

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by the City of Gallatin Finance Director

**CITY OF GALLATIN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS**

Introductory Section

Directory..... i

Financial Section

Independent Auditor’s Report 1
 Management’s Discussion and Analysis..... 4

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 11
 Statement of Activities..... 13

Fund Financial Statements

Balance Sheet - Governmental Funds 14
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
 Net Position 15
 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds 16
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
 Balances of Governmental Funds to the Statement of Activities 17
 Statement of Net Position - Proprietary Funds 18
 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary
 Funds 20
 Statement of Cash Flows - Proprietary Funds 21
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - General Fund 23
 Statement of Fiduciary Net Position – Pension Trust Fund – Electric Department 37
 Statement of Changes in Fiduciary Net Position – Pension Trust Fund -
 Electric Department..... 38
 Notes to the Financial Statements 39

Required Supplementary Information

Schedule of Changes in the Plan’s Net Pension Liability and Related Ratios 62
 Schedule of Contributions – Last Ten Fiscal Years 63
 Schedules of Funding Progress – Other Post-employment Benefits 64

Supplementary and Other Information Section

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet - Other Governmental Funds 65
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Other Governmental Funds 66
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - Special Services Fund 67
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - Drug Fund 68
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and
 Actual - Environmental Services Fund 69

Supplementary Schedules

Schedule of Changes in Property Taxes Receivable 70
 Schedule of Electric Rates in Force 71
 Schedule of Water and Sewer Rates in Force 73
 Schedule of Gas Rates in Force 74
 Schedule of Unaccounted for Water - Unaudited..... 75
 Schedule of Principal and Interest Requirements - General Obligation Debt - City 77

**CITY OF GALLATIN, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS**

Schedule of Long-term Debt - Proprietary Funds	78
Schedule of Expenditures of Federal Awards	79
Schedule of State Financial Assistance	80
Statistical Section	
Statistical Section Divider Page	81
Financial Trends Information - Net Position by Component - Last Ten Fiscal Years.....	82
Financial Trends Information - Change in Net Position - Last Ten Fiscal Years	83
Financial Trends Information - Fund Balances, Governmental Funds - Last Ten Fiscal Years	85
Financial Trends Information - Changes in Fund Balances for Total Governmental Funds - Last Ten Fiscal Years	86
Revenue Capacity Information - Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Tax Years	87
Revenue Capacity Information - Principal Property Tax Payers - Current Year and Nine Years Ago	88
Revenue Capacity Information - Property Tax Levies and Collections - Last Ten Fiscal Years	89
Debt Capacity Information - Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	90
Debt Capacity Information - Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	91
Debt Capacity Information – Pledged Revenue Coverage - Last Ten Fiscal Years	92
Demographic and Economic Information - Demographic and Economic Statistics - Last Ten Fiscal Years	93
Demographic and Economic Information - Principal Employers - Current Year and Nine Years Ago	94
Operating Information - Full-time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years.....	95
Operating Information - Operating Indicators by Function/Program - Last Ten Fiscal Years	96
Operating Information - Capital Asset Statistics by Function/Program - Last Ten Fiscal Years.....	97
Internal Control and Compliance Section	
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 <i>Government Auditing Standards</i>	98
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	100
Schedule of Findings and Questioned Costs	102
Schedule of Prior Year Findings and Questioned Costs.....	104
Corrective Action Plan	105

INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE

DIRECTORY

June 30, 2016

ELECTED OFFICIALS

Paige Brown, Mayor
E. Anne Kemp, Council Member
William C. Hayes, Council Member, Vice Mayor
Ronald E. Mayberry, Council Member
John D. Alexander, Council Member
James W. Overton, Council Member
Steve C. Camp, Council Member
Julie Brackenbury, Council Member
Connie Kittrell, Recorder

MANAGEMENT TEAM

Rachel Nichols, Director of Finance, CMFO
Zach Wilkinson, Director of Public Works
David A. Gregory, Superintendent of Public Utilities
Donald Bandy, Chief of Police
Victor Williams, Fire Chief
Charles Stuart, Director of Codes
William McCord, Director of Planning
David Brown, Director of Leisure Services
Debbie Johnson, Director of Human Resources
James Fenton, Director of Economic Development
Nick Tuttle, City Engineer
Mark Kimbell, Electric Department Manager
Lori Smiley, Director of Information Technology

COUNSEL

Susan High-McAuley
City Attorney
Gallatin, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants

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Independent Auditor's Report

Honorable Paige Brown, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division which is both a major fund and represents 23 percent, 22 percent, and 71 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Division, is based solely on the report of the other auditors. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 Gallatin, Tennessee, as of June 30, 2016, and respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information as listed in the table of contents on pages 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), the supplementary schedules as noted in the supplementary and other information section in the Table of Contents, the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133; *Audits of States, Local Governments, and Non Profit Organizations* and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), the schedule of expenditures of federal awards, and the supplementary schedules, except that which is marked "unaudited," are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), schedule of expenditures of federal awards, and the supplementary schedules, except that which have been marked "unaudited" are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the supplementary schedule, which has been marked “unaudited”, and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 on our consideration of the City of Gallatin’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gallatin’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive style with a large, sweeping "A" and "T".

Jackson, Tennessee
January 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallatin, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. The analysis focuses on significant financial position, budget changes and specific issues related to funds and economic factors affecting the City. It also focuses on current year activities and the resulting changes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$225.77 million as compared to \$215.94 million in the prior year. Of these amounts, \$47.24 million (unrestricted net position) as compared to \$48.91 million in the prior year may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$9.83 million in 2016 compared to an increase of \$13.03 million in 2015.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$34.38 million, an increase of \$12.22 million over the prior year. Approximately \$16.18 million of that total is available for spending at the government's discretion and \$16.33 million is assigned for capital projects.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16.09 million, or 53.92% of the total general fund expenditures as compared to \$14.65 million the prior year.
- The City's total debt obligations increased by \$8.20 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

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 Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities of the City are made up of Water and Sewer, Natural Gas, and Electric Power services. The government-wide financial statements can be found on pages 11 to 13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are 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, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 City's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 17 of this report.

The City maintains seven governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 65.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. Budgetary comparison statements have been provided on pages 23 to 36 and pages 67 to 69 of this report.

Proprietary funds - There are 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 the Board of Public Utilities Electric, Water and Sewer, and Gas Divisions.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Natural Gas, and Electric Power operations which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 18 to 22 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 39 to 61 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's and Utility's schedules of funding progress for their respective pension plans and other post-employment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$225.77 million at the close of the most recent fiscal year, as compared to \$215.94 million at the close of the previous year.

By far the largest portion of the City's net position (78.81%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure). 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 related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$601 thousand (0.27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$47.24 million (20.92%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$49,652,702	\$38,769,451	\$ 55,282,297	\$ 56,550,838	\$ 104,934,999	\$ 95,320,289
Capital assets	69,226,706	63,780,121	153,006,786	146,815,199	222,233,492	210,595,320
Total assets	<u>118,879,408</u>	<u>102,549,572</u>	<u>208,289,083</u>	<u>203,366,037</u>	<u>327,168,491</u>	<u>305,915,609</u>
Deferred outflows of resources	440,558	482,516	3,824,574	3,443,671	4,265,132	3,926,187
Long-term liabilities	29,577,952	18,681,963	45,705,259	47,146,025	75,283,211	65,827,988
Other liabilities	4,197,997	5,327,520	15,347,545	12,448,527	19,545,542	17,776,047
Total liabilities	<u>33,775,949</u>	<u>24,009,483</u>	<u>61,052,804</u>	<u>59,594,552</u>	<u>94,828,753</u>	<u>83,604,035</u>
Deferred inflows of resources	10,705,207	10,120,958	129,206	172,274	10,834,413	10,293,232
Net position:						
Net investment in						
capital assets	58,836,309	54,468,094	119,097,460	112,025,506	177,933,769	166,493,600
Restricted	593,324	535,180	7,621	7,572	600,945	542,752
Unrestricted	15,409,177	13,898,373	31,826,566	35,009,804	47,235,743	48,908,177
Total net position	<u>\$74,838,810</u>	<u>\$68,901,647</u>	<u>\$150,931,647</u>	<u>\$147,042,882</u>	<u>\$225,770,457</u>	<u>\$215,944,529</u>

The government's total assets and long-term liabilities increased significantly due to the issuance of bonds and significant capital projects that were completed and in progress during the current fiscal year.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$20.34 million. In the business-type activities program revenues exceeded expenses by \$6.23 million. General government revenues and transfers of \$26.41 million offset the governmental activities deficit resulting in a positive change of net position of \$6.07 million. Other business-type revenues of \$152 thousand and transfers out of \$1.64 million reduced income in the business type activities leaving a positive change in net position of \$4.75 million prior to the \$(857) thousand prior period adjustment/restatement.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,069,552	\$ 5,538,642	\$ 94,763,804	\$ 98,670,740	\$ 100,833,356	\$ 104,209,382
Operating grants and contributions	1,064,123	1,234,427	-	-	1,064,123	1,234,427
Capital grants and contributions	4,790,834	10,285,239	2,490,314	1,485,205	7,281,148	11,770,444
General revenues:						
Property taxes	10,878,306	10,273,533	-	-	10,878,306	10,273,533
Other taxes	13,548,434	12,673,636	-	-	13,548,434	12,673,636
Other sources	342,002	299,313	152,192	108,911	494,194	408,224
Total revenues	<u>36,693,251</u>	<u>40,304,790</u>	<u>97,406,310</u>	<u>100,264,856</u>	<u>134,099,561</u>	<u>140,569,646</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Expenses:						
General government	\$ 7,186,551	\$ 6,432,191	\$ -	\$ -	\$ 7,186,551	\$ 6,432,191
Public safety	12,701,861	12,139,618	-	-	12,701,861	12,139,618
Engineering	1,643,277	1,611,956	-	-	1,643,277	1,611,956
Environmental services	1,701,497	1,682,507	-	-	1,701,497	1,682,507
Animal control	-	123,665	-	-	-	123,665
Public works	552,190	362,748	-	-	552,190	362,748
Highway and streets	1,359,004	1,457,922	-	-	1,359,004	1,457,922
Vehicle maintenances	459,858	418,068	-	-	459,858	418,068
Parks and recreation	4,361,499	4,265,685	-	-	4,361,499	4,265,685
Economic Development	1,622,199	6,770,860	-	-	1,622,199	6,770,860
Interest on debt	808,538	653,094	-	-	808,538	653,094
Electric	-	-	66,077,111	65,953,465	66,077,111	65,953,465
Water and Sewer	-	-	12,582,400	10,769,977	12,582,400	10,769,977
Gas	-	-	12,360,729	14,620,277	12,360,729	14,620,277
Total expenses	32,396,474	35,918,314	91,020,240	91,343,719	123,416,714	127,262,033
Revenues over/under						
expenses	4,296,777	4,386,476	6,386,070	8,921,137	10,682,847	13,307,613
In lieu of taxes in (out)	1,640,386	1,545,670	(1,640,386)	(1,545,670)	-	-
Increase in net position	5,937,163	5,932,146	4,745,684	7,375,467	10,682,847	13,307,613
Net position - beginning	68,901,647	63,165,911	147,042,882	139,747,374	215,944,529	202,913,285
Prior period adjustment	-	(196,410)	(856,919)	(79,959)	(856,919)	(276,369)
Net position - beginning - resta	68,901,647	62,969,501	146,185,963	139,667,415	215,087,610	202,636,916
Net position - ending	<u>\$ 74,838,810</u>	<u>\$ 68,901,647</u>	<u>\$ 150,931,647</u>	<u>\$ 147,042,882</u>	<u>\$ 225,770,457</u>	<u>\$ 215,944,529</u>

In governmental activities, charges for services increased \$531 thousand in 2016. Capital grants and contributions decreased by \$5.49 million. Operating grants and contributions decreased \$170 thousand. Other taxes increased by \$875 thousand. Other revenues remained relatively stable. In the business type activities charges for services decreased by \$3.91 million and costs of sales and service decreased by \$3.90 million due to decreased sales during the year.

Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in local revenue systems to better accommodate future change.

Overall expenses for 2016 were less than expenses in 2015 in the governmental activities by \$3.52 million. Expenditures in the Economic Development area related to the Beretta project decreased \$5.15 million. For departments with increases, the increases were mainly due to capital projects and grant activities. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements and discussion, the overall financial position of the City has improved during the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund is the chief operation fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$16.09 million while total fund balance was \$17.32 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 53.92% of total general fund expenditures in 2016 as compared to 47.02% in 2015.

The fund balance of the City's general fund increased by \$2.34 million during the current fiscal year. A key factor in this increase was additional revenues received due to ongoing grant funded projects.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net position of the proprietary funds increased by \$3.89 million in 2016 as compared to \$7.30 million in 2015.

Unrestricted net position of the proprietary funds amounted to \$31.83 million as compared to \$35.01 million in the prior year. The change in net position (not including prior period adjustments) of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$2.65 million in 2016 compared to \$2.78 million in 2015.
- Natural Gas Fund - \$(406) thousand in 2016 compared to \$3.25 million in 2015.
- Electric Fund - \$1.65 million in 2016 compared to \$1.35 million in 2015.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$5.46 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 18.97% was mainly for capital expenditures.

Actual revenues and other financing sources exceeded budgeted amounts by \$1.16 million. The largest increases were from sales tax and income tax.

Actual expenditures and transfers out were under budget by \$4.30 million, which was partially due to department heads holding spending but mostly was due to large projects that were budgeted for this year that will continue into next year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2016 the City had invested \$221.70 million net of accumulated depreciation in land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and utility systems. The total increase in the City's investment in capital assets for the current fiscal year was 5.53%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 49 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$64.51 million as compared to \$56.32 million at the end of the prior fiscal year. Of this amount, \$26.38 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds, except for notes payable in the amount of \$248,300 and TVA weatherization contracts in the amount of \$320,739. Information on the City's long-term debt can be found in Note 4.E. beginning on page 51 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Gallatin maintains a "AA+" rating from Standards and Poors for general obligation debt. Also, the City rating from Moody's has been recalibrated to "Aa2".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund Revenue –Property tax revenues grew slightly for the year. Most other general revenue sources showed moderate growth. Sales tax revenues continued to show solid growth. Charges for services increased mainly due to increased Building and Planning related revenues and Parks and Recreation revenues. Operating grant revenues decreased slightly and Capital grant revenues decreased substantially.

General Fund Expenditures and Capital Outlay – Departments were encouraged to be prudent and frugal with spending even though additional positions were funded to accommodate the growth of the City and the increased demands on staff. Most capital funding was to complete existing, ongoing projects or for grant funded projects. Debt was issued for new capital projects.

General Fund Balance – At the end of the current fiscal year, unassigned fund balance in the general fund was \$16.1 million. The increase from the previous year was a combination of better than anticipated revenue collections and ongoing capital projects that carried over into the next fiscal year.

Next Year's Budget and Rates – The City has no plans to increase the property tax rate paid by citizens in the next fiscal year. A special census concluded in early 2016 will generate additional state-shared revenues, as will the continued sales tax growth. The City will continue to watch the national and world economic factors that could influence the local economy and will make any necessary mid-year adjustments to operate within available revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gallatin's finances for citizens, taxpayers, customers, investors, creditors and all others 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 the Department of Finance, City of Gallatin, 132 West Main Street, Gallatin, TN, 37066.

BASIC FINANCIAL STATEMENTS

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 12,787,972	\$ 38,715,915	\$ 51,503,887
Certificates of deposit	2,865,000	5,047,898	7,912,898
Investments	21,025	-	21,025
Receivables			
Interest	337,496	-	337,496
Taxes (net of allowance)	11,136,624	-	11,136,624
Accounts (net of allowance)	537,453	8,525,667	9,063,120
Fines (net of allowance)	16,850	-	16,850
Grant	119,487	-	119,487
Intergovernmental	2,850,815	-	2,850,815
Other	147,476	12,949	160,425
Prepayments and other current assets	2,786,938	24,007	2,810,945
Materials and supplies	51,728	2,573,615	2,625,343
Restricted assets:			
Cash and cash equivalents	15,993,838	7,621	16,001,459
Other receivables	-	78,320	78,320
Contracts receivable - for home weatherization program	-	296,305	296,305
Capital assets, not being depreciated			
Land	14,145,875	2,774,443	16,920,318
Construction in progress	3,303,191	712,106	4,015,297
Capital assets, net of accumulated depreciation			
Transmission plant	-	369,376	369,376
Distribution plant	-	108,218,225	108,218,225
General plant	-	1,424,857	1,424,857
Buildings	9,221,628	37,442,494	46,664,122
Improvements other than buildings	38,266,619	-	38,266,619
Equipment	902,007	612,363	1,514,370
Rolling stock	2,855,510	826,094	3,681,604
Office furniture and equipment	531,876	92,382	624,258
Acquisition adjustments	-	534,446	534,446
Total assets	<u>118,879,408</u>	<u>208,289,083</u>	<u>327,168,491</u>
Deferred outflows of resources			
Contributions to pension funds subsequent to the measurement date	-	666,994	666,994
Unamortized pension charges	-	1,113,346	1,113,346
Loss on bond refunding	440,558	2,044,234	2,484,792
Total deferred outflows of resources	<u>\$ 440,558</u>	<u>\$ 3,824,574</u>	<u>\$ 4,265,132</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Checks written against future deposits	\$ 1,444,198	\$ -	\$ 1,444,198
Accounts payable	835,482	11,656,688	12,492,170
Accrued expenses	704,199	284,139	988,338
Accrued interest	419,529	398,620	818,149
Customer deposits	-	3,008,098	3,008,098
Unearned revenue	41,432	-	41,432
Performance deposits	753,157	-	753,157
Long-term liabilities			
Due within one year	1,866,662	2,283,614	4,150,276
Due in excess of one year	27,711,290	43,421,645	71,132,935
Total liabilities	33,775,949	61,052,804	94,828,753
Deferred inflows of resources			
Unavailable property taxes	10,639,358	-	10,639,358
Pension earnings above expected	-	129,206	129,206
Unavailable evidence funds	65,849	-	65,849
Total deferred inflows of resources	10,705,207	129,206	10,834,413
Net Position			
Net investment in capital assets	58,836,309	119,097,460	177,933,769
Restricted for			
Workman's compensation adjustment	-	7,621	7,621
Funds held in trust	412,998	-	412,998
Police special projects	18,009	-	18,009
Drug enforcement	162,317	-	162,317
Unrestricted	15,409,177	31,826,566	47,235,743
Total net position	\$ 74,838,810	\$ 150,931,647	\$ 225,770,457

