

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the City of Gallatin Finance Director

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INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE

DIRECTORY

June 30, 2017

ELECTED OFFICIALS

Paige Brown, Mayor
Lynda Love, Council Member
William C. Hayes, Council Member
Ronald E. Mayberry, Council Member
John D. Alexander, Council Member
James W. Overton, Council Member, Vice Mayor
Steve C. Camp, Council Member
Shawn Fennell, 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



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division which is both a major fund and represents 23 percent, 21 percent, and 70 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, 2017, 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, 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), 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), 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 December 28, 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 flourish at the end.

Jackson, Tennessee
December 28, 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, 2017. 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 \$244.54 million as compared to \$225.77 million in the prior year. Of these amounts, \$54.95 million (unrestricted net position) as compared to \$47.24 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 \$18.77 million in 2017 compared to an increase of \$9.83 million in 2016.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$33.43 million, a decrease of \$944 thousand from the prior year. Approximately \$17.73 million of that total is available for spending at the government's discretion and \$12.60 million is assigned for capital projects.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$17.73 million, or 53.73% of the total general fund expenditures as compared to \$16.09 million the prior year.
- The City's total debt obligations decreased by \$3.78 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 eight 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 \$244.54 million at the close of the most recent fiscal year, as compared to \$225.77 million at the close of the previous year.

By far the largest portion of the City's net position (77.03%) 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 \$1.21 million (0.50%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$54.95 million (22.47%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 49,217,160	\$ 49,652,702	\$ 55,335,307	\$ 55,282,297	\$ 104,552,467	\$ 104,934,999
Capital assets	79,582,315	69,226,706	160,074,268	153,006,786	239,656,583	222,233,492
Total assets	<u>128,799,475</u>	<u>118,879,408</u>	<u>215,409,575</u>	<u>208,289,083</u>	<u>344,209,050</u>	<u>327,168,491</u>
Deferred outflows of resources	398,600	440,558	4,102,680	3,824,574	4,501,280	4,265,132
Long-term liabilities	28,036,063	29,577,952	43,027,287	45,705,259	71,063,350	75,283,211
Other liabilities	4,584,903	4,197,997	17,339,803	15,347,545	21,924,706	19,545,542
Total liabilities	<u>32,620,966</u>	<u>33,775,949</u>	<u>60,367,090</u>	<u>61,052,804</u>	<u>92,988,056</u>	<u>94,828,753</u>
Deferred inflows of resources	10,776,714	10,705,207	402,961	129,206	11,179,675	10,834,413
Net position:						
Net investment in capital assets	67,569,997	58,836,309	120,808,485	119,097,460	188,378,482	177,933,769
Restricted	1,205,180	593,324	7,648	7,621	1,212,828	600,945
Unrestricted	17,025,218	15,409,177	37,926,071	31,826,566	54,951,289	47,235,743
Total net position	<u>\$ 85,800,395</u>	<u>\$ 74,838,810</u>	<u>\$ 158,742,204</u>	<u>\$ 150,931,647</u>	<u>\$ 244,542,599</u>	<u>\$ 225,770,457</u>

The government's total assets and long-term liabilities increased significantly due to the 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 \$17.47 million. In the business-type activities program revenues exceeded expenses by \$9.38 million. General government revenues and transfers of \$28.43 million offset the governmental activities deficit resulting in a positive change of net position of \$10.96 million. Other business-type revenues of \$134 thousand and transfers out of \$1.70 million reduced income in the business type activities leaving a positive change in net position of \$7.81.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 7,418,973	\$ 6,069,552	\$ 99,131,412	\$ 94,763,804	\$ 106,550,385	\$ 100,833,356
Operating grants and contributions	1,275,976	1,064,123	-	-	1,275,976	1,064,123
Capital grants and contributions	8,921,557	4,790,834	3,508,042	2,490,314	12,429,599	7,281,148
General revenues:						
Property taxes	11,367,951	10,878,306	-	-	11,367,951	10,878,306
Other taxes	14,639,686	13,548,434	-	-	14,639,686	13,548,434
Other sources	727,059	342,002	134,202	152,192	861,261	494,194
Total revenues	<u>44,351,202</u>	<u>36,693,251</u>	<u>102,773,656</u>	<u>97,406,310</u>	<u>147,124,858</u>	<u>134,099,561</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	\$ 7,930,678	\$ 7,186,551	\$ -	\$ -	\$ 7,930,678	\$ 7,186,551
Public safety	14,842,150	12,701,861	-	-	14,842,150	12,701,861
Engineering	2,224,831	1,643,277	-	-	2,224,831	1,643,277
Environmental services	1,788,412	1,701,497	-	-	1,788,412	1,701,497
Public works	568,139	552,190	-	-	568,139	552,190
Highway and streets	1,174,314	1,359,004	-	-	1,174,314	1,359,004
Vehicle maintenances	549,748	459,858	-	-	549,748	459,858
Parks and recreation	4,639,151	4,361,499	-	-	4,639,151	4,361,499
Economic Development	448,193	1,622,199	-	-	448,193	1,622,199
Interest on debt	923,196	808,538	-	-	923,196	808,538
Electric	-	-	68,658,346	66,077,111	68,658,346	66,077,111
Water and Sewer	-	-	11,787,952	12,582,400	11,787,952	12,582,400
Gas	-	-	12,817,606	12,360,729	12,817,606	12,360,729
Total expenses	<u>35,088,812</u>	<u>32,396,474</u>	<u>93,263,904</u>	<u>91,020,240</u>	<u>128,352,716</u>	<u>123,416,714</u>
Revenues over/under						
expenses	9,262,390	4,296,777	9,509,752	6,386,070	18,772,142	10,682,847
In lieu of taxes in (out)	1,699,195	1,640,386	(1,699,195)	(1,640,386)	-	-
Increase in net position	10,961,585	5,937,163	7,810,557	4,745,684	18,772,142	10,682,847
Net position - beginning	74,838,810	68,901,647	150,931,647	147,042,882	225,770,457	215,944,529
Prior period adjustment	-	-	-	(856,919)	-	(856,919)
Net position - beginning - restated	<u>74,838,810</u>	<u>68,901,647</u>	<u>150,931,647</u>	<u>146,185,963</u>	<u>225,770,457</u>	<u>215,087,610</u>
Net position - ending	<u>\$85,800,395</u>	<u>\$74,838,810</u>	<u>\$158,742,204</u>	<u>\$150,931,647</u>	<u>\$244,542,599</u>	<u>\$225,770,457</u>

In governmental activities, charges for services increased \$1.35 million in 2017. Operating grants and contributions increased by \$212 thousand. Capital grants and contributions increased \$4.13 million. Other taxes increased by \$1.09 million. In the business type activities charges for services increased by \$4.37 million and costs of sales and service increased by \$2.24 million due to increased 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 2017 were greater than expenses in 2016 in the governmental activities by \$2.69 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.

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 \$17.73 million while total fund balance was \$18.67

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 53.73% of total general fund expenditures in 2017 as compared to 53.92% in 2016.

The fund balance of the City's general fund increased by \$1.35 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 \$7.81 million in 2017 as compared to \$3.89 million in 2016.

Unrestricted net position of the proprietary funds amounted to \$37.93 million as compared to \$31.83 million in the prior year. The change in net position of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$5.46 million in 2017 compared to \$2.65 million in 2016.
- Natural Gas Fund – \$910 thousand in 2017 compared to \$(406) thousand in 2016.
- Electric Fund - \$1.44 million in 2017 compared to \$1.65 million in 2016.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$5.39 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 15.97% was mainly for capital expenditures.

Actual revenues and other financing sources exceeded budgeted amounts by \$2.40 million. The largest increases were from sales tax.

Actual expenditures and transfers out were under budget by \$5.44 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 2017 the City had invested \$239.66 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 7.84%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 48 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$60.73 million as compared to \$64.51 million at the end of the prior fiscal year. Of this amount, \$24.63 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 \$124,150 and TVA weatherization contracts in the amount of \$192,342. Information on the City's long-term debt can be found in Note 4.E. beginning on page 51 of this report.

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".

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

General Fund Balance – At the end of the current fiscal year, unassigned fund balance in the general fund was \$17.81 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. 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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,983,381	\$ 37,942,725	\$ 53,926,106
Certificates of deposit	2,925,564	5,061,355	7,986,919
Investments	21,025	-	21,025
Receivables			
Interest	415,011	-	415,011
Taxes (net of allowance)	11,453,921	-	11,453,921
Accounts (net of allowance)	558,944	9,104,543	9,663,487
Fines (net of allowance)	23,889	-	23,889
Grant	46,751	-	46,751
Intergovernmental	3,447,730	-	3,447,730
Other	147,495	12,985	160,480
Prepayments and other current assets	1,503,604	52,080	1,555,684
Materials and supplies	72,673	2,884,202	2,956,875
Restricted assets:			
Cash and cash equivalents	12,617,172	7,648	12,624,820
Other receivables	-	86,272	86,272
Contracts receivable - for home weatherization program	-	183,497	183,497
Capital assets, not being depreciated			
Land	14,339,334	2,946,001	17,285,335
Construction in progress	5,771,224	2,545,696	8,316,920
Capital assets, net of accumulated depreciation			
Transmission plant	-	389,515	389,515
Distribution plant	-	114,313,005	114,313,005
General plant	-	1,620,548	1,620,548
Buildings	10,446,888	36,497,707	46,944,595
Improvements other than buildings	45,250,586	-	45,250,586
Equipment	822,422	572,678	1,395,100
Rolling stock	2,553,134	741,846	3,294,980
Office furniture and equipment	398,727	103,962	502,689
Acquisition adjustments	-	343,310	343,310
Total assets	128,799,475	215,409,575	344,209,050
Deferred outflows of resources			
Contributions to pension funds subsequent to the measurement date	-	1,040,000	1,040,000
Differences between expected and actual experience - pensions	-	17,068	17,068
Pension change of assumptions	-	737,756	737,756
Net difference between expected and actual earnings on pension plan investments	-	351,427	351,427
Loss on bond refunding	398,600	1,956,429	2,355,029
Total deferred outflows of resources	\$ 398,600	\$ 4,102,680	\$ 4,501,280

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable	\$ 836,209	\$ 13,336,028	\$ 14,172,237
Accrued expenses	291,205	253,972	545,177
Accrued interest	430,978	388,260	819,238
Customer deposits	-	3,361,543	3,361,543
Unearned revenue	50,358	-	50,358
Unearned evidence funds	71,626	-	71,626
Unearned grant revenue	6,620	-	6,620
Performance deposits	2,897,907	-	2,897,907
Long-term liabilities:			
Due within one year	1,951,662	2,322,060	4,273,722
Due in excess of one year	26,084,401	37,853,560	63,937,961
Other liabilities due in more than one year:			
OPEB liability	-	135,427	135,427
Net pension liability	-	2,716,240	2,716,240
Total liabilities	<u>32,620,966</u>	<u>60,367,090</u>	<u>92,988,056</u>
Deferred inflows of resources			
Deferred property taxes	10,776,714	-	10,776,714
Pension change of assumptions	-	402,961	402,961
Total deferred inflows of resources	<u>10,776,714</u>	<u>402,961</u>	<u>11,179,675</u>
Net Position			
Net investment in capital assets	67,569,997	120,808,485	188,378,482
Restricted for			
Workman's compensation adjustment	-	7,648	7,648
Funds held in trust	421,815	-	421,815
Environmental services	673,486	-	673,486
Drug enforcement	109,879	-	109,879
Unrestricted	17,025,218	37,926,071	54,951,289
Total net position	<u>\$ 85,800,395</u>	<u>\$ 158,742,204</u>	<u>\$ 244,542,599</u>

