay	-	-	-	-
Total City Recorder	<u>325,347</u>	<u>327,717</u>	<u>300,821</u>	<u>26,896</u>
City Attorney:				
Salaries	98,815	98,815	99,160	(345)
Employee benefits	25,870	25,870	23,430	2,440
Outside services	8,000	50,000	72,647	(22,647)
Settlements	-	75,000	75,000	-
Other costs	14,800	14,800	5,026	9,774
Total City Attorney	<u>147,485</u>	<u>264,485</u>	<u>275,263</u>	<u>(10,778)</u>
Economic and Community Development:				
Salaries	72,339	107,467	108,181	(714)
Employee benefits	24,867	32,135	31,379	756
Outside services	41,523	42,523	42,523	-
Other costs	16,900	16,900	8,249	8,651
Capital outlay	-	-	-	-
Total Economic and Community Development	<u>155,629</u>	<u>199,025</u>	<u>190,332</u>	<u>8,693</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, 2009

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>General Government, continued:</u>				
Planning and Codes:				
Salaries	\$204,860	204,860	191,112	13,748
Employee benefits	73,544	73,544	59,032	14,512
Supplies	15,800	15,800	9,203	6,597
Outside services	148,900	148,900	81,371	67,529
Other costs	32,400	32,400	7,221	25,179
Capital outlay	-	-	-	-
Total Planning and Codes	<u>475,504</u>	<u>475,504</u>	<u>347,939</u>	<u>127,565</u>
City Hall Buildings and IT Services:				
Salaries	60,320	72,320	74,167	(1,847)
Employee benefits	23,690	23,690	20,069	3,621
Supplies	46,250	52,250	49,457	2,793
Repairs and maintenance	26,500	39,500	22,942	16,558
Outside services	61,000	61,000	38,753	22,247
Utilities	107,250	107,250	92,819	14,431
Insurance	85,000	85,000	84,771	229
Other costs	47,625	47,625	42,530	5,095
Capital outlay	-	-	-	-
Total City Hall Buildings	<u>457,635</u>	<u>488,635</u>	<u>425,508</u>	<u>63,127</u>
City Garage:				
Salaries	46,965	46,965	47,109	(144)
Benefits	19,882	19,882	17,822	2,060
Supplies	13,515	13,515	5,539	7,976
Total City Garage	<u>80,362</u>	<u>80,362</u>	<u>70,470</u>	<u>9,892</u>
Total General Government	<u>2,308,018</u>	<u>2,572,368</u>	<u>2,301,890</u>	<u>270,478</u>
Public Safety:				
Police Department:				
Salaries	2,637,409	2,670,186	2,645,864	24,322
Benefits	1,202,458	1,209,239	1,085,852	123,387
Repairs and maintenance	78,549	78,549	52,451	26,098
Supplies	447,361	365,613	349,838	15,775
Outside services	114,125	110,585	92,270	18,315
Utilities	43,997	43,997	23,369	20,628
Insurance	80,000	52,000	71,445	(19,445)
Other costs	45,903	45,903	43,197	2,706
Fire fighting supplies	-	80,000	64,688	15,312
Capital outlay	-	-	-	-
Total Public Safety	<u>4,649,802</u>	<u>4,656,072</u>	<u>4,428,974</u>	<u>227,098</u>
Streets and Public Works:				
Salaries	719,502	719,502	651,040	68,462
Employee benefits	349,687	349,687	307,136	42,551
Repairs and maintenance	60,000	60,000	15,082	44,918
Supplies	97,750	124,750	55,299	69,451
Outside services	71,720	171,720	160,862	10,858
Telephone and utilities	6,000	9,000	3,586	5,414
State projects and other costs	-	150,000	159,201	(9,201)
Capital outlay	-	-	-	-
Total Streets and Public Works	<u>1,304,659</u>	<u>1,584,659</u>	<u>1,352,206</u>	<u>232,453</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, 2009

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture:				
Salaries	\$425,361	443,403	406,775	36,628
Employee benefits	169,029	172,680	142,971	29,709
Repairs and maintenance	13,700	13,700	13,749	(49)
Supplies	52,840	54,140	41,112	13,028
Outside services	74,500	74,500	52,238	22,262
Insurance	5,350	5,350	6,369	(1,019)
Utilities	62,350	62,350	71,620	(9,270)
Appropriations to nonprofits	275,298	266,258	264,326	1,932
Capital outlay	-	-	-	-
Total Recreation and Culture	<u>1,078,428</u>	<u>1,092,381</u>	<u>999,160</u>	<u>93,221</u>
Total Expenditures	<u>9,340,907</u>	<u>9,905,480</u>	<u>9,082,230</u>	<u>823,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,233,661</u>	<u>824,888</u>	<u>2,117,852</u>	<u>1,292,964</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,573,969)</u>	<u>(1,798,709)</u>	<u>(1,384,963)</u>	<u>413,746</u>
Total Other Financing Sources (Uses)	<u>(1,573,969)</u>	<u>(1,798,709)</u>	<u>(1,384,963)</u>	<u>413,746</u>
Excess (Deficiency) of Revenues & Other Sources	<u>(340,308)</u>	<u>(973,821)</u>	<u>732,889</u>	<u>1,706,710</u>
Fund Balance, Beginning of Year	<u>1,912,983</u>	<u>1,912,983</u>	<u>1,912,983</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,572,675</u>	<u>939,162</u>	<u>2,645,872</u>	<u>1,706,710</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Assets