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 7,186,551	\$ 1,455,383	\$ 50,072	\$ 3,897,890	\$ (1,783,206)	\$ -	\$ (1,783,206)
Public safety	12,701,861	991,601	119,992	-	(11,590,268)	-	(11,590,268)
Engineering	1,643,277	-	-	892,944	(750,333)	-	(750,333)
Environmental services	1,701,497	1,868,754	-	-	167,257	-	167,257
Public works	552,190	-	-	-	(552,190)	-	(552,190)
Highways and streets	1,359,004	-	894,059	-	(464,945)	-	(464,945)
Vehicle maintenance	459,858	187,664	-	-	(272,194)	-	(272,194)
Parks and recreation	4,361,499	1,566,150	-	-	(2,795,349)	-	(2,795,349)
Economic development	1,622,199	-	-	-	(1,622,199)	-	(1,622,199)
Debt service	808,538	-	-	-	(808,538)	-	(808,538)
Total governmental activities	<u>32,396,474</u>	<u>6,069,552</u>	<u>1,064,123</u>	<u>4,790,834</u>	<u>(20,471,965)</u>	<u>-</u>	<u>(20,471,965)</u>
Business-type activities							
Electric	66,077,111	67,473,406	-	868,087	-	2,264,382	2,264,382
Water & Sewer	12,582,400	14,120,942	-	1,622,227	-	3,160,769	3,160,769
Gas	12,360,729	13,169,456	-	-	-	808,727	808,727
Total business-type activities	<u>\$ 91,020,240</u>	<u>\$ 94,763,804</u>	<u>\$ -</u>	<u>\$ 2,490,314</u>	<u>-</u>	<u>6,233,878</u>	<u>6,233,878</u>
General revenues							
Property taxes - levied for general government					10,425,034	-	10,425,034
In lieu of taxes - other governments					453,272	-	453,272
Sales taxes					10,074,289	-	10,074,289
Franchise taxes					448,730	-	448,730
Alcoholic beverage taxes					1,260,296	-	1,260,296
Business taxes					818,811	-	818,811
Income taxes					946,308	-	946,308
Other sources					172,184	-	172,184
Sale of capital assets					54,634	10,000	64,634
Unrestricted interest income					115,184	142,192	257,376
Total general revenues					<u>24,768,742</u>	<u>152,192</u>	<u>24,920,934</u>
Transfers							
In lieu of taxes in (out)					1,640,386	(1,640,386)	-
Total general revenues and transfers					<u>26,409,128</u>	<u>(1,488,194)</u>	<u>24,920,934</u>
Changes in net position					5,937,163	4,745,684	10,682,847
Net position - beginning					68,901,647	147,042,882	215,944,529
Prior period adjustment/restatement					-	(856,919)	(856,919)
Net position, beginning - restated					68,901,647	146,185,963	215,087,610
Net position - ending					<u>\$ 74,838,810</u>	<u>\$ 150,931,647</u>	<u>\$ 225,770,457</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 11,380,491	\$ -	\$ 1,407,481	\$ 12,787,972
Restricted cash and cash equivalents	-	15,993,838	-	15,993,838
Certificates of deposit	2,865,000	-	-	2,865,000
Investments	-	-	21,025	21,025
Receivables				
Interest	331,292	-	6,204	337,496
Taxes (net of allowance of \$359,655)	11,136,624	-	-	11,136,624
Accounts (net of allowance of \$1,325)	468,516	-	68,937	537,453
Fines (net of allowance of \$1,978,843)	16,850	-	-	16,850
Grants	8,250	111,237	-	119,487
Intergovernmental	2,850,815	-	-	2,850,815
Other	-	-	147,476	147,476
Inventories	42,344	-	9,384	51,728
Prepaid expense	978,116	1,808,822	-	2,786,938
Total assets	\$ 30,078,298	\$ 17,913,897	\$ 1,660,507	\$ 49,652,702
Liabilities				
Checks written against future deposits	\$ -	\$ 1,444,198	\$ -	\$ 1,444,198
Accounts payable	577,800	143,768	113,914	835,482
Accrued expenses	704,199	-	-	704,199
Unearned revenue	41,432	-	-	41,432
Performance deposits	-	-	753,157	753,157
Total liabilities	1,323,431	1,587,966	867,071	3,778,468
Deferred inflows of resources				
Unavailable property taxes	11,412,744	-	-	11,412,744
Unavailable evidence funds	-	-	65,849	65,849
Unavailable court fines	16,851	-	-	16,851
Unavailable grant revenue	3,614	-	-	3,614
Total deferred inflows of resources	11,433,209	-	65,849	11,499,058
Fund balances				
Nonspendable				
Prepays	978,116	-	-	978,116
Funds held in trust	-	-	36,025	36,025
Inventory	42,344	-	9,384	51,728
Restricted for:				
Funds held in trust	-	-	376,973	376,973
Police special projects	-	-	18,009	18,009
Drug enforcement	-	-	162,317	162,317
Economic development	-	-	26,322	26,322
Committed for:				
Economic development	209,987	-	-	209,987
Assigned for				
Capital projects	-	16,325,931	-	16,325,931
Police special projects	-	-	4,174	4,174
Cemetery	-	-	5,552	5,552
Unassigned	16,091,211	-	88,831	16,180,042
Total fund balances	17,321,658	16,325,931	727,587	34,375,176
Total liabilities deferred inflows of resources, and fund balances	\$ 30,078,298	\$ 17,913,897	\$ 1,660,507	\$ 49,652,702

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for the governmental activities in the statement of net position (Page 12) are different because:

Fund balance - total governmental funds (Page 14)	\$	34,375,176
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		69,226,706
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		793,851
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.		
Bonds outstanding		(24,805,000)
Notes outstanding		(1,579,235)
Bond premiums		(2,005,353)
Compensated absences		(1,188,364)
Deferred inflows of resources, specifically deferred loss on refunding, are not due in the current period and, therefore, are not reported in the funds		440,558
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(419,529)</u>
Net position - governmental activities (Page 12)	\$	<u>74,838,810</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 20,117,243	\$ -	\$ -	\$ 20,117,243
Licenses and permits	1,093,853	-	-	1,093,853
Intergovernmental	6,468,971	2,803,144	1,185,725	10,457,840
Charges for services	2,115,344	-	1,868,754	3,984,098
Fines	809,966	-	173,461	983,427
Other	304,514	28,946	80,565	414,025
Total revenues	<u>30,909,891</u>	<u>2,832,090</u>	<u>3,308,505</u>	<u>37,050,486</u>
Expenditures				
Current				
General government	5,932,364	524	-	5,932,888
Public safety	12,132,225	-	48,974	12,181,199
Engineering	1,513,793	129,735	-	1,643,528
Environmental services	-	-	1,707,426	1,707,426
Public works	301,494	(6,757)	-	294,737
Highways and streets	1,224,616	2,432	-	1,227,048
Vehicle maintenance	496,426	-	-	496,426
Parks and recreation	3,953,662	60,435	-	4,014,097
Economic development	429,965	-	1,192,204	1,622,169
Capital outlay	2,082,309	5,116,667	186,066	7,385,042
Debt service				
Principal	1,205,000	-	-	1,205,000
Interest	571,006	-	-	571,006
Other debt service expense	1,150	-	-	1,150
Total expenditures	<u>29,844,010</u>	<u>5,303,036</u>	<u>3,134,670</u>	<u>38,281,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,065,881</u>	<u>(2,470,946)</u>	<u>173,835</u>	<u>(1,231,230)</u>
Other financing sources (uses)				
Transfers in - in lieu of taxes	1,640,386	-	-	1,640,386
Transfers (to)/from other funds	(98,468)	-	98,468	-
Issuance of G.O. bonds	-	11,040,000	-	11,040,000
Premiums on bonds issued	-	1,163,285	-	1,163,285
Bond issuance costs	-	(121,358)	-	(121,358)
Total other financing sources (uses)	<u>1,541,918</u>	<u>12,081,927</u>	<u>98,468</u>	<u>13,722,313</u>
Net changes in fund balances	<u>2,607,799</u>	<u>9,610,981</u>	<u>272,303</u>	<u>12,491,083</u>
Fund balances - beginning	14,983,950	6,714,950	455,284	22,154,184
Prior period adjustment/restatement	(270,091)	-	-	(270,091)
Fund balance - beginning - restated	<u>14,713,859</u>	<u>6,714,950</u>	<u>455,284</u>	<u>21,884,093</u>
Fund balances - ending	<u>\$ 17,321,658</u>	<u>\$ 16,325,931</u>	<u>\$ 727,587</u>	<u>\$ 34,375,176</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Amounts reported for the governmental activities in the statement of activities (Page 13) are different because:

Net change in fund balances - total governmental funds (Page 16)	\$ 12,491,083
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. This is the amount by which capital outlays exceeded depreciation in the current period.	4,897,162
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	549,423
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(906,658)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	1,294,745
Some expenses reported in the statement of activities, such as amortization expense, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Amortization of loss on refunding	(41,958)
Amortization of bond premium	82,835
The issuance of long-term debt provides current financial resources to governmental funds. These transactions do not have any effect on net position.	
Sale of bonds	(11,040,000)
Premium on bonds	(1,163,285)
Some expenses reported in the statement of activities, such as accrued leave and accrued interest, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(226,184)</u>
Change in net position of governmental activities (Page 13)	<u>\$ 5,937,163</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

Assets and deferred outflows of resources	Electric Division	Water & Sewer Division	Gas Division	Totals
Current assets				
Cash on hand	\$ -	\$ 2,090	\$ 280	\$ 2,370
Cash and cash equivalents - general	10,442,189	16,332,141	11,939,215	38,713,545
Cash and cash equivalents - restricted	7,621	-	-	7,621
Certificates of deposit	5,047,898	-	-	5,047,898
Accounts receivable - trade (net of allowance for uncollectibles)	6,920,187	582,166	1,023,314	8,525,667
Accounts receivable - other	-	5,333	7,616	12,949
Prepayments and other current assets	18,775	-	5,232	24,007
Materials and supplies	962,129	499,364	1,112,122	2,573,615
Portion of non-current receivables due within one year	62,027	-	-	62,027
Total current assets	23,460,826	17,421,094	14,087,779	54,969,699
Noncurrent assets				
Other assets				
Other receivables	78,320	-	-	78,320
Contracts receivable - for home weatherization	234,278	-	-	234,278
Total other assets	312,598	-	-	312,598
Capital assets, not being depreciated				
Land	1,414,357	1,128,639	231,447	2,774,443
Construction in progress	235,905	97,895	378,306	712,106
Capital assets, net of accumulated depreciation				
Transmission plant	369,376	-	-	369,376
Distribution plant	20,867,541	64,197,316	23,153,368	108,218,225
General plant	1,424,857	-	-	1,424,857
Buildings	-	36,693,178	749,316	37,442,494
Operating equipment	-	301,267	311,096	612,363
Rolling stock	-	472,607	353,487	826,094
Office furniture and equipment	-	22,215	70,167	92,382
Acquisition adjustments	534,446	-	-	534,446
Total capital assets	24,846,482	102,913,117	25,247,187	153,006,786
Total noncurrent assets	25,159,080	102,913,117	25,247,187	153,319,384
Total assets	48,619,906	120,334,211	39,334,966	208,289,083
Deferred outflows of resources				
Loss on bond refunding	-	2,044,234	-	2,044,234
Unamortized pension charges	1,113,346	-	-	1,113,346
Contributions to pension fund	666,994	-	-	666,994
Total deferred outflows of resources	\$ 1,780,340	\$ 2,044,234	\$ -	\$ 3,824,574

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

Liabilities	Electric Division	Water & Sewer Division	Gas Division	Totals
Current liabilities				
Accounts payable	\$ 10,506,794	\$ 328,678	\$ 821,216	\$ 11,656,688
Other accrued expense	183,984	73,324	26,831	284,139
Accrued interest	15,309	383,311	-	398,620
Customers' deposits	2,715,123	116,000	176,975	3,008,098
Accrued leave	148,811	-	-	148,811
Current maturities of long-term debt	<u>186,177</u>	<u>1,948,626</u>	<u>-</u>	<u>2,134,803</u>
Total current liabilities	<u>13,756,198</u>	<u>2,849,939</u>	<u>1,025,022</u>	<u>17,631,159</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	39,141,632	-	39,141,632
Accrued leave	135,832	254,412	142,750	532,994
Net pension liability	3,364,157	-	-	3,364,157
Contracts payable	124,150	-	-	124,150
Advances from Tennessee Valley Authority - Home Insulation Program	<u>258,712</u>	<u>-</u>	<u>-</u>	<u>258,712</u>
Total noncurrent liabilities	<u>3,882,851</u>	<u>39,396,044</u>	<u>142,750</u>	<u>43,421,645</u>
Total liabilities	<u>17,639,049</u>	<u>42,245,983</u>	<u>1,167,772</u>	<u>61,052,804</u>
Deferred inflows of resources				
Pension earnings above expected	<u>129,206</u>	<u>-</u>	<u>-</u>	<u>129,206</u>
Total deferred inflows of resources	<u>129,206</u>	<u>-</u>	<u>-</u>	<u>129,206</u>
Net position				
Net investment in capital assets	24,598,182	69,252,091	25,247,187	119,097,460
Restricted	7,621	-	-	7,621
Unrestricted	<u>8,026,188</u>	<u>10,880,371</u>	<u>12,920,007</u>	<u>31,826,566</u>
Total net position	<u>\$ 32,631,991</u>	<u>\$ 80,132,462</u>	<u>\$ 38,167,194</u>	<u>\$ 150,931,647</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2016

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Operating revenues				
Charges for sales and service	\$ 66,659,768	\$ 13,525,181	\$ 12,812,560	\$ 92,997,509
Forfeited discounts	233,678	167,195	-	400,873
Other operating revenue	579,960	428,566	356,896	1,365,422
Total operating revenues	<u>67,473,406</u>	<u>14,120,942</u>	<u>13,169,456</u>	<u>94,763,804</u>
Operating expenses				
Cost of sales and service	59,605,773	-	9,424,795	69,030,568
Water treatment and pumping	-	1,535,876	-	1,535,876
Transmission and distribution	1,805,852	1,393,578	962,219	4,161,649
Customer service and collection	704,302	558,253	401,088	1,663,643
General administration	1,582,388	962,544	474,021	3,018,953
Sewer collection	-	1,018,435	-	1,018,435
Sewer system rehab	-	488,053	-	488,053
Sewer treatment and disposal	-	1,344,130	-	1,344,130
Sewer pretreatment	-	88,163	-	88,163
Maintenance	712,228	-	-	712,228
Customer deposit interest	16,458	-	-	16,458
Amortization - acquisition adjustments	212,964	-	-	212,964
Provision for depreciation	1,437,146	4,146,476	1,098,606	6,682,228
Total operating expenses	<u>66,077,111</u>	<u>11,535,508</u>	<u>12,360,729</u>	<u>89,973,348</u>
Operating income (loss)	<u>1,396,295</u>	<u>2,585,434</u>	<u>808,727</u>	<u>4,790,456</u>
Nonoperating revenues (expenses)				
Interest and other income	97,904	31,406	12,882	142,192
Tap fees	-	540,793	-	540,793
Gain (loss) on sale of capital assets	-	10,000	-	10,000
Amortization of bond premiums	-	173,626	-	173,626
Bond issuance cost	-	(87,805)	-	(87,805)
Interest and other expense	-	(1,132,713)	-	(1,132,713)
Total nonoperating revenues (expenses)	<u>97,904</u>	<u>(464,693)</u>	<u>12,882</u>	<u>(353,907)</u>
Income (loss) before transfers and contributions	<u>1,494,199</u>	<u>2,120,741</u>	<u>821,609</u>	<u>4,436,549</u>
Transfers and capital contributions				
Transfers out - in lieu of taxes	(715,928)	(553,953)	(370,505)	(1,640,386)
Capital contributions	868,087	1,081,434	-	1,949,521
Total transfers and capital contributions	<u>152,159</u>	<u>527,481</u>	<u>(370,505)</u>	<u>309,135</u>
Change in net position	1,646,358	2,648,222	451,104	4,745,684
Total net position - beginning	<u>30,985,633</u>	<u>77,484,240</u>	<u>38,573,009</u>	<u>147,042,882</u>
Prior period adjustment/restatement	-	-	(856,919)	(856,919)
Total net position - beginning - restated	<u>30,985,633</u>	<u>77,484,240</u>	<u>37,716,090</u>	<u>146,185,963</u>
Total net position - ending	<u>\$ 32,631,991</u>	<u>\$ 80,132,462</u>	<u>\$ 38,167,194</u>	<u>\$ 150,931,647</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 67,670,312	\$ 15,096,538	\$ 13,914,217	\$ 96,681,067
Cash paid to suppliers of goods and services	(60,600,800)	(3,272,176)	(10,078,270)	(73,951,246)
Cash paid to employees for services	(2,465,585)	(3,843,958)	(1,217,473)	(7,527,016)
Interest paid on customer deposits	(16,458)	-	-	(16,458)
Net decrease in TVA loan funds receivable	106,183	-	-	106,183
Net decrease in TVA loan funds payable	(93,212)	-	-	(93,212)
Net change in customer deposits	291,603	29,525	20,530	341,658
Payments in lieu of tax	(715,928)	(553,953)	(370,505)	(1,640,386)
Net cash provided (used) by operating activities	<u>4,176,115</u>	<u>7,455,976</u>	<u>2,268,499</u>	<u>13,900,590</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	868,087	1,081,434	-	1,949,521
Principal paid on debt	-	(1,330,000)	-	(1,330,000)
Interest paid on bonds, notes and leases	-	(1,101,319)	-	(1,101,319)
Construction and acquisition of plant	(2,256,974)	(5,740,319)	(4,364,482)	(12,361,775)
Received on sale of assets	-	10,000	-	10,000
Plant removal cost	(90,333)	-	-	(90,333)
Payments on notes payable	(124,150)	-	-	(124,150)
Net cash provided (used) by capital and related financing activities	<u>(1,603,370)</u>	<u>(7,080,204)</u>	<u>(4,364,482)</u>	<u>(13,048,056)</u>
Cash flows from investing activities:				
Redemption of certificates of deposit	5,500	-	-	5,500
Interest and other income	93,811	31,406	12,882	138,099
Net cash provided (used) by investing activities	<u>99,311</u>	<u>31,406</u>	<u>12,882</u>	<u>143,599</u>
Net increase (decrease) in cash and cash equivalents	2,672,056	407,178	(2,083,101)	996,133
Cash and cash equivalents - beginning of year	<u>7,777,754</u>	<u>15,927,053</u>	<u>14,022,596</u>	<u>37,727,403</u>
Cash and cash equivalents - end of year	<u>\$ 10,449,810</u>	<u>\$ 16,334,231</u>	<u>\$ 11,939,495</u>	<u>\$ 38,723,536</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	2,090	280	2,370
Unrestricted cash and cash equivalents on deposit	10,442,189	16,332,141	11,939,215	38,713,545
Restricted cash and cash equivalents on deposit	7,621	-	-	7,621
Total cash and cash equivalents	\$ 10,449,810	\$ 16,334,231	\$ 11,939,495	\$ 38,723,536

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,396,295	\$ 2,585,434	\$ 808,727	\$ 4,790,456
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,762,818	4,146,476	1,098,606	7,007,900
Payments in lieu of tax	(715,928)	(553,953)	(370,505)	(1,640,386)
Tap Fees	-	540,793	-	540,793
Pension changes	(511,777)	-	-	(511,777)
Changes in assets and liabilities:				
Accounts receivable	488,509	434,803	744,761	1,668,073
Materials and supplies	(141,055)	(82,502)	(70,458)	(294,015)
Prepayments and other current assets	(6,870)	-	42,517	35,647
TVA contracts receivable - home weatherization	106,183	-	-	106,183
Accounts payable	1,486,733	264,293	(36,838)	1,714,188
Other accrued expense	(71,706)	73,324	24,054	25,672
Accrued interest	2,193	-	-	2,193
Customers' deposits	291,603	29,525	20,530	341,658
Accrued leave	(52,613)	17,783	7,105	(27,725)
Pension payable	(73,006)	-	-	(73,006)
TVA contracts payable - home weatherization	(93,212)	-	-	(93,212)
Accrued post employment benefits other than pensions	307,948	-	-	307,948
Net cash provided (used) by operating activities	<u>\$ 4,176,115</u>	<u>\$ 7,455,976</u>	<u>\$ 2,268,499</u>	<u>\$ 13,900,590</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Revenues:	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Taxes:				
Property tax current	\$ 9,620,000	\$ 9,620,000	\$ 9,666,902	\$ 46,902
Property taxes delinquent	350,000	350,000	326,568	(23,432)
Property tax penalty and interest	100,000	100,000	87,135	(12,865)
Local sales tax	6,993,000	6,993,000	7,622,720	629,720
Local beer tax	800,000	800,000	849,505	49,505
Local liquor tax	235,000	235,000	281,597	46,597
Business tax	635,000	635,000	793,035	158,035
Privilege tax	26,000	26,000	25,776	(224)
Cable TV franchise fee	400,000	400,000	448,730	48,730
Special assessments	15,000	15,000	15,275	275
	<u>19,174,000</u>	<u>19,174,000</u>	<u>20,117,243</u>	<u>943,243</u>
Licenses and permits:				
Beer licenses	2,500	2,500	3,364	864
Building permits	579,500	579,500	589,802	10,302
Plumbing permits	90,000	90,000	98,812	8,812
Planning fees	50,000	50,000	177,843	127,843
Other mechanical permits	100,000	100,000	84,925	(15,075)
Other permits	70,494	72,311	139,107	66,796
	<u>892,494</u>	<u>894,311</u>	<u>1,093,853</u>	<u>199,542</u>
Intergovernmental:				
In lieu of tax - Housing authority	3,300	3,300	3,427	127
In lieu of tax - industry	60,500	60,500	72,801	12,301
State - sales tax	2,325,000	2,325,000	2,448,996	123,996
State - income tax	375,000	375,000	897,380	522,380
State - beer tax	15,000	15,000	14,784	(216)
State - mixed drink tax	100,000	100,000	114,410	14,410
State - gas and motor fuel tax	800,000	800,000	570,575	(229,425)
State - gas - 1989	-	-	91,696	91,696
State - gas - 3 cent	-	-	170,189	170,189
State - petroleum special	62,000	62,000	61,599	(401)
State - telecomm	2,500	2,500	2,573	73
State - TVA in lieu of tax	425,000	425,000	449,845	24,845
State - excise tax	40,000	40,000	48,928	8,928
State salary supplements	-	74,400	74,400	-
Other federal grants	-	5,372	31,502	26,130

