

THE TENNESSEE REGULATORY AUTHORITY

In re:

PETITION OF THE CITY OF

DOCKET NO. 11-00027

MT. JULIET TO PROVIDE 311

SERVICES TO THE RESIDENTS OF

THE CITY OF MT. JULIET

On behalf of the City of Mt. Juliet, Tennessee, we are requesting that the Tennessee Regulatory Authority Approve the allocation of N11 Number (311) to the City of Mt. Juliet for the purpose of providing public access to non-emergency City services and information.

Background

The Federal Communications Commission directed Bell Communications Research (Bellcore) in its capacity as North America Numbering Plan (NANP) to set aside 311 as a code to be used for the public to reach non-emergency police and other government services (Federal Communications Commission, First Report and Order and Further Notice of Proposed Rulemaking, CC97-7, February 19, 1997). The Commission required that when a provider of telecommunications services receives a request from an entity to use 311 for access to non-emergency police and other government services in a particular jurisdiction, that provider must ensure that it takes any steps necessary to complete 311 calls from the subscribers to a requesting 311 entity.

Prior to the issuance of the FCC's First Report, the Authority reviewed requests

for the allocation of N11 numbers pursuant to criteria set forth in the Interim Order issued on October 20, 1993 by the Tennessee Public Service Commission ("TPSC") in TPSC Docket No. 92-13892 ("TPSC Order") to determine the most qualified applicant for allocation of each N11 number in each local calling area. The criteria included:

- a. the overall financial fitness of the applicant;
- b. the technical ability and willingness of the applicant to provide the service on a permanent and continuous basis;
- c. the ability and willingness of the applicant to abide by applicable TPSC rules and policies;
- d. the rates, services and collection practices to be utilized by the applicant;
- e. the extent and duration of the applicant's service to the local community;
- f. anticipated future uses by the community of the proposed service being offered by the applicant; and
- g. the type of information services to be provided by the applicant over N11 and its relative value to the public and local community.

(Tennessee Regulatory Authority, Petition of Contact Ministries, Inc. to Provide the 211 Information and Referral Services, Docket No. 02-00126, March 12, 2002).

Petition for 311 Services

In April 2011, the City of Mt. Juliet ("the City") plans to launch a "311 non-emergency service number" to enable its residents to call one phone number to gain access to non-emergency public services and information. In developing the "311 non-emergency service", the City has looked to similar operations in Chattanooga, Dyersburg and Knoxville, among other cities.

Each of these model cities utilizes "311" as their one call number. By this petition, the City of Mt. Juliet requests the ability to do something similar.

The Applicant's Overall Financial Fitness

The 311 service will be provided by the City of Mt. Juliet, a political subdivision of the State of Tennessee that is governed by an elected Mayor and 4 member City Council. The 311 service will be funded through the City's general fund. Under the FY 2010-2011 Budget enacted by the City Council in June 2010, the City projects General Fund revenue totaling \$ 12,303,786.00. The City's finances are subject to annual audit (see Attachment A- 2009-2010 Annual Audit).

The Applicant's Technical Ability and Willingness to Provide the Service on a Permanent and Continuous Basis

The City will utilize a state of the art auto-attendant that is hosted by TDS Telecom. It will also have 1 staff member to answer any calls that could not be answered / routed via the auto attendant. (During regular business hours, 8am – 5pm) The City uses TDS Telecom as its principal local service provider.

The City intends to provide the service on a permanent and continuous basis once it is commenced in April 2011.

The Applicant's Willingness to Abide by Applicable TPSC Rules and Policies

The City intends to fully abide by and comply with applicable TPSC rules and policies.

The Applicant's Rates, Services and Collection Practices

The City does not intend to charge residents for use of the 311 service.

The Extent and Duration of the Applicant's Service

Currently, Mt. Juliet residents are required to select from numerous telephone numbers for the non-emergency service requests for the various city services. (see, Attachment B — TDS White Page Listings for the City of Mt. Juliet). Upon implementation of the 311 non-emergency service number, residents will be able to continue to call 911 for emergency services.

Once implemented, citizens will not have to remember or try to locate the many different department or contact numbers when trying to contact the City of Mt. Juliet for non-emergency services or information. Dialing 311 from within the city limits of Mt. Juliet will immediately connect the person to the auto-attendant offering the various options for contact. If the person doesn't know whom they need to contact, they will simply opt out, by pressing 0 and be connected to an attendant who can help. See next section for additional information.

The Anticipated Uses of the Proposed Service

Some of the options for City departments and divisions that could be handled by the 311 system upon implementation of service:

- a. Sewer Billing / Maintenance Resources
- b. Codes and Inspections
- c. Planning
- d. City Hall / Admin
- e. Finance / Purchasing
- f. Police Records Division
- g. Public Works
- h. Roads / Streets
- i. Storm Water Management
- j. City Engineer
- k. Parks
- l. Animal Services
- m. Personnel
- n. Recreation Centers
- q. Non-emergency Police

Future iterations will provide the ability for the citizen to speak what they are looking for or trying to accomplish, and being routed this way.

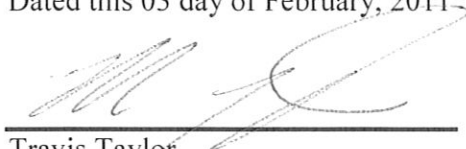
**The Type of Information Services to Be Provided by the Applicant and its
Relative Value to the Public and Local Community.**

Implementation of the 311 service will enable the City of Mt. Juliet to join a small, but growing, number of municipalities across the nation that have focused on the need to both increase citizen access to government service and enhance the accountability of government departments. 311 will be utilized to provide information about virtually all City services. Residents will be able to call to request services, information and more easily reach the City of Mt. Juliet.

Conclusion

Success of this service depends upon the City's ability to use an easy to remember and easy to use telephone number. Based on the historic national success of 911 for emergency calls and the success of other municipalities utilizing 311 to provide many of the same services Mt. Juliet expects to provide, the allocation of 311 will greatly enhance the City's ability to maximize the value of its efforts.

Dated this 03 day of February, 2011

A handwritten signature in dark ink, appearing to read 'Travis Taylor', is written over a solid horizontal line.

Travis Taylor
I.T. Director
City of Mt. Juliet, TN

CITY OF MT. JULIET, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2010

CITY OF MT. JULIET, TENNESSEE

Table of Contents

Page Number

FINANCIAL SECTION

Independent Auditor's Report	i
Management's Discussion and Analysis	ii-ix
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3
Reconciliation of Balance Sheet to Statement of Net Assets of Governmental Activities	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities...	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	7-10
Statement of Net Assets - Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13
Notes to Financial Statements	14-29

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet - Nonmajor Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	32
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Nonmajor Governmental Funds:	
State Street Aid Fund	33
Drug Fund	34
Stormwater Fund	35
Emergency Community Service Fund	36

CITY OF MT. JULIET, TENNESSEE

Table of Contents, Continued

	<u>Page Number</u>
 FINANCIAL SCHEDULES	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Major Governmental Funds	37
Capital Projects Fund	38
Debt Service Fund.....	38
Capital Assets Used in the Operation of the Governmental Funds:	
Schedule by Function and Activity	39
Schedule of Changes by Function and Activity	40
Schedule of Cash and Cash Equivalents - All Funds.....	41
Schedule of Debt Service Requirements-Governmental-type Activities	42
Schedule of Debt Service Requirements - Sewer Fund	43
Schedule of Expenditures of Federal Awards.....	44
Schedule of Federal and State Financial Assistance	45
Schedule of Insurance Coverage.....	46
Schedule of Principal Officials	47
Schedule of Sewer System Data	48
 OTHER REPORTS SECTION	
Independent Auditor's Report on the Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	49
Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	50-51
Schedule of Findings and Questioned Costs.....	52

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, 2010, 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.

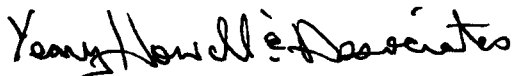
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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, 2010, 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 3, 2010, on our consideration of the City of Mt. Juliet's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Juliet's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, pages 31-36 and Financial Schedules, pages 37-48, as listed in the Table of Contents are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 44 is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the City. The Combining and Individual Nonmajor Fund Statements and Schedules, and the Financial Schedules, including the Schedule of Expenditures of Federal Awards 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 3, 2010

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, 2010. 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 \$64.7 million. Of this amount, \$7.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. This represents a decrease in unrestricted net assets value vs. the prior year of \$180 thousand dollars.

At the close of FY09-10, the City's governmental funds reported combined ending fund balances of \$10.5 million, an increase of \$100 thousand in comparison to the prior year. 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. 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 FY09-10, the fund balance of the General Fund was \$3.9 million, approximately \$512,000 of which was being held in reserve for future road and park projects, \$150,000 held as a rainy day fund and \$132,000 reserved for prepaid requirements. The balance of some \$3.1 million represented approximately 33% of annual recurring expenses including capital projects and debt service transfers.

The City made principal payments of \$593,000 on previously issued bonds in FY09-10. The City currently has two outstanding bond issues in the Governmental Activities, with amortization schedules running to 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 24 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 \$165,000 on previously issued Business type bonds in FY09-10. 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 maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The city uses an internal service fund to account for its medical self-insured insurance. Because this service benefits both governmental and business-type functions, it has been allocated between both governmental activities and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Sewer Fund which is considered to be a major fund of the city. The internal service fund is also presented in the proprietary fund financial statements.