Proprietary Fund

June 30, 2009

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
<b>Assets</b>		
Current Assets:		
Cash	\$2,342,929	94,864
Investments	947,279	-
Receivable-net of allowance for doubtful accounts of \$96,925	426,743	-
Interest receivable	12,223	-
Prepaid insurance	3,226	-
Inventory	83,880	-
Total Current Assets	<u>3,816,280</u>	<u>94,864</u>
Noncurrent Assets:		
Restricted cash - designated for capital projects	<u>2,172,519</u>	-
Capital Assets:		
Land	1,000,044	-
Construction in progress	302,532	-
Collection system	42,267,523	-
Buildings	379,089	-
Equipment	1,118,718	-
Total Capital Assets	<u>45,067,906</u>	-
Less: accumulated depreciation	<u>(11,364,476)</u>	-
Net Property, Plant and Equipment	<u>33,703,430</u>	-
Total Noncurrent Assets	<u>35,875,949</u>	-
Total Assets	<u>\$39,692,229</u>	<u>94,864</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$168,746	121,618
Accrued expenses	73,876	-
Contracts payable	179,903	-
Interest payable	5,711	-
Customer deposits	5,838	-
Due to general fund	8,152	-
Bonds and notes payable - current	165,000	-
Total Current Liabilities	<u>607,226</u>	<u>121,618</u>
Noncurrent Liabilities:		
Bonds and notes payable - noncurrent	543,000	-
Other post-employment benefit obligation	80,444	-
Total Noncurrent Liabilities	<u>623,444</u>	-
Total Liabilities	<u>1,230,670</u>	<u>121,618</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	32,995,430	-
Designated for capital improvements	1,992,616	-
Unrestricted and undesignated	3,473,513	(26,754)
Total Net Assets	<u>\$38,461,559</u>	<u>(26,754)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>(34,066)</u>	
Net Assets of business -type activities	<u>\$38,427,493</u>	

See accompanying notes to financial statements.

**CITY OF MT. JULIET, TENNESSEE**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**For the Year Ended June 30, 2009**

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$3,247,939	\$1,180,271
Sewer inspection and administrative charges	136,767	-
Penalties	73,262	-
Other	3,417	-
Total Operating Revenues	<u>3,461,385</u>	<u>1,180,271</u>
Operating Expenses:		
Sewer line and pump maintenance	1,095,563	-
Sewer lift station operation	233,689	-
Administrative and accounting	460,013	1,207,025
Sewer transportation and treatment	1,669,230	-
Depreciation	1,052,108	-
Professional services	92,370	-
Total Operating Expenses	<u>4,602,973</u>	<u>1,207,025</u>
Operating Income (Loss)	<u>(1,141,588)</u>	<u>(26,754)</u>
Nonoperating Revenues (Expenses):		
Interest expense	(42,933)	-
Grant - operating	57,954	-
Interest income	83,598	-
Net Nonoperating Revenues (Expenses)	<u>98,619</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(1,042,969)</u>	<u>(26,754)</u>
Contributions:		
Capital contribution - Tap fees	965,506	-
Capital contribution - Utility plant	2,333,590	-
Total Contributions	<u>3,299,096</u>	<u>-</u>
Change in Net Assets	2,256,127	(26,754)
Net Assets - Beginning of Year	<u>36,205,432</u>	<u>-</u>
Net Assets- End of Year	<u>\$38,461,559</u>	<u>(\$26,754)</u>
Change in Net Assets as shown above	2,256,127	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Change in Net Assets of business -type activities	<u>(34,066)</u>	
	<u>\$2,222,061</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2009

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$3,492,629	-
Cash paid for personnel services	(830,836)	-
Cash paid to suppliers for goods and services	(2,447,861)	-
Cash received on interfund advances	17,036	-
Cash paid for interfund administrative support services	(78,000)	-
Premiums received	-	1,180,271
Medival claims and administrative expenses paid	-	(1,085,407)
Net Cash Provided (Used) by Operating Activities	152,968	94,864
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(1,080,539)	-
Interest paid on debt	(44,208)	-
Payments on long-term debt	(158,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,282,747)	-
Cash Flows Provided (Used) By Non-Capital Financing Activities:		
Contributions from customers	965,506	-
Operating grant received	57,954	-
Net Cash Provided (Used) by Non-Capital Financing Activities	1,023,460	-
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(947,279)	-
Interest received on investments	87,523	-
	(859,756)	-
Net Increase (Decrease) in Cash	(966,075)	94,864
Cash and Cash Equivalents, Beginning of Year	5,481,523	-
Cash and Cash Equivalents, End of Year	\$4,515,448	94,864
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	(\$1,141,588)	(26,754)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,052,108	-
(Increase) Decrease in:		
Accounts receivable	31,244	-
Prepaid expenses	1,601	-
Inventory	18,792	-
Increase (Decrease) in:		
Accounts payable	73,682	121,618
Accrued expenses	19,649	-
Other post-employment benefit obligation	80,444	-
Due/from to other funds	17,036	-
Net cash provided by operating activities	\$152,968	94,864

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$2,333,590 and also liquidated contracts contracts payable related to capital asset acquisitions in the amount of \$608,603 .

See accompanying notes to financial statements.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements

For the Year Ended June 30, 2009

### (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 component 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, 2009, the City had no component units which were required to be included in these financial statements.

#### Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

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

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

Property taxes, state shared revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government. In the current year the City did not levy a property tax.

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

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

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

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

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

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

#### Joint Venture

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

#### Cash and Equivalents

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

#### Inventories of Supplies

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

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

#### Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 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 \$42,218.

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

#### Capital Assets, (Continued)

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

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

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

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

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

Buildings	40 years	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

#### Compensated Absences

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

#### Long-term Obligations

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

Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

#### Long-term Obligations (Continued)

issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other cost expenditures.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside third-parties for specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Property Taxes

The City has the authority to levy a property tax each October on assessed value listed as of the prior January 1<sup>st</sup> for all real and personal property located in the City's legal boundaries. The City Board set the tax rate at zero for the tax years 2009 and 2008, therefore, levying no tax for those years. All city taxes on real property are declared to be a lien on such realty from January 1<sup>st</sup> of the year assessments are made.

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

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

#### Implementation of Government Accounting Standards Board Statement 45

During fiscal year 2009, the City implemented GASB 45. The statement was implemented prospectively with zero 2009 net OPEB obligation at transition.

### 2) Deposits and Investments

#### Deposits

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

At June 30, 2009 there were no amounts exposed to custodial credit risk.