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				<u>Over</u>
				<u>(Under)</u>
Intergovernmental (cont.):				
Sidewalk grant phase	\$ 560,000	\$ 560,000	\$ -	\$ (560,000)
TDOT Greenway Phase I	-	2,069,588	890,408	(1,179,180)
State grant - Greenlea	-	-	395,371	395,371
GHSO grant	-	18,999	18,081	(918)
FEMA 500 Steam Plant mitigation	-	-	94,878	94,878
State litter grant	-	-	17,128	17,128
	<u>4,768,300</u>	<u>6,936,659</u>	<u>6,468,971</u>	<u>(467,688)</u>
Charges for services:				
Admin and management services	60,755	60,755	93,743	32,988
Accounting and management services	122,065	122,065	111,117	(10,948)
Personnel services	36,780	36,780	36,803	23
Other legal services	85,716	85,716	86,073	357
Miscellaneous	5,600	5,600	13,942	8,342
Vehicle maintenance charges	120,000	180,000	187,664	7,664
Rent	30,800	30,800	19,852	(10,948)
Golf course revenue	660,000	660,000	747,846	87,846
Civic center revenue	715,500	715,500	818,304	102,804
	<u>1,837,216</u>	<u>1,897,216</u>	<u>2,115,344</u>	<u>218,128</u>
Fines and forfeitures:				
Fines and forfeitures:	485,000	561,000	449,884	(111,116)
A.C.E.S red light revenue	100,000	191,151	333,784	142,633
Drug fines	22,000	22,000	26,298	4,298
	<u>607,000</u>	<u>774,151</u>	<u>809,966</u>	<u>35,815</u>
Other:				
Miscellaneous	2,000	2,000	23,515	21,515
Sale of land	-	-	522	522
Sale of cemetery lots	10,000	10,000	16,800	6,800
Sale of materials	10,000	10,000	5,341	(4,659)
Sale of equipment	40,000	63,559	54,112	(9,447)
Donations	-	5,251	50,072	44,821
Insurance recoveries	-	10,680	38,968	28,288
Interest	40,000	40,000	115,184	75,184
	<u>102,000</u>	<u>141,490</u>	<u>304,514</u>	<u>163,024</u>
Total revenues	<u>\$ 27,381,010</u>	<u>\$ 29,817,827</u>	<u>\$ 30,909,891</u>	<u>\$ 1,092,064</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
Mayor's office:				
Current:				
Salaries	\$ 220,071	\$ 220,071	\$ 208,922	\$ (11,149)
Employee benefits and taxes	47,512	47,512	40,618	(6,894)
Officials fees	48,650	48,650	42,650	(6,000)
Printing & publications	4,850	4,850	2,601	(2,249)
Membership fees	30,000	30,000	25,709	(4,291)
Special census	-	75,000	53,814	(21,186)
Utilities	750	750	1,761	1,011
Other professional services	90,000	90,000	75,881	(14,119)
Travel and meals	8,450	8,450	6,645	(1,805)
Mayor's expenses	3,600	3,600	4,154	554
Council expenses	16,800	31,300	12,843	(18,457)
Office supplies	1,900	1,900	1,310	(590)
Payments in lieu of tax	144,000	144,000	131,258	(12,742)
County portion of liquor tax	150,000	150,000	146,950	(3,050)
Discounts on taxes	20,000	20,000	24,550	4,550
Grants, donations	2,500	2,500	2,623	123
RTA program	56,000	56,000	55,597	(403)
Prizes and awards	10,000	10,000	10,758	758
Downtown landscape and streetscape	8,025	8,025	8,534	509
Miscellaneous	1,045	1,045	506	(539)
Noncapital expenditures	500	500	-	(500)
	<u>864,653</u>	<u>954,153</u>	<u>857,684</u>	<u>(96,469)</u>
Finance department:				
Current:				
Salaries	295,563	295,563	296,512	949
Employee benefits and taxes	82,535	82,535	81,505	(1,030)
Postage	4,000	4,000	3,379	(621)
Printing & publications	4,000	4,000	4,456	456
Membership fees	1,500	1,500	1,304	(196)
Utilities	300	300	277	(23)
Accounting services	57,000	57,000	58,000	1,000
Repairs and maintenance	2,000	2,000	1,273	(727)
Operating supplies	7,000	7,000	3,095	(3,905)
Miscellaneous	100	100	(9,188)	(9,288)
Noncapital expenditures	4,000	4,000	2,275	(1,725)
Capital outlay	-	75,780	44,329	(31,451)
	<u>\$ 457,998</u>	<u>\$ 533,778</u>	<u>\$ 487,217</u>	<u>\$ (46,561)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
City recorder:				
Current:				
Salaries	\$ 289,937	\$ 289,937	\$ 272,570	\$ (17,367)
Employee benefits and taxes	72,491	72,491	81,670	9,179
Postage	12,000	12,000	6,957	(5,043)
Printing & publications	3,150	3,150	2,249	(901)
Membership fees	2,000	2,000	1,170	(830)
Utilities	900	900	-	(900)
Data processing services	18,500	18,500	21,615	3,115
Other professional services	3,500	3,500	2,134	(1,366)
Travel	2,000	2,000	1,871	(129)
Other contractual services	12,000	12,000	5,745	(6,255)
Office supplies	4,000	4,000	3,909	(91)
Record preservation	-	14,780	-	(14,780)
Miscellaneous	2,200	2,200	2,399	199
Noncapital expenditures	1,500	1,500	-	(1,500)
	<u>424,178</u>	<u>438,958</u>	<u>402,289</u>	<u>(36,669)</u>
Risk management:				
Current:				
HRA expense	240,000	240,000	121,570	(118,430)
Workers compensation	275,000	275,000	321,066	46,066
Building insurance	75,000	75,000	66,607	(8,393)
General liability	325,000	325,000	320,845	(4,155)
	<u>915,000</u>	<u>915,000</u>	<u>830,088</u>	<u>(84,912)</u>
Attorney:				
Current:				
Salaries	219,196	218,196	216,447	(1,749)
Employee benefits and taxes	57,461	57,461	58,014	553
Printing & publications	3,500	3,500	2,422	(1,078)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	12,650	12,650	6,737	(5,913)
Membership fees	2,800	2,800	2,526	(274)
Utilities	600	600	675	75
Legal services	20,000	20,000	30,589	10,589

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
General government:				
Attorney:				
Current:				
Other professional services	10,000	10,000	1,800	(8,200)
Travel and meals	2,250	2,250	2,231	(19)
Office supplies	500	500	485	(15)
Educational supplies	16,000	5,000	329	(4,671)
Miscellaneous	2,500	2,500	692	(1,808)
Noncapital expenditures	2,000	2,000	2,475	475
Capital outlay	-	20,462	20,220	(242)
	<u>350,757</u>	<u>359,219</u>	<u>345,642</u>	<u>(13,577)</u>
Information technology:				
Current:				
Salaries	322,092	322,092	312,082	(10,010)
Employee benefits and taxes	86,784	86,784	81,350	(5,434)
Copier expense	500	500	671	171
Membership fees	25,000	25,000	22,524	(2,476)
Utilities	5,700	5,700	4,170	(1,530)
Other professional services	88,600	161,401	104,447	(56,954)
Other contractual services	376,996	376,996	357,686	(19,310)
Office supplies	3,000	3,000	7,573	4,573
Operating supplies	7,850	7,850	10,029	2,179
Miscellaneous	775	775	303	(472)
Noncapital expenditures	40,000	185,115	77,700	(107,415)
Capital outlay	-	118,799	127,767	8,968
	<u>957,297</u>	<u>1,294,012</u>	<u>1,106,302</u>	<u>(187,710)</u>
Personnel:				
Current:				
Salaries	159,661	159,661	155,307	(4,354)
Employee benefits and taxes	57,709	56,968	44,736	(12,232)
Printing & publications	15,570	15,570	5,692	(9,878)
Utilities	960	960	567	(393)
Physicals	24,000	24,000	19,290	(4,710)
Professional services	1,700	1,700	665	(1,035)
Office supplies	900	900	822	(78)
Operating supplies	5,000	13,098	4,413	(8,685)
Miscellaneous	1,812	1,812	1,352	(460)
Noncapital expenditures	2,435	2,435	1,639	(796)
	<u>\$ 269,747</u>	<u>\$ 277,104</u>	<u>\$ 234,483</u>	<u>\$ (42,621)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
City Planner:				
Current:				
Salaries	\$ 395,309	\$ 395,309	\$ 365,671	\$ (29,638)
Employee benefits and taxes	111,402	111,402	102,596	(8,806)
Planning commission	14,850	14,850	13,254	(1,596)
Postage	800	800	427	(373)
Printing & publications	7,350	7,350	3,921	(3,429)
Membership fees	7,500	7,500	2,253	(5,247)
Utilities	1,200	1,200	1,229	29
Repairs and maintenance	2,500	2,500	108	(2,392)
Other Professional Services	8,000	8,000	62	(7,938)
Office supplies	3,450	3,450	2,927	(523)
Gas, oil, diesel, etc.	1,600	1,600	273	(1,327)
Miscellaneous	650	650	551	(99)
Capital outlay	-	2,391	10,000	7,609
	<u>554,611</u>	<u>557,002</u>	<u>503,272</u>	<u>(53,730)</u>
General government buildings:				
Current:				
Salaries	265,250	292,150	234,390	(57,760)
Employee benefits and taxes	80,207	82,567	70,246	(12,321)
Utilities	79,100	79,100	80,309	1,209
Repairs and maintenance	25,000	25,000	21,464	(3,536)
Other contractual services	20,000	27,993	29,545	1,552
Inmate crew expense	10,000	10,000	9,688	(312)
Small equipment	1,000	1,000	965	(35)
Operating supplies	4,700	4,700	10,006	5,306
Janitorial supplies	8,000	8,000	8,153	153
Gas, oil, diesel, etc.	7,700	7,700	5,663	(2,037)
Litter grant	24,557	44,109	6,581	(37,528)
Miscellaneous	900	900	270	(630)
Noncapital expenditures	1,000	1,000	11,418	10,418
Capital outlay	25,500	29,862	18,650	(11,212)
	<u>\$ 552,914</u>	<u>\$ 614,081</u>	<u>\$ 507,348</u>	<u>\$ (106,733)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
General government:				
Codes:				
Current:				
Salaries	\$ 490,898	\$ 490,898	\$ 401,175	\$ (89,723)
Employee benefits and taxes	158,891	158,891	126,005	(32,886)
Postage	800	800	109	(691)
Printing & publications	2,550	2,550	4,073	1,523
Membership fees	3,000	3,000	3,193	193
Utilities	6,000	6,000	5,570	(430)
Repairs and maintenance	4,000	4,000	4,814	814
Other Professional Services	13,000	25,000	6,157	(18,843)
Office supplies	4,000	4,000	2,342	(1,658)
Gas, oil, diesel, etc.	12,000	12,000	5,740	(6,260)
Miscellaneous	1,800	1,800	7,091	5,291
Noncapital expenditures	7,500	7,500	5,756	(1,744)
Capital outlay	20,000	24,525	30,500	5,975
	724,439	740,964	602,525	(138,439)
Community services:				
Current:				
July 4th celebration	20,000	20,000	17,255	(2,745)
Appropriations to non profits	227,500	299,725	289,725	(10,000)
	247,500	319,725	306,980	(12,745)
Total general government	6,319,094	7,003,996	6,183,830	(820,166)
Public safety:				
Police:				
Current:				
Salaries	4,738,243	4,784,415	4,697,393	(87,022)
Employee benefits and taxes	1,561,724	1,561,724	1,504,985	(56,739)
Postage	3,000	3,000	2,663	(337)
Printing & publications	32,400	32,400	28,188	(4,212)
Membership fees	33,750	33,750	25,863	(7,887)
Public relations	1,500	1,651	1,628	(23)
Utilities	81,100	81,100	72,731	(8,369)
Physicals	8,000	8,000	11,806	3,806
Data processing services	32,000	32,000	32,272	272
Repairs and maintenances	82,350	82,788	105,611	22,823

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
Public safety:				
Police:				
Current:				
Travel	\$ 5,000	\$ 5,000	\$ 8,007	\$ 3,007
Other contractual services	35,000	35,000	28,185	(6,815)
Inmate crew expense	1,500	1,500	1,563	63
Reserve officers expense	10,000	10,000	6,238	(3,762)
Office supplies	5,100	5,100	7,055	1,955
Small office equipment	3,000	3,000	3,022	22
Operating supplies	40,750	40,750	39,567	(1,183)
Janitorial supplies	5,000	5,000	4,601	(399)
Clothing and uniforms	35,300	36,523	42,211	5,688
Fire arm supplies	20,000	20,000	18,596	(1,404)
Other operating supplies	3,000	3,000	3,026	26
Gas, oil, diesel, etc.	165,500	165,500	137,944	(27,556)
Other supplies	3,000	3,000	2,240	(760)
Traffic light camera expense	60,000	151,000	156,831	5,831
Noncapital expenditures	15,000	15,000	131,804	116,804
Capital outlay	212,000	656,558	434,156	(222,402)
	<u>7,193,217</u>	<u>7,776,759</u>	<u>7,508,186</u>	<u>(268,573)</u>
Fire department:				
Current:				
Salaries	3,530,266	3,563,866	3,510,281	(53,585)
Employee benefits and taxes	1,177,678	1,177,678	1,169,424	(8,254)
Radio and television services	5,000	5,000	4,000	(1,000)
Printing & publications	3,550	3,550	2,696	(854)
Membership fees	30,000	31,816	35,469	3,653
Utilities	54,500	54,500	47,295	(7,205)
Physicals	7,500	7,500	639	(6,861)
Repairs and maintenance	86,500	89,438	85,933	(3,505)
Travel	10,000	10,000	23,435	13,435
Other contractual services	15,000	15,000	18,697	3,697
Office supplies	2,000	2,000	2,489	489
Small office equipment	4,500	4,500	2,141	(2,359)
Operating supplies	18,000	18,100	21,757	3,657
Janitorial supplies	8,000	8,000	7,245	(755)
Clothing and uniforms	36,500	36,500	38,571	2,071
Fire prevention supplies	8,500	8,500	8,639	139

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Fire department:				
Current:				
Gas, oil, diesel, etc.	\$ 60,000	\$ 60,000	\$ 42,423	\$ (17,577)
Miscellaneous	1,300	1,300	1,202	(98)
Noncapital expenditures	39,900	129,555	35,859	(93,696)
Capital outlay	50,000	50,000	36,916	(13,084)
	5,148,694	5,276,803	5,095,111	(181,692)
Total public safety	12,341,911	13,053,562	12,603,297	(450,265)
Engineering:				
Current:				
Salaries	353,179	353,179	336,465	(16,714)
Employee benefits and taxes	108,951	110,266	97,279	(12,987)
Printing	2,000	2,000	1,593	(407)
Licenses	3,500	3,500	3,077	(423)
Membership fees	3,000	3,000	1,680	(1,320)
Utilities	1,700	1,700	1,465	(235)
Street lights	275,000	275,000	299,098	24,098
Professional services	35,000	35,000	16,680	(18,320)
Repairs and maintenance	3,500	3,500	1,686	(1,814)
Other contractual services	20,000	20,000	2,189	(17,811)
Office supplies	2,200	2,200	2,003	(197)
Operating supplies	21,250	23,575	20,915	(2,660)
Gas, oil, diesel, etc.	4,500	4,500	2,791	(1,709)
Permit fees	3,460	3,460	3,460	-
Miscellaneous	1,920	1,920	150	(1,770)
Noncapital expenditures	-	1,128,034	723,262	(404,772)
Capital outlay	620,000	2,797,157	1,099,929	(1,697,228)
Total engineering	\$ 1,459,160	\$ 4,767,991	\$ 2,613,722	\$ (2,154,269)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Public works:				
Current:				
Salaries	\$ 134,308	\$ 134,308	\$ 125,344	\$ (8,964)
Employee benefits and taxes	38,089	38,089	35,094	(2,995)
Utilities	300	300	1,413	1,113
Repairs and maintenance	2,000	2,000	1,843	(157)
Gas, oil, diesel, etc.	3,500	3,500	1,288	(2,212)
Miscellaneous	1,800	1,800	2,556	756
Noncapital expenditures	52,896	435,971	133,956	(302,015)
Capital outlay	48,168	71,220	57,821	(13,399)
Total public works	281,061	687,188	359,315	(327,873)
Highways and streets:				
Current:				
Salaries	726,239	726,239	652,064	(74,175)
Employee benefits and taxes	279,516	279,516	229,349	(50,167)
Utilities	12,400	12,400	12,229	(171)
Physicals	1,000	1,000	1,406	406
Repairs and maintenance	122,000	122,000	169,904	47,904
Travel	800	800	863	63
Other contractual services	1,250	1,250	1,305	55
Operating supplies	5,400	5,400	3,610	(1,790)
Agricultural and horticultural supplies	4,000	4,000	4,271	271
Janitorial supplies	1,000	1,000	1,017	17
Clothing and uniforms	6,500	6,500	5,720	(780)
Other operating supplies	1,500	1,500	2,387	887
Gas, oil, diesel, etc.	80,000	80,000	49,632	(30,368)
Consumable tools	3,500	3,500	1,610	(1,890)
Sign parts and supplies	30,000	30,818	13,083	(17,735)
Demolition and mowing	10,000	10,000	2,121	(7,879)
Other supplies	1,500	1,500	1,156	(344)
Crushed stone	10,000	10,000	5,602	(4,398)
Salt	30,000	30,000	29,609	(391)
Drainage material	40,000	40,000	31,097	(8,903)
Miscellaneous	3,450	3,450	1,794	(1,656)
Noncapital expenditures	-	7,249	4,787	(2,462)
Capital outlay	10,000	114,630	111,629	(3,001)
Total highways and streets	\$ 1,380,055	\$ 1,492,752	\$ 1,336,245	\$ (156,507)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Vehicle maintenance:				
Current:				
Salaries	\$ 224,201	\$ 224,201	\$ 225,846	\$ 1,645
Employee benefits and taxes	72,941	72,941	74,295	1,354
Utilities	11,500	11,500	9,754	(1,746)
Repairs and maintenance	128,000	188,000	180,356	(7,644)
Operating supplies	3,000	3,000	1,803	(1,197)
Clothing and uniforms	1,400	1,400	1,156	(244)
Maintenance supplies	1,500	1,500	-	(1,500)
Gas, oil, diesel, etc.	6,500	6,500	2,933	(3,567)
Miscellaneous	850	850	283	(567)
Capital outlay	8,000	8,000	6,950	(1,050)
	457,892	517,892	503,376	(14,516)
Parks and recreation				
Leisure services:				
Current:				
Salaries	428,620	-	-	-
Employee benefits and taxes	94,387	-	-	-
Printing and publications	5,000	-	-	-
Marketing	15,000	-	-	-
Utilities	2,400	-	-	-
Other contractual services	2,500	-	-	-
Small equipment	2,500	-	-	-
Operating supplies	41,500	-	-	-
Food	60,000	-	-	-
Clothing and uniforms	1,000	-	-	-
Gas, oil, diesel, etc.	1,000	-	-	-
Miscellaneous	3,800	-	16	16
	\$ 657,707	\$ -	\$ 16	\$ 16