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 14-29 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 37-48 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 \$64.7 million at the close of FY09-10, the most recently completed fiscal year.

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding, plus unspent bond proceeds on hand. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its

capital assets is reported net of debt, it should be noted that the cash flows needed to repay this debt must be provided from other sources, since, with few exceptions, the capital assets themselves cannot be used to liquidate these liabilities.

City of Mt. Juliet Net Assets						
	Governmental		Business Type			
	Activities		Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Current and Other Assets	12,208,624	12,550,244	5,273,145	5,946,581	\$ 17,481,769	18,496,825
Capital Assets	30,099,733	23,858,553	36,616,139	33,703,430	66,715,872	57,561,983
Total Assets	42,308,357	36,408,797	41,889,284	39,650,011	84,197,641	76,058,808
Long Term Liabilities Outstanding	16,907,887	16,777,250	553,136	623,444	17,461,023	17,400,694
Other Liabilities	1,494,141	2,035,430	537,375	599,074	2,031,516	2,634,504
Total Liabilities	18,402,028	18,812,680	1,090,511	1,222,518	19,492,539	20,035,198
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	18028480	12,957,465	36,073,139	32,995,430	54,101,619	45,952,895
Restricted	2,901,142	2,289,770	-	-	2,901,142	2,289,770
Unrestricted	2,976,707	2,348,882	4,725,634	5,432,063	7,702,341	7,780,945
Total Net Assets	23,906,329	17,596,117	40,798,773	38,427,493	64,705,102	56,023,610

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

CITY OF MT. JULIET NET ASSETS

Net Capital Assets of the City in Governmental activities increased from \$23.8 million to \$30.1 million in FY09-10. Net Capital Assets of the City in Business-type activities increased from \$33.7 million to \$36.6 million in FY09-10.

Governmental Activities

Governmental activities increased the City's net assets by \$6.3 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 perhaps to a lesser extent due to the economic downturn which the country is experiencing which in turn should reduce funding sources. To date, the city has not participated in the downturn that has affected so many cities over the past 24 months.

Business-Type Activities

Business-type activities increased the City's net assets by \$2.3 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 Activities		Business Type Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$ 2,341,657	\$ 2,608,686	\$ 3,844,994	\$ 3,461,385	\$ 6,186,651	\$ 6,070,071
Operating Grants and Contributions	1,015,869	902,665			1,015,869	902,665
Capital Grants and Contributions	5,535,555	4,225,000	3,359,339	3,357,050	8,894,894	7,582,050
General Revenues					-	-
Sales Taxes	5,648,370	4,908,305			5,648,370	4,908,305
Other Locally Assessed Taxes	1,861,011	1,766,228			1,861,011	1,766,228
Other State Shared Taxes	2,113,801	2,086,857			2,113,801	2,086,857
Investment Earnings & Rental Income	242,291	353,840	94,375	83,598	336,666	437,438
Other	118,550	205,231			118,550	205,231
Total Revenues	18,877,104	17,056,812	7,298,708	6,902,033	26,175,812	23,958,845
Expenses:						
General Government	3,125,874	2,739,990			3,125,874	2,739,990
Public Safety	5,049,073	4,531,105			5,049,073	4,531,105
Recreation and Culture	1,153,766	1,200,051			1,153,766	1,200,051
Streets and Public Works	2,357,645	3,044,446			2,357,645	3,044,446
Stormwater	225,980	277,615			225,980	277,615
Interest on Debt	654,554	714,024			654,554	714,024
Sewer			4,927,428	4,679,972	4,927,428	4,679,972
Total Expenses	12,566,892	12,507,231	4,927,428	4,679,972	17,494,320	17,187,203
Increase (Decrease) in Net Assets	6,310,212	4,549,581	2,371,280	2,222,061	8,681,492	6,771,642
Net Assets Beginning of Year	17,596,117	13,046,536	38,427,493	36,205,432	56,023,610	49,251,968
Net Assets End of Year	23,906,329	17,596,117	40,798,773	38,427,493	64,705,102	56,023,610

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 \$10.5 million, a nominal increase of a little over 100 thousand dollars. The \$2.5 million increase in governmental grant revenue over the prior year was offset by road expenditures. Tax revenue increases over the prior year of some \$700 thousand provided for increased expenditures in Public safety, Public Works and General Government. Again the city continues to invest in ROW for the state which does not create a city asset. The general fund unreserved balance at the end of the fiscal year was \$3.1 million out of a total general fund balance of \$3.9 million. The City estimates that it will continue spending on major road, transportation, and infrastructure projects in the new fiscal year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS (see pages 7-10)

The City's General Fund collected some \$1.1 million more in revenue than forecast at the time of the adoption of the final budget.

Local option sales tax revenue increased 13% above the prior year and 9.6% 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. In addition, the floods that closed Opry Mills in the spring left shoppers with fewer choices and the city expects to benefit from that in the upcoming year as well. The increase offset the budget shortfall in fines and penalties.

For expenditures in the General Fund, prior to transfers to other funds, there was \$700 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 \$22 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. The Capital Projects Fund was enhanced by \$1.9 million in stimulus funds that were not anticipated in budget preparation. This revenue allows additional fund balance to remain available for further road projects in years beyond FY09-10.

DEBT SERVICE FUND: (See Page 38)

Impact Fee revenue is allocated to the Debt Service Fund in order to liquidate the city's bonds that were issued to support the city road building projects. Such revenue must be supplemented with transfers from the General Fund in order for the fund to meet the outstanding obligations. The city repaid bonds totaling \$461 thousand in FY19-10. The fund requires almost \$1.1 million each fiscal year to meet its current outstanding bond obligations through the year 2034.

The fund also supports the liquidation of outstanding lease obligations for capital assets with transfers from the General Fund. There were no such obligations at 6/30/2010.

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, 2010 amounts to \$66.7 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 15.8% (a 25.9% increase for governmental activities and a 8.6% increase in business-type activities).

Major capital asset acquisitions during FY 2009-2010 included the following:

Governmental Type Activities:

Computer Equipment	14,400
Animal Shelter Cages	3,007
Police Vehicles and Associated Equipment	188,070
Police Building Improvements	12,275
Other Police Equipment and Software	16,160
Parks Equipment	18,010
Parks Recreational Improvements	26,375
Parks Building Improvements	28,128
Skate Park	
Parks PA System	10,329
Public Works Vehicles	32,712
Public Works Equipment	14,900
Public Works Improvements	10,379
Public Works Software	45,536
Public Works bucket Truck	39,580
Donated Infrastructure-Streets	2,952,600
Construction in Progress	4,058,935
	<u>7,471,394</u>

Business Type Activities:

Collection System and Projects	3,951,120
Land	-
Equipment	76,309
Total Business Activities	<u>4,027,429</u>

City of Mt. Juliet's Capital Assets

	Governmental Activities		Business Type Activities		Total	Total
	2010	2009	2010	2009	2010	2009
Land	\$ 1,376,600	\$ 1,376,600	\$ 1,047,544	\$ 1,000,044	\$ 2,424,144	\$ 2,376,644
Bldgs and Improvements	3,762,073	3,762,073	422,816	379,089	4,184,889	4,141,162
Improv Other than Bldgs	2,529,105	2,374,903			2,529,105	2,374,903
Machinery and Equipment	3,668,123	3,319,485	1,195,027	1,118,718	4,863,150	4,438,203
Construction in Progress	8,427,076	4,477,745	1,491,706	302,532	9,918,782	4,780,277
Collection System			44,938,242	42,267,523	44,938,242	42,267,523
Infrastructure	16,913,924	13,950,945			16,913,924	13,950,945
Total Cost	36,676,901	29,261,751	49,095,335	45,067,906	85,772,236	74,329,657
Less Acc Depr	6,577,168	5,403,199	12,479,176	11,364,476	19,056,344	16,767,675
Net Capital Assets	<u>\$ 30,099,733</u>	<u>\$ 23,858,552</u>	<u>\$ 36,616,159</u>	<u>\$ 33,703,430</u>	<u>\$ 66,715,892</u>	<u>\$ 57,561,982</u>

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 \$17.1 million. The City of Mt. Juliet's total debt decreased by almost \$600,000 during the current fiscal year due to principal payments. Total transfers out of the General Fund to the Debt Service Fund of \$804,000 were required to fully service the city debt. The city has a Standard and Poor's debt rating of AA and "stable" at 6/30/2010.

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, 2010 was 8.6 % compared to the State unemployment rate of 10.0% and the national rate of 9.6%.

The 2010-2011 budget forecasted General Fund revenues to increase by 14.2% from the 2009-2010 budget net of pass through grants and fees. Recurring revenue, due to retail activity, is forecast to exceed that of 2009-2010 for the fiscal 2010-2011 year. It is believed that development will cycle up somewhat and Tennessee will contribute slightly more than 2009-2010 to municipalities based on per capita calculation as the state's own sales tax revenue is expected to rise.