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 7,930,678	\$ 2,584,820	\$ 139,018	\$ 8,541,019	\$ 3,334,179	\$ -	\$ 3,334,179
Public safety	14,842,150	929,426	113,172	-	(13,799,552)	-	(13,799,552)
Engineering	2,224,831	-	-	380,538	(1,844,293)	-	(1,844,293)
Environmental services	1,788,412	1,933,356	-	-	144,944	-	144,944
Public works	568,139	-	-	-	(568,139)	-	(568,139)
Highways and streets	1,174,314	-	1,023,786	-	(150,528)	-	(150,528)
Vehicle maintenance	549,748	219,963	-	-	(329,785)	-	(329,785)
Parks and recreation	4,639,151	1,751,408	-	-	(2,887,743)	-	(2,887,743)
Economic development	448,174	-	-	-	(448,174)	-	(448,174)
Debt service	923,196	-	-	-	(923,196)	-	(923,196)
Total governmental activities	<u>35,088,793</u>	<u>7,418,973</u>	<u>1,275,976</u>	<u>8,921,557</u>	<u>(17,472,287)</u>	<u>-</u>	<u>(17,472,287)</u>
Business-type activities							
Electric	68,658,346	70,286,147	-	492,803	-	2,120,604	2,120,604
Water & Sewer	11,787,952	14,767,003	-	3,015,239	-	5,994,290	5,994,290
Gas	12,817,606	14,078,262	-	-	-	1,260,656	1,260,656
Total business-type activities	<u>\$ 93,263,904</u>	<u>\$ 99,131,412</u>	<u>\$ -</u>	<u>\$ 3,508,042</u>	<u>-</u>	<u>9,375,550</u>	<u>9,375,550</u>
General revenues							
Property taxes - levied for general government					10,867,877	-	10,867,877
In lieu of taxes - other governments					500,074	-	500,074
Sales taxes					11,064,266	-	11,064,266
Franchise taxes					466,766	-	466,766
Alcoholic beverage taxes					1,509,842	-	1,509,842
Business taxes					936,708	-	936,708
Income taxes					662,104	-	662,104
Other sources					406,502	-	406,502
Sale of capital assets					74,184	147	74,331
Unrestricted interest income					246,354	134,055	380,409
Total general revenues					<u>26,734,677</u>	<u>134,202</u>	<u>26,868,879</u>
Transfers							
In lieu of taxes in (out)					1,699,195	(1,699,195)	-
Total general revenues and transfers					<u>28,433,872</u>	<u>(1,564,993)</u>	<u>26,868,879</u>
Changes in net position					10,961,585	7,810,557	18,772,142
Net position - beginning					<u>74,838,810</u>	<u>150,931,647</u>	<u>225,770,457</u>
Net position - ending					<u>\$ 85,800,395</u>	<u>\$ 158,742,204</u>	<u>\$ 244,542,599</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,879,026	\$ -	\$ 4,104,355	\$ 15,983,381
Restricted cash and cash equivalents	-	12,617,172	-	12,617,172
Certificates of deposit	2,925,564	-	-	2,925,564
Investments	-	-	21,025	21,025
Receivables				
Interest	405,410	-	9,601	415,011
Taxes (net of allowance of \$337,846)	11,453,921	-	-	11,453,921
Accounts (net of allowance of \$1,988)	487,110	-	71,834	558,944
Fines (net of allowance of \$2,073,767)	23,889	-	-	23,889
Grants	5,571	41,180	-	46,751
Intergovernmental	3,447,730	-	-	3,447,730
Other	-	-	147,495	147,495
Inventories	54,319	-	18,354	72,673
Prepaid expense	603,959	899,645	-	1,503,604
Total assets	\$ 31,286,499	\$ 13,557,997	\$ 4,372,664	\$ 49,217,160
Liabilities				
Accounts payable	\$ 639,447	\$ 47,359	\$ 149,403	\$ 836,209
Accrued expenses	291,205	-	-	291,205
Unearned revenue	50,358	-	-	50,358
Unearned evidence funds	-	-	71,626	71,626
Unearned grant revenue	-	6,620	-	6,620
Performance deposits	-	-	2,897,907	2,897,907
Total liabilities	981,010	53,979	3,118,936	4,153,925
Deferred inflows of resources				
Unavailable property taxes	11,607,973	-	-	11,607,973
Unavailable court fines	23,854	-	-	23,854
Total deferred inflows of resources	11,631,827	-	-	11,631,827
Fund balances				
Nonspendable				
Prepays	603,959	899,645	-	1,503,604
Funds held in trust	-	-	36,025	36,025
Inventory	54,319	-	18,354	72,673
Restricted for:				
Funds held in trust	-	-	385,790	385,790
Environmental services	-	-	673,486	673,486
Drug enforcement	-	-	109,879	109,879
Economic development	-	-	7,830	7,830
Committed for:				
Economic development	284,987	-	-	284,987
Assigned for				
Capital projects	-	12,604,373	-	12,604,373
Police special projects	-	-	15,967	15,967
Cemetery	-	-	6,397	6,397
Unassigned	17,730,397	-	-	17,730,397
Total fund balances	18,673,662	13,504,018	1,253,728	33,431,408
Total liabilities, deferred inflows of resources, and fund balances	\$ 31,286,499	\$ 13,557,997	\$ 4,372,664	\$ 49,217,160

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, 2017

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

Fund balance - total governmental funds (Page 14)	\$	33,431,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		79,582,315
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		855,113
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 payable		(23,555,000)
Notes payable		(1,074,490)
Bond premiums		(1,893,435)
Compensated absences		(1,513,138)
Deferred inflows of resources, specifically deferred loss on refunding, are not due in the current period and, therefore, are not reported in the funds		398,600
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(430,978)</u>
Net position - governmental activities (Page 12)	\$	<u>85,800,395</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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 21,677,227	\$ -	\$ -	\$ 21,677,227
Licenses and permits	2,187,478	-	-	2,187,478
Intergovernmental	5,772,069	844,633	-	6,616,702
Charges for services	2,368,713	-	1,933,356	4,302,069
Fines	682,357	-	240,066	922,423
Other	654,361	143,627	86,034	884,022
Total revenues	<u>33,342,205</u>	<u>988,260</u>	<u>2,259,456</u>	<u>36,589,921</u>
Expenditures				
Current				
General government	6,620,694	102,872	-	6,723,566
Public safety	13,850,085	-	272,359	14,122,444
Engineering	2,057,560	162,424	-	2,219,984
Environmental services	-	-	1,788,412	1,788,412
Public works	324,202	6,186	-	330,388
Highways and streets	1,168,778	-	-	1,168,778
Vehicle maintenance	551,334	-	-	551,334
Parks and recreation	4,038,997	270,107	-	4,309,104
Economic development	408,427	-	37,021	445,448
Capital outlay	1,329,681	3,331,403	265,635	4,926,719
Debt service				
Principal	1,754,475	-	-	1,754,475
Interest	890,982	-	-	890,982
Other debt service expense	1,250	-	-	1,250
Total expenditures	<u>32,996,465</u>	<u>3,872,992</u>	<u>2,363,427</u>	<u>39,232,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>345,740</u>	<u>(2,884,732)</u>	<u>(103,971)</u>	<u>(2,642,963)</u>
Other financing sources (uses)				
Transfers in - in lieu of taxes	1,699,195	-	-	1,699,195
Transfers (to)/from other funds	(692,931)	62,819	630,112	-
Total other financing sources (uses)	<u>1,006,264</u>	<u>62,819</u>	<u>630,112</u>	<u>1,699,195</u>
Net changes in fund balances	1,352,004	(2,821,913)	526,141	(943,768)
Fund balances - beginning	17,321,658	16,325,931	727,587	34,375,176
Fund balances - ending	<u>\$ 18,673,662</u>	<u>\$ 13,504,018</u>	<u>\$ 1,253,728</u>	<u>\$ 33,431,408</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, 2017

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)	\$ (943,768)
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.	2,655,609
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	7,700,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	49,813
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.	1,754,745
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	111,917
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>(324,773)</u>
Change in net position of governmental activities (Page 13)	<u>\$ 10,961,585</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

Assets and deferred outflows of resources	Electric Division	Water & Sewer Division	Gas Division	Totals
Current assets				
Cash on hand	\$ -	\$ 2,230	\$ 280	\$ 2,510
Cash and cash equivalents - general	8,942,630	19,843,938	9,153,647	37,940,215
Cash and cash equivalents - restricted	7,648	-	-	7,648
Certificates of deposit	5,061,355	-	-	5,061,355
Accounts receivable - trade (net of allowance for uncollectibles)	6,876,904	648,031	1,579,608	9,104,543
Accounts receivable - other	-	5,369	7,616	12,985
Prepayments and other current assets	30,496	-	21,584	52,080
Materials and supplies	979,760	537,118	1,367,324	2,884,202
Portion of non-current receivables due within one year	41,108	-	-	41,108
Total current assets	21,939,901	21,036,686	12,130,059	55,106,646
Noncurrent assets				
Other assets				
Other receivables	86,272	-	-	86,272
Contracts receivable - for home weatherization	142,389	-	-	142,389
Total other assets	228,661	-	-	228,661
Capital assets, not being depreciated				
Land	1,585,915	1,128,639	231,447	2,946,001
Construction in progress	2,097,804	-	447,892	2,545,696
Capital assets, net of accumulated depreciation				
Transmission plant	389,515	-	-	389,515
Distribution plant	22,321,261	65,561,901	26,429,843	114,313,005
General plant	1,620,548	-	-	1,620,548
Buildings	-	35,777,657	720,050	36,497,707
Operating equipment	-	302,777	269,901	572,678
Rolling stock	-	393,174	348,672	741,846
Office furniture and equipment	-	17,151	86,811	103,962
Acquisition adjustments	343,310	-	-	343,310
Total capital assets	28,358,353	103,181,299	28,534,616	160,074,268
Total noncurrent assets	28,587,014	103,181,299	28,534,616	160,302,929
Total assets	50,526,915	124,217,985	40,664,675	215,409,575
Deferred outflows of resources				
Loss on bond refunding	-	1,956,429	-	1,956,429
Differences between expected and actual experience - pensions	17,068	-	-	17,068
Pension change of assumptions	737,756	-	-	737,756
Net difference between expected and actual earnings on pension plan investments	351,427	-	-	351,427
Contributions to pension fund	1,040,000	-	-	1,040,000
Total deferred outflows of resources	\$ 2,146,251	\$ 1,956,429	\$ -	\$ 4,102,680