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Parks and recreation				
Civic Center:				
Current:				
Salaries	\$ 484,850	\$ 484,850	\$ 546,474	\$ 61,624
Employee benefits and taxes	117,789	117,789	103,209	(14,580)
Postage	2,500	2,500	1,587	(913)
Printing and publications	6,000	6,000	4,794	(1,206)
Utilities	231,300	231,300	140,370	(90,930)
Professional services	5,000	5,000	404	(4,596)
Employee physicals	1,000	1,000	1,419	419
Repairs and maintenance	67,000	67,000	57,322	(9,678)
Other contractual services	100,000	100,000	124,703	24,703
Operating supplies	55,000	54,707	59,359	4,652
Food	30,000	30,000	22,099	(7,901)
Janitorial supplies	15,000	15,000	9,677	(5,323)
Miscellaneous	3,850	3,850	5,725	1,875
Noncapital expenditures	10,000	37,282	15,598	(21,684)
Capital outlay	6,000	6,000	2,770	(3,230)
	1,135,289	1,162,278	1,095,510	(66,768)
Golf course:				
Current:				
Salaries	417,339	417,339	396,394	(20,945)
Employee benefits and taxes	128,630	128,630	120,047	(8,583)
Printing and publications	3,000	3,000	270	(2,730)
Membership fees	1,600	1,600	1,078	(522)
Utilities	33,500	33,500	31,803	(1,697)
Physicals	400	400	375	(25)
Repairs and maintenance	8,000	8,000	152	(7,848)
Other contractual services	50,000	50,000	52,006	2,006
Items for resale	25,000	25,000	21,019	(3,981)
Operating supplies	20,000	20,000	18,027	(1,973)
Agricultural and horticultural supplies	70,000	70,000	71,165	1,165
Food	35,000	35,000	34,432	(568)
Clothing and uniforms	3,000	3,000	3,048	48
Gas, oil, diesel, etc.	23,000	23,000	14,776	(8,224)
Other equipment parts	25,000	25,000	45,720	20,720
Repair parts for water/sewer lines	2,000	2,000	3,611	1,611
Other repair supplies	2,000	2,000	178	(1,822)
Beer for resale	15,000	15,000	12,753	(2,247)

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Parks and recreation				
Golf course:				
Current:				
Discount credit card	\$ 12,000	\$ 12,000	\$ 14,704	\$ 2,704
Miscellaneous	1,300	1,300	78	(1,222)
Capital outlay	25,000	25,000	21,345	(3,655)
	<u>900,769</u>	<u>900,769</u>	<u>862,981</u>	<u>(37,788)</u>
Parks:				
Current:				
Salaries	774,946	1,203,341	1,151,392	(51,949)
Employee benefits and taxes	234,397	329,009	342,584	13,575
Printing and publication	-	5,000	4,425	(575)
Memberships	250	1,250	1,115	(135)
Public relations	-	15,000	9,221	(5,779)
Utilities	118,200	120,600	134,443	13,843
Physicals	500	700	1,075	375
Repairs and maintenance	56,000	56,000	66,249	10,249
Travel	500	2,500	1,867	(633)
Other contractual services	10,000	12,500	27,595	15,095
Inmate crew meals	10,000	10,000	7,947	(2,053)
Small equipment	6,000	9,121	11,967	2,846
Operating supplies	90,000	143,500	113,597	(29,903)
Agricultural and horticultural supplies	25,000	25,000	22,944	(2,056)
Food	4,000	64,000	54,235	(9,765)
Clothing and uniforms	2,000	3,000	2,494	(506)
Gas, oil, diesel, etc.	64,500	65,500	63,456	(2,044)
Miscellaneous	-	600	984	384
Noncapital expenditures	-	-	1,680	1,680
Capital outlay	20,000	77,805	59,327	(18,478)
	<u>1,416,293</u>	<u>2,144,426</u>	<u>2,078,597</u>	<u>(65,829)</u>
Total parks and recreation	<u>4,110,058</u>	<u>4,207,473</u>	<u>4,037,104</u>	<u>(170,369)</u>
Economic development agency:				
Current:				
Salaries	168,011	168,011	164,792	(3,219)
Employee benefits and taxes	45,786	45,786	36,162	(9,624)
Printing & publications	22,250	28,175	31,338	3,163
Membership fees	16,000	16,000	16,423	423
Public relations	28,000	28,000	24,869	(3,131)
Utilities	720	720	1,345	625
Repairs and maintenance	1,000	1,000	517	(483)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Economic development agency:				
Current:				
Professional services	\$ 40,000	\$ 40,000	\$ 41,440	\$ 1,440
Travel	10,000	10,000	4,460	(5,540)
Sundry	-	95,088	85,288	(9,800)
Office supplies	2,000	2,000	3,600	1,600
Industrial Development Board	-	-	6,479	
Gas, oil, diesel, etc.	3,500	3,500	494	(3,006)
Grants and donations	12,500	12,500	12,500	-
Miscellaneous	350	350	258	(92)
	350,117	451,130	429,965	(27,644)
Debt service:				
Principal	1,205,000	1,205,000	1,205,000	-
Interest	571,006	571,006	571,006	-
Bond costs	1,000	1,151	1,150	(1)
	1,777,006	1,777,157	1,777,156	(1)
 Total expenditures	 28,476,354	 33,959,141	 29,844,010	 (4,121,610)
 Excess (deficiency) of revenues				
over (under) expenditures	(1,095,344)	(4,141,314)	1,065,881	5,213,674
 Other financing sources (uses)				
In lieu of tax payments - utility	1,572,556	1,572,556	1,640,386	67,830
Transfers out	(304,431)	(280,351)	(98,468)	181,883
Total other financing sources (uses)	1,268,125	1,292,205	1,541,918	249,713
 Net changes in fund balances	 \$ 172,781	 \$ (2,849,109)	 2,607,799	 \$ 5,463,387
 Fund balance - beginning			14,983,950	
 Prior period adjustment			(270,091)	
 Fund balance - beginning - restated			14,713,859	
 Fund balance - ending			\$ 17,321,658	

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND - ELECTRIC DEPT.
For the Fiscal Year Ended June 30, 2016

Assets		
Cash and cash equivalents	\$	184,769
Receivables:		
Employee contributions		7,369
Investment income		33,754
Investments:		
Certificates of deposit		457,205
Mutual funds		949,826
US government and municipal obligations		722,877
Corporate bonds and debentures		2,997,035
Common stocks		<u>1,786,794</u>
Total assets		<u>7,139,629</u>
Liabilities		
Payables:		
Trustee/Custody fees		178
Investment management fees		<u>8,346</u>
Total liabilities		<u>8,524</u>
Net position restricted for pensions	\$	<u>7,131,105</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND - ELECTRIC DEPT.
For the Fiscal Year Ended June 30, 2016

Additions	
Contributions:	
Employees	\$ 65,855
Employer	<u>666,994</u>
Total contributions	<u>732,849</u>
Investment income:	
Net depreciation in fair value of investments	(7,485)
Interest and dividends	<u>193,372</u>
	185,887
Less: investment fees	<u>(34,134)</u>
Net investment gain	<u>151,753</u>
Total additions	<u>884,602</u>
 Deductions	
Benefit payments	<u>445,233</u>
Total deductions	<u>445,233</u>
Change in net position	439,369
Total net position - beginning	<u>6,691,736</u>
Total net position - ending	<u>\$ 7,131,105</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallatin, Tennessee (City), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, library, water and sewer, electricity, gas, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Related organizations

The City's officials are also responsible for appointing the members of the Board of Gallatin Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. The Board of the Authority is appointed by the Mayor, but the City does not provide funding, has no obligation for the debt issued by the Authority, and cannot impose its will upon the operations of the Authority. Accordingly, the Authority has not been included in the reporting entity.

Joint venture

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville and operates a solid waste energy recovery plant. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. 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 the 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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

C. Measurement Focus, Basis of Accounting, and Financial Statements 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 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.

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 revenues to be available if they are collected within sixty days of the end of the current fiscal period. 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, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City 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 general fund also includes the accounting for all solid waste revenues and expenditures.

The City reports the following major proprietary funds:

The electric fund accounts for the activities of the government's electric distribution operations.

The water and sewer fund accounts for the activities associated with the water distribution system, the sewage treatment plant, sewage pumping stations and collection system.

The gas fund accounts for the activities of the government's gas distribution operations.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described here with Note 1.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric and the water and sewer funds are charges for sales to customers for sales and service. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements, and the state's investment pool.

Investments for the City are reported at fair value. The State Local Government Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

The allowances for uncollectible customer accounts recorded in the proprietary funds are based on past history of uncollectible accounts and management's analysis of current accounts.

Property taxes are levied annually and mailed on October 1. The taxes are due and payable from October through February of the next year. An unperfected lien attaches by statute to property on January 1 for unpaid taxes from the prior year's levy. Taxes uncollected by March 1, the year after due may be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Inventories and Prepaid Items

Inventories of the Water, Sewer, and Gas Funds are valued at the lower cost or market using a weighted-average flow assumption. Inventory of the Electric system is stated at average cost as determined by the moving average inventory method. Inventory of the General fund consists of expendable supplies held for consumption. Governmental fund inventories are recorded at cost under the consumption method.

Restricted Assets

The City elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, 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 government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. The electric, water and sewer, and gas divisions use a threshold of \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs 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.

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

Buildings and improvements	25 - 50 years
Transmission and distribution systems	10 - 50 years
General plant	10 - 50 years
Machinery, equipment, and rolling stock	3 - 10 years
Office furniture and equipment	3 - 10 years
Improvements other than buildings	50 years

Compensated Absences

Vacation pay is accumulated at the rate of one week after the first year of employment and two weeks a year for every year until eleven, then one day is added for each year up to a maximum of 20 days

Sick leave is accumulated at the rate of one day per month (10 days per year for the Electric fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age or years of service on effective date of retirement.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as a deferred outflows or resources are unavailable and are disclosed on pages 11 and 18.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflows or resources are unavailable and are disclosed on pages 12, 14 and 19.

The City reports unavailable property taxes, gain on refunding, pension earnings above expected, and public safety revenues as deferred inflows of resources in the governmental fund balance sheet. In the statement of net position, unavailable property taxes related to the subsequent tax year and held evidence funds are reported. The City reports loss on bond refunding as a deferred inflow of resources in the statement of net position as well.

Impact of other recently issued accounting pronouncements

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*, effective for reporting periods beginning after December 15, 2015. The objective of this Statement was to provide financial statement users with information about certain limitations on a government's ability

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, 2) The gross dollar amount of taxes abated during the period, and 3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria: 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable, 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms, and 3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Net position flow assumption

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by the City’s highest level of decision-making authority, (the City Council) and the highest form of authority (ordinances). Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance). The ordinance must be either approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. If the actual amount of the commitment is not available by June 30th, the ordinance must state the process of formula necessary to calculate the actual amount as soon as information is available.

Assigned fund balance

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Finance Director, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except for the general fund and also negative amounts) that are not classified as nonspendable, restricted, or committed. Any funds assigned must be reported to the Council at the next regular meeting and recorded in the minutes. Council has the authority to assign funds or to remove or change the assignments of the Finance Director with a simple majority vote. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as assigned fund balance.

Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

The City will maintain a minimum unassigned fund balance in the general fund equivalent to 20% of that fiscal year’s operating expenses, excluding any capital purchases. The minimum unassigned

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

fund balance is established to protect against cash flow shortfalls related to timing of project revenue receipts and to maintain a budget stabilization commitment. In any fiscal year, it shall take the affirmative action of five or more City Council members to approve an appropriation of funds that results in the minimum unassigned general fund balance to drop below 20%. In the event the balance drops below the minimum level, the City Council will develop a plan to replenish the fund balance to the minimum level within two years. The deficiency will be funded by reducing recurring expenditures, by increasing revenues or pursuing other funding sources, or by a combination of the two.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Restricted net position are net position less related liabilities reported in the government-wide statement of net position that have limitation imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, contributors, legislation, or the other governments.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$4,897,162 difference are as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Capital outlay	\$ 7,385,042
Disposal of assets	(135,031)
Depreciation expense	<u>(2,352,849)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 4,897,162</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$(906,658) difference are as follows:

Change in deferred property taxes	\$ 256,352
Change in deferred red light revenue	8,174
Change in deferred grant revenue	<u>(1,171,184)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (906,658)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds excluding the capital projects funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing are conducted to obtain taxpayer comments on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Department Heads are authorized to transfer budgeted amounts within their departments; however, any revisions that alter the total expenditures of any department function or fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds excluding the Electric Fund.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

As an extension of the formal budgetary process, the City Council may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Council.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2016, the City of Gallatin, Tennessee's Electric Department had \$5,047,898 and the General fund had \$2,865,000 invested in certificates of deposit with local financial institutions. As of June 30, 2016, the cemetery trust fund had unrated stock investments with no maturity.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Interest Rate Risk

In accordance with its formal investment policy, the City manages its exposure to declines in fair values by limiting its investments to certificates of deposit with local financial institutions.

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2016, all bank deposits were fully collateralized or insured.

B. Receivables

Receivables as of the year end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Property taxes	\$ 11,496,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,496,279
Interest	331,292	-	-	-	-	6,204	337,496
Accounts	469,841	-	6,920,187	741,689	1,092,231	98,742	9,322,690
Fines	1,995,693	-	-	-	-	-	1,995,693
Grants	8,250	111,237	-	-	-	-	119,487
Intergovernmental	2,850,815	-	-	-	-	-	2,850,815
Other	-	-	-	5,333	7,616	147,476	160,425
Gross receivables	17,152,170	111,237	6,920,187	747,022	1,099,847	252,422	26,282,885
Less: Allowance for uncollectibles	(2,339,823)	-	-	(159,523)	(68,917)	(29,805)	(2,598,068)
Net total receivables	<u>\$ 14,812,347</u>	<u>\$ 111,237</u>	<u>\$ 6,920,187</u>	<u>\$ 587,499</u>	<u>\$ 1,030,930</u>	<u>\$ 222,617</u>	<u>\$ 23,684,817</u>

Governmental funds report unavailable 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 yet earned (unearned revenue). At the end of the current fiscal year, various components of unavailable revenue reported in the governmental funds were as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 453,169	\$ -
Interest and penalty on property taxes receivable	320,217	-
2016 property tax assessment	10,639,358	-
Grants	3,614	-
Court fines receivable	16,851	-
Drug fund revenue held	65,849	41,432
Total unavailable revenue for fund financial statements	\$ 11,499,058	\$ 41,432

C. Capital Assets

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 13,755,292	\$ 390,583	\$ -	\$ -	\$ 14,145,875
Construction in progress	816,199	2,830,919	-	(343,927)	3,303,191
Total capital assets, not being depreciated	14,571,491	3,221,502	-	(343,927)	17,449,066
Capital assets being depreciated:					
Buildings	14,851,277	727,111	-	44,688	15,623,076
Improvements other than buildings	47,414,072	3,090,943	(135,031)	299,239	50,669,223
Vehicles	11,683,018	519,199	-	-	12,202,217
Office equipment	2,064,942	172,800	-	-	2,237,742
Equipment	3,363,365	202,910	-	-	3,566,275
Total capital assets being depreciated	79,376,674	4,712,963	(135,031)	343,927	84,298,533
Less accumulated depreciation for:					
Buildings and improvements	6,042,652	358,796	-	-	6,401,448
Improvements other than buildings	11,519,910	882,694	-	-	12,402,604
Vehicles	8,571,567	775,140	-	-	9,346,707
Office equipment	1,486,257	219,609	-	-	1,705,866
Equipment	2,547,658	116,610	-	-	2,664,268
Total accumulated depreciation	30,168,044	2,352,849	-	-	32,520,893
Total capital assets being depreciated, net	49,208,630	2,360,114	(135,031)	343,927	51,777,640
Governmental activities capital assets, net	\$ 63,780,121	\$ 5,581,616	\$ (135,031)	\$ -	\$ 69,226,706

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposal</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,546,341	\$ 189,688	\$ -	\$ 38,414	\$ 2,774,443
Construction in progress	<u>467,464</u>	<u>523,606</u>	<u>-</u>	<u>(278,964)</u>	<u>712,106</u>
Total capital assets, not being depreciated	<u>3,013,805</u>	<u>713,294</u>	<u>-</u>	<u>(240,550)</u>	<u>3,486,549</u>
Capital assets being depreciated:					
Transmission plant	744,228	-	-	-	744,228
Distribution plant	176,163,256	8,169,747	189,118	240,550	184,384,435
General plant	3,119,800	452,112	-	-	3,571,912
Buildings	40,600,878	2,509,379	-	-	43,110,257
Operating equipment	2,535,110	144,985	-	(4,830)	2,675,265
Rolling stock	2,635,456	357,513	-	-	2,992,969
Office furniture and equipment	<u>654,246</u>	<u>14,745</u>	<u>-</u>	<u>4,830</u>	<u>673,821</u>
Total capital assets being depreciated	<u>226,452,974</u>	<u>11,648,481</u>	<u>189,118</u>	<u>240,550</u>	<u>238,152,887</u>
Less accumulated depreciation for:					
Transmission plant	354,252	20,600	-	-	374,852
Distribution plant	71,902,625	4,543,036	279,451	-	76,166,210
General plant	1,947,563	199,492	-	-	2,147,055
Buildings	4,666,690	1,001,073	-	-	5,667,763
Operating equipment	1,861,228	201,674	-	-	2,062,902
Rolling stock	1,387,582	779,293	-	-	2,166,875
Office furniture and equipment	<u>531,640</u>	<u>49,799</u>	<u>-</u>	<u>-</u>	<u>581,439</u>
Total accumulated depreciation	<u>82,651,580</u>	<u>6,794,967</u>	<u>279,451</u>	<u>-</u>	<u>89,167,096</u>
Total capital assets being depreciated, net	<u>143,801,394</u>	<u>4,853,514</u>	<u>(90,333)</u>	<u>240,550</u>	<u>148,985,791</u>
Business-type activities capital assets, net	<u>\$ 146,815,199</u>	<u>\$ 5,566,808</u>	<u>\$ (90,333)</u>	<u>\$ -</u>	<u>\$ 152,472,340</u>
Total capital assets, net	<u>\$ 210,595,320</u>	<u>\$ 11,148,424</u>	<u>\$ (225,364)</u>	<u>\$ -</u>	<u>\$ 221,699,046</u>

Included in the additions for the governmental activities are \$549,423 in donated infrastructure from developers.