All of these factors were considered in preparing the City's budget for the fiscal 2010-2011 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, 2010

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Primary</u>
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
Cash and cash equivalents	\$4,969,805	1,220,389	6,190,194
Investments	-	975,910	975,910
Receivables (net):			
Taxes	84,548	-	84,548
Due from other governments	1,899,883	-	1,899,883
Internal balances	30,934	(30,934)	-
Interest receivable	81	12,673	12,754
Accounts receivable	19,108	558,456	577,564
Inventories	-	98,730	98,730
Restricted assets:			
Cash - construction	650,713	2,431,018	3,081,731
Cash - bond proceeds	4,313,464	-	4,313,464
Prepaid expenses	132,976	6,903	139,879
Bond issue costs, net	107,112	-	107,112
Capital assets, net of accumulated depreciation	20,296,057	34,076,889	54,372,946
Land and constrution in progress - nondepreciable	9,803,676	2,539,250	12,342,926
	<hr/>	<hr/>	<hr/>
Total Assets	\$42,308,357	41,889,284	84,197,641
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Accounts payable	\$393,443	186,525	579,968
Accrued liabilities	287,734	92,684	380,418
Accrued interest	53,040	4,072	57,112
Contracts payable	-	81,094	81,094
Deferred revenue	42,227	-	42,227
Long-term liabilities due within one year	717,697	173,000	890,697
Long-term liabilities due in more than one year	16,907,887	553,136	17,461,023
	<hr/>	<hr/>	<hr/>
Total Liabilities	18,402,028	1,090,511	19,492,539
	<hr/>	<hr/>	<hr/>
<u>Net Assets</u>			
Investment in capital assets, net of related debt	18,028,480	36,073,139	54,101,619
Restricted for:			
Debt service	39,356	-	39,356
Capital projects - emergency services	323	-	323
Street maintenance	1,905,711	-	1,905,711
Stormwater maintenance	334,341	-	334,341
Law enforcement	78,794	-	78,794
Road and park projects	542,617	-	542,617
Unrestricted	2,976,707	4,725,634	7,702,341
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$23,906,329	40,798,773	64,705,102
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2010

Functions / Programs:	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Operating		Primary Government		Total
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:						
Governmental Activities:						
General government	\$3,125,874	424,349	206,974	-	(2,494,551)	(2,494,551)
Public safety	5,049,073	1,233,137	9,542	-	(3,806,394)	(3,806,394)
Recreation and Culture	1,153,766	117,052	-	-	(1,036,714)	(1,036,714)
Streets and public works	2,357,645	431,014	799,353	5,535,554	4,408,276	4,408,276
Stormwater	225,980	136,105	-	-	(89,875)	(89,875)
Interest on debt	654,554	-	-	-	(654,554)	(654,554)
Total Government Activities	12,566,891	2,341,657	1,015,869	5,535,554	(3,673,811)	(3,673,811)
Business-type Activities:						
Sewer	4,927,428	3,844,994	-	3,359,339	-	2,276,905
Total Business-type Activities	4,927,428	3,844,994	-	3,359,339	2,276,905	2,276,905
Total Primary Government	\$17,494,319	6,186,651	1,015,869	8,894,893	(3,673,811)	(1,396,906)
General Revenues:						
Sales taxes					\$5,648,370	5,648,370
Unrestricted other locally assessed taxes					1,861,011	1,861,011
Unrestricted other state shared taxes					2,113,801	2,113,801
Unrestricted investment earnings and rental income					242,291	336,666
Gain on sale of capital assets					12,836	12,836
Other					105,714	105,714
Total general revenues					94,375	10,078,398
Change in net assets					2,371,280	8,681,492
Net assets - beginning of year					38,427,493	56,023,610
Net assets - end of year					\$23,906,329	64,705,102

See accompanying notes to financial statements

CITY OF MT. JULIET, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$2,367,467	6,661	154,404	2,301,169	4,829,701
Cash - restricted - construction	650,713	-	-	-	650,713
Cash - restricted - bond proceeds	-	4,313,464	-	-	4,313,464
Receivables (net)					
Taxes	84,548	-	-	-	84,548
Due from other governments	1,719,211	57,522	-	123,150	1,899,883
Due from other funds	238,491	48,600	-	-	287,091
Interest receivable	81	-	-	-	81
Prepaid items	132,734	-	-	242	132,976
Total Assets	\$5,193,245	4,426,247	154,404	2,424,561	12,198,457
Liabilities and Fund Balances					
Accounts payable	\$228,758	6,823	-	12,699	248,280
Accrued costs	282,942	-	-	4,792	287,734
Due to other funds	-	75,468	154,081	48,868	278,417
Deferred revenue	770,621	-	-	58,932	829,553
Total Liabilities	1,282,321	82,291	154,081	125,291	1,643,984
Fund Balance:					
Reserved for prepaids	132,734	-	-	-	132,734
Reserved for roads, parks and shelter	512,125	-	-	-	512,125
Reserved for capital projects	-	4,343,956	-	-	4,343,956
Designated for stabilization	150,703	-	-	-	150,703
Unreserved and undesignated					
General Fund	3,115,362	-	-	-	3,115,362
Special Revenue Funds	-	-	-	2,299,270	2,299,270
Debt Service Fund	-	-	323	-	323
Total Fund Balances	3,910,924	4,343,956	323	2,299,270	10,554,473
Total Liabilities and Fund Balances	\$5,193,245	4,426,247	154,404	2,424,561	12,198,457

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, 2010

Amounts reported for fund balance - total governmental funds		\$10,554,473
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and , therefore, are not reported in the funds		30,099,733
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		787,326
State shared revenue and local option sales tax receivable		
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.		36,309
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(53,040)
Bond issue costs are amortized over the life of the notes in the statement of activities.		107,112
Bond discounts costs are amortized over the life of the notes in the statement of activities.		5,165
Gain or loss on refunding is amortized as a component of interest over the life of the bonds on the statement of net assets		190,118
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	(\$16,580,000)	
Other post employment benefits	(953,170)	
Compensated absences	(287,697)	
		(17,820,867)
Net assets of governmental activities		<u>\$23,906,329</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

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

For the Year Ended June 30, 2010

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$7,375,486	-	-	-	7,375,486
Intergovernmental	2,436,604	2,508,659	-	670,691	5,615,954
Fines and fees	1,139,325	-	-	30,438	1,169,763
Licenses and permits	462,568	-	392,795	136,105	991,468
Charges for services	180,426	-	-	-	180,426
Uses of money and property	141,611	64,748	1,984	33,948	242,291
Miscellaneous	204,187	-	-	-	204,187
Total Revenue	<u>11,940,207</u>	<u>2,573,407</u>	<u>394,779</u>	<u>871,182</u>	<u>15,779,575</u>
Expenditures					
Current:					
General government	2,408,575	-	-	-	2,408,575
Police	4,766,400	-	-	11,837	4,778,237
Streets and public works	1,166,639	161,724	-	280,629	1,608,992
Stormwater	-	-	-	231,067	231,067
Parks and culture	1,029,552	-	-	-	1,029,552
Debt service	-	-	1,088,818	-	1,088,818
Capital outlay	52,229	4,388,505	-	78,060	4,518,794
Total Expenditures	<u>9,423,395</u>	<u>4,550,229</u>	<u>1,088,818</u>	<u>601,593</u>	<u>15,664,035</u>
Excess (deficiency) revenues over expenditures	2,516,812	(1,976,822)	(694,039)	269,589	115,540
Other Financing Sources (Uses)					
Transfers from (to) other funds	(1,251,760)	496,360	804,000	(48,600)	-
Total Other Financing Sources (Uses)	<u>(1,251,760)</u>	<u>496,360</u>	<u>804,000</u>	<u>(48,600)</u>	<u>-</u>
Net Change in Fund Balance	1,265,052	(1,480,462)	109,961	220,989	115,540
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$3,910,924</u>	<u>4,343,956</u>	<u>323</u>	<u>2,299,270</u>	<u>10,554,473</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, 2010

Amounts reported for net change in fund balance - total governmental funds	\$115,540
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	4,518,794
Depreciation expense	(1,230,214)
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	130,834
State shared revenues	14,094
Contributed capital assets	2,952,600
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	428,407
Capital lease repayment	32,976
Amortization of debt related costs	(5,515)
Amortization of debt discounts, premiums and losses on refunding	(11,807)
Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Change in accrued interest on bonded debt	(15,312)
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	(36,276)
Other post employment benefits	(548,830)
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)	(35,079)
 Change in net assets of governmental activities	 <u><u>\$6,310,212</u></u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