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

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

### 2) DEPOSITS AND INVESTMENTS (Continued)

#### Investments

At June 30, 2009 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	\$ 1,427,279	63	N/A
Local Government Investment Pool	<u>7,032,423</u>	N/A	N/A
Total	8,459,702		
Liquid Investments (Cash Equivalents)	<u>(7,032,423)</u>		
	\$ <u>1,427,279</u>		

#### 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, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,189,819	-	186,781	1,376,600
Construction in progress	2,673,115	2,926,926	(1,122,296)	4,477,745
<u>Capital assets being depreciated:</u>				
Buildings and improvements	2,891,235	-	870,838	3,762,073
Improvements other than buildings	2,349,773	-	25,130	2,374,903
Machinery and equipment	2,868,155	588,687	(137,357)	3,319,485
Infrastructure	<u>9,926,398</u>	<u>3,985,000</u>	<u>39,547</u>	<u>13,950,945</u>
Total capital assets	<u>21,898,495</u>	<u>7,500,613</u>	<u>(137,357)</u>	<u>29,261,751</u>
Less accumulated depreciation for:				
Buildings and other improvements	\$(1,006,617)	(107,530)		(1,114,147)
Improvements other than buildings	(832,701)	(92,586)		(925,287)
Machinery and equipment	(1,847,425)	(419,993)	137,357	(2,130,061)
Infrastructure	<u>(768,672)</u>	<u>(465,031)</u>		<u>(1,233,703)</u>
Total accumulated depreciation	<u>(4,455,415)</u>	<u>(1,085,140)</u>	<u>137,357</u>	<u>(5,403,198)</u>
Governmental activities capital assets, net	\$ <u>17,443,080</u>			<u>23,858,553</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

### 3) CAPITAL ASSETS (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 984,044	16,000	-	1,000,044
Construction in process	2,490,516	398,235	(2,586,219)	302,532
<u>Capital assets being depreciated:</u>				
Building	379,089			379,089
Collections System	37,309,124	2,372,180	2,586,219	42,267,523
Equipment	<u>1,099,607</u>	<u>19,111</u>	-	<u>1,118,718</u>
Total capital assets	\$ <u>42,262,380</u>	<u>2,805,526</u>	-	<u>45,067,906</u>
Less accumulated depreciation for:				
Collection System and building	\$ (9,529,001)	(944,379)	-	(10,473,380)
Equipment	<u>(783,367)</u>	<u>(107,729)</u>	-	<u>(891,096)</u>
Total accumulated depreciation	<u>(10,312,368)</u>	<u>(1,052,108)</u>	-	<u>(11,364,476)</u>
Business-type activities capital assets, net	\$ <u>31,950,012</u>			<u>33,703,430</u>

Depreciation expense was charged to function/programs as of June 30, 2009, as follows:

Governmental activities:	
General government	\$ 71,986
Public safety	286,827
Street and public works	562,821
Stormwater	9,156
Recreational culture	<u>154,350</u>
Total depreciation expense- governmental activities	\$ <u>1,085,140</u>
Business-type activities:	
Water and Sewer	\$ <u>1,052,108</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

### 4) RECEIVABLES AND DEFERRED REVENUE

Accounts and taxes receivable at June 30, 2009 consisted of the following:

	General <u>Fund</u>	Enterprise <u>Fund</u>	<u>Total</u>
Beer and hotel taxes	\$ 70,643		70,643
Customer	-	523,668	523,668
Insurance stop loss	64,076	-	64,076
Allowance for- doubtful accounts	-	<u>(96,925)</u>	<u>(96,925)</u>
	<u>\$ 134,719</u>	<u>426,743</u>	<u>561,462</u>

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

State and County shared taxes (unavailable)	\$ <u>682,870</u>
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Deferred revenue in the government-wide financial statements include amounts for unavailable revenues related to state income tax of \$40,472.

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

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

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

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	Balance <u>07-01-08</u>	<u>Addition</u>	<u>Reductions</u>	Balance <u>06-30-09</u>	<u>Current Portion</u>
<b>Governmental Activities</b>					
Public Improvement Bonds	\$16,650,000	6,820,000	6,650,000	16,820,000	240,000
TMBF Notes	368,407	-	180,000	188,407	188,407
Capital lease	64,262	-	31,286	32,976	32,976
Net OPEB obligation	-	444,367	40,027	404,340	-
Compensated absences	<u>340,369</u>	<u>-</u>	<u>88,948</u>	<u>251,421</u>	<u>251,421</u>
Total Governmental Activities	\$ 17,423,038	<u>7,264,367</u>	<u>6,990,261</u>	17,697,144	<u>712,804</u>
Bond discounts/premiums	(23,494)			(5,090)	
Loss on refunding	-			<u>(202,000)</u>	
	<u>\$ 17,399,544</u>			<u>17,490,054</u>	
<b>Business-type Activities</b>					
TML Bond Fund	866,000	-	158,000	708,000	165,000
Net OPEB Obligation	-	<u>80,444</u>	<u>-</u>	<u>80,444</u>	<u>-</u>
	<u>\$ 866,000</u>	<u>80,444</u>	<u>158,000</u>	<u>788,444</u>	<u>165,000</u>

**CITY OF MT. JULIET, TENNESSEE**

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

Long term bonds and notes at June 30, 2009 consisted of the following obligations:

	<u>Balance</u> <u>June 30, 2009</u>
<u>Governmental-type Activities</u>	
\$1,900,000 Capital Outlay Notes to finance park and road improvements. Interest rate varies from 4% to 4.45%. Principal is paid annually through 2010.	\$ 188,407
\$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%.	6,820,000
\$10,000,000 general obligation public improvement bonds Series 2009 due in annual installments beginning June 2010 with semi-annual interest payments at rates ranging from 3% to 4%.	<u>10,000,000</u>
	\$ <u>17,008,407</u>
<u>Business-type Activities</u>	
\$1,800,000 Series 2001 TML Bond Fund Loans to finance sewer improvements. Interest is variable and based on bond fund index with no cap. Principal payments are made annually.	\$ <u>708,000</u>
Total Business-type activities	\$ <u>708,000</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2009 are as follows:

	<u>Governmental-type</u>			<u>Business-type</u>		
<u>Fiscal</u> <u>Year</u>	<u>Note/</u> <u>TMBF</u> <u>Note</u>	<u>Public</u> <u>Improvement</u> <u>Bonds</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>	<u>Total</u>
2010	\$188,407	240,000	625,582	165,000	31,860	1,250,849
2011	-	430,000	631,249	173,000	24,435	1,258,684
2012	-	455,000	618,351	181,000	16,650	1,271,001
2013	-	465,000	604,699	189,000	8,505	1,267,204
2014	-	490,000	590,751	-	-	1,080,751
2015-2019		2,685,000	2,705,349	-	-	5,390,349
2020-2024	-	3,160,000	2,181,938	-	-	5,341,938
2025-2029	-	3,925,000	1,496,108	-	-	5,421,108
2030-2034	-	<u>4,970,000</u>	<u>622,780</u>	-	-	<u>5,592,780</u>
	<u>\$188,407</u>	<u>16,820,000</u>	<u>10,076,807</u>	<u>708,000</u>	<u>81,450</u>	<u>27,874,664</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

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

	Governmental Activities
Machinery and equipment	\$ 99,019
Less accumulated depreciation	<u>(39,608)</u>
	\$ <u>59,411</u>

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

2010	\$ 34,757
Less amount representing interest	
Present value of lease	<u>1,781</u>
	\$ <u>32,976</u>

#### Refundings

During the fiscal year, the City transacted a current refunding of the Series IV-J-2 and Series A-8-O Public Improvement bonds. Bonds in the amount of \$6,820,000 were issued to currently refund \$6,575,000 in bonds.

The Series IV-J-2 bonds, which were subject to an interest rate swap created in 2007, had a Standby Purchase Agreement which expired November 28, 2008 caused by the credit crisis. This resulted in the bonds becoming subject to a shortened amortization of approximately seven years. The Series A-8-O bonds were variable rate bonds. The refunding was undertaken to reduce the City's exposure to the volatility in the market related to variable rate debt and to extend the shortened amortization of the Series IV- J-2 bonds. The cost to terminate the swap was \$202,000 plus the cost of issuance of the new bonds which was \$45,650, both of which were paid from the new bond issue. The cost to terminate the swap will be amortized as a component of interest in the government-wide financial statements.

### 6) PENSION PLAN

#### Plan Description

Employees of the City of Mt. Juliet are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 (four) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Mt Juliet participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

6) **PENSION PLAN, Continued**

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

**Funding Policy**

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

Mt. Juliet is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2009 was 13.04% annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Mt. Juliet is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2009, Mt. Juliet's annual pension cost of \$688,218 TCRS was equal to Mt. Juliet's required and actual contributions.

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Mt. Juliet's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 11 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend information:

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/09	\$ 688,218	100.00%	-
6/30/08	552,016	100.00%	-
6/30/06	506,874	100.00%	-

**Required Supplementary Information**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 72.71% funded. The actuarial accrued liability for benefits was \$5.49 million, and the actuarial value of assets was \$3.99 million resulting in an unfunded accrued liability (UAAL) of \$1.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4 million, and the ration of the UAAL to the covered payroll was 39.39%.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

6) **PENSION PLAN (Continued)**

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

Schedule of Funding Progress for the City of Mt. Juliet:  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets  (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll (b-a)/c
7/01/07	\$ 3,993	\$ 5,492	\$ 1,499	72.71%	\$3,806	39.39%

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

7) **POST EMPLOYMENT HEALTHCARE PLAN**

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

Funding Policy

The City offers a Medical, Dental, Vision and Life Insurance Program to retirees and family of City retired employees. The coverage is for the life of the retiree and spouse. The medical premium is \$411.03 per month per person covered. The retiree pays \$40 per month of the coverage. The dental premium is \$22.59 per month and the vision premium is \$5.48 per month. The retiree does not pay for these coverages.

ARC	\$ 403,738
Increase due to interest	<u>121,073</u>
Annual OPEB cost	524,811
Amount of contribution	<u>(40,027)</u>
Increase in NPO	484,784
Net OPEB Obligation 7/1/08	<u>-</u>
Net OPEB Obligation 6/30/09	\$ <u>484,784</u>

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

### 7) POST EMPLOYMENT HEALTHCARE PLAN (Continued)

#### Funding Policy, Continued

<u>Year End*</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/09	\$524,811	7.6%	\$484,784

\*Data not available for two preceding years.

#### Funded Status and Funding Progress

The funding status of the plan as of June 30, 2009 was as follows:

Actuarial valuation date	7/01/08
Actuarial accrued liability (AAL)	\$ 3,632,044
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	3,632,044
Actuarial value of assets as a % of AAL	-
Covered payroll	\$ 5,006,921
UAAL as a percentage of covered payroll	72.5%

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

#### Schedule of Funding Progress:

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
(a)	(b)	(a/b)	(c)	((b-a)/c)	
7/01/08	\$ -	\$3,632,044	-	\$5,006,921	72.5%

#### Actuarial Methods and Assumptions

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

In the July, 2008, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative costs) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 3 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2008.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

### 8) COMMITMENTS AND CONTINGENCIES

#### Metro Agreement

The City has an ongoing sewer treatment agreement with the Metro Nashville Government of Davidson County which began July 1, 2000. This agreement provides that Mt. Juliet is obligated to pay \$1.74 per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is scheduled to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$534 for each 350 gallons of flow per day per connection shall be collected by Mt. Juliet and remitted to Metro. This is subject to adjustment every five years. During the current fiscal year the City paid Metro \$1,608,108 for sewer treatment and \$190,480 for connection charges under this agreement.

#### Contracts

The City had general government contracts in progress at June 30, 2009 of approximately \$2,650,000 which were 10% complete. The City also had sewer projects in progress at June 30, 2009 of approximately \$1,280,000, which were 7% complete.