Acquisition adjustments – Acquisition adjustments represent the excess of purchase prices over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority. The total cost was \$2,355,534 with current year amortization of \$212,964 and total accumulated amortization of \$1,821,088 for an ending balance of \$534,446

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,355,307
Public safety	483,475
Environmental services	1,000
Highways and streets	199,282
Parks and recreation	313,785
Total depreciation expense - governmental activities	<u>\$ 2,352,849</u>
Business-type activities:	
Electric	\$ 1,437,146
Water and sewer	4,146,476
Gas	1,098,606
Electric charged to other accounts	112,739
Total depreciation expense - business-type activities	<u>\$ 6,794,967</u>

D. Interfund Receivables, Payables, and Transfers

All interfund balances were repaid at year end. The following is a summary of transfers during the year ended June 30, 2016:

Transfers From	Transfers To	Amount
General Fund	Environmental Services Fund	\$ 98,468
Water and Sewer Fund	General Fund	553,953
Gas Fund	General Fund	370,505
Electric Fund	General Fund	715,928
Total		1,738,854
Governmental fund activities eliminated		(98,468)
Total government-wide		<u>\$ 1,640,386</u>

The purposes of the transfers are noted below:

- The transfer between the general fund and the environmental services fund are for the purpose of helping fund the past shortfall in the fund.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments

E. Long-term Debt

General long-term debt at June 30, 2016, is comprised of the following:

Bonds Payable

General Obligation Improvement Bonds, Series 2007, due in a final installment of \$435,000 in January 2017, interest at 5.00%	\$ 445,000
General Obligation Improvement Bonds, Series 2014, due in annual installments from \$375,000 to \$1,090,000 through January 2034, interest at 2.00% to 5.00%	13,320,000

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

General Obligation Bonds, Series 2016, due in annual installments from \$430,000 to \$700,000 through January 2036, interest at 2.00% to 5.00%	<u>11,040,000</u>
Total bonds payable	<u>24,805,000</u>

Notes Payable

Capital Outlay Note, Series 2008, due in annual installments From \$355,000 to \$460,000, through January 2019 plus interest at 3.75% to 4.625%	1,310,000
Note with Sumner County Board of Education to pay liquor tax collections that should have been transferred as collected in prior years	<u>269,235</u>
Total notes payable	<u>1,579,235</u>
Total general long-term debt	<u>\$ 26,384,235</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2016, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2016, is comprised of the following:

Notes Payable

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 248,300
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TVA Winterization Contracts

Loans from TVA for home weatherization loans made by the Electric Department to customers, paid annually over a 10 year period, at interest of 6.0% to 8.0%	320,739
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Bonds Payable

Water and Sewer Revenue Bonds, Series 2015, due in annual installments from \$500,000 to \$1,825,000 through January 2040, interest at 3.00% to 5.00%	24,500,000
Water and Sewer Revenue Bonds, Series 2014, due in annual installments from \$265,000 to \$570,000 through August 2030, interest at 2.00% to 5.00%	4,890,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, due in annual installments from \$25,000 to \$635,000 through July 2032, interest at 2.00% to 3.625%	<u>8,170,000</u>
Total proprietary long-term debt	<u>\$ 38,129,039</u>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

The aforementioned notes are secured by the full faith and credit of the City. During 2016, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave, OPEB, and Net Pension Liability at June 30, 2016, are as follows:

Year Ending June 30,	Electric Department Notes and Contracts		Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 186,177	\$ 19,499	\$ 504,745	\$ 56,906	\$ 3,025,000	\$ 2,294,137	\$ 3,715,922	\$ 2,370,542
2018	187,616	15,938	524,745	40,306	3,145,000	2,225,585	3,857,361	2,281,829
2019	57,028	11,810	549,745	21,275	3,065,000	2,113,236	3,671,773	2,146,321
2020	52,698	8,511	-	-	3,130,000	2,007,160	3,182,698	2,015,671
2021	48,482	5,462	-	-	3,220,000	1,894,136	3,268,482	1,899,598
2022-2026	37,038	2,657	-	-	17,610,000	7,691,233	17,647,038	7,693,890
2027-2031	-	-	-	-	17,625,000	4,239,165	17,625,000	4,239,165
2032-2036	-	-	-	-	10,410,000	1,108,709	10,410,000	1,108,709
2037-2040	-	-	-	-	1,135,000	116,288	1,135,000	116,288
	\$ 569,039	\$ 63,877	\$ 1,579,235	\$ 118,487	\$ 62,365,000	\$ 23,689,649	\$ 64,513,274	\$ 23,872,013

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 2,068,980	\$ -	\$ 489,745	\$ 1,579,235	\$ 504,745
Revenue and tax bonds	14,570,000	11,040,000	805,000	24,805,000	1,250,000
Premium on bond issue	924,902	1,163,285	82,834	2,005,353	111,917
Compensated absences	1,118,081	70,283	-	1,188,364	-
	\$ 18,681,963	\$ 12,273,568	\$ 1,377,579	\$ 29,577,952	\$ 1,866,662
Business-type activities:					
Notes payable	\$ 372,451	\$ -	\$ 124,151	\$ 248,300	\$ 124,150
TVA winterization contracts	413,951	-	93,212	320,739	62,027
Revenue and tax bonds	38,890,000	-	1,330,000	37,560,000	1,775,000
Premium on bond issue	3,703,884	-	173,626	3,530,258	173,626
Net Pension liability	2,964,630	280,770	-	3,245,400	-
OPEB liability	91,579	27,178	-	118,757	-
Compensated absences	709,530	-	27,725	681,805	148,811
	\$ 47,146,025	\$ 307,948	\$ 1,748,714	\$ 45,705,259	\$ 2,283,614

Industrial Development Bonds

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Advance Refunding of Bonds

In August 2014 the City issued \$5.46 million in Water and Sewer Revenue Refunding and Improvement Bonds with interest rates ranging from 2.00% to 5.00%. A portion of the proceeds, including a \$44,654 premium and \$12,704 in issuance costs were used to advance refund \$870 thousand of outstanding Water and Sewer Revenue and Tax bonds Series 2004 with an interest rates ranging from 3.375% to 3.50%. \$874,336 of the net proceeds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 3 years by an estimated \$33 thousand resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$32 thousand.

In August 2014 the City issued \$14.185 million in General Obligation Refunding and Improvement Bond with interest rates ranging from 2.00% to 5.00%. A portion of the proceeds, including an \$884,045 premium and \$157,253 in issuance costs were used to advance refund \$5.595 of the \$6.47 million of outstanding General Obligation Public Improvement bonds Series 2007 with interest rates ranging from 3.57% to 5.00%. \$6,098,495 of the net proceeds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by an estimated \$284 thousand resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$249 thousand.

In May 2015 the City issued \$25.00 million in Water and Sewer Revenue Refunding Bonds with interest rates ranging from 3.00% to 5.00%. A portion of the proceeds, including a \$2,216,189 premium and \$175,930 in issuance costs were used to advance refund \$22.56 million of outstanding Water and Sewer Revenue and Tax bonds Series 2008 with interest rates ranging from 3.50% to 5.00%. \$22.48 million of the net proceeds plus \$2.68 million of debt service reserve funds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by an estimated \$2.15 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.28 million.

In prior years the City has defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirement on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2016, outstanding bonds considered as defeased were as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

General Obligation Bonds – Series 2011	\$ 2,710,000
General Obligation Public Improvement Bonds – Series 2007	\$ 5,595,000
Water and Sewer Revenue and Tax Bonds – Series 2004	\$ 870,000
Water and Sewer Revenue and Tax Bonds – Series 2008	\$22,560,000

NOTE 5 - OTHER INFORMATION

A. Risk Management

City of Gallatin

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, auto liability, errors and omissions, workers' compensation, and physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general, auto, and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claim history. It is the policy of the City to purchase commercial insurance for the risk of employee dishonesty and law enforcement professional liability. Settled claims have not exceeded the commercial coverage or the coverage provided by the Pool in any of the past three years.

Gallatin Department of Electricity

Gallatin Electric Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

B. Commitments

The City purchases natural gas under various contracts requiring the purchase of minimum quantities of natural gas from suppliers at costs based upon national index prices. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. City management believes any risk associated with the minimum purchase quantities as specified in the aforementioned contracts to be minimal. Further, the City is committed under various natural gas transportation agreements requiring specified minimum transmission capacities.

The City has entered into an agreement with the Sumner County Resource Authority (the Authority), a joint venture between the City, Sumner County, and the City of Hendersonville, TN, which provides that in the event the Authority's revenues are insufficient to cover the costs of operation and debt retirement the County and Cities shall pay such deficit in the proportions of 3/7, 2/7, and 2/7, respectively. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Authority be unable to do so.

The authority operates primarily as a solid waste transfer station. The City utilizes the Authority for solid waste disposal purposes at essentially the same cost per ton as in prior years. There is uncertainty as to the future operations of the Authority, as well as, the costs relative to the change in operations, or possible dissolution.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

The Authority as of June 30, 2016, which is the latest available financial statement date, has net position invested in capital assets (net of related debt) in the amount of \$1,552,223 and an unrestricted net deficit of (\$2,280,126) as compared to \$1,776,555 and (\$3,275,198) for the year 2015. During 2016, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$538,133 in tipping fees for solid waste.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time; although, the City's management expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable, although, legal counsel does not expect any possible liability to exceed the City's limits of insurance.

D. Power Contract

The Utility has a power contract with the Tennessee Valley Authority (TVA); whereby, the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging, or otherwise diverting System funds, revenues, or property to other operations of the county and the purchase or payment of or providing security for indebtedness on other obligations applicable to such other operations.

E. Employee Retirement Systems and Pension Plans

City of Gallatin

Plan description

The City (exclusive of the electric utility) administers an IRC Section 401K plan (the plan) with a Roth option. Employees of the City's Municipal Service departments, Water and Sewer Utility Fund, and Natural Gas Utility Fund are eligible to participate in the Plan. The Plan assets are not held by the City and the City does not exercise a trustee responsibility over such assets nor does the City actively participate in the Plan's management or administration, which is delegated to the City of Gallatin Pension Committee. The Pension Committee has designated MetLife as a third-party administrator. Accordingly, the City does not meet the criteria necessary for presentation of the Plan as a fiduciary fund of the City.

Funding policy

The City's Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the Internal Revenue Code. During the fiscal year, the City contributed 5% of the employee's annual compensation and matched up to an additional 4% of the employee's contribution.

Annual pension cost

The City's maximum contribution to the Plan is defined as up to 9% of an eligible employee's annual compensation. The City contributed \$1,309,309 on behalf of the employees during calendar year 2016.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Gallatin Department of Electricity

Plan description

The Gallatin Department of Electricity Employee's Pension Plan is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Gallatin Department of Electricity, P.O. Box 1555, Gallatin, TN 37066 or by calling 615-452-5152.

Plan membership

At June 30, 2015 the plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	4
Active employees	29
	<hr/>
	47

Funding policy

The contribution requirements of the Electric Plan members and the department are established and may be amended by the Gallatin Electric Power Board. Electric Plan members are required to contribute 3% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 19.73% of annual covered payroll. The Department contributed \$385,256 applicable to FY 2015, of which \$314,250 was contributed by end of the fiscal year and \$73,006 was recognized as a liability to be paid within sixty days. The pension plan recognized the same \$314,250 in actual contributions and a receivable of \$73,006.

Net Pension Liability

The Electric Department's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The actuarial assumptions used to determine the net pension liability as of June 30, 2015 were as follows:

Inflation	2.00 percent
Salary Increases	4.00 percent per year
Investment rate of return	7.00 percent, compounded annually
Cost of Living	1.50 percent per year of orig. benefit amount

Mortality rates were based on the SOA RP-2014 Total Data Set with projection MP-2014.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
B/C Intrm US Govt/Cr Index	Up to 70%	5.64%
S&P 500 Index	Up to 30%	10.32%

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that GDE contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (TPL) (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a) - (b)
Balances of 6/30/14	\$ 9,527,935	\$ 6,563,305	\$ 2,964,630
Changes for the year:			
Service Cost	160,612	-	160,612
Interest	652,294	-	652,294
Difference in expected & actual experience	-	-	-
Contributions - Employer	-	385,256	(385,256)
Contributions - Employee	-	61,065	(61,065)
Net Investment Income	-	118,499	(118,499)
Benefit payments	(403,705)	(403,705)	-
Change of assumptions	-	-	-
Administrative expense	-	(32,684)	32,684
Net Changes	<u>409,201</u>	<u>128,431</u>	<u>280,770</u>
Balances as of 6/30/15	<u>\$ 9,937,136</u>	<u>\$ 6,691,736</u>	<u>\$ 3,245,400</u>

The change of assumptions is the result of a change in the mortality tables used subsequent to the previous actuarial valuation that was completed at June 30, 2015.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of GDE, calculated using the discount rate of 7.0 percent, as well as what GDE's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) of 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Interest Rate	6.00%	7.00%	8.00%
Total Pension Liability	\$ 11,260,257	\$ 9,937,136	\$ 8,846,976
Plan Fiduciary Net Position	\$ 6,691,736	\$ 6,691,736	\$ 6,691,736
Net Pension Liability	\$ 4,568,521	\$ 3,245,400	\$ 2,155,240

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

<u>Components of Pension Expense</u>	<u>Pension Expense</u>
	2015
Service Cost	\$ 160,612
Interest on TPL	652,294
Difference between Expected & Actual Experience	1,940
Change of Assumptions	83,836
Employee Contributions	(61,065)
Projected Earnings on Assets	(459,431)
Difference between Expected & Actual Earnings	25,118
Pension Plan administrative expense	32,684
Total Expense	<u>\$ 435,988</u>

The total expense represents the amount of pension expense recognized in the FY 2016 financial statements.

Deferred Outflow of Resources and Deferred Inflow of Resources

For the year ended June 30, 2016, the Department reported balances in deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 19,008	\$ -
Change of assumptions	821,592	-
Difference between expected and actual earnings on pension plan investments	272,746	129,206
Totals to be amortized	1,113,346	129,206
Contributions made subsequent to the measurement date	666,994	-
	<u>\$ 1,780,340</u>	<u>\$ 129,206</u>

Amount reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 110,894
2018	110,894
2019	110,894
2020	153,963
2021	85,776
Thereafter	85,776

F. Other Post Employment Benefits

Gallatin Department of Electricity

Plan Description

The Electric Fund Post Retirement Medical Plan ("PRMP is a single employer defined benefit plan administered by the department). The Plan provides supplemental health insurance premium reimbursements to eligible retirees. The criteria to determine eligibility includes years of services and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. Authority to establish and amend

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

this benefit provision is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding Policy

The PRMP funds the benefits on a pay-as-you-go basis. The contribution requirements of the Department are established and may be amended by the Gallatin Electric Power Board. The actuarial required contribution for the year was \$39,470 and the actual amount contributed was \$12,293.

Annual Cost

For 2016, the Electric Department's annual cost of \$12,293 was less than the Departments actuarial required contribution of \$39,470. The required contribution was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.27 percent of annual covered payroll.

Trend Information			
Fiscal Year	Annual	Percentage	Net
Ending	Required	of ARC	Obligation
Ending	Contribution (ARC)	Contributed	Obligation
6/30/2016	\$ 39,470	31.10%	\$ 118,757
6/30/2015	39,470	41.00%	91,579
6/30/2014	25,412	47.70%	68,309
6/30/2013	25,412	43.10%	55,020

The actuarial required contribution is composed of the following:

Normal cost	\$ 8,750
30 year amortization of accrued liability	29,570
Interest at 3%	1,150
Total at end of year with interest	39,470
Expected benefit payments	12,293
Net post-employment obligation for the year	\$ 27,177

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$515 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$515 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.93 million, and the ratio of the UAAL to the covered payroll was 26.6 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 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.

G. Prior Period Adjustment and Restatement of Beginning Net Position

As of June 30, 2016, prior period adjustments were made in the following funds for the following reasons:

- A prior period adjustment was made in the General Fund for \$(270,091) due to the fact that deferred revenue for penalty and interest on property taxes had not been recorded in the past.
- A prior period adjustment was made in the Gas Fund for \$(856,919) due to the fact that the June 2015 gas bill was not recorded as an accounts payable in the prior year.

H. Investigation after Year End

Subsequent to year end the State Comptroller's Office opened an investigation into missing funds in the Recorder's Office. The State has not issued their final report as of the date of this report although the expected loss is less than \$2,000 and is primarily related to the 2016-2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - ELECTRIC DEPARTMENT

June 30, 2016

Total Pension Liability	2015
Service Cost	\$ 160,612
Interest	652,294
Changes of benefit terms	-
Differences between expected & actual experience	-
Changes of assumptions	-
Benefit payments / refunds	(403,705)
Net change in Total Pension Liability	409,201
Total Pension Liability - beginning	9,527,935
Total Pension Liability - ending (a)	\$ 9,937,136
Plan Fiduciary Net Position	
Contributions - Employer	\$ 385,256
Contributions - Member	61,065
Net investment income	118,499
Benefit payments / refunds	(403,705)
Administrative expense	(32,684)
Other	-
Net change in fiduciary net position	128,431
Plan fiduciary net position - beginning	6,563,305
Plan fiduciary net position - ending (b)	\$ 6,691,736
Plan's net pension liability - ending (a) - (b)	\$ 3,245,400
Plan's fiduciary net position as a percentage of the total pension liability	67.34%
Covered-employee payroll	\$ 1,952,736
Plan's net pension liability as a percentage of covered-employee payroll	166.20%

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
ELECTRIC DEPARTMENT
June 30, 2016**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contributions	\$ 385,256	\$ 385,256	\$ 257,050	\$ 272,060	\$ 276,205	\$ 269,919	\$ 265,701	\$ 216,100	\$ 182,885	\$ 181,358
Contributions in relation to actuarially determined contribution	666,994	385,256	257,050	272,060	276,205	269,919	265,701	216,100	182,885	181,358
Contribution deficiency (excess)	(281,738)	-	-	-	-	-	-	-	-	-
Covered-employee payroll	2,195,163	1,952,736	1,960,720	1,968,593	1,998,592	1,953,105	1,922,583	1,696,231	1,435,515	1,493,889
Contributions as a percentage of covered payroll	30.38%	19.73%	13.11%	13.82%	13.82%	13.82%	13.82%	12.74%	12.74%	12.14%

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal - (as of July 1, 2013; prior method was Aggregate Cost)
Amortization method	Level dollar
Remaining amortization period	27
Asset valuation method	Fair market value
Inflation	2.00%
Salary increases	4.00%
Investment rate of return	7.00%
Retirement age	Normal retirement age is 65; it is assumed early retirement occurs according to the withdrawal rate table.
Mortality	In the June 30, 2014 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the SOA RP-2014 Total Data Set with projection MP-2014. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Table.

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
 June 30, 2016

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 514,515	\$ 514,515	0%	\$ 1,934,194	26.60%
7/1/2011	-	323,339	323,339	0%	1,998,592	16.20%
7/1/2008	-	309,700	309,700	0%	1,357,271	22.80%

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for specific revenues that are legally restricted to expenditure purposes. The Special Revenue Funds are:

Special Services Fund - To account for sex offender registry payments that are used for specific purposes and private donations to be used for the "Shop with a Cop" Christmas program.

Drug Fund - To account for the resources used for the operation of drug enforcement activities by the City.

Environmental Services Fund - To account for the resources used for the garbage collection activities by the City.

INDUSTRIAL DEVELOPMENT BOARD

The Industrial Development Board is used to account for economic development activity in the City.

PERMANENT FUNDS:

Permanent Funds account for specific revenues for which the corpus of the donation are restricted by external donors. The Permanent Funds are:

Thomas Witherspoon Fund - To account for a donation that was received to make loans to graduating seniors to be used for college.

Cemetery Trust Fund - To account for donations that were received to maintain the cemetery in perpetuity.