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

General Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes:				
Local sales taxes	\$4,803,000	5,034,000	5,517,536	483,536
Wholesale beer	440,000	440,000	530,648	90,648
Franchise taxes	615,000	615,000	570,872	(44,128)
Hotel/Motl taxes	200,000	200,000	204,867	4,867
Business taxes	515,800	515,800	551,563	35,763
Total Local Taxes	6,573,800	6,804,800	7,375,486	570,686
Intergovernmental:				
State sales tax	1,567,263	1,567,263	1,606,665	39,402
State beer tax	12,435	12,435	12,505	70
State income tax	4,000	4,000	78,661	74,661
State/City streets & transp.	52,000	52,000	54,184	2,184
Other state revenue allocation	105,400	105,400	126,884	21,484
TVA tax	206,982	206,982	277,587	70,605
Grants	-	179,233	280,118	100,885
	1,948,080	2,127,313	2,436,604	309,291
Fines and Penalties:				
City court and drug control	1,104,000	1,224,000	1,139,325	(84,675)
Total Fines and Penalties	1,104,000	1,224,000	1,139,325	(84,675)
Licenses and Permits:				
Building permits	233,802	233,802	282,615	48,813
Plumbing permits	20,893	20,893	40,695	19,802
Impact and inspection fees	92,016	92,016	38,219	(53,797)
Zoning permits	3,952	3,952	2,522	(1,430)
Sign permits	11,000	11,000	12,270	1,270
Other permits	93,551	93,551	86,247	(7,304)
Total Licenses & Permits	455,214	455,214	462,568	7,354
Charges for Services:				
Public safety charges	29,500	29,500	63,374	33,874
Recreational fees	77,100	77,100	117,052	39,952
Total Charges for Services	106,600	106,600	180,426	73,826
Uses of Property and Money				
Administrative support services	-	-	80,000	80,000
Rent	20,000	20,000	20,736	736
Interest	17,000	17,000	40,875	23,875
Total Uses of Property and money	37,000	37,000	141,611	104,611
Other Revenues:				
Contributions from others	36,000	44,000	85,637	41,637
Sale of assets	-	-	12,836	12,836
Miscellaneous	15,600	34,575	105,714	71,139
Total Other Revenues	51,600	78,575	204,187	125,612
 Total Revenues	10,276,294	10,833,502	11,940,207	1,106,705

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, 2010

Expenditures	Budgeted Amounts		Actual	Variance with
General Government:	Original	Final	Amounts	Final Budget
Legislative Board:				Positive
Salaries	\$58,200	58,200	51,252	(Negative)
Employee benefits	8,227	8,227	4,611	
Supplies	6,550	6,550	3,698	
Total Legislative Board	72,977	72,977	59,561	13,416
City Court:				
Salaries	15,990	15,990	8,487	7,503
Employee benefits	1,374	1,374	781	593
Outside services	5,000	5,000	4,200	800
Supplies	1,000	1,000	-	1,000
Total City Court	23,364	23,364	13,468	9,896
City Manager:				
Salaries	311,599	311,599	311,365	234
Employee benefits	108,589	108,589	102,718	5,871
Outside services	28,400	60,400	34,812	25,588
Membership and dues	26,050	26,050	22,764	3,286
Telephone	2,500	2,500	170	2,330
Supplies	17,350	17,350	3,778	13,572
Election costs	-	-	-	-
Other costs	10,000	10,000	2,865	7,135
Retiree benefits	46,000	46,000	35,562	10,438
Capital outlay	-	-	-	-
Total City Manager	550,488	582,488	514,034	68,454
Finance:				
Salaries	215,684	215,684	210,012	5,672
Employee benefits	82,399	82,399	79,919	2,480
Outside services	27,200	27,200	26,748	452
Supplies	7,550	7,550	5,055	2,495
Other costs	1,200	1,200	129	1,071
Capital outlay	-	-	-	-
Total City Recorder	334,033	334,033	321,863	12,170
City Attorney:				
Salaries	99,309	99,309	100,144	(835)
Employee benefits	21,554	21,554	21,534	20
Outside services	39,673	71,000	75,790	(4,790)
Settlements	-	-	-	-
Other costs	33,020	33,020	20,976	12,044
Total City Attorney	193,556	224,883	218,444	6,439
Economic and Community Development:				
Salaries	73,068	73,068	73,494	(426)
Employee benefits	25,690	25,690	24,588	1,102
Outside services	40,773	42,523	42,523	-
Other costs	22,650	22,650	4,815	17,835
Housing grant expenditures	-	179,233	202,973	(23,740)
Capital outlay	-	-	-	-
Total Economic and Community Development	162,181	343,164	348,393	(5,229)

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, 2010

Expenditures	Budgeted Amounts		Actual	Variance with
General Government, continued:	Original	Final	Amounts	Final Budget Positive (Negative)
Planning and Codes:				
Salaries	\$209,268	209,268	208,058	1,210
Employee benefits	70,870	70,870	62,456	8,414
Supplies	16,200	16,200	8,064	8,136
Outside services	137,900	137,900	67,575	70,325
Other costs	21,500	21,500	12,146	9,354
Capital outlay	18,000	18,000	18,000	-
Total Planning and Codes	473,738	473,738	376,299	97,439
City Hall Buildings and IT Services:				
Salaries	99,375	99,375	98,453	922
Employee benefits	35,613	35,613	32,590	3,023
Supplies	58,278	58,278	52,424	5,854
Repairs and maintenance	44,500	44,500	26,254	18,246
Outside services	55,500	66,500	24,879	41,621
Utilities	124,850	124,850	115,599	9,251
Insurance	68,000	68,000	46,147	21,853
Other costs	175,825	175,825	103,203	72,622
Capital outlay	11,222	11,222	11,222	-
Total City Hall Buildings	673,163	684,163	510,771	173,392
City Garage:				
Salaries	47,298	47,298	47,597	(299)
Benefits	19,371	19,371	18,513	858
Supplies	13,765	13,765	8,854	4,911
Total City Garage	80,434	80,434	74,964	5,470
Total General Government	2,563,934	2,819,244	2,437,797	381,447
Public Safety:				
Police Department:				
Salaries	2,811,745	2,811,745	2,835,651	(23,906)
Benefits	1,192,006	1,192,006	1,136,507	55,499
Repairs and maintenance	81,750	81,750	57,732	24,018
Supplies	410,224	410,224	286,415	123,809
Outside services	79,513	179,513	304,199	(124,686)
Utilities	27,800	27,800	17,617	10,183
Insurance	96,300	96,300	98,080	(1,780)
Other costs	39,996	39,996	30,199	9,797
Capital outlay	23,007	23,007	23,007	-
Total Public Safety	4,762,341	4,862,341	4,789,407	72,934
Streets and Public Works:				
Salaries	694,656	694,656	671,895	22,761
Employee benefits	336,531	336,531	312,517	24,014
Repairs and maintenance	40,000	40,000	34,052	5,948
Supplies	83,650	83,650	56,918	26,732
Outside services	68,420	68,420	28,122	40,298
Telephone and utilities	5,600	5,600	295	5,305
State projects and other costs	12,125	70,455	62,840	7,615
Capital outlay	-	-	-	-
Total Streets and Public Works	1,240,982	1,299,312	1,166,639	132,673

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, 2010

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Recreation and Culture:				
Salaries	\$425,685	425,685	408,557	17,128
Employee benefits	185,525	185,525	161,399	24,126
Repairs and maintenance	18,700	18,700	9,580	9,120
Supplies	74,050	80,300	56,872	23,428
Outside services	76,250	76,250	44,020	32,230
Insurance	10,700	10,700	10,821	(121)
Utilities	72,250	72,250	67,095	5,155
Appropriations to nonprofits	205,976	275,976	271,208	4,768
Capital outlay	-	-	-	-
Total Recreation and Culture	<u>1,069,136</u>	<u>1,145,386</u>	<u>1,029,552</u>	<u>115,834</u>
Total Expenditures	<u>9,636,393</u>	<u>10,126,283</u>	<u>9,423,395</u>	<u>702,888</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>639,901</u>	<u>707,219</u>	<u>2,516,812</u>	<u>1,809,593</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,167,593)</u>	<u>(1,423,968)</u>	<u>(1,251,760)</u>	<u>172,208</u>
Total Other Financing Sources (Uses)	<u>(1,167,593)</u>	<u>(1,423,968)</u>	<u>(1,251,760)</u>	<u>172,208</u>
Excess (Deficiency) of Revenues Over Expenditures & Other Uses	<u>(527,692)</u>	<u>(716,749)</u>	<u>1,265,052</u>	<u>1,981,801</u>
Fund Balance, Beginning of Year	<u>2,645,872</u>	<u>2,645,872</u>	<u>2,645,872</u>	<u>-</u>
Fund Balance, End of Year	<u>\$2,118,180</u>	<u>1,929,123</u>	<u>3,910,924</u>	<u>1,981,801</u>