#### Medical Claims

The City is contesting a medical claim, related to a former employee. Claims in excess of \$400,000 have been made, however the City contends that the procedures performed were excluded under the plan and will vigorously defend their position. No provision for this contingency has been made in the financial statements.

#### 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.

#### Local Government Insurance Cooperative

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

### 9) 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 \$50,000 per employee, and \$892,988 aggregate annual cap. The City has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

**9) RISK MANAGEMENT, Continued**

Changes in the balance of claims liabilities during the fiscal year is as follows. An additional year will be reported when available:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance of Fiscal Year-End</u>
2008-2009	\$ -	1,207,025	1,085,407	121,618

The City continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**10) 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, 2009 and 2008, the Board had an accumulated net assets of \$197,496 and \$207,941 respectively. The net change in net assets for fiscal year 2009 was (\$52,921). Financial information regarding the joint venture is available from the City.

**11) INTERFUND TRANSACTIONS**

Interfund receivables and payables are attributable to obligations between funds. The actual cash transfer has not been made at June 30, 2009. The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 166,233	Proprietary Fund	\$ 8,152
		Debt Service Fund	158,081

Interfund balances also include \$34,066 related to the consolidation of the internal service fund. During the year, the General Fund transferred \$1,105,963 to the Capital Project Fund and \$325,000 to the Debt Service Fund.

**12) 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.

# CITY OF MT. JULIET, TENNESSEE

## Notes to Financial Statements (Continued)

For the Year Ended June 30, 2009

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

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

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

During the year, the General Fund appropriations budget were increased by \$564,573. The Special Revenue Fund appropriations were amended by \$136,500, the Capital Projects Fund budget was amended by \$762,861. The Debt Service Fund was not amended.

#### Budget Violation

Actual expenditures in the General Fund exceeded budgeted appropriations in the City Attorney Department by \$10,778.

### 13) **DEFICIT FUND BALANCE AND NET ASSETS**

The Debt Service Fund, a major governmental fund, had a deficit fund balance of \$109,638 at June 30, 2009. This deficit will be funded by impact fees or a transfer from the General Fund in the next fiscal year. Also, the Internal Service Fund had deficit net assets of \$26,754 at June 30, 2009. This deficit will be funded by increased charges to the other funds. The ultimate responsibility for any deficit is the General Fund.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds			Emergency/ Community Services Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund		
Cash and cash equivalents	\$1,500,754	59,324	429,578	38,647	2,028,303
Due from other governments	120,730	-	-	-	120,730
<b>Total Assets</b>	<b>\$1,621,484</b>	<b>59,324</b>	<b>429,578</b>	<b>38,647</b>	<b>2,149,033</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$3,376	230	3,505	-	7,111
Accrued liabilities	-	-	4,245	-	4,245
Deferred revenue	59,396	-	-	-	59,396
<b>Total Liabilities</b>	<b>62,772</b>	<b>230</b>	<b>7,750</b>	<b>-</b>	<b>70,752</b>
Fund Balances:					
Unreserved and undesignated	1,558,712	59,094	421,828	38,647	2,078,281
<b>Total Fund Balance</b>	<b>1,558,712</b>	<b>59,094</b>	<b>421,828</b>	<b>38,647</b>	<b>2,078,281</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$1,621,484</b>	<b>59,324</b>	<b>429,578</b>	<b>38,647</b>	<b>2,149,033</b>

**CITY OF MT. JULIET, TENNESSEE**

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

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2009**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services Fund	
<b>Revenues</b>					
Intergovernmental:					
State gasoline tax	\$663,362	-	-	-	663,362
Interest	18,277	219	5,108	624	24,228
Licences and permits and fees	-	-	249,656	30,000	279,656
Drug related fines, seizures, and sales	-	25,541	-	-	25,541
<b>Total Revenues</b>	<b>681,639</b>	<b>25,760</b>	<b>254,764</b>	<b>30,624</b>	<b>992,787</b>
<b>Expenditures</b>					
Street Maintenance:					
Current:					
Other Costs - maintenance and lighting	377,673	-	-	-	377,673
Capital outlay	108,648	-	-	-	108,648
Stormwater:					
Current:					
Salaries	-	-	146,891	-	146,891
Employee benefits	-	-	59,719	-	59,719
Other	-	-	21,751	53,430	75,181
Capital outlay	-	-	17,055	-	17,055
Police:					
Current:					
Supplies and investigations	-	1,321	-	-	1,321
Capital outlay	-	46,021	-	-	46,021
<b>Total Expenditures</b>	<b>486,321</b>	<b>47,342</b>	<b>245,416</b>	<b>53,430</b>	<b>832,509</b>
Excess (Deficiency) of Revenues Over Expenditures	195,318	(21,582)	9,348	(22,806)	160,278
Fund Balance, Beginning of Year	1,363,394	80,676	412,480	61,453	1,918,003
Fund Balance, End of Year	<u>\$1,558,712</u>	<u>59,094</u>	<u>421,828</u>	<u>38,647</u>	<u>2,078,281</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**State Street Aid Fund**

**For the Year Ended June 30, 2009**

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental:				
Gasoline tax, State of Tennessee	\$703,000	703,000	663,362	(39,638)
Interest	26,000	26,000	18,277	(7,723)
Total Revenues	<u>729,000</u>	<u>729,000</u>	<u>681,639</u>	<u>(47,361)</u>
<u>Expenditures</u>				
Street Maintenance				
Repairs and maintenance	619,000	619,000	332,633	286,367
Street lighting	59,000	59,000	45,040	13,960
Capital outlay	246,500	334,500	108,648	225,852
Total Expenditures	<u>924,500</u>	<u>1,012,500</u>	<u>486,321</u>	<u>526,179</u>
Excess of Revenues Over Expenditures	(195,500)	(283,500)	195,318	478,818
Fund Balance, Beginning of Year	<u>1,363,394</u>	<u>1,363,394</u>	<u>1,363,394</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,167,894</u>	<u>1,079,894</u>	<u>1,558,712</u>	<u>478,818</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other:				
Interest	\$ -	-	219	219
Drug related fines, seizures and sales	-	25,000	25,541	541
Total Revenues	-	25,000	25,760	760
Expenditures				
Program costs	44,700	50,700	1,321	49,379
Capital outlay	23,000	50,000	46,021	3,979
Total Expenditures	67,700	100,700	47,342	53,358
Excess of Revenues Over Expenditures	(67,700)	(75,700)	(21,582)	54,118
Fund Balance, Beginning of Year	80,676	80,676	80,676	-
Fund Balance, End of Year	\$12,976	4,976	59,094	54,118