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

Liabilities	Electric Division	Water & Sewer Division	Gas Division	Totals
Current liabilities				
Accounts payable	\$ 11,529,385	\$ 605,265	\$ 1,201,378	\$ 13,336,028
Other accrued expense	198,286	40,038	15,648	253,972
Accrued interest	19,113	369,147	-	388,260
Customers' deposits	3,005,723	151,295	204,525	3,361,543
Accrued leave	153,176	-	-	153,176
Current maturities of long-term debt	<u>165,258</u>	<u>2,003,626</u>	-	<u>2,168,884</u>
Total current liabilities	<u>15,070,941</u>	<u>3,169,371</u>	<u>1,421,551</u>	<u>19,661,863</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	37,138,007	-	37,138,007
Accrued leave	121,803	276,500	166,016	564,319
Net pension liability	2,716,240	-	-	2,716,240
OPEB Liability	135,427	-	-	135,427
Advances from Tennessee Valley Authority - Home Insulation Program	<u>151,234</u>	-	-	<u>151,234</u>
Total noncurrent liabilities	<u>3,124,704</u>	<u>37,414,507</u>	<u>166,016</u>	<u>40,705,227</u>
Total liabilities	<u>18,195,645</u>	<u>40,583,878</u>	<u>1,587,567</u>	<u>60,367,090</u>
Deferred inflows of resources				
Pension change of assumptions	<u>402,961</u>	-	-	<u>402,961</u>
Total deferred inflows of resources	<u>402,961</u>	-	-	<u>402,961</u>
Net position				
Net investment in capital assets	28,234,203	64,039,666	28,534,616	120,808,485
Restricted	7,648	-	-	7,648
Unrestricted	<u>5,832,709</u>	<u>21,550,870</u>	<u>10,542,492</u>	<u>37,926,071</u>
Total net position	<u>\$ 34,074,560</u>	<u>\$ 85,590,536</u>	<u>\$ 39,077,108</u>	<u>\$ 158,742,204</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, 2017

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Operating revenues				
Charges for sales and service	\$ 69,435,273	\$ 14,190,626	\$ 13,672,515	\$ 97,298,414
Forfeited discounts	247,247	150,221	-	397,468
Other operating revenue	603,627	426,156	405,747	1,435,530
Total operating revenues	<u>70,286,147</u>	<u>14,767,003</u>	<u>14,078,262</u>	<u>99,131,412</u>
Operating expenses				
Cost of sales and service	62,222,692	-	9,506,672	71,729,364
Water treatment and pumping	-	1,440,760	-	1,440,760
Transmission and distribution	1,521,502	1,280,971	1,448,698	4,251,171
Customer service and collection	766,142	570,809	450,959	1,787,910
General administration	1,590,207	1,034,904	485,531	3,110,642
Sewer collection	-	998,206	-	998,206
Sewer system rehab	-	416,753	-	416,753
Sewer treatment and disposal	-	1,397,182	-	1,397,182
Sewer pretreatment	-	82,100	-	82,100
Maintenance	837,478	-	-	837,478
Customer deposit interest	24,413	-	-	24,413
Amortization - acquisition adjustments	191,136	-	-	191,136
Provision for depreciation	1,504,776	3,206,192	925,746	5,636,714
Total operating expenses	<u>68,658,346</u>	<u>10,427,877</u>	<u>12,817,606</u>	<u>91,903,829</u>
Operating income (loss)	<u>1,627,801</u>	<u>4,339,126</u>	<u>1,260,656</u>	<u>7,227,583</u>
Nonoperating revenues (expenses)				
Interest and other income	91,304	26,718	16,033	134,055
Tap fees	-	1,270,798	-	1,270,798
Gain (loss) on sale of capital assets	-	147	-	147
Amortization of bond premiums	-	173,626	-	173,626
Amortization of loss on refunding	-	(87,805)	-	(87,805)
Interest and other expense	-	(1,445,896)	-	(1,445,896)
Total nonoperating revenues (expenses)	<u>91,304</u>	<u>(62,412)</u>	<u>16,033</u>	<u>44,925</u>
Income (loss) before transfers and contributions	<u>1,719,105</u>	<u>4,276,714</u>	<u>1,276,689</u>	<u>7,272,508</u>
Transfers and capital contributions				
Transfers out - in lieu of taxes	(769,339)	(563,081)	(366,775)	(1,699,195)
Capital contributions	492,803	1,744,441	-	2,237,244
Total transfers and capital contributions	<u>(276,536)</u>	<u>1,181,360</u>	<u>(366,775)</u>	<u>538,049</u>
Change in net position	1,442,569	5,458,074	909,914	7,810,557
Total net position - beginning	<u>32,631,991</u>	<u>80,132,462</u>	<u>38,167,194</u>	<u>150,931,647</u>
Total net position - ending	<u>\$ 34,074,560</u>	<u>\$ 85,590,536</u>	<u>\$ 39,077,108</u>	<u>\$ 158,742,204</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, 2017

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 70,038,740	\$ 15,971,900	\$ 13,521,968	\$ 99,532,608
Cash paid to suppliers of goods and services	(63,600,869)	(4,185,785)	(10,781,451)	(78,568,105)
Cash paid to employees for services	(2,545,644)	(2,808,265)	(989,718)	(6,343,627)
Interest paid on customer deposits	(24,413)	-	-	(24,413)
Net decrease in TVA loan funds receivable	112,808	-	-	112,808
Net decrease in TVA loan funds payable	(128,397)	-	-	(128,397)
Net change in customer deposits	290,600	35,295	27,550	353,445
Payments in lieu of tax	(769,339)	(563,081)	(366,775)	(1,699,195)
Net cash provided (used) by operating activities	<u>3,373,486</u>	<u>8,450,064</u>	<u>1,411,574</u>	<u>13,235,124</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	492,803	1,744,441	-	2,237,244
Principal paid on debt	(124,150)	(1,775,000)	-	(1,899,150)
Interest paid on bonds, notes and leases	-	(1,460,060)	-	(1,460,060)
Construction and acquisition of plant	(5,234,181)	(3,474,374)	(4,213,175)	(12,921,730)
Received on sale of assets	16,544	147	-	16,691
Plant removal cost	(93,929)	-	-	(93,929)
Payments on notes payable	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(4,942,913)</u>	<u>(4,964,846)</u>	<u>(4,213,175)</u>	<u>(14,120,934)</u>
Cash flows from investing activities:				
Redemption of certificates of deposit	(13,457)	-	-	(13,457)
Interest and other income	83,352	26,719	16,033	126,104
Net cash provided (used) by investing activities	<u>69,895</u>	<u>26,719</u>	<u>16,033</u>	<u>112,647</u>
Net increase (decrease) in cash and cash equivalents	(1,499,532)	3,511,937	(2,785,568)	(773,163)
Cash and cash equivalents - beginning 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 - end of year	<u>\$ 8,950,278</u>	<u>\$ 19,846,168</u>	<u>\$ 9,153,927</u>	<u>\$ 37,950,373</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	2,230	280	2,510
Unrestricted cash and cash equivalents on deposit	8,942,630	19,843,938	9,153,647	37,940,215
Restricted cash and cash equivalents on deposit	7,648	-	-	7,648
Total cash and cash equivalents	<u>\$ 8,950,278</u>	<u>\$ 19,846,168</u>	<u>\$ 9,153,927</u>	<u>\$ 37,950,373</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, 2017

	<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)	\$ 1,627,801	\$ 4,339,126	\$ 1,260,656	\$ 7,227,583
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,799,695	3,206,192	925,746	5,931,633
Payments in lieu of tax	(769,339)	(563,081)	(366,775)	(1,699,195)
Tap fees	-	1,270,798	-	1,270,798
Pension related changes	(740,073)	-	-	(740,073)
Changes in assets and liabilities:				
Accounts receivable	43,283	(65,901)	(556,294)	(578,912)
Materials and supplies	(17,631)	(37,754)	(255,202)	(310,587)
Prepayments and other current assets	(11,721)	-	(16,352)	(28,073)
TVA contracts receivable - home weatherization	112,808	-	-	112,808
Accounts payable	1,022,591	276,587	380,162	1,679,340
Other accrued expense	14,302	(33,286)	(11,183)	(30,167)
Accrued interest	3,804	-	-	3,804
Customers' deposits	290,600	35,295	27,550	353,445
Accrued leave	(9,664)	22,088	23,266	35,690
TVA contracts payable - home weatherization	(128,397)	-	-	(128,397)
Accrued post employment benefits other than pensions	135,427	-	-	135,427
Net cash provided (used) by operating activities	<u>\$ 3,373,486</u>	<u>\$ 8,450,064</u>	<u>\$ 1,411,574</u>	<u>\$ 13,235,124</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, 2017

Revenues:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Taxes:				
Property tax current	\$10,071,200	\$10,071,200	\$10,318,993	\$ 247,793
Property taxes delinquent	300,000	300,000	318,964	18,964
Property tax penalty and interest	100,000	100,000	92,140	(7,860)
Local sales tax	7,812,500	7,812,500	8,204,831	392,331
Local beer tax	835,000	835,000	1,039,560	204,560
Local liquor tax	250,000	250,000	293,464	43,464
Business tax	730,000	730,000	912,080	182,080
Privilege tax	28,000	28,000	24,628	(3,372)
Cable TV franchise fee	440,000	440,000	466,766	26,766
Special assessments	15,000	15,000	5,801	(9,199)
	<u>20,581,700</u>	<u>20,581,700</u>	<u>21,677,227</u>	<u>1,095,527</u>
Licenses and permits:				
Beer licenses	3,500	3,500	3,592	92
Building permits	580,000	580,000	1,123,920	543,920
Plumbing permits	90,000	90,000	237,283	147,283
Planning fees	142,500	142,500	345,619	203,119
Other mechanical permits	82,000	82,000	155,455	73,455
Other permits	127,000	149,259	321,609	172,350
	<u>1,025,000</u>	<u>1,047,259</u>	<u>2,187,478</u>	<u>1,140,219</u>
Intergovernmental:				
In lieu of tax - Housing authority	3,400	3,400	3,427	27
In lieu of tax - industry	57,000	57,000	74,106	17,106
State - sales tax	2,790,000	2,790,000	2,857,061	67,061
State - income tax	545,000	545,000	592,938	47,938
State - beer tax	17,000	17,000	16,645	(355)
State - mixed drink tax	115,000	115,000	160,173	45,173
State - gas and motor fuel tax	964,000	964,000	654,571	(309,429)
State - gas - 1989	-	-	104,897	104,897
State - gas - 3 cent	-	-	194,689	194,689
State - petroleum special	70,500	70,500	69,629	(871)
State - telecomm	2,500	2,500	2,374	(126)
State - TVA in lieu of tax	499,000	499,000	496,647	(2,353)
State - excise tax	45,000	45,000	69,166	24,166
State salary supplements	-	80,400	80,400	-
Other federal grants	-	-	14,808	14,808

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, 2017

	<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	\$ 1,120,000	\$ -	\$ (1,120,000)
State grant - Greenlea	-	-	374,156	374,156
Recycling Grant	-	25,000	-	(25,000)
Government Highway Safety Grant	-	-	1,854	1,854
Other state grants	28,999	28,999	4,528	(24,471)
	<u>5,697,399</u>	<u>6,362,799</u>	<u>5,772,069</u>	<u>(590,730)</u>
Charges for services:				
Admin and management services	70,755	70,755	111,015	40,260
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	11,600	11,600	7,686	(3,914)
Vehicle maintenance charges	150,000	150,000	219,963	69,963
Rent	18,300	18,300	44,648	26,348
Golf course revenue	692,000	692,000	795,658	103,658
Civic center revenue	764,250	764,250	955,750	191,500
	<u>1,951,466</u>	<u>1,951,466</u>	<u>2,368,713</u>	<u>417,247</u>
Fines and forfeitures:				
Fines and forfeitures:	433,000	513,568	408,467	(105,101)
A.C.E.S red light revenue	250,000	250,000	258,164	8,164
Drug fines	27,000	27,000	15,726	(11,274)
	<u>710,000</u>	<u>790,568</u>	<u>682,357</u>	<u>(108,211)</u>
Other:				
Miscellaneous	2,000	2,100	33,138	31,038
Sale of cemetery lots	10,000	10,000	14,000	4,000
Sale of materials	5,000	5,000	9,555	4,555
Sale of equipment	-	56,797	74,184	17,387
Donations	75,000	78,712	139,018	60,306
Insurance recoveries	-	56,175	138,112	81,937
Interest	72,500	72,500	246,354	173,854
	<u>164,500</u>	<u>281,284</u>	<u>654,361</u>	<u>373,077</u>
Total revenues	<u>\$ 30,130,065</u>	<u>\$ 31,015,076</u>	<u>\$ 33,342,205</u>	<u>\$ 2,327,129</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, 2017**