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Net Assets

Proprietary Fund

June 30, 2010

	Business -type Activities	
	Sewer Enterprise Fund	Internal Service Fund
<u>Assets</u>		
Current Assets:		
Cash	\$1,220,389	140,104
Investments	975,910	-
Receivable-net of allowance for doubtful accounts of \$96,925	558,456	19,108
Interest receivable	12,673	-
Prepaid insurance	6,903	-
Inventory	98,730	-
Total Current Assets	<u>2,873,061</u>	<u>159,212</u>
Noncurrent Assets:		
Restricted cash - designated for capital projects	<u>2,431,018</u>	-
Capital Assets:		
Land	1,047,544	-
Construction in progress	1,491,706	-
Collection system	44,938,242	-
Buildings	422,816	-
Equipment	1,195,027	-
Total Capital Assets	<u>49,095,335</u>	<u>-</u>
Less: accumulated depreciation	<u>(12,479,196)</u>	<u>-</u>
Net Property, Plant and Equipment	<u>36,616,139</u>	<u>-</u>
Total Noncurrent Assets	<u>39,047,157</u>	<u>-</u>
Total Assets	<u><u>\$41,920,218</u></u>	<u><u>159,212</u></u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$186,525	145,163
Accrued expenses	92,684	-
Contracts payable	81,094	-
Interest payable	4,072	-
Due to general fund	8,674	-
Bonds and notes payable - current	173,000	-
Total Current Liabilities	<u>546,049</u>	<u>145,163</u>
Noncurrent Liabilities:		
Bonds and notes payable - noncurrent	370,000	-
Other post-employment benefit obligation	183,136	-
Total Noncurrent Liabilities	<u>553,136</u>	<u>-</u>
Total Liabilities	<u><u>1,099,185</u></u>	<u><u>145,163</u></u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	36,073,139	-
Designated for capital improvements	2,349,924	-
Unrestricted and undesignated	2,397,970	14,049
Total Net Assets	<u><u>\$40,821,033</u></u>	<u><u>14,049</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(22,260)	
Net Assets of business -type activities	<u><u>\$40,798,773</u></u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Business -type Activities Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Charges for sales and services - sewer	\$3,651,083	\$1,306,188
Sewer inspection and administrative charges	95,452	-
Penalties	80,606	-
Other	17,853	-
Total Operating Revenues	<u>3,844,994</u>	<u>1,306,188</u>
Operating Expenses:		
Sewer line and pump maintenance	1,194,498	-
Sewer lift station operation	226,499	-
Administrative and accounting	496,226	1,329,461
Sewer transportation and treatment	1,774,088	-
Depreciation	1,114,719	-
Professional services	100,359	-
Total Operating Expenses	<u>4,906,389</u>	<u>1,329,461</u>
Operating Income (Loss)	<u>(1,061,395)</u>	<u>(23,273)</u>
Nonoperating Revenues (Expenses):		
Interest expense	(32,845)	-
Interest income	94,375	-
Net Nonoperating Revenues (Expenses)	<u>61,530</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(999,865)</u>	<u>(23,273)</u>
Contributions:		
Capital contribution - Tap fees	739,554	-
Capital contribution - Utility plant	2,619,785	-
Total Contributions	<u>3,359,339</u>	<u>-</u>
Change in Net Assets	<u>2,359,474</u>	<u>(23,273)</u>
Net Assets - Beginning of Year - as previously reported	38,461,559	(26,754)
Restatement	-	64,076
Net Assets - Beginning of Year - as restated	<u>38,461,559</u>	<u>37,322</u>
Net Assets - End of Year	<u>\$40,821,033</u>	<u>\$14,049</u>
Change in Net Assets as shown above	2,359,474	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		
Change in Net Assets of business -type activities	<u>11,806</u>	
	<u>\$2,371,280</u>	

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2010

	Sewer Enterprise Fund	Internal Service Fund
Cash Flows Provided (Used) By Operating Activities:		
Cash received from customers	\$3,713,281	-
Cash paid for personnel services	(849,343)	-
Cash paid to suppliers for goods and services	(2,741,574)	-
Cash received on interfund advances	522	-
Cash paid for customer deposits	(5,838)	-
Cash paid for interfund administrative support services	(80,000)	-
Premiums received	-	1,351,156
Medical claims and administrative expenses paid	-	(1,305,916)
Net Cash Provided (Used) by Operating Activities	<u>37,048</u>	<u>45,240</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities:		
Purchase of property, plant and equipment	(1,506,453)	-
Interest paid on debt	(34,484)	-
Contributions from customers	739,554	-
Payments on long-term debt	(165,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(966,383)</u>	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:		
Purchase of investments	(28,631)	-
Interest received on investments	93,925	-
	<u>65,294</u>	<u>-</u>
Net Increase (Decrease) in Cash	(864,041)	45,240
Cash and Cash Equivalents, Beginning of Year	<u>4,515,448</u>	<u>94,864</u>
Cash and Cash Equivalents, End of Year	<u>\$3,651,407</u>	<u>140,104</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>		
Operating income (loss)	(\$1,061,395)	(23,273)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,114,719	-
(Increase) Decrease in:		
Accounts receivable	(131,712)	44,968
Prepaid expenses	(3,677)	-
Inventory	(14,850)	-
Increase (Decrease) in:		
Accounts payable	17,779	23,545
Accrued expenses	18,808	-
Other post-employment benefit obligation	102,692	-
Customer deposits	(5,838)	-
Due/from to other funds	522	-
Net cash provided by operating activities	<u>\$37,048</u>	<u>45,240</u>

Non-cash Investing, Capital and Financing Activities

During the year the City accepted sewer lines from developers in the amount of \$2,619,785 and also liquidated contracts payable related to capital asset acquisitions in the net amount of \$98,809.

See accompanying notes to financial statements.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements

For the Year Ended June 30, 2010

(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, 2010, 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, 2010

(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, 2010

(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, 2010 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 \$30,934.

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, 2010

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets

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

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

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

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

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

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

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, 2010

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. By a vote of the Board of Commissioners, a portion of the City General Fund Balance has been designated as stabilization (rainy day) funds. Additions will be made at the discretion of the Board and a two thirds majority vote will be required to release these funds. 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 1st for all real and personal property located in the City's legal boundaries. The City Board set the tax rate at zero for the tax years 2010 and 2009, therefore, levying no tax for those years. All city taxes on real property are declared to be a lien on such realty from January 1st of the year assessments are made.

Industrial and Commercial Property

- Real	40%
- Personal	30%

Public Utility Property 55%

Farm and Residential Property 25%

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

2) **Deposits and Investments**

Deposits

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

At June 30, 2010 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, 2010

2) DEPOSITS AND INVESTMENTS (Continued)

Investments

At June 30, 2010 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	\$ 975,910		
Local Government Investment Pool	<u>436,503</u>	24	N/A
Total	1,412,413		
Liquid Investments (Cash Equivalents)	<u>(436,503)</u>	N/A	N/A
	\$ <u>975,910</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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balance</u>
Governmental activities				
<u>Capital assets not being depreciated:</u>				
Land	\$ 1,376,600	-	-	1,376,600
Construction in progress	4,477,745	4,058,935	(109,604)	8,427,076
<u>Capital assets being depreciated:</u>				
Buildings and improvements	3,762,073	-	-	3,762,073
Improvements other than buildings	2,374,903	154,202	-	2,529,105
Machinery and equipment	3,319,485	295,278	53,360	3,668,123
Infrastructure	<u>13,950,945</u>	<u>2,962,979</u>	-	<u>16,913,924</u>
Total capital assets	<u>29,261,751</u>	<u>7,471,394</u>	<u>(56,244)</u>	<u>36,676,901</u>
Less accumulated depreciation for:				
Buildings and other improvements	\$ (1,114,147)	(106,902)	628	1,220,421
Improvements other than buildings	(925,287)	(101,351)	(628)	1,027,266
Machinery and equipment	(2,130,061)	(457,818)	56,244	2,531,635
Infrastructure	<u>(1,233,703)</u>	<u>(564,143)</u>	-	<u>1,797,846</u>
Total accumulated depreciation	<u>(5,403,198)</u>	<u>(1,230,214)</u>	<u>56,244</u>	<u>6,577,168</u>
Governmental activities capital assets, net	\$ <u>23,858,553</u>			<u>30,099,733</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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	\$ 1,000,044	-	47,500	1,047,544
Construction in process	302,532	1,280,401	(91,227)	1,491,706
<u>Capital assets being depreciated:</u>				
Building	379,089	-	43,727	422,816
Collections System	42,267,523	2,670,719	-	44,938,242
Equipment	<u>1,118,718</u>	<u>76,309</u>	<u>-</u>	<u>1,195,027</u>
Total capital assets	\$ <u>45,067,906</u>	<u>4,027,429</u>	<u>-</u>	<u>49,095,335</u>
Less accumulated depreciation for:				
Collection System and building	\$ (10,473,380)	(996,191)	-	(11,469,571)
Equipment	<u>(891,096)</u>	<u>(118,529)</u>	<u>-</u>	<u>(1,009,625)</u>
Total accumulated depreciation	<u>(11,364,476)</u>	<u>(1,114,720)</u>	<u>-</u>	<u>(12,479,196)</u>
Business-type activities capital assets, net	\$ <u>33,703,430</u>			<u>36,616,139</u>

Depreciation expense was charged to function/programs as of June 30, 2010, as follows:

Governmental activities:	
General government	\$ 66,444
Public safety	303,630
Street and public works	677,299
Stormwater	9,156
Recreational culture	<u>173,685</u>
Total depreciation expense- governmental activities	\$ <u>1,230,214</u>
Business-type activities:	
Water and Sewer	\$ <u>1,114,720</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

4) RECEIVABLES AND DEFERRED REVENUE

Accounts and taxes receivable at June 30, 2010 consisted of the following:

	General Fund	Enterprise Fund	Total
Beer and hotel taxes	\$ 84,548	-	84,548
Customer	-	596,442	596,442
Insurance stop loss	19,108	-	19,108
Allowance for- doubtful accounts	-	(37,986)	(37,986)
	\$ <u>103,656</u>	<u>558,456</u>	<u>662,112</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) \$ 829,553

Deferred revenue in the government-wide financial statements include amounts for unavailable revenues related to state income tax of \$42,227.