**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Interest	\$6,000	6,000	5,108	(892)
Licenses and permits:				
Inspection and other fees	302,000	302,000	249,656	(52,344)
Total Revenues	<u>308,000</u>	<u>308,000</u>	<u>254,764</u>	<u>(53,236)</u>
<u>Expenditures</u>				
Street Maintenance				
Salaries	142,727	142,727	146,891	(4,164)
Employee benefits	67,130	67,130	59,719	7,411
Other	77,800	75,300	21,751	53,549
Capital outlay	22,000	22,000	17,055	4,945
Total Expenditures	<u>309,657</u>	<u>307,157</u>	<u>245,416</u>	<u>61,741</u>
Excess of Revenues Over Expenditures	(1,657)	843	9,348	8,505
Fund Balance, Beginning of Year	<u>412,480</u>	<u>412,480</u>	<u>412,480</u>	<u>-</u>
Fund Balance, End of Year	<u>\$410,823</u>	<u>413,323</u>	<u>421,828</u>	<u>8,505</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**Emergency and Community Services Fund**

**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Licences and permits:				
Inspection and other fees	\$ -	-	30,000	30,000
Interest	-	-	624	624
Total Revenues	<u>-</u>	<u>-</u>	<u>30,624</u>	<u>30,624</u>
<u>Expenditures</u>	<u>36,430</u>	<u>56,430</u>	<u>53,430</u>	<u>3,000</u>
Excess of Revenues Over Expenditures	(36,430)	(56,430)	(22,806)	27,624
Fund Balance, Beginning of Year	<u>61,453</u>	<u>61,453</u>	<u>61,453</u>	<u>-</u>
Fund Balance, End of Year	<u>\$25,023</u>	<u>5,023</u>	<u>38,647</u>	<u>27,624</u>

**FINANCIAL SCHEDULES**

**CITY OF MT. JULIET, TENNESSEE**

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

**Capital Projects Fund**

**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Intergovernmental:</b>				
Grants	\$ -	126,621	126,621	-
<b>Other:</b>				
Interest	-	-	205,906	205,906
<b>Total Revenues</b>	<u>-</u>	<u>126,621</u>	<u>332,527</u>	<u>205,906</u>
<b>Expenditures</b>				
<b>General Government</b>				
City Hall Buildings				
Repairs and maintenance	65,000	43,000	4,367	38,633
Capital outlay	-	-	-	-
<b>Total General Government</b>	<u>65,000</u>	<u>43,000</u>	<u>4,367</u>	<u>38,633</u>
<b>Public Safety</b>				
Police				
Supplies	176,259	185,120	6,241	178,879
Capital outlay	781,650	981,650	948,604	33,046
<b>Total Public Safety</b>	<u>957,909</u>	<u>1,166,770</u>	<u>954,845</u>	<u>211,925</u>
<b>Streets and Public Works</b>				
State road projects	381,000	557,000	329,058	227,942
Repairs and maintenance	6,070,000	370,000	352,687	17,313
Capital outlay	-	6,000,000	2,267,197	3,732,803
<b>Total Streets and Public Works</b>	<u>6,451,000</u>	<u>6,927,000</u>	<u>2,948,942</u>	<u>3,978,058</u>
<b>Recreation and Culture</b>				
Repairs and maintenance	1,316,000	216,000	1,702	214,298
Capital outlay	-	1,200,000	128,088	1,071,912
<b>Total Recreation and Culture</b>	<u>1,316,000</u>	<u>1,416,000</u>	<u>129,790</u>	<u>1,286,210</u>
<b>Total Expenditures</b>	<u>8,789,909</u>	<u>9,552,770</u>	<u>4,037,944</u>	<u>5,514,826</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(8,789,909)</u>	<u>(9,426,149)</u>	<u>(3,705,417)</u>	<u>5,720,732</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	988,259	1,248,499	1,059,963	(188,536)
Capital lease proceeds	1,050,000	1,050,000	-	(1,050,000)
<b>Total other Financing Sources (Uses)</b>	<u>2,038,259</u>	<u>2,298,499</u>	<u>1,059,963</u>	<u>(1,238,536)</u>
<b>Excess (Deficiency) of Revenues &amp; Other Sources     Over Expenditures &amp; Other Uses</b>	<u>(6,751,650)</u>	<u>(7,127,650)</u>	<u>(2,645,454)</u>	<u>4,482,196</u>
<b>Fund Balance, Beginning of Year</b>	<u>8,469,872</u>	<u>8,469,872</u>	<u>8,469,872</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$1,718,222</u>	<u>1,342,222</u>	<u>5,824,418</u>	<u>4,482,196</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Other:				
Interest	\$ -	-	2,385	2,385
Impact fees	600,000	600,000	505,961	(94,039)
Total Revenues	<u>600,000</u>	<u>600,000</u>	<u>508,346</u>	<u>(91,654)</u>
<u>Expenditures</u>				
Bond issue costs	-	-	45,650	(45,650)
Debt Service				
Principal	557,257	557,257	286,286	270,971
Interest	650,116	650,116	739,570	(89,454)
Total Expenditures	<u>1,207,373</u>	<u>1,207,373</u>	<u>1,071,506</u>	<u>135,867</u>
Excess of Revenues Over Expenditures	(607,373)	(607,373)	(563,160)	44,213
Other Financing Sources (Uses)				
Refunding bond proceeds	-	6,820,000	6,820,000	-
Bond premium	-	17,452	17,452	-
Bond refunding	-	(6,575,000)	(6,575,000)	-
Loss on refunding - swap termination fee	-	(202,000)	(202,000)	-
Operating transfer in	-	325,000	325,000	-
Total other Financing Sources (Uses)	<u>-</u>	<u>325,000</u>	<u>385,452</u>	<u>-</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(607,373)</u>	<u>(282,373)</u>	<u>(177,708)</u>	<u>44,213</u>
Fund Balance, Beginning of Year	<u>68,070</u>	<u>68,070</u>	<u>68,070</u>	<u>-</u>
Fund Balance, End of Year	<u>(\$539,303)</u>	<u>(214,303)</u>	<u>(109,638)</u>	<u>44,213</u>