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	\$ 229,085	\$ 229,085	\$ 228,299	\$ (786)
Employee benefits and taxes	58,099	58,099	49,333	(8,766)
Officials fees	48,650	48,650	37,850	(10,800)
Printing & publications	8,350	8,350	2,857	(5,493)
Membership fees	35,000	35,000	30,324	(4,676)
Repairs and maintenance	-	2,420	2,420	-
Utilities	3,000	3,000	2,220	(780)
Other professional services	98,000	98,000	77,816	(20,184)
Travel and meals	12,500	16,000	6,765	(9,235)
Mayor's expenses	4,500	4,500	4,697	197
Council expenses	16,800	13,300	3,596	(9,704)
Office supplies	9,000	9,000	2,189	(6,811)
Payments in lieu of tax	150,000	150,000	153,868	3,868
County portion of liquor tax	90,525	90,525	64,445	(26,080)
Discounts on taxes	20,000	20,000	9,054	(10,946)
Grants, donations	2,500	2,500	3,008	508
RTA program	56,000	56,000	55,597	(403)
Prizes and awards	12,000	12,000	9,056	(2,944)
Downtown landscape and streetscape	13,035	13,035	9,662	(3,373)
Miscellaneous	32,050	32,050	3,236	(28,814)
Site development	-	30,000	-	(30,000)
	<u>899,094</u>	<u>931,514</u>	<u>756,292</u>	<u>(175,222)</u>
Finance department:				
Current:				
Salaries	337,530	337,530	330,156	(7,374)
Employee benefits and taxes	88,799	88,799	84,922	(3,877)
Postage	4,000	4,000	5,134	1,134
Printing & publications	4,000	4,000	2,788	(1,212)
Membership fees	2,500	2,500	2,462	(38)
Utilities	300	300	255	(45)
Accounting services	60,000	60,000	60,244	244
Repairs and maintenance	1,500	1,500	1,016	(484)
Operating supplies	6,500	6,500	3,328	(3,172)
Miscellaneous	350	350	(460)	(810)
Noncapital expenditures	6,500	6,500	6,782	282
Capital outlay	-	13,437	13,437	-
	<u>\$ 511,979</u>	<u>\$ 525,416</u>	<u>\$ 510,064</u>	<u>\$ (15,352)</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, 2017**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
General government:				
City recorder:				
Current:				
Salaries	\$ 298,311	\$ 364,819	\$ 317,432	\$ (47,387)
Employee benefits and taxes	95,739	106,813	82,691	(24,122)
Postage	12,000	12,000	11,633	(367)
Printing & publications	3,150	10,206	8,638	(1,568)
Membership fees	2,000	2,000	2,261	261
Utilities	900	900	23	(877)
Data processing services	19,500	19,500	16,647	(2,853)
Other professional services	3,500	3,500	3,109	(391)
Travel	3,000	3,000	1,727	(1,273)
Other contractual services	12,000	12,000	7,745	(4,255)
Office supplies	4,000	4,000	6,014	2,014
Record preservation	24,780	24,780	1,935	(22,845)
Miscellaneous	2,700	2,700	6,517	3,817
Noncapital expenditures	8,500	8,500	-	(8,500)
	<u>490,080</u>	<u>574,718</u>	<u>466,372</u>	<u>(108,346)</u>
Risk management:				
Current:				
HRA expense	130,000	130,000	122,699	(7,301)
Workers compensation	320,000	320,000	307,813	(12,187)
Building insurance	60,000	60,000	63,419	3,419
General liability	325,000	325,000	277,845	(47,155)
	<u>835,000</u>	<u>835,000</u>	<u>771,776</u>	<u>(63,224)</u>
Attorney:				
Current:				
Salaries	300,248	300,248	283,482	(16,766)
Employee benefits and taxes	80,796	80,796	71,012	(9,784)
Printing & publications	3,500	3,500	2,496	(1,004)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	12,650	12,650	8,132	(4,518)
Membership fees	4,000	4,000	3,878	(122)
Utilities	2,500	2,500	1,274	(1,226)
Legal services	20,000	20,000	40,764	20,764

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Expenditures:				<u>Over</u>
				<u>(Under)</u>
General government:				
Attorney:				
Current:				
Other professional services	10,000	10,000	(1,800)	(11,800)
Travel and meals	2,750	2,750	3,241	491
Office supplies	650	650	672	22
Educational supplies	19,551	19,551	(4,556)	(24,107)
Miscellaneous	2,500	2,500	1,238	(1,262)
Noncapital expenditures	9,100	9,100	8,305	(795)
	<u>469,545</u>	<u>469,545</u>	<u>418,138</u>	<u>(51,407)</u>
Information technology:				
Current:				
Salaries	340,504	362,134	342,632	(19,502)
Employee benefits and taxes	94,125	102,495	89,227	(13,268)
Copier expense	500	500	486	(14)
Membership fees	25,000	25,000	23,117	(1,883)
Utilities	5,100	5,100	5,438	338
Other professional services	73,275	84,498	63,104	(21,394)
Other contractual services	411,750	415,500	414,510	(990)
Office supplies	3,000	3,000	2,861	(139)
Operating supplies	10,000	10,000	7,260	(2,740)
Miscellaneous	800	800	1,663	863
Noncapital expenditures	184,115	525,268	317,584	(207,684)
Capital outlay	-	42,748	42,748	-
	<u>1,148,169</u>	<u>1,577,043</u>	<u>1,310,630</u>	<u>(266,413)</u>
Personnel:				
Current:				
Salaries	181,044	181,044	181,417	373
Employee benefits and taxes	322,905	322,905	56,955	(265,950)
Printing & publications	5,800	5,800	5,976	176
Utilities	725	725	577	(148)
Physicals	24,732	24,732	19,758	(4,974)
Professional services	500	500	658	158
Office supplies	900	900	925	25
Operating supplies	5,000	5,000	1,859	(3,141)
Miscellaneous	4,412	4,412	3,615	(797)
Noncapital expenditures	2,600	2,600	2,600	-
	<u>\$ 548,618</u>	<u>\$ 548,618</u>	<u>\$ 274,340</u>	<u>\$ (274,278)</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, 2017

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
General government:				
City Planner:				
Current:				
Salaries	\$ 446,911	\$ 446,911	\$ 425,600	\$ (21,311)
Employee benefits and taxes	133,025	133,025	116,063	(16,962)
Planning commission	14,850	14,850	14,021	(829)
Postage	500	500	720	220
Printing & publications	7,250	7,250	5,342	(1,908)
Membership fees	9,055	9,055	5,308	(3,747)
Utilities	1,200	1,200	1,592	392
Repairs and maintenance	2,000	2,000	454	(1,546)
Other Professional Services	1,500	1,500	22	(1,478)
Office supplies	4,250	4,250	3,555	(695)
Gas, oil, diesel, etc.	1,300	1,300	316	(984)
Miscellaneous	1,220	1,220	2,271	1,051
Noncapital expenditures	15,800	233,550	8,542	(225,008)
	<u>638,861</u>	<u>856,611</u>	<u>583,806</u>	<u>(272,805)</u>
General government buildings:				
Current:				
Salaries	262,509	262,509	247,686	(14,823)
Employee benefits and taxes	94,502	94,502	83,843	(10,659)
Utilities	78,400	78,400	80,691	2,291
Repairs and maintenance	28,500	28,500	25,940	(2,560)
Other contractual services	20,000	20,000	19,077	(923)
Inmate crew expense	17,000	17,000	12,043	(4,957)
Small equipment	1,500	1,500	1,331	(169)
Operating supplies	9,700	9,700	9,414	(286)
Janitorial supplies	8,500	8,500	8,724	224
Gas, oil, diesel, etc.	9,500	9,500	6,080	(3,420)
Miscellaneous	2,500	2,500	758	(1,742)
Noncapital expenditures	136,500	136,500	63,611	(72,889)
	<u>\$ 669,111</u>	<u>\$ 669,111</u>	<u>\$ 559,198</u>	<u>\$ (109,913)</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, 2017

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
General government:				
Codes:				
Current:				
Salaries	\$ 512,695	\$ 599,645	\$ 544,717	\$ (54,928)
Employee benefits and taxes	173,868	208,850	163,054	(45,796)
Postage	500	500	99	(401)
Printing & publications	10,600	11,400	5,625	(5,775)
Membership fees	3,500	3,500	3,589	89
Utilities	6,500	6,500	7,828	1,328
Repairs and maintenance	4,000	4,000	2,157	(1,843)
Other Professional Services	10,000	10,000	1,417	(8,583)
Office supplies	4,000	4,800	4,884	84
Gas, oil, diesel, etc.	10,000	10,000	8,870	(1,130)
Miscellaneous	11,200	11,200	18,455	7,255
Noncapital expenditures	7,500	32,432	35,888	3,456
Capital outlay	-	17,500	17,500	-
	754,363	920,327	814,083	(106,244)
Community services:				
Current:				
July 4th celebration	20,000	20,000	17,680	(2,320)
Appropriations to non profits	232,000	232,000	212,000	(20,000)
	252,000	252,000	229,680	(22,320)
Total general government	7,216,820	8,159,903	6,694,379	(1,465,524)
Public safety:				
Police:				
Current:				
Salaries	5,045,061	5,142,515	4,923,699	(218,816)
Employee benefits and taxes	1,709,431	1,718,964	1,576,048	(142,916)
Postage	3,000	3,000	3,219	219
Printing & publications	32,400	32,400	29,401	(2,999)
Membership fees	35,250	35,250	48,349	13,099
Public relations	1,500	1,500	926	(574)
Utilities	91,000	91,000	80,634	(10,366)
Physicals	8,000	8,000	12,098	4,098
Data processing services	30,000	30,000	21,861	(8,139)
Repairs and maintenances	89,500	89,500	126,842	37,342