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, 2010:

	Balance 07-01-09	Addition	Reductions	Balance 06-30-10	Current Portion
Governmental Activities					
Public Improvement Bonds	\$16,820,000	-	240,000	16,580,000	430,000
TMBF Notes	188,407	-	188,407	-	-
Capital lease	32,976	-	32,976	-	-
Net OPEB obligation	404,340	595,401	46,571	953,170	
Compensated absences	<u>251,421</u>	<u>36,276</u>	-	<u>287,697</u>	<u>287,697</u>
Total Governmental Activities	\$ 17,697,144	<u>631,677</u>	<u>507,954</u>	17,820,867	<u>717,697</u>
Bond discounts/premiums	(5,090)			(5,165)	
Loss on refunding	<u>(202,000)</u>			<u>(190,118)</u>	
	<u>\$17,490,054</u>			<u>17,625,584</u>	
Business-type Activities					
TML Bond Fund	\$ 708,000	-	165,000	543,000	173,000
Net OPEB Obligation	<u>80,444</u>	<u>114,406</u>	<u>8,714</u>	<u>183,136</u>	-
	\$ <u>788,444</u>	<u>114,406</u>	<u>173,714</u>	<u>726,136</u>	<u>173,000</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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

Long term bonds and notes at June 30, 2010 consisted of the following obligations:

<u>Governmental-type Activities</u>	<u>Balance June 30, 2010</u>
\$6,820,000 Series 2009 general obligation refunding bonds due in annual installments through year 2026 with semi-annual interest payments at rates ranging from 3% to 4.2%.	\$ 6,670,000
\$10,000,000 general obligation public improvement bonds Series 2010 due in annual installments through year 2034 with semi-annual interest payments at rates ranging from 3% to 4%.	\$ 9,910,000
	<u>16,580,000</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.	\$ 543,000
Total Business-type activities	\$ <u>543,000</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2010 are as follows:

<u>Governmental-type</u>			<u>Business-type</u>		
Fiscal Year	Public Improvement Bonds	Interest	Bond	Interest	Total
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	500,000	576,049	-	-	1,076,049
2016-2020	2,780,000	2,611,988	-	-	5,391,988
2021-2025	3,270,000	2,059,288	-	-	5,329,288
2026-2030	4,130,000	1,336,968	-	-	5,466,968
2031- 2034	<u>4,060,000</u>	<u>421,882</u>	<u>-</u>	<u>-</u>	<u>4,481,882</u>
	<u>\$16,580,000</u>	<u>9,451,225</u>	<u>543,000</u>	<u>49,590</u>	<u>26,623,815</u>

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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

The City has also entered into a capital lease for police cars. The lease required repayment terms and has been accounted for as a financing transaction. The City acquired title to the assets by satisfying the minimum lease payments. The final payment of \$34,757 was made in the current fiscal year.

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.

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/.

Funding Policy

Mt. Juliet has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual payroll.

Mt. Juliet is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2010 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, 2010, Mt. Juliet's annual pension cost of \$742,619 TCRS was equal to Mt. Juliet's required and actual contributions.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

6) PENSION PLAN, Continued

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, 2009, which established contribution rates effective July 1, 2010.

Trend information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 742,619	100.00%	-
6/30/09	688,218	100.00%	-
6/30/08	552,016	100.00%	-

As of July 1, 2009, the most recent actuarial valuation date, the plan was 70.27% funded. The actuarial accrued liability for benefits was \$7.30 million, and the actuarial value of assets was \$5.13 million resulting in an unfunded accrued liability (UAAL) of \$2.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.92 million, and the ratio of the UAAL to the covered payroll was 44.14%.

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.

Required Supplementary Information

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage Of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
7/01/09	\$ 5,130	\$ 7,301	\$ 2,171	70.27%	\$ 4,919	44.14%
7/01/07	3,993	5,492	1,499	72.71%	3,806	39.39%

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

6) PENSION PLAN, Continued

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 went into effect during the year of the 2007 actuarial valuation date therefore only the two most recent valuations are 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 \$525.99 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 this coverage.

ARC	\$ 71,767
Increase due to interest	16,834
Adjustment to annual required contribution	<u>(27,794)</u>
Annual OPEB cost	706,807
Amount of contribution	<u>(55,285)</u>
Increase in NPO	651,522
Net OPEB Obligation 7/1/09	<u>484,784</u>
Net OPEB Obligation 6/30/10	\$ <u>1,136,306</u>

<u>Year End*</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/10	706,807	7.8%	1,136,308
6/30/09	524,811	7.6%	484,784

*Data available for two preceding years only.

Required Supplementary Information

Funded Status and Funding Progress

The funding status of the plan as of June 30, 2010 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%

*Only one actuarial valuation has been performed.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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

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

Actuarial Methods and Assumptions

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

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.

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 a fee per thousand gallons of flow from the Mt. Juliet System to Metro. This rate is to be recalculated on July 1 of each year with increases based on the Consumer Price Index. The agreement also provides that Mt. Juliet will not be responsible for any capital cost contribution to Metro except through the above flow charge. Additionally, for service connections that occur in Mt. Juliet after July 1, 2000, a one time capacity charge of \$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 \$1,774,088 for sewer treatment and \$104,696 for connection charges under this agreement.

Contracts

All City construction projects were substantially complete at June 30, 2010.

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

8) **COMMITMENTS AND CONTINGENCIES, Continued**

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.

Contingencies

The City received a Department of Housing and Urban Development Home Investment Partnership Grant Note. The grant note in the amount of \$202,973, is forgivable as long as the City continues to meet the terms of the grant note through 2025.

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

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 \$1,212,701 aggregate annual cap. The City has obtained a stop/loss commercial insurance policy to cover claims beyond this liability. All full-time employees of the government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish an amount for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. For the government-wide financial statements the activity and assets and liabilities of the fund have been allocated to the participating funds.

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

	Beginning-of- <u>Fiscal-Year Liability</u>	Current Year Claims <u>and Changes in Estimates</u>	Claim <u>Payments</u>	Balance of <u>Fiscal Year-End</u>
2008-2009	\$ -	1,207,025	1,085,407	121,618
2009-2010	121,618	1,329,461	1,305,916	145,163

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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, 2010 and 2009, the Board had an accumulated net assets of \$247,473 and \$197,496 respectively. The net change in net assets for fiscal year 2010 was \$49,977. 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, 2010. The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
General Fund	\$ 238,491	Proprietary Fund	\$ 8,674
Capital Projects Fund	48,600	Debt Service Fund	154,081
		Capital Projects Fund	75,468
		Nonmajor Governmental Funds	
		Stormwater Fund	268
		State Street Aid Fund	48,600

Interfund balances also include \$22,260 related to the consolidation of the internal service fund. During the year, the General Fund transferred \$447,760 to the Capital Project Fund and \$804,000 to the Debt Service Fund. Also the State Street Aid Fund, a Non-major Governmental Fund transferred \$48,600 to the Capital Projects 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.

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.

CITY OF MT. JULIET, TENNESSEE

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2010

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

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 \$489,890. The Special Revenue Fund appropriations were amended by \$97,000, the Capital Projects Fund budget was amended by \$500,975. The Debt Service Fund was not amended.

Budget Violation

Actual expenditures in the General Fund exceeded budgeted appropriations in the Economic and Community Development Department by \$5,229. This overage related to grant expenditures which will be fully reimbursed by the granting agency.

13) **RESTATEMENT**

The beginning net assets of the Internal Service Fund have been restated from (\$26,750) to \$37,322 to reflect the inclusion of a stop loss receivable on insurance claims. The effect on the prior year change in net assets for this fund was an increase of \$64,076. This receivable was reflected in the government wide financial statements and restatement was not necessary.

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

CITY OF MT. JULIET, TENNESSEE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services Fund	
Assets					
Cash and cash equivalents	\$1,835,249	85,085	341,479	39,356	2,301,169
Prepays	-	-	242	-	242
Due from other governments	123,150	-	-	-	123,150
 Total Assets	<u>\$1,958,399</u>	<u>85,085</u>	<u>341,721</u>	<u>39,356</u>	<u>2,424,561</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$4,088	6,291	2,320	-	12,699
Accrued liabilities	-	-	4,792	-	4,792
Due to other funds	48,600	-	268	-	48,868
Deferred revenue	58,932	-	-	-	58,932
 Total Liabilities	<u>111,620</u>	<u>6,291</u>	<u>7,380</u>	<u>-</u>	<u>125,291</u>
Fund Balances:					
Unreserved and undesignated	1,846,779	78,794	334,341	39,356	2,299,270
Total Fund Balance	<u>1,846,779</u>	<u>78,794</u>	<u>334,341</u>	<u>39,356</u>	<u>2,299,270</u>
 Total Liabilities & Fund Balances	<u>\$1,958,399</u>	<u>85,085</u>	<u>341,721</u>	<u>39,356</u>	<u>2,424,561</u>