**CITY OF GALLATIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2016

	Special Revenue Funds			Industrial	Permanent Funds		Totals
	Special Services	Drug	Environmental Services	Development Board	Thomas Witherspoon	Cemetery Trust	
Assets							
Cash and cash equivalents	\$ 859,739	\$ 165,850	\$ 111,725	\$ 26,322	\$ 238,422	\$ 5,423	\$ 1,407,481
Investments	-	-	-	-	-	21,025	21,025
Receivables:							
Accounts	-	-	68,937	-	-	-	68,937
Interest	-	-	-	-	6,075	129	6,204
Intergovernmental - grants	-	-	-	-	-	-	-
Other	-	-	-	-	147,476	-	147,476
Inventory	-	-	9,384	-	-	-	9,384
Total assets	\$ 859,739	\$ 165,850	\$ 190,046	\$ 26,322	\$ 391,973	\$ 26,577	\$ 1,660,507
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Checks written against future deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	18,550	3,533	91,831	-	-	-	113,914
Performance deposits	753,157	-	-	-	-	-	753,157
Total liabilities	771,707	3,533	91,831	-	-	-	867,071
Deferred inflows of resources							
Unavailable evidence funds	65,849	-	-	-	-	-	65,849
Total deferred inflows of resources	65,849	-	-	-	-	-	65,849
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	9,384	-	-	-	9,384
Restricted:							
Funds held in trust	-	-	-	-	376,973	-	376,973
Police special projects	18,009	-	-	-	-	-	18,009
Economic development	-	-	-	26,322	-	-	26,322
Drug enforcement	-	162,317	-	-	-	-	162,317
Assigned for:							
Capital projects	-	-	-	-	-	-	-
Police special projects	4,174	-	-	-	-	-	4,174
Cemetery use	-	-	-	-	-	5,552	5,552
Unassigned	-	-	88,831	-	-	-	88,831
Total fund balances	22,183	162,317	98,215	26,322	391,973	26,577	727,587
Total liabilities deferred inflows of resources, and fund balances	\$ 859,739	\$ 165,850	\$ 190,046	\$ 26,322	\$ 391,973	\$ 26,577	\$ 1,660,507

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds			Industrial Development Board	Permanent Funds		Totals
	Special Services	Drug	Environmental Services		Thomas Witherspoon	Cemetery Trust	
Revenues							
Charges for services	\$ -	\$ -	\$ 1,868,754	\$ -	\$ -	\$ -	\$ 1,868,754
Fines and forfeitures	4,500	168,961	-	-	-	-	173,461
Grant	-	-	-	1,185,725	-	-	1,185,725
Other	21,979	-	53,366	49	4,712	459	80,565
Total revenues	<u>26,479</u>	<u>168,961</u>	<u>1,922,120</u>	<u>1,185,774</u>	<u>4,712</u>	<u>459</u>	<u>3,308,505</u>
Expenditures							
Current							
Public safety	18,980	29,994	-	-	-	-	48,974
Environmental services	-	-	1,707,426	-	-	-	1,707,426
Economic development	-	-	-	1,192,204	-	-	1,192,204
Capital outlay	-	88,820	97,246	-	-	-	186,066
Total expenditures	<u>18,980</u>	<u>118,814</u>	<u>1,804,672</u>	<u>1,192,204</u>	<u>-</u>	<u>-</u>	<u>3,134,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,499</u>	<u>50,147</u>	<u>117,448</u>	<u>(6,430)</u>	<u>4,712</u>	<u>459</u>	<u>173,835</u>
Other financing sources (uses)							
Transfers in from other funds	-	-	98,468	-	-	-	98,468
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>98,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,468</u>
Net changes in fund balances	<u>7,499</u>	<u>50,147</u>	<u>215,916</u>	<u>(6,430)</u>	<u>4,712</u>	<u>459</u>	<u>272,303</u>
Fund balance - beginning	<u>14,684</u>	<u>112,170</u>	<u>(117,701)</u>	<u>32,752</u>	<u>387,261</u>	<u>26,118</u>	<u>455,284</u>
Fund balance - ending	<u>\$ 22,183</u>	<u>\$ 162,317</u>	<u>\$ 98,215</u>	<u>\$ 26,322</u>	<u>\$ 391,973</u>	<u>\$ 26,577</u>	<u>\$ 727,587</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 5,000	\$ 5,000	\$ 4,500	\$ (500)
Other:				
Donations	20,000	22,800	21,951	(849)
Interest	-	-	28	28
Total revenues	25,000	27,800	26,479	(1,321)
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	7,000	7,000	1,215	(5,785)
Grants and donations	15,000	17,800	17,765	(35)
Total expenditures	22,000	24,800	18,980	(5,820)
Net changes in fund balance	\$ 3,000	\$ 3,000	7,499	\$ 4,499
Fund balance - beginning			14,684	
Fund balance - ending			\$ 22,183	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 190,000	\$ 190,000	\$ 168,877	\$ (21,123)
Interest	-	-	84	84
Total revenues	<u>190,000</u>	<u>190,000</u>	<u>168,961</u>	<u>(21,039)</u>
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	50,000	50,000	22,058	(27,942)
Noncapital expenditures	-	-	7,936	7,936
Capital Outlay	<u>140,000</u>	<u>140,000</u>	<u>88,820</u>	<u>(51,180)</u>
Total expenditures	<u>190,000</u>	<u>190,000</u>	<u>118,814</u>	<u>(71,186)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>50,147</u>	<u>\$ 50,147</u>
Fund balance - beginning			<u>112,170</u>	
Fund balance - ending			<u>\$ 162,317</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,800,000	\$ 1,816,340	\$ 1,868,754	\$ 52,414
Other:				
Sale of supplies	55,000	77,000	47,341	(29,659)
Miscellaneous	10,000	10,000	6,025	(3,975)
Total revenues	<u>1,865,000</u>	<u>1,903,340</u>	<u>1,922,120</u>	<u>18,780</u>
Expenditures				
Environmental services:				
Current:				
Salaries	564,947	564,947	551,386	(13,561)
Employee benefits and taxes	235,494	235,494	220,047	(15,447)
Insurance	30,000	30,000	26,272	(3,728)
Utilities	14,500	14,500	14,802	302
Repairs and maintenance	56,000	56,000	38,082	(17,918)
Other contractual services	520,000	520,000	595,798	75,798
Supplies	8,000	8,000	6,627	(1,373)
Gas, oil, diesel, etc.	118,000	118,000	73,653	(44,347)
Supplies for resale	30,000	52,000	47,876	(4,124)
Natural materials	50,000	50,000	44,657	(5,343)
Recycling program	10,000	10,000	715	(9,285)
Professional services	68,750	68,750	68,750	-
Miscellaneous	8,740	25,080	18,096	(6,984)
Noncapital expenditures	-	-	665	665
Capital outlay	455,000	350,370	97,246	(253,124)
Total expenditures	<u>2,169,431</u>	<u>2,103,141</u>	<u>1,804,672</u>	<u>(298,469)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(304,431)</u>	<u>(199,801)</u>	<u>117,448</u>	<u>317,249</u>
Other financing sources (uses)				
Transfers in	304,431	199,801	98,468	(101,333)
Total other financing sources (uses)	<u>304,431</u>	<u>199,801</u>	<u>98,468</u>	<u>(101,333)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>215,916</u>	<u>\$ 215,916</u>
Fund balance - beginning			(117,701)	
Fund balance - ending			<u>\$ 98,215</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2016

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Being Collected by Chancery Court</u>
2016	0.99	\$10,090,162	\$ -	\$ 10,203,336	\$ 9,753,871	\$ 449,465	\$ -
2015	0.99	9,610,494	272,005	-	156,641	115,364	115,364
2014	0.99	9,546,819	103,789	-	37,101	66,688	66,688
2013	0.99	9,413,801	51,091	-	13,281	37,810	37,810
2012	0.99	9,438,136	42,621	-	7,436	35,185	35,185
2011	0.99	8,947,608	34,017	-	3,746	30,271	30,271
2010	0.99	8,655,224	38,456	-	3,204	35,252	35,252
2009	1.12	8,154,892	44,156	-	3,281	40,875	40,875
2008	1.12	7,525,767	30,555	-	859	29,696	29,696
2007	1.12	3,505,226	16,474	-	159	16,315	16,315
2006	1.12	3,516,944	9,745	(9,745)	-	-	-
			<u>\$ 642,909</u>	<u>\$ 10,193,591</u>	<u>\$ 9,979,579</u>	<u>\$ 856,921</u>	<u>\$ 407,456</u>
Above balances represented as follows:							
Considered current revenue						44,097	
Allowance for uncollectible accounts						359,655	
Unavailable revenue						453,169	
						<u>856,921</u>	
2015 property tax assessment						<u>10,639,358</u>	
Total taxes receivable						<u>\$ 11,496,279</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2016

Residential Rate Schedule:

Customer charge - per delivery point per month	\$	13.55
Energy charge - cents per kWh		0.08614

General Power Schedule:

GSA (Demand 0-5,000 kW demand)		
Customer charge - per delivery point per month	\$	16.60

1. Less than 50kW demand and not more than 15,000 kWh		
Energy charge - cents per kWh		0.09790

2. Between 51 and 1,000 kW demand with energy usage over 15,000 kWh		
Customer charge - per delivery point per month	\$	40.00
Demand charges - per kW per month		
0-50 kW		-
More than 50 to 1,000 kW, per kW		9.90

Energy charge - cents per kWh		
First 15,000 kWh per month		0.09091
Additional kWh per month		0.06226

3. Between 1,001 and 5,000 kW demand		
Customer charge - per delivery point per month	\$	150.00
Demand charges - per kW per month		
0-1,000 kW, per kW		9.92
More than 1,000 to 5,000 kW, per kW		13.77
Energy charge - cents per kWh		
		0.06225

SGSB (5,001 - 15,000 kW demand)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW - per kW per month		19.48
Energy charge - cents per kWh		
		0.04734

SMSB		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		9.52
Max Demand - per kW per month		2.15
Offpeak Excess of Contract Demand - per kW per month		9.52
Energy charge - cents per kWh		
Onpeak kWh		0.07150
Offpeak kWh first 200 HUD		0.04827
Additional HUD		0.02069

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2016

General Power Schedule (Continued):

TDMSD (Demand over 25,000 kW)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		9.52
Max Demand - per kW per month		1.52
Offpeak Excess of Contract Demand - per kW per month		9.52
Energy charge - cents per kWh		
Offpeak kWh first 200 HUD		0.04512
Offpeak kWh next 200 HUD		0.02042
Additional HUD		0.01989
OUTDOOR LIGHTING		
100 Watt H.P.S.	\$	8.97
150 Watt H.P.S.		11.87
175 Watt M.V.		9.31
250 Watt H.P.S.		14.76
400 Watt H.P.S.		18.68
Outdoor lighting kWh		0.06509

Number of customers:

	2016	2015
Residential	15,197	14,640
Commercial and industrial	2,702	2,706
Street and athletic fields	53	54
Individually billed outdoor lighting	38	39
	17,990	17,439

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2016

Residential and commercial - inside city			
First 200 cubic feet		\$	3.50
All usage over 200 cubic feet, per ccf			0.73
Residential and commercial - outside city			
First 200 cubic feet		\$	3.85
All usage over 200 cubic feet, per ccf			0.80
Industrial			
All usage, per ccf		\$	0.73
Preferred interruptible			
All usage, per ccf		\$	0.48
Interruptible			
First 100,000 cubic feet		\$	0.38
All usage over 100,000 cubic feet, per ccf		\$	0.33

Number of customers:	<u>2016</u>	<u>2015</u>
Residential	12,659	12,224
Commercial	1,181	1,360
Industrial	41	43
Interruptible	5	6
	<u>13,886</u>	<u>13,633</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
JUNE 30, 2016**

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0

American Water Works Association
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[Click to add a comment](#)

Water Audit Report for: **City of Gallatin**
Reporting Year: **2016** | **7/2015 - 6/2016**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

WATER SUPPLIED

Volume from own sources:	+ ? 9	2,202.717	MG/Yr
Water imported:	+ ? n/a	0.000	MG/Yr
Water exported:	+ ? 9	0.000	MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	Value:	MG/Yr
+ ?	0.000	MG/Yr
+ ?	0.000	MG/Yr
+ ?	0.000	MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **2,202.717** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	1,799.400	MG/Yr
Billed unmetered:	+ ? n/a	0.000	MG/Yr
Unbilled metered:	+ ? 10	74.312	MG/Yr
Unbilled unmetered:	+ ? 9	9.303	MG/Yr

Click here: ?
for help using option buttons below

Pcnt:	Value:	MG/Yr
0.25%	9.303	MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:	Value:	MG/Yr
0.25%	0.100	MG/Yr
1.00%	0.100	MG/Yr

AUTHORIZED CONSUMPTION: **1,883.015** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

319.702 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 5 5.507 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ? 7	18.926	MG/Yr
Systematic data handling errors:	+ ? 5	0.100	MG/Yr

Apparent Losses: **24.533** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **295.169** MG/Yr

WATER LOSSES: **319.702** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **403.317** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ? 7	345.0	miles
Number of active AND inactive service connections:	+ ? 7	14,976	
Service connection density:	? 43	43	conn./mile main
Are customer meters typically located at the curbside or property line?	? Yes		

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 7 95.0 psi

COST DATA

Total annual cost of operating water system:	+ ? 9	\$3,989,507	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 9	\$3.59	\$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	+ ? 9	\$709.61	\$/Million gallons

Use Customer Retail Unit Cost to value real

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 85 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2016

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved
Water Audit Report for: <input type="text" value="City of Gallatin"/>		
Reporting Year: <input type="text" value="2016"/> <input type="text" value="7/2015 - 6/2016"/>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***		
System Attributes:		
	Apparent Losses:	<input type="text" value="24.533"/> MG/Yr
	+ Real Losses:	<input type="text" value="295.169"/> MG/Yr
	= Water Losses:	<input type="text" value="319.702"/> MG/Yr
	? Unavoidable Annual Real Losses (UARL):	<input type="text" value="142.61"/> MG/Yr
	Annual cost of Apparent Losses:	<input type="text" value="\$117,738"/>
	Annual cost of Real Losses:	<input type="text" value="\$209,455"/> Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="18.3%"/>
	Non-revenue water as percent by cost of operating system:	<input type="text" value="9.7%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	<input type="text" value="4.49"/> gallons/connection/day
	Real Losses per service connection per day:	<input type="text" value="54.00"/> gallons/connection/day
	Real Losses per length of main per day*:	<input type="text" value="N/A"/>
	Real Losses per service connection per day per psi pressure:	<input type="text" value="0.57"/> gallons/connection/day/psi

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - CITY
June 30, 2016

Year Ended June 30,	G.O. Refunding Bonds Series 2014		G.O. Bonds Series 2016		G.O. Public Improvement Bonds Series 2007		2009 Capital Outlay Note		Sumner County Note	Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	Total
2017	\$ 375,000	\$ 445,850	\$ 430,000	\$ 365,976	\$ 445,000	\$ 22,250	\$ 415,000	\$ 56,906	\$ 89,745	\$ 1,754,745	\$ 890,982	\$ 2,645,727
2018	845,000	434,600	470,000	387,050	-	-	435,000	40,306	89,745	1,839,745	861,956	2,701,701
2019	860,000	409,250	475,000	377,650	-	-	460,000	21,275	89,745	1,884,745	808,175	2,692,920
2020	875,000	374,850	480,000	363,400	-	-	-	-	-	1,355,000	738,250	2,093,250
2021	910,000	339,850	485,000	344,200	-	-	-	-	-	1,395,000	684,050	2,079,050
2022	930,000	321,650	490,000	334,500	-	-	-	-	-	1,420,000	656,150	2,076,150
2023	950,000	293,750	500,000	310,000	-	-	-	-	-	1,450,000	603,750	2,053,750
2024	975,000	270,000	510,000	285,000	-	-	-	-	-	1,485,000	555,000	2,040,000
2025	1,010,000	221,250	520,000	259,500	-	-	-	-	-	1,530,000	480,750	2,010,750
2026	1,050,000	180,850	530,000	233,500	-	-	-	-	-	1,580,000	414,350	1,994,350
2027	1,090,000	138,850	540,000	207,000	-	-	-	-	-	1,630,000	345,850	1,975,850
2028	450,000	106,150	555,000	185,400	-	-	-	-	-	1,005,000	291,550	1,296,550
2029	460,000	92,650	570,000	163,200	-	-	-	-	-	1,030,000	255,850	1,285,850
2030	475,000	78,850	585,000	140,400	-	-	-	-	-	1,060,000	219,250	1,279,250
2031	490,000	64,600	600,000	117,000	-	-	-	-	-	1,090,000	181,600	1,271,600
2032	505,000	49,900	620,000	99,000	-	-	-	-	-	1,125,000	148,900	1,273,900
2033	525,000	34,119	640,000	80,400	-	-	-	-	-	1,165,000	114,519	1,279,519
2034	545,000	17,713	660,000	61,200	-	-	-	-	-	1,205,000	78,913	1,283,913
2035	-	-	680,000	41,400	-	-	-	-	-	680,000	41,400	721,400
2036	-	-	700,000	21,000	-	-	-	-	-	700,000	21,000	721,000
	<u>\$ 13,320,000</u>	<u>\$ 3,874,732</u>	<u>\$ 11,040,000</u>	<u>\$ 4,376,776</u>	<u>\$ 445,000</u>	<u>\$ 22,250</u>	<u>\$ 1,310,000</u>	<u>\$ 118,487</u>	<u>\$ 269,235</u>	<u>\$ 26,384,235</u>	<u>\$ 8,392,245</u>	<u>\$ 34,776,480</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
 PROPRIETARY FUNDS - WATER AND SEWER
 SCHEDULE OF LONG-TERM DEBT**

June 30, 2016

Water & Sewer Department									
Year Ended June 30,	Water & Sewer Rev & Tax Bond - 2011		Water & Sewer Refunding - 2014		Water & Sewer Refunding - 2015		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 270,000	\$ 253,548	\$ 565,000	\$ 187,125	\$ 940,000	\$ 1,019,388	\$ 1,775,000	\$ 1,460,061	\$ 3,235,061
2018	280,000	245,298	560,000	167,450	990,000	991,187	1,830,000	1,403,935	3,233,935
2019	405,000	235,023	265,000	149,625	1,060,000	941,688	1,730,000	1,326,336	3,056,336
2020	420,000	222,648	265,000	136,375	1,090,000	909,887	1,775,000	1,268,910	3,043,910
2021	430,000	209,898	270,000	123,000	1,125,000	877,188	1,825,000	1,210,086	3,035,086
2022	440,000	196,848	275,000	109,375	1,160,000	843,437	1,875,000	1,149,660	3,024,660
2023	450,000	183,498	285,000	95,375	1,200,000	797,038	1,935,000	1,075,911	3,010,911
2024	460,000	169,848	315,000	80,375	1,255,000	749,037	2,030,000	999,260	3,029,260
2025	490,000	155,598	325,000	64,375	1,305,000	698,838	2,120,000	918,811	3,038,811
2026	505,000	141,304	330,000	49,650	1,350,000	646,637	2,185,000	837,591	3,022,591
2027	520,000	126,560	340,000	37,950	1,400,000	599,388	2,260,000	763,898	3,023,898
2028	535,000	110,401	355,000	27,525	1,460,000	543,387	2,350,000	681,313	3,031,313
2029	555,000	93,023	365,000	16,725	1,515,000	484,988	2,435,000	594,736	3,029,736
2030	570,000	74,599	375,000	5,625	1,575,000	424,387	2,520,000	504,611	3,024,611
2031	590,000	54,869	-	-	1,655,000	345,638	2,245,000	400,507	2,645,507
2032	615,000	33,781	-	-	1,735,000	262,887	2,350,000	296,668	2,646,668
2033	635,000	11,509	-	-	1,825,000	176,138	2,460,000	187,647	2,647,647
2034	-	-	-	-	230,000	84,887	230,000	84,887	314,887
2035	-	-	-	-	240,000	73,388	240,000	73,388	313,388
2036	-	-	-	-	255,000	61,387	255,000	61,387	316,387
2037	-	-	-	-	265,000	48,638	265,000	48,638	313,638
2038	-	-	-	-	280,000	35,387	280,000	35,387	315,387
2039	-	-	-	-	290,000	21,388	290,000	21,388	311,388
2040	-	-	-	-	300,000	10,875	300,000	10,875	310,875
	\$ 8,170,000	\$ 2,518,253	\$ 4,890,000	\$ 1,250,550	\$ 24,500,000	\$ 11,647,088	\$ 37,560,000	\$ 15,415,891	\$ 52,975,891

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

	<u>CFDA Number</u>	<u>Pass Through Agency Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed Through the Tennessee Department of Transportation:			
Highway Planning and Construction - ARRA	20.205*	83LPLM-F3-012	\$ 812,858
Highway Planning and Construction	20.205*	83LPLM-F3-067	789,437
Passed Through the Tennessee Governor's Highway Safety Office :			
Alcohol Related Reconstruction and Education	20.616		18,081
Total U.S. Department of Transportation			<u>1,620,376</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	3,175
OCDETF Program	16.111	N/A	4,843
Law Enforcement Assistance to FBI Police Training	16.300	N/A	15,624
Total U.S. Department of Justice			<u>23,642</u>
Total Federal Awards			<u>\$ 1,644,018</u>

* Denotes a major fund for single audit testing.