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, 2017

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
Public safety:				
Police:				
Current:				
Travel	\$ 8,000	\$ 8,000	\$ 3,714	\$ (4,286)
Other contractual services	40,000	40,000	30,377	(9,623)
Inmate crew expense	1,500	1,500	917	(583)
Reserve officers expense	10,000	10,000	7,000	(3,000)
Office supplies	5,100	5,100	5,732	632
Small office equipment	3,000	3,000	2,201	(799)
Operating supplies	40,750	40,750	34,189	(6,561)
Janitorial supplies	5,000	5,000	5,049	49
Clothing and uniforms	35,300	35,300	47,601	12,301
Fire arm supplies	20,000	20,000	19,851	(149)
Other operating supplies	3,000	3,000	1,525	(1,475)
Gas, oil, diesel, etc.	170,500	170,500	145,228	(25,272)
Other supplies	3,000	3,000	2,241	(759)
Traffic light camera expense	125,000	125,000	121,818	(3,182)
Other grants and donations	71,500	240,023	196,095	(43,928)
Noncapital expenditures	132,099	422,934	364,727	(58,207)
Capital outlay	-	49,338	49,338	-
	<u>7,718,891</u>	<u>8,334,574</u>	<u>7,860,680</u>	<u>(473,894)</u>
Fire department:				
Current:				
Salaries	4,081,040	4,146,740	4,044,933	(101,807)
Employee benefits and taxes	1,393,759	1,404,259	1,315,130	(89,129)
Radio and television services	5,000	5,000	3,911	(1,089)
Printing & publications	3,050	3,050	2,130	(920)
Membership fees	40,000	42,259	94,273	52,014
Utilities	47,500	47,500	50,159	2,659
Physicals	5,500	5,500	11,332	5,832
Repairs and maintenance	79,500	79,500	112,798	33,298
Travel	17,500	17,500	13,125	(4,375)
Other contractual services	14,000	14,000	25,998	11,998
Office supplies	2,000	2,000	1,553	(447)
Small office equipment	4,500	4,500	1,984	(2,516)
Operating supplies	20,000	20,000	18,983	(1,017)
Janitorial supplies	8,000	8,000	6,315	(1,685)
Clothing and uniforms	15,000	35,000	30,807	(4,193)
Fire prevention supplies	8,500	8,500	8,113	(387)

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, 2017

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Fire department:				
Current:				
Gas, oil, diesel, etc.	\$ 50,000	\$ 50,000	\$ 53,087	\$ 3,087
Miscellaneous	3,750	3,750	1,919	(1,831)
Noncapital expenditures	109,900	266,115	242,193	(23,922)
Capital outlay	-	25,000	25,000	-
	5,908,499	6,188,173	6,063,743	(124,430)
Total public safety	13,627,390	14,522,747	13,924,423	(598,324)
Engineering:				
Current:				
Salaries	405,536	405,536	400,805	(4,731)
Employee benefits and taxes	136,021	136,021	119,040	(16,981)
Printing	2,000	2,000	808	(1,192)
Licenses	3,500	3,500	1,678	(1,822)
Membership fees	1,900	1,900	1,241	(659)
Utilities	1,700	1,700	2,631	931
Street lights	315,000	315,000	293,877	(21,123)
Professional services	35,000	35,000	30,384	(4,616)
Repairs and maintenance	3,000	4,521	4,045	(476)
Other contractual services	20,000	20,000	3,384	(16,616)
Office supplies	2,000	2,000	1,220	(780)
Operating supplies	20,750	27,215	22,559	(4,656)
Gas, oil, diesel, etc.	3,500	3,500	2,680	(820)
Permit fees	3,460	3,460	3,460	-
Miscellaneous	3,435	153,435	707	(152,728)
Noncapital expenditures	1,414,500	2,834,291	1,169,041	(1,665,250)
Capital outlay	-	1,058,398	1,058,398	-
Total engineering	\$ 2,371,302	\$ 5,007,477	\$ 3,115,958	\$ (1,891,519)

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, 2017

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Public works:				
Current:				
Salaries	\$ 157,053	\$ 194,005	\$ 163,503	\$ (30,502)
Employee benefits and taxes	38,207	47,915	41,180	(6,735)
Utilities	600	600	669	69
Repairs and maintenance	3,500	3,500	5,507	2,007
Gas, oil, diesel, etc.	6,000	6,000	3,726	(2,274)
Miscellaneous	9,050	12,861	11,796	(1,065)
Noncapital expenditures	296,500	333,209	97,821	(235,388)
Capital outlay	-	37,120	37,120	-
Total public works	510,910	635,210	361,322	(273,888)
Highways and streets:				
Current:				
Salaries	767,981	731,029	615,502	(115,527)
Employee benefits and taxes	297,105	287,397	205,578	(81,819)
Utilities	13,200	13,200	14,355	1,155
Physicals	1,000	1,000	3,188	2,188
Repairs and maintenance	148,000	173,300	136,519	(36,781)
Travel	1,000	1,000	562	(438)
Other contractual services	1,250	1,250	1,967	717
Operating supplies	5,400	5,400	3,683	(1,717)
Agricultural and horticultural supplies	4,000	4,000	4,143	143
Janitorial supplies	1,000	1,000	948	(52)
Clothing and uniforms	6,500	6,500	4,353	(2,147)
Other operating supplies	1,500	1,500	1,977	477
Gas, oil, diesel, etc.	70,000	70,000	49,654	(20,346)
Consumable tools	3,500	3,500	4,438	938
Sign parts and supplies	25,000	25,000	21,482	(3,518)
Demolition and mowing	10,000	10,000	10,850	850
Other supplies	1,500	1,500	1,543	43
Crushed stone	10,000	10,000	419	(9,581)
Salt	30,000	30,000	14,842	(15,158)
Drainage material	40,000	40,000	33,134	(6,866)
Miscellaneous	4,150	4,150	2,883	(1,267)
Noncapital expenditures	71,000	244,664	36,758	(207,906)
Capital outlay	-	6,800	6,800	-
Total highways and streets	\$ 1,513,086	\$ 1,672,190	\$ 1,175,578	\$ (496,612)

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, 2017

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Vehicle maintenance:				
Current:				
Salaries	\$ 238,509	\$ 238,509	\$ 237,819	\$ (690)
Employee benefits and taxes	77,413	77,413	76,344	(1,069)
Utilities	11,500	11,500	12,065	565
Repairs and maintenance	159,000	159,000	217,022	58,022
Operating supplies	3,000	3,000	2,216	(784)
Clothing and uniforms	1,400	1,400	1,484	84
Maintenance supplies	1,000	1,000	251	(749)
Gas, oil, diesel, etc.	6,000	6,000	2,770	(3,230)
Miscellaneous	3,300	3,300	1,363	(1,937)
Capital outlay	-	48,000	-	(48,000)
	501,122	549,122	551,334	2,212
Parks and recreation				
Civic Center:				
Current:				
Salaries	\$ 480,844	530,844	\$ 604,086	73,242
Employee benefits and taxes	110,114	113,864	109,870	(3,994)
Postage	2,100	2,100	2,110	10
Printing and publications	6,000	6,000	2,492	(3,508)
Utilities	240,650	240,650	163,730	(76,920)
Professional services	5,000	5,000	-	(5,000)
Employee physicals	1,000	1,000	2,052	1,052
Repairs and maintenance	67,000	67,000	52,907	(14,093)
Other contractual services	120,000	120,000	86,120	(33,880)
Operating supplies	60,500	70,500	62,133	(8,367)
Food	40,000	60,000	48,861	(11,139)
Janitorial supplies	12,000	12,000	11,954	(46)
Miscellaneous	9,500	14,500	8,870	(5,630)
Noncapital expenditures	47,000	111,580	51,365	(60,215)
Capital outlay	-	18,876	18,876	-
	\$ 1,201,708	\$ 1,373,914	\$ 1,225,426	\$ (148,488)

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, 2017**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Golf course:				
Current:				
Salaries	398,440	398,440	387,245	\$ (11,195)
Employee benefits and taxes	117,679	117,679	107,775	\$ (9,904)
Printing and publications	2,200	2,200	542	(1,658)
Membership fees	1,800	1,800	2,237	437
Utilities	32,300	32,300	32,024	(276)
Physicals	400	400	411	11
Repairs and maintenance	7,500	7,500	1,959	(5,541)
Other contractual services	98,000	98,000	97,892	(108)
Items for resale	25,000	25,000	15,617	(9,383)
Operating supplies	20,500	20,500	28,258	7,758
Agricultural and horticultural supplies	76,000	76,000	38,223	(37,777)
Food	35,000	35,000	33,333	(1,667)
Clothing and uniforms	3,000	3,000	3,412	412
Gas, oil, diesel, etc.	18,000	18,000	11,939	(6,061)
Other equipment parts	30,000	30,000	33,442	3,442
Repair parts for water/sewer lines	4,000	4,000	5,409	1,409
Other repair supplies	1,500	1,500	14	(1,486)
Beer for resale	15,000	15,000	13,292	(1,708)
Discount credit card	12,000	12,000	14,968	2,968
Miscellaneous	250	250	-	(250)
Noncapital expenditures	9,000	29,234	24,111	(5,123)
Capital outlay	-	35,766	35,766	-
	907,569	963,569	887,869	(75,700)
Parks:				
Current:				
Salaries	1,175,106	1,125,106	1,100,208	(24,898)
Employee benefits and taxes	341,084	337,334	340,275	2,941
Printing and publication	4,500	4,500	3,991	(509)
Memberships	1,250	1,250	1,617	367
Public relations	15,000	15,000	13,224	(1,776)
Utilities	120,000	120,000	111,775	(8,225)
Repairs and maintenance	56,000	56,000	53,739	(2,261)
Travel	2,500	2,500	2,660	160
Other contractual services	12,500	12,500	12,393	(107)
Inmate crew meals	10,000	10,000	7,941	(2,059)
Small equipment	9,100	9,100	10,589	1,489
Operating supplies	131,500	131,500	110,103	(21,397)
Agricultural and horticultural supplies	25,000	25,000	17,006	(7,994)
Food	64,000	64,000	42,622	(21,378)

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, 2017**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Parks:				
Gas, oil, diesel, etc.	64,500	64,500	55,277	(9,223)
Miscellaneous	4,300	4,300	1,102	(3,198)
Noncapital expenditures	240,000	393,293	95,822	(297,471)
Capital outlay	-	24,698	24,698	-
	<u>2,276,340</u>	<u>2,400,581</u>	<u>2,005,042</u>	<u>(395,539)</u>
Total parks and recreation	<u>4,385,617</u>	<u>4,738,064</u>	<u>4,118,337</u>	<u>(619,727)</u>
Economic development agency:				
Current:				
Salaries	206,592	206,592	207,639	1,047
Employee benefits and taxes	57,151	57,151	54,901	(2,250)
Printing & publications	22,250	22,250	26,652	4,402
Membership fees	16,000	16,000	13,324	(2,676)
Public relations	28,000	32,301	30,229	(2,072)
Utilities	2,300	2,300	1,866	(434)
Repairs and maintenance	1,000	1,000	1,576	576
Professional services	40,000	40,000	28,506	(11,494)
Travel	10,000	10,000	8,796	(1,204)
Sundry	-	13,200	13,200	-
Office supplies	2,000	2,000	1,989	(11)
Industrial Development Board	5,400	5,400	18,511	13,111
Gas, oil, diesel, etc.	2,000	2,000	1,037	(963)
Miscellaneous	350	350	201	(149)
	<u>393,043</u>	<u>410,544</u>	<u>408,427</u>	<u>(2,117)</u>
Economic Development Utility				
Current:				
Professional Services	30,000	30,000	-	(30,000)
Repairs and maintenance	15,000	15,000	-	(15,000)
Grants and donations	7,500	7,500	-	(7,500)
Noncapital expenditures	22,500	22,500	-	(22,500)
	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>(75,000)</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Expenditures:				
Debt service:				
Principal	1,754,475	1,754,475	1,754,475	-
Interest	890,982	890,982	890,982	-
Bond fees	1,400	1,400	1,250	(150)
	<u>2,646,857</u>	<u>2,646,857</u>	<u>2,646,707</u>	<u>(150)</u>
Total expenditures	<u>33,241,147</u>	<u>38,417,114</u>	<u>32,996,465</u>	<u>(5,420,649)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,111,082)	(7,402,038)	345,740	7,747,778
Other financing sources (uses)				
In lieu of tax payments - utility	1,627,000	1,627,000	1,699,195	72,195
Transfers out	(496,601)	(708,264)	(692,931)	15,333
Total other financing sources (uses)	<u>1,130,399</u>	<u>918,736</u>	<u>1,006,264</u>	<u>87,528</u>
Net changes in fund balances	<u>\$ (1,980,683)</u>	<u>\$ (6,483,302)</u>	1,352,004	<u>\$ 7,835,306</u>
Fund balance - beginning			<u>17,321,658</u>	
Fund balance - ending			<u>\$ 18,673,662</u>	