**CITY OF MT. JULIET, TENNESSEE**

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

**Schedule By Function and Activity**

**June 30, 2009**

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$325,000	894,416	302,013	-	-	1,521,429
Public safety:						
Police	79,000	1,153,180	1,804,135	-	-	3,036,315
Streets and Public Works	288,188	394,855	800,323	13,950,945	4,406,732	19,841,043
Stormwater	-	-	50,537	-	-	50,537
Parks	684,412	3,694,525	362,477	-	71,013	4,812,427
Total governmental funds capital assets	<u>\$1,376,600</u>	<u>6,136,976</u>	<u>3,319,485</u>	<u>13,950,945</u>	<u>4,477,745</u>	<u>29,261,751</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, 2009**

Function and Activity	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
General Government	\$1,521,431			1,521,431
Public safety: Police	2,179,047	994,625	137,357	3,036,315
Streets and Public Works	13,480,198	6,360,845	-	19,841,043
Stormwater	33,482	17,055	-	50,537
Parks	4,684,337	128,088	-	4,812,425
Total governmental funds capital assets	<u>\$21,898,495</u>	<u>7,500,613</u>	<u>137,357</u>	<u>29,261,751</u>

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Cash and Cash Equivalents**

**All Funds**

**June 30, 2009**

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Local Governmental Investment Pool	Various	\$56,559
Passbook and checking accounts	-	1,924,834
Petty Cash	-	1,315
Total General Fund		<u>1,982,708</u>

Capital Projects Fund:		
Local Governmental Investment Pool	Various	6,082,620
Passbook and checking accounts		15,532
Total Capital Projects Fund		<u>6,098,152</u>

Debt Service Fund		
Passbook and checking accounts		<u>48,443</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	435,008
Passbook and checking accounts	-	1,065,746
Total State Street Aid Fund		<u>1,500,754</u>

Drug Fund:		
Cash on hand	-	439
Passbook and checking accounts	-	58,885
Total Drug Fund		<u>59,324</u>

Storm Water:		
Checking accounts	-	<u>429,578</u>

Emergency and Community Services Fund		
Passbook and checking accounts	-	<u>38,647</u>

Proprietary Funds

Sewer Enterprise Fund		
Local Government Investment Pool	Various	458,236
Petty Cash	-	550
Passbook and checking accounts	-	4,056,662
Total Sewer Enterprise Fund		<u>4,515,448</u>

Internal Service Fund		
Passbook and checking accounts		<u>94,864</u>

Total		<u>\$14,767,918</u>
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**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Governmental-type Activities**

**June 30, 2009**

Fiscal Year	Public Improvement Bonds		Public Improvement Refunding Bonds		TMBF Capital Outlay Notes		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$90,000	392,773	150,000	228,617	188,407	4,192	1,053,989
2011	120,000	390,072	310,000	241,177	-	-	1,061,249
2012	135,000	386,473	320,000	231,878	-	-	1,073,351
2013	135,000	382,422	330,000	222,277	-	-	1,069,699
2014	150,000	378,373	340,000	212,378	-	-	1,080,751
2015	150,000	373,872	350,000	202,177	-	-	1,076,049
2016	150,000	368,998	370,000	190,803	-	-	1,079,801
2017	155,000	364,122	380,000	178,777	-	-	1,077,899
2018	155,000	357,923	400,000	165,478	-	-	1,078,401
2019	155,000	351,722	420,000	151,477	-	-	1,078,199
2020	155,000	345,910	440,000	136,778	-	-	1,077,688
2021	155,000	340,098	450,000	120,827	-	-	1,065,925
2022	155,000	333,897	470,000	103,953	-	-	1,062,850
2023	150,000	327,698	510,000	85,740	-	-	1,073,438
2024	165,000	321,697	510,000	65,340	-	-	1,062,037
2025	175,000	315,098	530,000	44,940	-	-	1,065,038
2026	185,000	308,098	540,000	22,680	-	-	1,055,778
2027	795,000	300,697	-	-	-	-	1,095,697
2028	830,000	268,898	-	-	-	-	1,098,898
2029	870,000	235,697	-	-	-	-	1,105,697
2030	910,000	200,898	-	-	-	-	1,110,898
2031	950,000	164,497	-	-	-	-	1,114,497
2032	990,000	126,498	-	-	-	-	1,116,498
2033	1,035,000	86,402	-	-	-	-	1,121,402
2034	1,085,000	44,485	-	-	-	-	1,129,485
<b>Total</b>	<b>\$10,000,000</b>	<b>7,467,318</b>	<b>6,820,000</b>	<b>2,605,297</b>	<b>188,407</b>	<b>4,192</b>	<b>27,085,214</b>

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of Long-Term Debt Requirements**

**Sewer Fund**

**June 30, 2009**

Fiscal Year	TML Bond Fund Loan		Total
	Principal	Interest	
2010	\$165,000	31,860	196,860
2011	173,000	24,435	197,435
2012	181,000	16,650	197,650
2013	189,000	8,505	197,505
Total	<u>\$708,000</u>	<u>81,450</u>	<u>789,450</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2009