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2016

	State Grant Number	Disbursements
Tennessee Department of Transportation		
Greenlea Dr Extension	83950-3561-04	\$ 1,338,240
Greenlea Dr Extension	83950-1561-04	2,297
Greenlea Dr Extension	83950-2561-04	3,250
Greenlea Dr Extension	83017-3248-04	143,345
Special Litter Grant	40100-04713	17,127
		1,504,259
Tennessee Department of Economic and Community Development		
Beretta	170/002-01-2014	1,538,602
		1,538,602
Total State Financial Assistance		\$ 3,042,861

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

STATISTICAL SECTION

**CITY OF GALLATIN, TENNESSEE
STATISTICAL SECTION DIVIDER PAGE**

This part of the City of Gallatin, Tennessee’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.

Contents:

Financial Trends	
These Schedules contain trend information to help readers understand how the City’s financial performance and well-being have changed over time.....	82
Revenue Capacity	
These Schedules contain information to help readers assess the City’s most significant local revenue source - its property taxes.....	87
Debt Capacity	
These Schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.....	90
Demographic and Economic Information	
These Schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place.....	93
Operating Information	
These Schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.....	95

Except where noted, the information in these Schedules is derived from the City of Gallatin, Tennessee’s, comprehensive annual financial reports (or financial statements where applicable) for the relevant years. The City implemented GASB 34 in 2003: Schedules presenting government-wide information include information beginning that year.

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
NET POSITION BY COMPONENT - LAST TEN FISCAL YEARS***

(Prepared using the accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities:										
Net investment in capital assets	\$ 58,836,309	\$ 54,468,094	\$ 48,317,805	\$ 44,409,934	\$ 42,147,155	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281
Restricted	593,324	535,180	615,631	568,020	100,024	15,000	(171,346)	(60,463)	315,366	276,859
Unrestricted	<u>15,409,177</u>	<u>13,898,373</u>	<u>14,232,475</u>	<u>11,688,071</u>	<u>10,465,112</u>	<u>9,546,556</u>	<u>38,464,287</u>	<u>13,160,946</u>	<u>14,348,514</u>	<u>19,876,514</u>
Total net position	<u>\$ 74,838,810</u>	<u>\$ 68,901,647</u>	<u>\$ 63,165,911</u>	<u>\$ 56,666,025</u>	<u>\$ 52,712,291</u>	<u>\$ 55,909,121</u>	<u>\$ 78,972,727</u>	<u>\$ 48,181,532</u>	<u>\$ 44,856,355</u>	<u>\$ 46,093,654</u>
Business-type activities:										
Net investment in capital assets	\$ 119,097,460	\$ 112,025,506	\$ 107,506,931	\$ 103,558,594	\$ 99,420,067	\$ 99,497,736	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174
Restricted for workers compensation adjustment	7,621	7,572	7,522	7,473	7,425	-	-	-	-	-
Unrestricted	<u>31,826,566</u>	<u>35,009,804</u>	<u>32,232,921</u>	<u>28,661,288</u>	<u>28,194,323</u>	<u>26,219,039</u>	<u>4,919,217</u>	<u>38,074,203</u>	<u>20,291,861</u>	<u>19,344,762</u>
Total net position	<u>\$ 150,931,647</u>	<u>\$ 147,042,882</u>	<u>\$ 139,747,374</u>	<u>\$ 132,227,355</u>	<u>\$ 127,621,815</u>	<u>\$ 125,716,775</u>	<u>\$ 95,863,229</u>	<u>\$ 120,883,159</u>	<u>\$ 117,638,534</u>	<u>\$ 106,266,936</u>
Primary government:										
Net investment in capital assets	\$ 177,933,769	\$ 166,493,600	\$ 155,824,736	\$ 147,968,528	\$ 141,567,222	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455
Restricted	600,945	542,752	623,153	575,493	107,449	15,000	(171,346)	(60,463)	315,366	276,859
Unrestricted	<u>47,235,743</u>	<u>48,908,177</u>	<u>46,465,396</u>	<u>40,349,359</u>	<u>38,659,435</u>	<u>35,765,595</u>	<u>43,383,504</u>	<u>51,235,149</u>	<u>34,640,375</u>	<u>39,221,276</u>
Total net position	<u>\$ 225,770,457</u>	<u>\$ 215,944,529</u>	<u>\$ 202,913,285</u>	<u>\$ 188,893,380</u>	<u>\$ 180,334,106</u>	<u>\$ 181,625,896</u>	<u>\$ 174,835,956</u>	<u>\$ 169,064,691</u>	<u>\$ 162,494,889</u>	<u>\$ 152,360,590</u>

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET POSITION - LAST TEN FISCAL YEARS***

(Prepared using the accrual basis of accounting)

Governmental activities:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Program revenues:										
Charges for services	\$ 6,069,552	\$ 5,538,642	\$ 6,526,770	\$ 4,075,988	\$ 4,813,637	\$ 5,342,165	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414
Operating grants & contributions	1,064,123	1,234,427	1,527,429	1,109,040	948,083	854,869	703,346	1,474,369	848,469	3,502,202
Capital grants & contributions	4,790,834	10,285,239	3,533,738	3,975,532	1,465,557	4,020,980	2,383,773	4,022,806	590,405	138,751
General revenues:										
Property taxes	10,878,306	10,273,533	9,930,089	9,999,751	10,711,682	9,823,133	9,514,877	9,106,950	8,608,885	7,928,834
Sales taxes	10,074,289	9,330,486	8,661,499	8,014,658	7,700,686	6,874,129	6,422,853	6,390,038	6,863,042	6,752,289
Franchise taxes	448,730	421,534	385,802	360,650	379,020	356,845	341,828	327,853	299,962	276,664
Alcoholic beverage taxes	1,260,296	1,251,420	1,165,299	1,117,556	1,067,339	1,039,948	965,092	877,642	953,765	918,743
Business taxes	818,811	756,560	680,446	639,646	668,252	556,382	485,461	521,590	520,295	483,682
Income taxes	946,308	913,636	793,306	520,539	859,602	688,179	758,315	80,810	506,966	440,512
Miscellaneous taxes	-	-	-	-	-	1,572	2,075	2,790	142,032	140,403
Rental and reimbursements	-	-	-	-	-	25,863	29,627	35,521	66,445	58,855
Other sources	226,818	230,319	240,216	319,500	188,417	286,687	106,491	207,570	(866,780)	395,355
Unrestricted interest income	115,184	68,994	79,958	28,417	5,491	28,999	100,415	519,239	682,761	490,238
In lieu of taxes and transfers	1,640,386	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,242	685,674	887,035
Total revenues	<u>38,333,637</u>	<u>41,850,460</u>	<u>34,973,339</u>	<u>31,544,424</u>	<u>29,795,196</u>	<u>30,569,165</u>	<u>27,672,771</u>	<u>28,765,915</u>	<u>24,839,494</u>	<u>26,779,977</u>
Expenses:										
General government	7,186,551	6,432,191	5,147,411	5,070,240	4,753,776	5,833,977	4,634,869	5,936,304	9,294,335	4,234,693
Public safety	12,701,861	12,139,618	11,778,255	11,626,014	11,090,606	10,522,520	10,583,895	10,217,027	9,312,521	8,926,042
Engineering	1,643,277	1,611,956	1,412,832	1,112,112	1,978,103	1,648,991	395,200	636,589	408,330	703,821
Environmental services	1,701,497	1,682,507	1,779,918	1,637,569	1,744,131	1,483,595	1,504,489	1,433,602	1,404,985	1,677,427
Animal control	-	123,665	113,487	108,023	119,396	109,535	99,965	112,082	47,647	47,119
Public works	552,190	362,748	1,163,412	1,658,029	1,215,578	572,127	351,059	26,564	226,892	153,821
Highways, streets and roadways	1,359,004	1,457,922	1,403,207	1,208,364	1,234,568	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983
Vehicle maintenance	459,858	418,068	420,964	403,696	404,846	393,742	403,148	376,013	352,822	333,463
Parks and recreation	4,361,499	4,265,685	4,043,815	4,290,038	4,074,264	4,182,036	3,845,550	3,238,619	2,449,295	2,768,383
Economic development	1,622,199	6,770,860	444,972	280,227	254,355	222,988	269,588	270,456	278,287	230,687
Interest on debt	808,538	653,094	481,455	433,883	472,734	484,738	487,066	785,391	320,565	90,045
Total expenses	<u>32,396,474</u>	<u>35,918,314</u>	<u>28,189,728</u>	<u>27,828,195</u>	<u>27,342,357</u>	<u>26,757,796</u>	<u>23,996,159</u>	<u>25,118,119</u>	<u>25,846,954</u>	<u>21,007,484</u>
Change in net position	\$ 5,937,163	\$ 5,932,146	\$ 6,783,611	\$ 3,716,229	\$ 2,452,839	\$ 3,811,369	\$ 3,676,612	\$ 3,647,796	\$ (1,007,460)	\$ 5,772,493

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
CHANGE IN NET POSITION - LAST TEN FISCAL YEARS***

(Prepared using the accrual basis of accounting)

Business-Type activities:	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program revenues:										
Charges for services	\$ 94,763,804	\$ 98,670,740	\$ 100,225,082	\$ 91,501,059	\$ 87,971,678	\$ 90,017,001	\$ 84,620,482	\$ 85,400,190	\$ 81,589,078	\$ 75,323,725
Capital grants & contributions	2,490,314	1,485,205	2,317,854	1,152,932	675,644	685,151	253,452	1,252,667	6,918,074	3,526,948
General revenues:										
Other sources	10,000	-	487	2,603	9,359	536,533	10,467	8,506	10,169	5,485
Unrestricted interest income	142,192	108,911	95,539	121,102	146,100	153,210	200,533	437,057	718,092	1,009,368
Total revenues	97,406,310	100,264,856	102,638,962	92,777,696	88,802,781	91,391,895	85,084,934	87,098,420	89,235,413	79,865,526
Expenses:										
Electric	66,077,111	65,953,465	65,344,259	63,093,670	61,686,993	60,976,208	52,252,566	52,075,601	48,441,112	44,556,792
Gas	12,360,729	14,620,277	16,443,781	12,848,397	13,002,653	15,257,278	19,064,230	19,354,295	20,349,492	18,901,303
Golf	-	-	-	-	-	-	-	1,011,561	978,014	947,510
Water & Sewer	12,582,400	10,769,977	11,170,248	10,846,942	11,256,106	11,510,424	10,386,989	10,073,496	7,656,635	7,130,595
In lieu of taxes - transfer	1,640,386	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674	887,035
Total expenses	92,660,626	92,889,389	94,407,075	88,172,156	86,933,182	88,413,324	83,100,307	83,586,194	78,110,927	72,423,235
Change in net position	4,745,684	7,375,467	8,231,887	4,605,540	1,869,599	2,978,571	1,984,627	3,512,226	11,124,486	7,442,291
Total change in net position	\$ 10,682,847	\$ 13,307,613	\$ 15,015,498	\$ 8,321,769	\$ 4,322,438	\$ 6,789,940	\$ 5,661,239	\$ 7,160,022	\$ 10,117,026	\$ 13,214,784

CITY OF GALLATIN, TENNESSEE
FINANCIAL TRENDS INFORMATION -
FUND BALANCES, GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS

(Prepared using the accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Funds:										
(Pre-GASB 54)										
Unreserved:										
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025	\$ 11,955,011
Special revenue funds	-	-	-	-	-	-	(2,955)	22,272	24,557	-
Capital projects funds	-	-	-	-	-	-	28,754,178	(11,509,512)	4,745,837	7,910,831
Permanent funds	-	-	-	-	-	-	374,321	353,996	336,050	309,421
Total unreserved fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,536,494</u>	<u>80,114</u>	<u>14,683,469</u>	<u>20,175,263</u>
Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,720)</u>	<u>(11,904)</u>	<u>340,885</u>	<u>302,608</u>
(Post-GASB 54)										
Nonspendable	1,065,869	173,269	86,851	105,468	84,581	101,966	-	-	-	-
Restricted	583,621	531,907	579,606	531,995	455,722	352,817	-	-	-	-
Committed	209,987	205,085	205,085	226,979	184,395	173,501	-	-	-	-
Assigned	16,335,657	8,011,003	2,734,115	1,915,974	2,122,761	2,735,185	-	-	-	-
Unassigned	<u>16,180,042</u>	<u>13,232,920</u>	<u>11,455,850</u>	<u>8,689,632</u>	<u>7,922,642</u>	<u>6,542,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 34,375,176</u>	<u>\$ 22,154,184</u>	<u>\$ 15,061,507</u>	<u>\$ 11,470,048</u>	<u>\$ 10,770,101</u>	<u>\$ 9,906,312</u>	<u>\$ 39,412,774</u>	<u>\$ 68,210</u>	<u>\$ 15,024,354</u>	<u>\$ 20,477,871</u>

**CITY OF GALLATIN, TENNESSEE
FINANCIAL TREND INFORMATION -
CHANGES IN FUND BALANCES FOR TOTAL GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS**

(Prepared using the accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues										
Taxes	\$ 20,117,243	\$ 18,988,744	\$ 18,393,292	\$ 17,768,774	\$ 17,262,010	\$ 20,056,287	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011
Licenses	1,093,853	760,459	467,638	402,533	315,602	247,346	278,110	615,775	851,142	696,601
Fines and penalties	983,427	1,051,142	2,556,501	884,878	1,479,913	2,307,129	1,424,589	1,446,691	1,737,566	1,567,133
Charges for services	3,984,098	3,739,436	3,481,559	2,849,243	2,993,059	2,787,690	2,759,398	2,064,030	2,348,866	2,102,680
Intergovernmental	10,457,840	14,007,953	8,668,804	6,696,213	5,742,786	3,325,809	2,466,644	791,301	4,092,959	3,691,619
Other	414,025	575,308	708,339	544,215	240,819	173,100	153,771	606,747	1,341,916	901,885
Total revenues	<u>37,050,486</u>	<u>39,123,042</u>	<u>34,276,133</u>	<u>29,145,856</u>	<u>28,034,189</u>	<u>28,897,361</u>	<u>26,259,613</u>	<u>23,514,148</u>	<u>25,571,272</u>	<u>23,294,929</u>
Expenditures										
General government	5,932,888	5,471,142	4,825,287	4,558,323	4,443,691	4,391,895	4,005,982	4,652,977	3,750,244	3,959,253
Public safety	12,181,199	11,707,728	11,452,818	10,770,629	10,760,468	9,960,491	9,841,580	9,688,847	9,295,197	8,259,007
Engineering	1,643,528	1,611,956	1,353,632	1,006,769	1,955,555	746,367	395,200	372,252	407,115	666,725
Environmental services	1,707,426	1,704,725	1,641,126	1,525,929	1,586,909	1,434,591	1,430,341	1,323,296	1,399,275	1,597,138
Animal control	-	123,665	113,487	108,023	117,017	108,815	99,965	90,649	47,647	47,119
Public works	294,737	360,112	453,374	264,185	592,211	155,426	152,145	149,677	145,258	139,527
Highways and streets	1,227,048	1,254,942	1,374,830	1,100,961	1,154,834	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228
Vehicle maintenance	496,426	418,068	418,626	399,019	402,507	391,610	403,148	364,901	349,320	329,108
Parks and recreation	4,014,097	3,936,723	3,763,086	3,597,451	3,731,027	3,597,665	3,392,380	2,645,342	2,466,439	2,333,959
Economic Development Agency	1,622,169	6,769,860	444,972	280,227	254,355	211,193	234,598	230,201	217,975	224,440
Other program cost	-	-	-	-	-	-	(291)	291	-	243,714
Debt service:										
Principal	1,205,000	1,385,000	860,000	835,000	800,000	775,000	760,000	425,000	410,000	775,000
Interest	572,156	245,373	403,564	431,901	458,795	484,739	487,066	627,829	321,681	90,045
Capital outlay - capital	<u>7,385,042</u>	<u>7,610,707</u>	<u>4,787,847</u>	<u>5,188,144</u>	<u>1,708,556</u>	<u>8,825,328</u>	<u>7,077,681</u>	<u>7,085,559</u>	<u>11,624,680</u>	<u>1,594,163</u>
Total expenditures	<u>38,281,716</u>	<u>42,600,001</u>	<u>31,892,649</u>	<u>30,066,561</u>	<u>27,965,925</u>	<u>32,386,667</u>	<u>29,701,125</u>	<u>29,019,249</u>	<u>31,802,962</u>	<u>21,618,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,231,230)</u>	<u>(3,476,959)</u>	<u>2,383,484</u>	<u>(920,705)</u>	<u>68,264</u>	<u>(3,489,306)</u>	<u>(3,441,512)</u>	<u>(5,505,101)</u>	<u>(6,231,690)</u>	<u>1,676,503</u>
Other financing sources (uses):										
Contributions	-	-	-	-	-	19,955	384,662	63,156	42,038	466,113
Premiums on bonds issued	1,163,285	884,045	-	-	-	-	-	-	-	-
Proceeds of long-term debt	11,040,000	14,185,000	-	-	-	-	-	3,642,438	-	7,500,000
Bond issuance costs	(121,358)	(155,986)	-	-	-	-	-	-	-	-
Repayment from debt refunding	-	(6,098,495)	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	130,254	74,359	138,900	27,651	26,597
Sale of capital assets	-	-	-	-	-	38,194	8,404	16,684	3,661	15,966
In lieu of tax payments from utility*	1,640,386	1,545,670	1,448,787	1,383,147	987,430	-	-	-	-	-
Operating transfers in	-	-	2,183,420	2,866,662	1,994,252	669,414	1,396,522	1,071,241	685,674	887,035
Operating transfers out	-	-	(2,183,420)	(2,807,596)	(1,994,252)	-	-	-	-	-
Total other financing sources (uses)	<u>13,722,313</u>	<u>10,360,234</u>	<u>1,448,787</u>	<u>1,442,213</u>	<u>987,430</u>	<u>857,817</u>	<u>1,863,947</u>	<u>4,932,419</u>	<u>759,024</u>	<u>8,895,711</u>
Net changes in fund balances	<u>\$ 12,491,083</u>	<u>\$ 6,883,275</u>	<u>\$ 3,832,271</u>	<u>\$ 521,508</u>	<u>\$ 1,055,694</u>	<u>\$ (2,631,489)</u>	<u>\$ (1,577,565)</u>	<u>\$ (572,682)</u>	<u>\$ (5,472,666)</u>	<u>\$ 10,572,214</u>
Debt services as a percentage of non-capital expenditures	6.10%	4.89%	4.89%	5.37%	5.04%	5.30%	5.50%	4.80%	3.60%	4.30%

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY -
LAST TEN TAX YEARS**

<u>TAX YEAR</u>	<u>APPRAISED VALUE</u>			<u>ASSESSED VALUE AS A PERCENTAGE OF ACTUAL</u>	<u>TOTAL DIRECT TAX RATE*</u>
	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TAX EXEMPT PROPERTY</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>		
2016	\$ 1,012,571,177	\$ 23,958,652	\$ 3,498,839,903	29.62%	\$ 0.99
2015	970,755,281	18,537,816	3,050,696,936	32.43%	0.99
2014	974,737,567	17,806,242	3,032,204,783	30.31%	0.99
2013	962,079,513	17,806,242	2,982,691,390	32.85%	0.99
2012	944,739,332	17,321,500	3,148,310,625	30.56%	0.99
2011	921,041,801	16,983,625	3,094,122,921	30.32%	0.99
2010	903,798,781	16,697,225	3,043,499,576	30.24%	0.99
2009	772,787,864	7,559,875	2,634,149,025	29.62%	1.12
2008	728,115,320	6,878,800	2,458,859,601	29.89%	1.12
2007	671,943,489	7,680,475	2,241,616,040	30.32%	1.12

* Per \$100 of assessed valuation

Note - Property of the City is reappraised periodically. For this reason appraised value is considered equal to actual value. All information was pulled from the tax levies by the year noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PRINCIPAL PROPERTY TAX PAYERS - CURRENT YEAR AND NINE YEARS AGO**

	2016		2007	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
GAP, Inc.	\$ 85,702,900	9.24%	\$ 61,222,160	20.45%
Sumner Regional Medical Center	83,926,200	9.05%	-	0.00%
Wellington Farms Apts.	31,800,000	3.43%	-	0.00%
Stoneridge Farms	30,679,200	3.31%	21,938,128	7.33%
MAA Brik	23,513,500	2.54%	6,274,150	2.10%
Foxland Crossing LLC	22,631,700	2.44%	-	0.00%
Hoeganaes Corp	15,778,299	1.70%	25,601,900	3.17%
Gap Inc & Subs Ent	10,003,806	1.08%	5,276,312	1.76%
R R Donnelley & Sons	7,151,790	0.77%	10,405,306	3.48%
YFS Automotive Systems Inc	7,061,331	0.76%	-	0.00%
Sumner Medical Plaza	-	0.00%	14,757,145	4.93%
ABC Group Fuel Systems	-	0.00%	4,896,613	1.64%
ABC Group Properties	-	0.00%	9,727,600	3.25%
Totals	\$ 318,248,726	34.32%	\$ 160,099,314	48.11%

Information was obtained from the property tax rolls for the years noted.