CITY OF MT. JULIET, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	Stormwater Fund	Emergency/ Community Services Fund	
Revenues					
Intergovernmental:					
State gasoline tax	\$670,691	-	-	-	670,691
Interest	24,665	1,099	7,475	709	33,948
Licences and permits and fees	-	-	136,105	-	136,105
Drug related fines, seizures, and sales	-	30,438	-	-	30,438
Total Revenues	<u>695,356</u>	<u>31,537</u>	<u>143,580</u>	<u>709</u>	<u>871,182</u>
Expenditures					
Street Maintenance:					
Current:					
Other Costs - maintenance and lighting	280,629	-	-	-	280,629
Capital outlay	78,060	-	-	-	78,060
Stormwater:					
Current:					
Salaries	-	-	152,988	-	152,988
Employee benefits	-	-	60,481	-	60,481
Other	-	-	17,598	-	17,598
Capital outlay	-	-	-	-	-
Police:					
Current:					
Supplies and investigations	-	11,837	-	-	11,837
Capital outlay	-	-	-	-	-
Total Expenditures	<u>358,689</u>	<u>11,837</u>	<u>231,067</u>	<u>-</u>	<u>601,593</u>
Excess (Deficiency) of Revenues Over Expenditures	336,667	19,700	(87,487)	709	269,589
Other Financing sources (Uses)					
Transfer to Capital Projects Fund	(48,600)	-	-	-	(48,600)
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>288,067</u>	<u>19,700</u>	<u>(87,487)</u>	<u>709</u>	<u>220,989</u>
Fund Balance, Beginning of Year	<u>1,558,712</u>	<u>59,094</u>	<u>421,828</u>	<u>38,647</u>	<u>2,078,281</u>
Fund Balance, End of Year	<u>\$1,846,779</u>	<u>78,794</u>	<u>334,341</u>	<u>39,356</u>	<u>2,299,270</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$703,000	612,000	670,691	58,691
Interest	26,000	15,000	24,665	9,665
Total Revenues	<u>729,000</u>	<u>627,000</u>	<u>695,356</u>	<u>68,356</u>
<u>Expenditures</u>				
Street Maintenance				
Repairs and maintenance	345,000	422,000	245,022	176,978
Street lighting	50,000	50,000	35,607	14,393
Capital outlay	105,000	105,000	78,060	26,940
Total Expenditures	<u>500,000</u>	<u>577,000</u>	<u>358,689</u>	<u>218,311</u>
Excess of Revenues Over Expenditures	229,000	50,000	336,667	286,667
Other Financing Sources (Uses)				
Transfer to Capital Projects Fund	<u>-</u>	<u>(48,600)</u>	<u>(48,600)</u>	<u>-</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>229,000</u>	<u>1,400</u>	<u>288,067</u>	<u>286,667</u>
Fund Balance, Beginning of Year	<u>1,558,712</u>	<u>1,558,712</u>	<u>1,558,712</u>	<u>-</u>
Fund Balance, End of Year	<u>\$1,787,712</u>	<u>1,560,112</u>	<u>1,846,779</u>	<u>286,667</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				<u>Positive</u>
Other:				<u>(Negative)</u>
Interest	\$200	200	1,099	899
Drug related fines, seizures and sales	25,000	25,000	30,438	5,438
Total Revenues	<u>25,200</u>	<u>25,200</u>	<u>31,537</u>	<u>6,337</u>
 <u>Expenditures</u>				
Program costs	4,700	24,700	11,837	12,863
Capital outlay	4,090	4,090	-	4,090
Total Expenditures	<u>8,790</u>	<u>28,790</u>	<u>11,837</u>	<u>16,953</u>
 Excess of Revenues Over Expenditures	16,410	(3,590)	19,700	23,290
 Fund Balance, Beginning of Year	<u>59,094</u>	<u>59,094</u>	<u>59,094</u>	<u>-</u>
 Fund Balance, End of Year	<u><u>\$75,504</u></u>	<u><u>55,504</u></u>	<u><u>78,794</u></u>	<u><u>23,290</u></u>

CITY OF MT. JULIET, TENNESSEE

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

Stormwater Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Interest	\$2,050	2,050	7,475	5,425
Licenses and permits:				
Inspection and other fees	156,000	156,000	136,105	(19,895)
Total Revenues	158,050	158,050	143,580	(14,470)
Expenditures				
Street Maintenance				
Salaries	161,668	161,668	152,988	8,680
Employee benefits	70,352	70,352	60,481	9,871
Other	77,700	77,700	17,598	60,102
Capital outlay	-	-	-	-
Total Expenditures	309,720	309,720	231,067	78,653
Excess of Revenues Over Expenditures	(151,670)	(151,670)	(87,487)	64,183
Fund Balance, Beginning of Year	421,828	421,828	421,828	-
Fund Balance, End of Year	\$270,158	270,158	334,341	64,183

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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Licences and permits:				
Inspection and other fees	\$ -	-	-	-
Interest	2	2	709	707
Total Revenues	<u>2</u>	<u>2</u>	<u>709</u>	<u>707</u>
<u>Expenditures</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
Excess of Revenues Over Expenditures	-	-	709	705
Fund Balance, Beginning of Year	<u>38,647</u>	<u>38,647</u>	<u>38,647</u>	<u>-</u>
Fund Balance, End of Year	<u>\$38,647</u>	<u>38,647</u>	<u>39,356</u>	<u>705</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental:				
Grants	\$ -	-	1,858,659	1,858,659
Other:				
Interest	56,000	56,000	64,748	8,748
County appropriation	450,000	450,000	650,000	200,000
Total Revenues	<u>506,000</u>	<u>506,000</u>	<u>2,573,407</u>	<u>2,067,407</u>
Expenditures				
General Government				
Planning and Codes				
Capital outlay	20,000	20,000	16,853	3,147
City Hall Buildings				
Repairs and maintenance	-	-	-	-
Capital outlay	66,800	66,800	11,579	55,221
Total General Government	<u>86,800</u>	<u>86,800</u>	<u>28,432</u>	<u>58,368</u>
Public Safety				
Police				
Supplies	-	-	-	-
Capital outlay	154,293	266,368	196,505	69,863
Total Public Safety	<u>154,293</u>	<u>266,368</u>	<u>196,505</u>	<u>69,863</u>
Streets and Public Works				
Repairs and maintenance	175,000	175,000	161,724	13,276
Capital outlay	5,349,000	5,664,000	4,042,135	1,621,865
Total Streets and Public Works	<u>5,524,000</u>	<u>5,839,000</u>	<u>4,203,859</u>	<u>1,635,141</u>
Recreation and Culture				
Repairs and maintenance	-	-	-	-
Capital outlay	100,000	173,900	121,433	52,467
Total Recreation and Culture	<u>100,000</u>	<u>173,900</u>	<u>121,433</u>	<u>52,467</u>
Total Expenditures	<u>5,865,093</u>	<u>6,366,068</u>	<u>4,550,229</u>	<u>1,815,839</u>
Excess of Revenues Over Expenditures	<u>(5,359,093)</u>	<u>(5,860,068)</u>	<u>(1,976,822)</u>	<u>3,883,246</u>
Other Financing Sources (Uses)				
Operating transfer in	217,593	518,568	496,360	(22,208)
Total other Financing Sources (Uses)	<u>217,593</u>	<u>518,568</u>	<u>496,360</u>	<u>(22,208)</u>
Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>(5,141,500)</u>	<u>(5,341,500)</u>	<u>(1,480,462)</u>	<u>3,861,038</u>
Fund Balance, Beginning of Year	<u>5,824,418</u>	<u>5,824,418</u>	<u>5,824,418</u>	<u>-</u>
Fund Balance, End of Year	<u>\$682,918</u>	<u>482,918</u>	<u>4,343,956</u>	<u>3,861,038</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues</u>				
Other:				
Interest	\$3,000	3,000	1,984	(1,016)
Impact fees	349,642	349,642	392,795	43,153
Total Revenues	<u>352,642</u>	<u>352,642</u>	<u>394,779</u>	<u>42,137</u>
 <u>Expenditures</u>				
Debt Service				
Principal	461,384	461,384	461,383	1
Interest	688,746	688,746	627,435	61,311
Total Expenditures	<u>1,150,130</u>	<u>1,150,130</u>	<u>1,088,818</u>	<u>61,312</u>
 Excess of Revenues Over Expenditures	(797,488)	(797,488)	(694,039)	103,449
 Other Financing Sources (Uses)				
Operating transfer in	800,000	804,000	804,000	-
Total other Financing Sources (Uses)	<u>800,000</u>	<u>804,000</u>	<u>804,000</u>	<u>-</u>
 Excess (Deficiency) of Revenues & Other Sources Over Expenditures & Other Uses	<u>2,512</u>	<u>6,512</u>	<u>109,961</u>	<u>103,449</u>
 Fund Balance, Beginning of Year	<u>(109,638)</u>	<u>(109,638)</u>	<u>(109,638)</u>	<u>-</u>
 Fund Balance, End of Year	<u>(\$107,126)</u>	<u>(103,126)</u>	<u>323</u>	<u>103,449</u>