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, 2017

Assets	
Cash and cash equivalents	\$ 270,032
Receivables:	
Employee contributions	5,012
Investment income	32,157
Investments:	
Certificates of deposit	451,951
Mutual funds	1,323,158
US government and municipal obligations	1,121,190
Corporate bonds and debentures	2,788,901
Common stocks	<u>2,393,144</u>
Total assets	<u>8,385,545</u>
Liabilities	
Payables:	
Trustee/Custody fees	209
Investment management fees	<u>9,811</u>
Total liabilities	<u>10,020</u>
Net position restricted for pensions	<u>\$ 8,375,525</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, 2017

Additions

Contributions:

Employees	\$ 62,487
Employer	<u>1,040,000</u>
Total contributions	<u>1,102,487</u>

Investment income:

Net depreciation in fair value of investments	462,393
Interest and dividends	<u>200,939</u>
	663,332
Less: investment fees	<u>(39,030)</u>
Net investment gain	<u>624,302</u>

Total additions 1,726,789

Deductions

Benefit payments	<u>482,369</u>
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Total deductions 482,369

Change in net position 1,244,420

Total net position - beginning 7,131,105

Total net position - ending \$ 8,375,525

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, water and sewer, electricity, gas, 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, 2017

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 capital projects fund focuses on project-to-date costs for many projects within the City.

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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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
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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 by classified full-time employees according to the following schedule:

<u>Years Service</u>	<u>Annual Vacation Leave</u>
0 - 1 years	5 days
2 - 5 years	10 days
6 - 10 years	12 days
11 - 15 years	15 days
16 - 18 years	18 days
19 or more years	21 days

Sick leave is accumulated at the rate of one day per month (same 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
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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 of 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, unavailable court fines revenue, 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 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

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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. The City currently has not implemented this standard due to the fact that the City is not funding a trust related to OPEB.

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 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. The City will implement this standard for the fiscal year ending June 30, 2018.

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.

CITY OF GALLATIN, TENNESSEE
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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 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

CITY OF GALLATIN, TENNESSEE
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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 \$2,655,609 difference are as follows:

Capital outlay	\$ 4,926,719
Depreciation expense	<u>(2,271,110)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,655,609</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 \$49,813 difference are as follows:

Change in deferred property taxes	\$ 57,873
Change in deferred red light revenue	7,003
Change in deferred grant revenue	(3,614)
Change in interest revenue	<u>(11,449)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 49,813</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:

CITY OF GALLATIN, TENNESSEE
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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 hearings 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. The Special Services fund's expenditures were over budget by \$5,355 in the current fiscal year.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2017, the City of Gallatin, Tennessee's Electric Department had \$7,986,919 and the General fund had \$2,925,564 invested in certificates of deposit with local financial institutions. As of June 30, 2017, the cemetery trust fund had unrated stock investments with no maturity.

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, 2017, all bank deposits were fully collateralized or insured.

CITY OF GALLATIN, TENNESSEE
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June 30, 2017

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	\$ 11,791,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,791,767
Interest	405,410	-	-	-	-	9,601	415,011
Accounts	489,098	-	6,876,904	795,659	1,623,940	97,913	9,883,514
Fines	2,097,656	-	-	-	-	-	2,097,656
Grants	5,571	41,180	-	-	-	-	46,751
Intergovernmental	3,447,730	-	-	-	-	-	3,447,730
Other	-	-	-	5,369	7,616	147,495	160,480
Gross receivables	<u>18,237,232</u>	<u>41,180</u>	<u>6,876,904</u>	<u>801,028</u>	<u>1,631,556</u>	<u>255,009</u>	<u>27,842,909</u>
Less: Allowance for uncollectibles	<u>(2,413,601)</u>	<u>-</u>	<u>-</u>	<u>(147,628)</u>	<u>(44,332)</u>	<u>(26,079)</u>	<u>(2,631,640)</u>
Net total receivable	<u>\$ 15,823,631</u>	<u>\$ 41,180</u>	<u>\$ 6,876,904</u>	<u>\$ 653,400</u>	<u>\$ 1,587,224</u>	<u>\$ 228,930</u>	<u>\$ 25,211,269</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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 481,566	\$ -
Interest and penalty on property taxes receivable	349,693	-
2017 property tax assessment	10,776,714	-
Grants	-	6,620
Drug fund revenue held	-	121,984
Court fines	23,854	-
Total unavailable revenue for fund financial statements	<u>\$ 11,631,827</u>	<u>\$ 128,604</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 14,145,875	\$ 193,459	\$ -	\$ -	\$ 14,339,334
Construction in progress	3,303,191	2,468,033	-	-	5,771,224
Total capital assets, not being depreciate	<u>17,449,066</u>	<u>2,661,492</u>	<u>-</u>	<u>-</u>	<u>20,110,558</u>

CITY OF GALLATIN, TENNESSEE
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Capital assets being depreciated:					
Buildings	15,623,076	1,580,602	-	-	17,203,678
Improvements other than buildings	50,669,223	7,895,759	-	-	58,564,982
Vehicles	12,202,217	368,375	-	-	12,570,592
Office equipment	2,237,742	70,674	-	-	2,308,416
Equipment	3,566,275	49,817	-	-	3,616,092
Total capital assets being depreciated	<u>84,298,533</u>	<u>9,965,227</u>	<u>-</u>	<u>-</u>	<u>94,263,760</u>
Less accumulated depreciation for:					
Buildings and improvements	6,401,448	355,342	-	-	6,756,790
Improvements other than buildings	12,402,604	911,792	-	-	13,314,396
Vehicles	9,346,707	670,751	-	-	10,017,458
Office equipment	1,705,866	203,823	-	-	1,909,689
Equipment	2,664,268	129,402	-	-	2,793,670
Total accumulated depreciation	<u>32,520,893</u>	<u>2,271,110</u>	<u>-</u>	<u>-</u>	<u>34,792,003</u>
Total capital assets being depreciated, net	<u>51,777,640</u>	<u>7,694,117</u>	<u>-</u>	<u>-</u>	<u>59,471,757</u>
Governmental activities capital assets, net	<u>\$ 69,226,706</u>	<u>\$ 10,355,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,582,315</u>
	Beginning				Ending
	Balance	Additions	Disposal	Transfers	Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,774,443	\$ 171,558	\$ -	\$ -	\$ 2,946,001
Construction in progress	712,106	1,931,485	-	(97,895)	2,545,696
Total capital assets, not being depreciated	<u>3,486,549</u>	<u>2,103,043</u>	<u>-</u>	<u>(97,895)</u>	<u>5,491,697</u>
Capital assets being depreciated:					
Transmission plant	744,228	39,824	3,147	-	780,905
Distribution plant	184,384,435	10,135,739	250,396	97,893	194,367,671
General plant	3,571,912	400,500	59,481	-	3,912,931
Buildings	43,110,257	-	-	-	43,110,257
Operating equipment	2,675,265	52,686	-	-	2,727,951
Rolling stock	2,992,969	157,829	-	-	3,150,798
Office furniture and equipment	673,821	32,109	-	-	705,930
Total capital assets being depreciated	<u>238,152,887</u>	<u>10,818,687</u>	<u>313,024</u>	<u>97,893</u>	<u>248,756,443</u>
Less accumulated depreciation for:					
Transmission plant	374,852	21,883	5,345	-	391,390
Distribution plant	76,166,210	4,220,614	332,158	-	80,054,666
General plant	2,147,055	198,235	52,907	-	2,292,383
Buildings	5,667,763	944,787	-	-	6,612,550
Operating equipment	2,062,902	92,371	-	-	2,155,273
Rolling stock	2,166,875	242,077	-	-	2,408,952
Office furniture and equipment	581,439	20,529	-	-	601,968
Total accumulated depreciation	<u>89,167,096</u>	<u>5,740,496</u>	<u>390,410</u>	<u>-</u>	<u>94,517,182</u>
Total capital assets being depreciated, net	<u>148,985,791</u>	<u>5,078,191</u>	<u>(77,386)</u>	<u>97,893</u>	<u>154,239,261</u>
Business-type activities capital assets, net	<u>\$ 152,472,340</u>	<u>\$ 7,181,234</u>	<u>\$ (77,386)</u>	<u>\$ (2)</u>	<u>\$ 159,730,958</u>
Total capital assets, net	<u>\$ 221,699,046</u>	<u>\$ 17,536,843</u>	<u>\$ (77,386)</u>	<u>\$ (2)</u>	<u>\$ 239,313,273</u>

CITY OF GALLATIN, TENNESSEE
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Included in the additions for the governmental activities are \$7,700,000 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 \$2,012,224 for an ending balance of \$334,310.

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

Governmental activities:	
General government	\$ 1,281,456
Public safety	472,567
Environmental services	1,000
Highways and streets	208,689
Parks and recreation	307,398
Total depreciation expense - governmental activities	<u>\$2,271,110</u>
Business-type activities:	
Electric	\$ 1,504,776
Water and sewer	3,206,192
Gas	925,746
Electric charged to other accounts	103,782
Total depreciation expense - business-type activities	<u>\$5,740,496</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, 2017:

Transfers From	Transfers To	Amount
General Fund	Environmental Services Fund	\$ 611,601
General Fund	Industrial Development Board	18,511
General Fund	Capital Projects	62,819
Water and Sewer Fund	General Fund	563,081
Gas Fund	General Fund	366,775
Electric Fund	General Fund	769,339
Total		2,392,126
Governmental fund activities eliminated		(692,931)
Total government-wide		<u>\$ 1,699,195</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 funding their post-closure expense commitment related to the Capps Gap landfill.
- The transfer between the general fund and the Industrial Development Board fund is to fund the operations of the IDB during the current fiscal year.