**CITY OF GALLATIN, TENNESSEE
REVENUE CAPACITY INFORMATION
PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS**

FISCAL YEAR	ASSESSED VALUATION	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY
2016	\$ 1,054,185,684	\$ 10,090,162	\$ 9,753,871	96.67%	\$ -	\$ 9,753,871	96.67%
2015	970,755,281	9,610,477	9,447,813	98.31%	47,300	9,495,113	98.80%
2014	974,737,567	9,542,926	9,336,177	97.83%	140,061	9,438,917	98.91%
2013	962,079,513	9,367,869	9,078,911	96.92%	251,148	9,307,844	99.36%
2012	944,739,332	9,440,679	8,792,522	93.13%	612,972	9,391,158	99.48%
2011	921,041,801	9,118,314	8,756,928	92.60%	331,115	9,080,842	99.59%
2010	903,798,781	8,947,608	8,794,819	98.29%	117,537	8,905,080	99.52%
2009	772,787,864	8,655,224	8,743,629	101.02%	593,820	9,323,985	107.73%
2008	728,115,320	8,154,892	8,284,247	101.59%	178,743	8,460,186	103.74%
2007	671,943,489	7,525,767	7,394,843	98.26%	97,783	7,492,408	99.56%

Assessed valuation amount was taken from the property tax levy for the year noted.

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS**

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES			TOTAL BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS	NOTES					
2016	34,473	\$ 26,708	\$ 24,805,000	\$ 1,579,235	\$ 26,384,235	\$ 37,560,000	\$ 444,889	\$ 38,004,889	\$ 64,389,124	\$ 1,867.81	6.99%	
2015	33,347	26,596	13,695,000	2,068,980	15,763,980	38,890,000	413,951	39,303,951	55,067,931	1,651.36	6.21%	
2014	32,307	25,534	6,985,000	2,538,725	9,523,725	32,935,000	461,503	33,396,503	42,920,228	1,328.51	5.20%	
2013	31,414	22,963	7,480,000	2,455,000	9,935,000	34,215,000	620,751	34,835,751	44,770,751	1,425.18	6.21%	
2012	30,278	23,465	7,960,000	2,810,000	10,770,000	35,680,000	744,902	36,424,902	47,194,902	1,558.72	6.64%	
2011	30,278	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%	
2010	28,677	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%	
2009	28,198	23,465	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,676.84	7.15%	
2008	27,569	24,631	9,730,000	-	9,730,000	7,360,000	-	7,360,000	17,090,000	606.07	2.46%	
2007	23,917	25,370	10,140,000	-	10,140,000	7,900,000	-	7,900,000	18,040,000	654.36	2.58%	

* SOURCE FOR POPULATION: US Census Bureau

** PERSONAL INCOME amounts were obtained from State estimates.

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING - LAST TEN FISCAL YEARS**

<u>GOVERNMENTAL ACTIVITIES</u>									
<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>NOTES</u>	<u>TOTAL GOVERNMENTAL</u>	<u>BUSINESS - TYPE ACIVITIES - NOTES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>APPRAISED VALUE</u>	<u>RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED VALUE</u>	<u>NET GENERAL OBLIGATION DEBT PER CAPITA</u>
2016	34,473	\$ 24,805,000	\$ 1,579,235	\$ 26,384,235	\$ 444,889	\$ 26,829,124	\$ 1,012,571,177	2.65%	\$ 778.26
2015	33,347	13,695,000	2,068,980	15,763,980	413,951	16,177,931	970,755,281	1.67%	485.14
2014	32,307	6,985,000	2,538,725	9,523,725	461,503	9,985,228	974,737,567	1.02%	309.07
2013	31,414	7,480,000	2,455,000	9,935,000	620,751	10,555,751	962,079,513	1.10%	336.02
2012	30,278	7,960,000	2,810,000	10,770,000	744,902	11,514,902	944,739,332	1.22%	380.31
2011	30,278	8,420,000	3,150,000	11,570,000	869,052	12,439,052	921,041,801	1.35%	410.83
2010	30,278	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	440.52
2009	28,677	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	495.95
2008	28,198	9,730,000	-	9,730,000	-	9,730,000	728,115,320	1.34%	345.06
2007	27,569	10,140,000	-	10,140,000	-	10,140,000	671,943,489	1.51%	367.80

* SOURCE FOR POPULATION: US Census Bureau

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>UTILITY SERVICE CHARGES</u>	<u>LESS: OPERATING EXPENSES</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>PERCENT OF COVERAGE</u>
2016	\$ 13,525,181	\$ 7,389,032	\$ 6,136,149	\$ 1,775,000	\$ 1,460,061	\$ 3,235,061	189.68%
2015	12,112,544	6,651,379	54,161,165	1,330,000	1,101,320	2,431,320	224.62%
2014	12,259,008	6,548,582	5,710,426	1,280,000	1,420,441	2,700,441	211.46%
2013	11,293,065	5,934,780	5,358,285	1,465,000	1,464,908	2,929,908	182.88%
2012	10,944,632	6,380,348	4,564,284	1,334,150	1,444,529	2,778,679	164.26%
2011	10,784,113	6,825,971	3,958,142	1,140,000	1,404,543	2,544,543	155.55%
2010	9,822,137	6,127,486	3,694,651	905,000	1,286,094	2,191,094	168.62%
2009	9,371,205	5,955,230	3,415,975	940,000	1,392,100	2,332,100	146.48%
2008	8,529,877	5,387,709	3,142,168	640,000	261,699	901,699	348.47%
2007	7,961,528	4,774,065	3,187,463	545,000	280,828	825,828	385.97%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Sales tax increment bonds are backed by the sales tax revenue produced by the sales tax rate in effect when the bonds were issued (2.5 percent) applied to the increase in retail sales in the Commons shopping area since that time.

**CITY OF GALLATIN, TENNESSEE
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN FISCAL YEARS**

CALENDAR YEAR	CITY POPULATION*	COUNTY POPULATION*	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME**	MEDIAN AGE*	COUNTY SCHOOL ENROLLMENT ***	COUNTY UNEMPLOY- MENT RATE****
2016	34,473	175,989	\$ 46,441	\$ 26,708	37.0	29,060	4.10%
2015	33,347	172,706	46,102	26,596	37.0	28,715	4.70%
2014	32,307	168,888	45,603	25,534	37.4	28,361	5.60%
2013	31,414	165,950	42,425	22,963	37.5	28,508	6.70%
2012	30,278	160,645	45,665	23,465	36.6	28,626	8.40%
2011	30,278	160,645	45,858	23,138	36.6	27,333	8.70%
2010	28,677	162,527	45,665	23,465	38.1	27,177	9.78%
2009	28,198	159,013	48,993	24,631	37.9	26,493	7.90%
2008	27,569	156,533	49,379	25,370	37.7	26,528	5.90%
2007	23,917	130,449	34,696	32,305	35.5	26,528	3.80%

* US Census Bureau

** State Estimate

*** Sumner County School Board

**** Tennessee State Department of Labor, Statistical Services

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

**CITY OF GALLATIN, TENNESSEE
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO**

	2016			2007		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Sumner County Schools	3,623	1	32.03%	4,307	1	42.85%
Sumner Regional Medical Center	1,084	2	9.58%	1,070	3	10.65%
Gap, Inc.	750	3	6.63%	1,275	2	12.69%
Volunteer State CC	750	4	6.63%	712	4	7.08%
Servpro Industries, Inc.	420	5	3.71%	475	5	4.73%
YSF Automotive Systems	400	6	3.54%	N/A	N/A	N/A
ABC Technologies	357	7	3.16%	286	7	2.85%
R.R. Donnelley & Sons	225	8	1.99%	N/A	N/A	N/A
NIC Global	194	9	1.71%	N/A	N/A	N/A
ITW-CIP	150	10	1.33%	N/A	N/A	N/A
YAPP USA Automotive Systemts	N/A	N/A	N/A	375	6	3.73%
Hoeganaes Corporation	N/A	N/A	N/A	235	8	2.34%
NIC Global Manufacturing Solutions	N/A	N/A	N/A	185	9	1.84%
Charles C Parks Company	N/A	N/A	N/A	175	10	1.74%

Sources: Tennessee Department of Labor Workforce & Development and City of Gallatin's Economic Development

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM, LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government:										
Mayor's Office	3	3	3	3	3	3	3	3	2	2
Planning (Combined in 2010)	7	6	6	0	0	0	0	6	7	7
Finance	5	5	8	8	8	8	5	4	5	5
City Attorney	3	3	3	3	3	3	3	3	3	2
Recorder	6	6	7	7	7	7	7	7	5	5
Personnel	3	2	2	1	2	2	2	2	2	3
Codes	9	10	7	13	13	14	14	8	9	9
Economic Development Agency	3	2	2	2	2	2	2	2	2	2
Information Technology	6	5	0	0	0	0	3	3	3	2.00
Public Safety:										
Police	98	93	94	89	88	88	90	90	81	82
Fire	68	72	72	71	71	73	58	58	55	55
Public Works	48	47	49	48	49	48	47	45	45	45
Leisure Services	31	31	31	30	30	29	29	29	22	22
Engineering	6	7	6	6	6	5	5	5	5	5
Public Utilities	88	87	82	85	86	85	84	79	80	80
Golf Course	0	0	0	0	0	0	0	0	8	8
Total	384	379	372	366	368	367	352	344	334	334

Sources: PERSONNEL OFFICIAL
*AUDITS PRIOR YEARS

2009 numbers include 7 PPT employees and consolidates the 7 Golf personnel under Leisure Services. It does not include 14 unfilled positions (total authorized manning 358).

2010 numbers include 6 PPT employees and combines 6 Planning and 8 Codes employees into one department. It does not include 5 unfilled positions (total authorized manning 357).

2011 numbers include 6 PPT employees and combines 3 IT and 5 Finance. It does not include 6 unfilled positions (total authorized manning 373 as of 6/30/11) (377 as of 7/1/11)

2012 numbers include 3 PPT employees. It does not include 9 unfilled positions (total authorized manning 377 as 6/30/12)

2013 numbers include 3 PPT employees. It does not include 11 unfilled positions (total authorized manning 377 as 6/30/13)

CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
OPERATING INDICATORS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS

FUNCTION / PROGRAM	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Physical arrests	3,803	3,575	3,772	4,913	4,526	4,911	5,450	6,019	6,277	6,678
Parking violations	458	722	420	634	450	1,087	815	1,216	1,538	1,305
Traffic violations	17,393	22,643	13,231	20,494	19,237	23,657	27,906	28,272	23,022	27,769
* Red Light Camera Citations	9,054	7,751	7,029	5,953	7,188	10,986	13,610	10,790	16,021	14,125
Fire										
Emergency responses	3,917	3,390	3,120	2,973	3,016	3,176	2,474	1,901	2,456	2,043
Fires extinguished	144	94	120	105	110	102	95	82	125	97
Inspections	1,664	1,413	829	1,194	1,170	731	810	942	1,500	5,602
Animal Control										
Animals Restrained	622	N/A	388	491	786	765	967	1,187	796	810
Highways and Streets										
Street resurfacing (miles)	4.6	5.8	5	6	8	3	1	7	14	14
Potholes repaired	403	324	546	122	N/A	N/A	398	273	344	455
Other Public Works										
Utility cuts repaired	139	138	175	142	142	171	122	147	154	130
Parks and Recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	240,000	240,000	230,000	230,000	230,000	230,000	220,000	220,000	250,000	240,000
Community Service										
Number of organization benefited	12	16	16	16	16	16	16	17	15	15
Number of services benefited	4	4	4	4	4	4	4	4	5	5
Environmental Services										
Tons hauled	12,224	11,413	11,376	11,588	10,145	11,384	11,420	11,376	11,690	11,890
Water										
New connections	316	330	272	238	212	188	183	288	378	470
Water main breaks	37	38	40	32	36	48	50	62	56	48
Average daily consumption (thousands of gallons)	6,171	5,865	5,944	5,948	6,246	6,705	6,794	6,742	7,074	6,054
Peak daily consumption (thousands of gallons)	8,287	7,873	9,277	9,714	10,265	8,309	7,233	8,108	9,616	9,959
Sewer										
Average daily treatment (thousands of gallons)	5,808	6,435	6,992	6,285	5,621	5,835	5,392	5,172	4,550	5,225
Electric										
Average daily consumption (thousands of kilowatt hours)	2,194	2,186	2,184	2,176	2,164	2,146	2,140	1,858	2,161	2,062
Natural Gas										
Average Daily Consumption:										
Summer -April/October (thousands of cubic feet)	4,937	5,550	5,117	4,723	4,319	4,928	4,068	3,746	4,311	3,509
Winter-November/March (thousands of cubic feet)	7,644	9,078	9,660	8,823	6,940	9,102	7,860	7,401	7,664	7,377
Golf										
Rounds Played	45,000	35,000	45,000	45,000	45,000	44,000	46,000	46,000	45,000	45,728

Sources: Various city departments

Notes: Indicators are not available for the general government function

**CITY OF GALLATIN, TENNESSEE
OPERATING INFORMATION
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM, LAST TEN FISCAL YEARS**

FUNCTION / PROGRAM	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	78	76	73	64	77	70	71	67	62	61
Fire										
Stations	4	4	4	4	4	3	3	3	3	3
Fire trucks	9	8	8	7	7	9	9	9	9	9
Animal Control										
Trucks	2	2	2	2	2	2	2	2	2	1
Highways and Streets										
Streets (miles)	195.6	195.3	195	195	194	193	186	184	182	185
Streetlights	3,621	3,621	3,678	3,602	3,602	3,511	3,562	3,322	3,443	3,266
Traffic signals	362	362	354	352	352	358	330	329	320	251
Sidewalks (miles)	47	46	45	44	42	41	37	35	33	33
Parks and Recreation										
Acreage	532	532	532	532	532	532	532	532	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	2	2	2	2	2	2	2	2	2	2
Volleyball Courts	4	4	4	4	4	4	4	4	4	4
Basketball Courts	6	6	6	6	6	6	6	6	6	6
Picnic Shelters	13	13	13	14	14	13	13	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Horseshoe Pits	9	9	9	9	9	9	9	9	9	9
Fishing Piers	2	2	2	2	2	2	2	2	2	2
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Walking Trail (miles)	8	8	8	5	5	4	4	4	4	4
Disc Golf (holes)	18	18	18	18	18	18	18	18	18	18
Model Airplane Strip	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Environmental Services										
Refuse Trucks	22	20	21	20	19	18	17	16	15	13
Water										
Water mains (miles)	345	344	343	340	323	338	336	335	333	325
Fire hydrants	1,986	1,920	1,902	1,893	1,888	1,888	1,850	1,828	1,802	1,760
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Percent of Water Loss in System	13	12	15	15	20	21	23	22	12	7
Sewer										
Sewer mains (miles)	236	234	233	231	220	220	217	217	216	196
Pump Stations	41	41	40	40	40	40	37	37	37	37
Natural Gas										
Gas lines (miles)	380	376	368	363	361	360	359	355	350	338
Golf										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

Notes: No capital asset indicators are available for the general government.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
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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 Paige Brown, Mayor
Members of the City Council
City of Gallatin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2016, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Electric Division as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditors testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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

Honorable Paige Brown, Mayor
Members of the City Council
City of Gallatin, Tennessee

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 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*.

In addition we noted other matters involving the internal control and its operation that we reported to management of the City in a separate letter dated January 27, 2017.

Purpose of this Report

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



Jackson, Tennessee
January 27, 2017

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133

Honorable Paige Brown, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Honorable Paige Brown, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
January 27, 2017

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	<u> </u> yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

 yes x no

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001 Lack of Subsidiary Reconciliations and Segregation of Duties (Significant Deficiency)

Condition: It was determined during testing, prior audit comments, and also discussions after the state investigation that the Recorder's office did not have proper segregation of duties in the daily reconciliation process, used manual receipt books that were not reconciled with the general ledger entries, and did not reconcile payments reported in the court system to collections posted to the general ledger.

Criteria: A good system of internal control is part of generally accepted accounting principles.

Effect: Due to the City not having adequate controls in place and not reconciling subsidiary collection ledgers with the general ledger, the City runs the risk of misappropriation of funds taking place. Additionally, it appears as though the issues noted above resulted in a loss to the City as noted in Note 5H.

Recommendation: We recommend the Recorder's Office have someone review and approves all daily reconciliations of drawers by the cashiers. We further recommend that the Recorder's Office eliminate the use of manual receipt books and reconcile collections between the court system and the general ledger on an ongoing basis. If there are other areas of the City where there are separate collection procedures, we further recommend that the City review the policies around those and make sure that the proper reconciliations are taking place between the areas.

Response: Management has made changes in how the process is handled and is working to further improve the process with the current staff available.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Audit Adjustments (Material Weakness) (previously 2011-001)	Corrected
2015-002	Audit Adjustments (Material Weakness) (originally 2015-002)	Corrected
2015-003	Audit Adjustments (Material Weakness) (originally 2015-003)	Corrected

Federal Award Findings and Questioned Costs

There were no prior year findings

CITY OF GALLATIN, TENNESSEE
CORRECTIVE ACTION PLAN
June 30, 2016

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2016

The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2016-001 Lack of Subsidiary Reconciliations and Segregation of Duties (Significant Deficiency)

Recommendation: We recommend the Recorder's Office have someone review and approves all daily reconciliations of drawers by the cashiers. We further recommend that the Recorder's Office eliminate the use of manual receipt books and reconcile collections between the court system and the general ledger on an ongoing basis. If there are other areas of the City where there are separate collection procedures, we further recommend that the City review the policies around those and make sure that the proper reconciliations are taking place between the areas.

Response: Management has made changes in how the process is handled and is working to further improve the process with the current staff available.