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

CFDA Number	Grant Number	Program Name	Grantor Agency	Accrued or Deferred Revenue 7/01/08	Cash Receipts	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/09
16.607	-	Bulletproof Vest Partnership Program	U S Department of Justice	\$ -	1,425	-	1,425	-
-	-	Justice Assistance Grant	U S Department of Justice	-	-	-	26,621	(26,621)
					<u>1,425</u>		<u>28,046</u>	<u>(26,621)</u>
State Grants								
-	GG0822887	Fast Track Grant	TN Department of ECD	\$ -	57,954	-	57,954	-
-	GG0927746	Railroad Maintenance Quiet Zone	Tennessee Dept. of Transportation	-	100,000	-	100,000	-
-	GG0976619	Railroad Maintenance	Tennessee Dept. of Transportation	-	5,600	-	5,600	-
				<u>\$ -</u>	<u>163,554</u>		<u>163,554</u>	

Credit balances represent inter-governmental receivables from State and Local Governments.

CITY OF MT. JULIET, TENNESSEE

Schedule of Liability and Property Insurance in Force

June 30, 2009

Insurance Coverage	Details of Coverage
Tennessee Municipal League Insurance Pool	
Public Officials Error & Omissions	\$3,000,000/ \$2,500 deductible
General Liability Automobile Liability, Bodily Injury, Law Enforcement	\$300,000 per person bodily injury as limited by tort liability act \$700,000 per occurrence bodily injury as limited by tort liability act \$100,000 per occurrence law enforcement as limited by tort liability act \$3,000,000 per occurrence for each other
Automobile Physical Damage	Actual cash value of vehicle or cost to replace Deductible: Comprehensive \$1,000 Collision \$1,000
Uninsured Motorist	\$300,000 per person bodily injury \$100,000 per occurrence law enforcement
Automobile Medical Payments	\$1,000 per person/\$10,000 per accident
Property, Multi-Peril	
Real and Personal Property (Total Insured)	\$13,305,525
Mobile Equipment	\$375,000
Accounts Receivable	\$250,000
Valuable Papers	\$250,000
Fine Arts	\$50,000
EDP Equipment/Media	\$500,000
Flood	\$1,000,000
Earthquake	\$1,500,000
Crime Limits	
Forgery	\$250,000
Theft, Disappearance and Destruction	\$250,000
Employee Dishonesty	\$250,000
Public Officials	\$100,000
T.M.L. Insurance Pool (Workmen's Compensation)	\$1,000,000 Each accident limit \$1,000,000 Ppolicy limit by disease \$1,000,000 Employee limit by disease

**CITY OF MT. JULIET, TENNESSEE**

**Schedule of City Officials**

**June 30, 2009**

<u>Position</u>	<u>Annual Salary</u>
<u>Elected Officials:</u>	
Mayor Linda Elam	\$1,000/monthly
Vice Mayor Will Sellers	\$450/monthly
Commissioner Ed Hagerty	\$950/monthly
Commisioner Winston Floyd	\$950/monthly
Commissioner James Bradshaw	\$450/monthly
<u>Employees:</u>	
City Manager, Randy Robertson	
Finance Director, John T. Rossmailer	
City Recorder, Sheila S. Lockett	
Public Works Director, Marlin Keel	
Police Chief, Andy Garrett	
Economic Development, Kenneth Martin	
Acting Parks Director, Roger Lee	
Human Resources Director, Jill Johnson	

CITY OF MT. JULIET, TENNESSEE

Schedule of Sewer System Data

For the Year Ended June 30, 2009

	<u>Commercial</u>	<u>Outside City Commercial</u>	<u>Inside City Residential</u>	<u>Outside City Residential</u>
Sewer Rates (Based on water consumption)				
Minimum bill (first 2,000 gallons)	\$16.60	\$20.63	\$11.76	\$14.57
Each additional 1,000 gallons	\$8.03	\$9.91	\$5.76	\$7.08
Tap fees				
Residential (inside city)				\$1,500
Commercial (Based on meter size)				
Residential (outside city)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential				\$1,285-2,535/lot
Inspection fee				\$50
Number of customers				7,694

## **OTHER REPORTS**

# 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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(615) 385-1008  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Mt. Juliet as of and for the year ended June 30, 2009, which collectively comprise the City of Mt. Juliet's basic financial statements and have issued a report thereon dated November 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mt. Juliet's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Mt. Juliet's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mt. Juliet's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mt. Juliet's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Mt. Juliet's financial statements is more than inconsequential will not be prevented or detected by the City of Mt. Juliet's internal control. We consider the deficiencies described in accompanying Schedule of Findings and Recommendations to be significant deficiencies in internal control over financial reporting. 05-01

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Mt. Juliet's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain additional matters that were reported to management in a separate letter dated November 1, 2009.

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

The City of Mt. Juliet's responses to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the City of Mt. Juliet's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Aldermen and, State Comptroller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 1, 2009

**CITY OF MT JULIET, TENNESSEE**

Schedule of Findings and Recommendations

June 30, 2009

**PRIOR YEAR**

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

Status: Resolved.

05-01 During our review of policies and procedures related to vehicle gasoline and repairs we noted that all departments are not performing monthly analysis of gasoline usage reports by vehicle and explaining any variances from expected usage. We also noted from a review of repair invoices and purchase orders that it was not always indicated as to the vehicle number or description of the vehicle which was repaired. These weaknesses could result in unauthorized vehicle related expenditures.

Status: Condition still exists.

Recommendation: Each month each department should make a complete analysis of fuel usage and explain all unusual variances. Also, every purchase order or related invoice should indicate the vehicle number on all repair expenditures to allow for tracking of repairs by vehicle.

Response: The Finance Department will improve the review and following process.

07-01 During our testing of cash disbursements we noted that check signers are using a stamp, however there was no formal documentation of approval of use of stamp. We also noted the purchase orders were not always complete as to amount and description, and that certain credit card charges were not supported by an invoice or other documentation. This could result in unauthorized expenditures.

Status: Resolved.