CITY OF GALLATIN, TENNESSEE
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- The transfer between the general fund and the capital projects fund was related to a called performance bond for infrastructure work at Newman Downs subdivision.
- 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, 2017, is comprised of the following:

Bonds Payable

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%	12,945,000
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>10,610,000</u>
Total bonds payable	<u>23,555,000</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%	895,000
Note with Sumner County Board of Education to pay liquor tax collections that should have been transferred as collected in prior years	<u>179,490</u>
Total notes payable	<u>1,074,490</u>
Total general long-term debt	<u>\$ 24,629,490</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2017, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2017, is comprised of the following:

Notes Payable

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 124,150
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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%	192,342
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CITY OF GALLATIN, TENNESSEE
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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%	23,560,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, due in annual installments from \$265,000 to \$570,000 through August 2030, interest at 2.00% to 5.00%	4,325,000
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>7,900,000</u>
Total proprietary long-term debt	<u><u>\$ 36,101,492</u></u>

The aforementioned notes are secured by the full faith and credit of the City. During 2017, 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, 2017, are as follows:

Year Ending June 30,	Electric Department		Notes		Bonds		Total	
	Notes and Contracts		Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 165,258	\$ 15,938	\$ 524,745	\$ 40,306	\$ 3,145,000	\$ 2,225,585	\$ 3,835,003	\$ 2,281,829
2019	41,108	10,587	549,745	21,275	3,065,000	2,113,236	3,655,853	2,145,098
2020	41,108	7,709	-	-	3,130,000	2,007,160	3,171,108	2,014,869
2021	41,108	4,831	-	-	3,220,000	1,894,136	3,261,108	1,898,967
2022	27,910	1,954	-	-	3,295,000	1,805,810	3,322,910	1,807,764
2023-2027	-	-	-	-	18,205,000	6,995,171	18,205,000	6,995,171
2028-2032	-	-	-	-	17,210,000	3,574,985	17,210,000	3,574,985
2033-2037	-	-	-	-	7,200,000	711,779	7,200,000	711,779
2038-2039	-	-	-	-	870,000	67,650	870,000	67,650
	<u>\$ 316,492</u>	<u>\$ 41,019</u>	<u>\$ 1,074,490</u>	<u>\$ 61,581</u>	<u>\$ 59,340,000</u>	<u>\$ 21,395,512</u>	<u>\$ 60,730,982</u>	<u>\$ 21,498,112</u>

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, 2017, was as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 1,579,235	\$ -	\$ 504,745	\$ 1,074,490	\$ 524,745
General obligation bonds	24,805,000	-	1,250,000	23,555,000	1,315,000
Premium on bond issue	2,005,352	-	111,917	1,893,435	111,917
Compensated absences	1,188,364	324,774	-	1,513,138	-
	<u>\$ 29,577,951</u>	<u>\$ 324,774</u>	<u>\$ 1,866,662</u>	<u>\$ 28,036,063</u>	<u>\$ 1,951,662</u>
Business-type activities:					
Notes payable	\$ 248,300	\$ -	\$ 124,150	\$ 124,150	\$ 124,150
TVA winterization contracts	320,739	-	128,397	192,342	41,108
Revenue and tax bonds	37,560,000	-	1,775,000	35,785,000	1,830,000
Premium on bond issue	3,530,259	-	173,626	3,356,633	173,626
Compensated absences	681,805	35,690	-	717,495	153,176
	<u>\$ 42,341,103</u>	<u>\$ 35,690</u>	<u>\$ 2,201,173</u>	<u>\$ 40,175,620</u>	<u>\$ 2,322,060</u>

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 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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, outstanding bonds considered as defeased were as follows:

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, 2017, 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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

The Authority as of June 30, 2017, which is the latest available financial statement date, has net investment in capital assets in the amount of \$1,388,162 and an unrestricted net deficit of (\$1,282,276) as compared to \$1,552,223 and (\$2,280,126) for the year 2015. During 2017, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$567,476 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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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. Employees are not eligible to participate until after one year of employment. The vesting of employer contributions increases from 20% in year 1, with 20% annual increases until contributions are 100% vested after 5 years in the plan. If an employee leaves employment before the vesting period is complete, the forfeiture is put into a forfeiture account that can be used to pay expenses related to the plan. At calendar year-end, any unused forfeitures are distributed pro-rata to the other members of the plan.

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 \$1,511,580 on behalf of the employees during calendar year 2017.

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, 2016 the plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	5
Active employees	29
	<hr/> 50 <hr/>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 20.41% of annual covered payroll. The Department contributed \$666,994 applicable to FY 2016, of which \$666,994 was contributed by end of the fiscal year.

Net Pension Liability

The Electric Department's net pension liability was measured as of June 30, 2016, 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, 2016 were as follows:

Social Security Wage Base Increase	2.50 percent per year
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-2016.

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:

<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 60%	2.66%
S&P 500 Index	Up to 40%	7.75%

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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

	<u>Changes in Net Pension Liability</u>		
		Increase (Decrease)	
	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a) - (b)
Balances of 6/30/15	\$ 9,937,136	\$ 6,691,736	\$ 3,245,400
Changes for the year:			
Service Cost	165,004	-	165,004
Interest	659,028	-	659,028
Difference in expected & actual experience	-	-	-
Contributions - Employer	-	666,994	(666,994)
Contributions - Employee	-	65,855	(65,855)
Net Investment Income	-	185,887	(185,887)
Benefit payments	(445,233)	(445,233)	-
Change of assumptions	(468,590)	-	(468,590)
Administrative expense	-	(34,134)	34,134
Net Changes	<u>(89,791)</u>	<u>439,369</u>	<u>(529,160)</u>
Balances as of 6/30/16	<u>\$ 9,847,345</u>	<u>\$ 7,131,105</u>	<u>\$ 2,716,240</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, 2016.

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	\$ 11,095,975	\$ 9,847,345	\$ 8,795,418
Plan Fiduciary Net Position	\$ 7,131,105	\$ 7,131,105	\$ 7,131,105
Net Pension Liability	\$ 3,964,870	\$ 2,716,240	\$ 1,664,313

Pension Expense

<u>Components of Pension Expense</u>	<u>2016</u>
Service Cost	\$ 165,004
Interest on TPL	659,028
Difference between Expected & Actual Experience	1,940
Change of Assumptions	18,207
Employee Contributions	(65,855)
Projected Earnings on Assets	(477,143)
Difference between Expected & Actual Earnings	83,369
Pension Plan administrative expense	34,134
Total Expense	<u>\$ 418,684</u>

The total expense represents the amount of pension expense recognized in the FY 2017 financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Deferred Outflow of Resources and Deferred Inflow of Resources

For the year ended June 30, 2017, 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	\$ 17,068	\$ -
Change of assumptions	737,756	402,961
Difference between expected and actual earnings on pension plan investments	351,427	-
Totals to be amortized	1,106,251	402,961
Contributions made subsequent to the measurement date	1,040,000	-
	\$ 2,146,251	\$ 402,961

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	\$ 163,459
2018	231,468
2019	123,797
2020	31,813
2021	31,813
Thereafter	120,940

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 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 Gallatin Department of Electricity, P.O. Box 1555, Gallatin, TN 37066 or by calling 1-615-452-5152.

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 \$41,783 and the actual amount contributed was \$25,113.

Annual Cost

For 2017, the Electric Department's annual cost of \$25,113 was less than the Departments actuarial required contribution of \$41,783. The required contribution was determined as part of the July 1, 2016 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 1.80 percent of annual covered payroll.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Trend Information

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Obligation
6/30/2017	\$ 41,783	60.10%	\$ 135,427
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
Normal cost			\$ 7,144
30 year amortization of accrued liability			33,737
Interest at 3%			902
Total at end of year with interest			<u>41,783</u>
Expected benefit payments			25,113
Net post-employment obligation for the year			<u>\$ 16,670</u>

The actuarial required contribution is composed of the following:

Funding State and Funding Progress	
Actuarial accrued liability (AAL)	\$ 527,658
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 527,658</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	2,080,728
UAAL as a percentage of covered payroll	25.40%

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$527 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$527 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$2.08 million, and the ratio of the UAAL to the covered payroll was 25.40 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.

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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

G. Tax Abatements

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with several companies in the current fiscal year:

<u>Entity and Terms</u>	<u>Percentage of Taxes Abated During Year Ended June 30, 2017</u>	<u>Amount of Taxes Abated during Year Ended June 30, 2017</u>
NHC Healthcare- Sumner LLC - Effective May 2016 with a 100% real and personal property tax reduction; Real property tax abatement reduces by 10% annually from 2018 - 2021, 20% annually from 2022-2024, which will result in a full property tax payment while personal property tax will be zero through 2018	100% Real and Personal Property	96,308
American Colors, Inc. - Effective December 28, 2015 with a 100% real and personal property tax reduction; Real property tax abatement changes to 50% abatement for tax years 2017 & 2018, 20% in 2019, and no abatement in 2020; Personal property tax is 50% in 2017 and then no abatement in future years.	100% Real and Personal Property	9,324
Bradford Company - Effective April 13, 2016 with a 100% real and personal property tax reduction; Real property changes to 50% in 2019 - 2020, 40% in 2021, 30% in 2022, 20% in 2023, and no abatements thereafter; Personal property taxes is 30% in 2019 and no abatements thereafter.	100% Real and Personal Property	10,213

H. Investigative Report Released April 19, 2017 – State of Tennessee Comptroller of the Treasury

An investigative report by the State of Tennessee Comptroller of the Treasury for the period of June 2016 through December 2016 revealed the following misappropriation: the former administrative assistant in the City Recorder’s office misappropriated at least \$1,173 from the City of Gallatin. The assistant perpetrated her misappropriation by withholding city cash collections from deposit and by taking change funds from the cash drawer. This cash was retained for her personal use. The following deficiencies were noted: 1) the city recorder failed to separate incompatible financial duties related to the collection process, 2) the city recorder failed to provide increased oversight when appropriate to adequately safeguard city cash, 3) the city recorder did not ensure that reports of citations paid for violations detected via the city’s automated red light camera were reconciled with the corresponding collection records, and 4) the city recorder failed to ensure that all collections were recorded promptly in the accounting system and were remitted timely to the city finance office for deposit within three business days, as required by state law. For further details, see the investigative report released April 19, 2017. The report can be accessed at the state of Tennessee website, <http://www.comptroller.tn.gov/ia>.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - ELECTRIC DEPARTMENT
June 30, 2017

Total Pension Liability	2016	2015
Service Cost	\$ 165,004	\$ 160,612
Interest	659,028	652,294
Changes of benefit terms	-	-
Differences between expected & actual experience	-	-
Changes of assumptions	(468,590)	-
Benefit payments / refunds	(445,233)	(403,705)
Net change in Total Pension Liability	<u>(89,791)</u>	<u>409,201</u>
Total Pension Liability - beginning	9,937,136	9,527,935
Total Pension Liability - ending (a)	<u>\$ 9,847,345</u>	<u>\$ 9,937,136</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 666,994	\$ 385,256
Contributions - Member	65,855	61,065
Net investment income	185,887	118,499
Benefit payments / refunds	(445,233)	(403,705)
Administrative expense	(34,134)	(32,684)
Other	-	-
Net change in fiduciary net position	<u>439,369</u>	<u>128,431</u>
Plan fiduciary net position - beginning	6,691,736	6,563,305
Plan fiduciary net position - ending (b)	<u>\$ 7,131,105</u>	<u>\$ 6,691,736</u>
Plan's net pension liability - ending (a) - (b)	\$ 2,716,240	\$ 3,245,400
Plan's fiduciary net position as a percentage of the total pension liability	72.42%	67.34%
Covered-employee payroll	\$ 2,195,163	\$ 1,952,736
Plan's net pension liability as a percentage of covered-employee payroll	133.75%	166.20%

GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule3 is not required to be represented retroactively prior to the implementation data. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
ELECTRIC DEPARTMENT
June 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contributions	\$ 417,159	\$ 385,256	\$ 385,256	\$ 257,050	\$ 272,060	\$ 276,205	\$ 269,919	\$ 265,701	\$ 216,100	\$ 182,885
Contributions in relation to actuarially determined contribution	1,040,000	666,994	385,256	257,050	272,060	276,205	269,919	265,701	216,100	182,885
Contribution deficiency (excess)	(622,841)	(281,738)	-	-	-	-	-	-	-	-
Covered-employee payroll	2,043,550	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
Contributions as a percentage of covered payroll	50.89%	30.38%	19.73%	13.11%	13.82%	13.82%	13.82%	13.82%	12.74%	12.74%