CITY OF MT. JULIET, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2010

	<u>Land</u>	<u>Building & Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Function and Activity:						
General Government	\$325,000	898,505	266,560	-	-	1,490,065
Public safety:						
Police	79,000	1,171,375	2,051,218	-	-	3,301,593
Streets and Public Works	288,188	394,855	876,805	16,913,924	8,427,076	26,900,848
Stormwater	-	-	50,537	-	-	50,537
Parks	684,412	3,826,443	423,003	-	-	4,933,858
 Total governmental funds capital assets	<u>\$1,376,600</u>	<u>6,291,178</u>	<u>3,668,123</u>	<u>16,913,924</u>	<u>8,427,076</u>	<u>36,676,901</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, 2010

Function and Activity	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Transfers & Deletions</u>	<u>Balance June 30, 2010</u>
General Government	\$1,521,431	14,400	(45,766)	1,490,065
Public safety: Police	3,036,315	219,512	45,766	3,301,593
Streets and Public Works	19,841,043	7,116,049	(56,244)	26,900,848
Stormwater	50,537	-	-	50,537
Parks	4,812,425	121,433	-	4,933,858
Total governmental funds capital assets	<u>\$29,261,751</u>	<u>7,471,394</u>	<u>(56,244)</u>	<u>36,676,901</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2010

Major Governmental Funds

	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Passbook and checking accounts	-	\$3,017,184
Petty Cash	-	996
Total General Fund		<u>3,018,180</u>
Capital Projects Fund:		
Passbook and checking accounts		<u>4,320,125</u>
Total Capital Projects Fund		<u>4,320,125</u>
Debt Service Fund		
Passbook and checking accounts		<u>154,404</u>

Nonmajor Governmental Funds

State Street Aid Fund:		
Local Government Investment Pool	Various	436,503
Passbook and checking accounts	-	<u>1,398,746</u>
Total State Street Aid Fund		<u>1,835,249</u>
Drug Fund:		
Cash on hand	-	3,192
Passbook and checking accounts	-	<u>81,893</u>
Total Drug Fund		<u>85,085</u>
Storm Water:		
Checking accounts	-	<u>341,479</u>
Emergency and Community Services Fund		
Passbook and checking accounts	-	<u>39,356</u>

Proprietary Funds

Sewer Enterprise Fund		
Petty Cash	-	750
Passbook and checking accounts	-	<u>3,650,657</u>
Total Sewer Enterprise Fund		<u>3,651,407</u>
Internal Service Fund		
Passbook and checking accounts		<u>140,104</u>
Total		<u><u>\$13,585,389</u></u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Governmental-type Activities

June 30, 2010

Fiscal Year	Public Improvement Bonds		Public Improvement Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
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
Total	<u>\$9,910,000</u>	<u>7,074,545</u>	<u>6,670,000</u>	<u>2,376,680</u>	<u>26,031,225</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Long-Term Debt Requirements

Sewer Fund

June 30, 2010

<u>Fiscal Year</u>	<u>TML Bond Fund Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$173,000	24,435	197,435
2012	181,000	16,650	197,650
2013	189,000	8,505	197,505
Total	<u>\$543,000</u>	<u>49,590</u>	<u>592,590</u>

CITY OF MT. JULIET, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2010

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Expenditures</u>
16.607	Bullet Proof Vest Partnership Program	US Department of Justice	\$2,200
14.239	HOME Program	US Department of Housing	202,973
20.205	* Highway Planning and Construction Program	US Department of Transportation	1,858,659
97.036	Public Assistance Program	Federal Emergency Management	71,000
			<u>\$2,134,832</u>

* Major Program

CITY OF MT. JULIET, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Federal Grants As Identified in the Catalog of Federal Domestic Assistance		Program Name	Grant Number	Grantor Agency	Accrued or Deferred Revenue 7/01/09	Cash Receipts	Adjustments	Expenditures	Accrued or Deferred Revenue 6/30/10
CFDA Number									
16.607	-	Bulleproof Vest Partnership Program		U S Department of Justice	\$ -	2,200	-	2,200	-
14.239	-	HOME Program		US Department of Housing and Urban Dev.	-	202,973	-	202,973	-
20.205	-	Highway Planning and Construction Program		US Department of Transportation	-	1,801,137	-	1,858,659	(57,522)
97.036	-	Public Assistance Program		Federal Emergency Management Agency	-	-	-	71,000	(71,000)
-	-	* Justice Assistance Grant		U S Department of Justice	(26,621)	26,621	-	-	-
State Grants					<u>(\$26,621)</u>	<u>2,032,931</u>	<u>-</u>	<u>2,134,832</u>	<u>(128,522)</u>
-	-	Public Assistance Program		Tennessee Emergency Management Agency	\$ -	-	-	3,944	(3,944)
					<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>3,944</u>	<u>(3,944)</u>

Credit balances represent inter-governmental receivables from State and Federal Governments.
* ARRA Funds

CITY OF MT. JULIET, TENNESSEE

Schedule of Liability and Property Insurance in Force

June 30, 2010

<u>Insurance Coverage</u>	<u>Details of Coverage</u>
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)	\$15,102,153
Mobile Equipment	\$457,264
Accounts Receivable	\$250,000
Valuable Papers	\$250,000
Fine Arts	\$50,000
EDP Equipment/Media	\$475,000
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	\$250,000
T.M.L. Insurance Pool (Workmen's Compensation)	\$1,000,000 Each accident limit \$1,000,000 Policy limit by disease \$1,000,000 Employee limit by disease

CITY OF MT. JULIET, TENNESSEE

Schedule of City Officials

June 30, 2010

<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. Rosσμαier	
City Recorder, Sheila S. Luckett	
Public Works Director, Marlin Keel	
Police Chief, Andy Garrett	
Economic Development, Kenneth Martin	
Parks Director, Jay Cameli	
Human Resources Director, Jill Johnson	

CITY OF MT. JULIET, TENNESSEE

Schedule of Sewer System Data

For the Year Ended June 30, 2010

	<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)				\$2,000
Residential (outside city)				\$2,000
Installation and pump charges				\$2,000
Development fees				
Residential (Based on zoning)				\$1,285-2,535/lot
Inspection fee				\$50
Number of customers				7,998

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
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TELEPHONE
(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

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, 2010, which collectively comprise the City of Mt. Juliet's basic financial statements and have issued a report thereon dated November 3, 2010. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

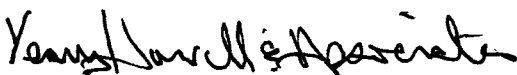
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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 matters that were reported to management in a separate letter dated November 3, 2010.

This report is intended solely for the information and use of management, Board of Commissioners 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 3, 2010

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Mt. Juliet's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Mt. Juliet's major federal programs for the year ended June 30, 2010. City of Mt. Juliet, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Mt. Juliet's management. Our responsibility is to express an opinion on City of Mt. Juliet's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mt. Juliet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Mt. Juliet's compliance with those requirements.

In our opinion, City of Mt. Juliet complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of Mt. Juliet, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Mt. Juliet's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Mt. Juliet's internal control over compliance.

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

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

Honorable Mayor and Board of Commissioners
City of Mt Juliet, Tennessee
Page 2

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, 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.

YoungHull & Associates

November 3, 2010

CITY OF MT JULIET, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2010

I. Summary of Auditor's Results

- A. The June 30, 2010 Auditor's Report on the Financial Statements was an unqualified opinion.
- B. No significant deficiency in the internal control was disclosed during the audit of the financial statements.
- C. The audit did not disclose any noncompliance which is material to the financial statements.
- D. No significant deficiencies in internal control over major programs were disclosed by the audit.
- E. The June 30, 2010 report on compliance for major programs was an unqualified opinion.
- F. The audit did not disclose any audit findings which are required to be reported under §.510a.
- G. Major program- Highway Planning and Construction Program, CFDA 20.205.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
- I. The City of Mt. Juliet was not considered a low risk auditee.

II. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*.

Current Year Deficiencies

None.

Prior Year Significant Deficiency

- 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: Resolved.

III. There were no significant deficiencies or questioned costs related to major federal programs.

City Hall 2425 N Mt Juliet Rd Mt Juliet . . . **754-2552**
 Cable Channel 3 Government Access
 City Manager
 City Officials - Mayor and City Commissioners
 Finance Dept 2365 N Mt Juliet Rd . . . **754-2554**
 Business Tax & Licenses
 Accounts Payable
 Purchasing
 Sewer Billing
 Planning & Zoning 73 E Hill St . . . **773-6237**
 GIS
 Zoning Administrator
 Recorder
 Parks Department
 Charlie Daniels Park/Community Center
 1100 Charlie Daniels Pkwy Mt Juliet . . . **758-6522**
 Parks Director Charlie Daniels Pkwy
 Mt Juliet . . . **758-6522**
 Sgt Jerry Mundy Memorial Park
 300 Mundy Memorial Dr . . . **754-8181**
 Police Department
 Non Emergency 2425 N Mt Juliet Rd
 Mt Juliet . . . **754-2550**
 Alarm Registration
 Animal Control/Shelter
 115 Industrial Dr . . . **773-5533**
 Chief of Police
 City Court Traffic School
 Domestic Violence Unit
 Records Department
 Public Works Department After Hours
 Emergency . . . **754-2550**
 Public Works 71 E Hill St . . . **773-7957**
 Building & Codes 73 E Hill St . . . **773-6225**
 Building Inspections Building Permits-Code
 Enforcement
 Public Works Director
 Sewer Department
 Storm Water Management