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

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 level dollar
Amortization method	Level dollar
Remaining amortization period	25
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-2016. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Table.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

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)
7/1/2016	\$ -	\$ 527,658	\$ 527,658	0%	\$ 2,080,728	25.40%
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, 2017

	<u>Special Revenue Funds</u>			<u>Industrial</u>	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Special Services</u>	<u>Drug</u>	<u>Environmental Services</u>	<u>Development Board</u>	<u>Thomas Witherspoon</u>	<u>Cemetery Trust</u>	
Assets							
Cash and cash equivalents	\$ 2,985,650	\$ 170,614	\$ 690,170	\$ 7,830	\$ 243,989	\$ 6,102	\$ 4,104,355
Investments	-	-	-	-	-	21,025	21,025
Receivables:							
Accounts	-	-	71,834	-	-	-	71,834
Interest	-	-	-	-	9,306	295	9,601
Other	-	-	-	-	147,495	-	147,495
Inventory	-	-	18,354	-	-	-	18,354
Total assets	\$ 2,985,650	\$ 170,614	\$ 780,358	\$ 7,830	\$ 400,790	\$ 27,422	\$ 4,372,664
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	\$ 150	\$ 60,735	\$ 88,518	\$ -	\$ -	\$ -	\$ 149,403
Unearned evidence funds	71,626	-	-	-	-	-	71,626
Performance deposits	2,897,907	-	-	-	-	-	2,897,907
Total liabilities	<u>2,969,683</u>	<u>60,735</u>	<u>88,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,118,936</u>
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	18,354	-	-	-	18,354
Restricted:							
Funds held in trust	-	-	-	-	385,790	-	385,790
Environmental services	-	-	673,486	-	-	-	673,486
Economic development	-	-	-	7,830	-	-	7,830
Drug enforcement	-	109,879	-	-	-	-	109,879
Assigned for:							
Police special projects	15,967	-	-	-	-	-	15,967
Cemetery use	-	-	-	-	-	6,397	6,397
Total fund balances	<u>15,967</u>	<u>109,879</u>	<u>691,840</u>	<u>7,830</u>	<u>400,790</u>	<u>27,422</u>	<u>1,253,728</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,985,650	\$ 170,614	\$ 780,358	\$ 7,830	\$ 400,790	\$ 27,422	\$ 4,372,664

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, 2017

	Special Revenue Funds			Industrial Development Board	Permanent Funds		Totals
	Special Services	Drug	Environmental Services		Thomas Witherspoon	Cemetery Trust	
Revenues							
Charges for services	\$ -	\$ -	\$ 1,933,356	\$ -	\$ -	\$ -	\$ 1,933,356
Fines and forfeitures	3,150	236,916	-	-	-	-	240,066
Other	17,989	-	58,365	18	8,817	845	86,034
Total revenues	<u>21,139</u>	<u>236,916</u>	<u>1,991,721</u>	<u>18</u>	<u>8,817</u>	<u>845</u>	<u>2,259,456</u>
Expenditures							
Current							
Public safety	27,355	245,004	-	-	-	-	272,359
Environmental services	-	-	1,788,412	-	-	-	1,788,412
Economic development	-	-	-	37,021	-	-	37,021
Capital outlay	-	44,350	221,285	-	-	-	265,635
Total expenditures	<u>27,355</u>	<u>289,354</u>	<u>2,009,697</u>	<u>37,021</u>	<u>-</u>	<u>-</u>	<u>2,363,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,216)</u>	<u>(52,438)</u>	<u>(17,976)</u>	<u>(37,003)</u>	<u>8,817</u>	<u>845</u>	<u>(103,971)</u>
Other financing sources (uses)							
Transfers in from other funds	-	-	611,601	18,511	-	-	630,112
Net changes in fund balances	<u>(6,216)</u>	<u>(52,438)</u>	<u>593,625</u>	<u>(18,492)</u>	<u>8,817</u>	<u>845</u>	<u>526,141</u>
Fund balance - beginning	<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>
Fund balance - ending	<u>\$ 15,967</u>	<u>\$ 109,879</u>	<u>\$ 691,840</u>	<u>\$ 7,830</u>	<u>\$ 400,790</u>	<u>\$ 27,422</u>	<u>\$ 1,253,728</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 5,000	\$ 5,000	\$ 3,150	\$ (1,850)
Other:				
Donations	20,000	20,000	17,964	(2,036)
Interest	-	-	25	25
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>21,139</u>	<u>(3,861)</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	7,000	7,000	1,190	(5,810)
Grants and donations	<u>15,000</u>	<u>15,000</u>	<u>26,165</u>	<u>11,165</u>
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>27,355</u>	<u>5,355</u>
Net changes in fund balance	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>(6,216)</u>	<u>\$ (9,216)</u>
Fund balance - beginning			<u>22,183</u>	
Fund balance - ending			<u><u>\$ 15,967</u></u>	

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Revenues				
Fines and forfeitures	\$ 190,000	\$ 190,000	\$ 235,590	\$ 45,590
Interest	-	-	176	176
Contributions	-	-	1,150	1,150
Total revenues	190,000	190,000	236,916	46,916
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	50,000	50,000	41,858	(8,142)
Noncapital expenditures	140,000	203,146	203,146	-
Capital Outlay	-	89,269	44,350	(44,919)
Total expenditures	190,000	342,415	289,354	(53,061)
Net changes in fund balance	\$ -	\$ (152,415)	(52,438)	\$ 99,977
Fund balance - beginning			162,317	
Fund balance - ending			\$ 109,879	

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, 2017

	<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	\$ 1,865,000	\$ 1,865,000	\$ 1,933,356	\$ 68,356
Other:				
Sale of supplies	55,000	77,000	57,899	(19,101)
Miscellaneous	10,000	10,000	466	(9,534)
Total revenues	<u>1,930,000</u>	<u>1,952,000</u>	<u>1,991,721</u>	<u>39,721</u>
Expenditures				
Environmental services:				
Current:				
Salaries	569,996	569,996	555,658	(14,338)
Employee benefits and taxes	230,930	230,930	224,820	(6,110)
Insurance	37,500	37,500	38,279	779
Utilities	14,850	14,850	18,381	3,531
Repairs and maintenance	54,000	54,000	67,846	13,846
Other contractual services	1,214,405	1,214,405	608,997	(605,408)
Supplies	8,000	8,000	7,174	(826)
Gas, oil, diesel, etc.	101,000	101,000	71,200	(29,800)
Supplies for resale	50,000	72,000	53,958	(18,042)
Natural materials	75,000	75,000	70,657	(4,343)
Recycling program	-	-	115	115
Professional services	68,750	68,750	68,750	-
Miscellaneous	2,170	2,170	2,577	407
Capital outlay	-	367,460	221,285	(146,175)
Total expenditures	<u>2,426,601</u>	<u>2,816,061</u>	<u>2,009,697</u>	<u>(806,364)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(496,601)</u>	<u>(864,061)</u>	<u>(17,976)</u>	<u>846,085</u>
Other financing sources (uses)				
Transfers in	496,601	611,601	611,601	-
Total other financing sources (uses)	<u>496,601</u>	<u>611,601</u>	<u>611,601</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (252,460)</u>	<u>593,625</u>	<u>\$ 846,085</u>
Fund balance - beginning			<u>98,215</u>	
Fund balance - ending			<u>\$ 691,840</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2017

<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	\$10,619,974	\$ -	\$ 10,603,921	\$10,096,867	\$ 507,054	\$ -
2015	0.99	10,090,162	449,464	(22,546)	216,249	210,669	210,669
2014	0.99	9,610,494	115,364	(125)	47,569	67,670	67,670
2013	0.99	9,546,819	66,689	(219)	21,043	45,427	45,427
2012	0.99	9,413,801	37,811	-	6,906	30,905	30,905
2011	0.99	9,438,136	35,184	-	7,238	27,946	27,946
2010	0.99	8,947,608	30,271	-	4,017	26,254	26,254
2009	1.12	8,655,224	35,252	-	3,208	32,044	32,044
2008	1.12	8,154,892	40,875	-	3,209	37,666	37,666
2007	1.12	7,525,767	29,696	-	278	29,418	29,418
2006	1.12	3,505,226	16,315	(16,315)	-	-	-
			<u>\$ 856,921</u>	<u>\$ 10,564,716</u>	<u>\$10,406,584</u>	<u>\$ 1,015,053</u>	<u>\$ 507,999</u>
Above balances represented as follows:							
Considered current revenue						195,640	
Allowance for uncollectible accounts						337,846	
Unavailable revenue						481,567	
						<u>1,015,053</u>	
2017 property tax assessment						<u>10,776,714</u>	
Total taxes receivable						<u>\$ 11,791,767</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2017

Residential Rate Schedule:

Customer charge - per delivery point per month	\$	13.55
Energy charge - cents per kWh		0.08961

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		0.10148

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		10.12

Energy charge - cents per kWh		
First 15,000 kWh per month		0.09437
Additional kWh per month		0.06509

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		10.15
More than 1,000 to 5,000 kW, per kW		14.09
Energy charge - cents per kWh		
		0.06506

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		19.92
Energy charge - cents per kWh		
		0.04939

SMSB		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		9.74
Max Demand - per kW per month		2.16
Offpeak Excess of Contract Demand - per kW per month		9.74
Energy charge - cents per kWh		
Onpeak kWh		0.74120
Offpeak kWh first 200 HUD		0.05034
Additional HUD		0.01965

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2017

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		9.74
Max Demand - per kW per month		1.54
Offpeak Excess of Contract Demand - per kW per month		9.74
Energy charge - cents per kWh		
Onprsk kWh		0.07090
Offpeak kWh first 200 HUD		0.04711
Offpeak kWh next 200 HUD		0.02182
Additional HUD		0.02127
OUTDOOR LIGHTING		
100 Watt H.P.S.	\$	9.08
150 Watt H.P.S.		12.04
175 Watt M.V.		9.49
250 Watt H.P.S.		15.04
400 Watt H.P.S.		19.11
Outdoor lighting kWh		0.06772

Number of customers:

	2017	2016
Residential	15,692	15,197
Commercial and industrial	2,814	2,702
Street and athletic fields	54	53
Individually billed outdoor lighting	36	38
	18,596	17,990

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2017

Residential and commercial - inside city		
First 200 cubic feet	\$	3.50
All usage over 200 cubic feet, per ccf		0.84
Residential and commercial - outside city		
First 200 cubic feet	\$	3.85
All usage over 200 cubic feet, per ccf		0.92
Industrial		
All usage, per ccf	\$	0.84
Preferred interruptible		
All usage, per ccf	\$	0.59
Interruptible		
First 100,000 cubic feet	\$	0.49
All usage over 100,000 cubic feet, per ccf	\$	0.44

Number of customers:	<u>2017</u>	<u>2016</u>
Residential	10,961	12,659
Commercial	813	1,181
Industrial	38	41
Interruptible	6	5
	<u>11,818</u>	<u>13,886</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER**

JUNE 30, 2017

AWWA

**Free Water Audit Software:
Reporting Worksheet**

WAS: v5.0
American Water Works Association
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[Click to access definition](#)
[Click to add a comment](#)

Water Audit Report for: **City of Gallatin**
 Reporting Year: **2017** / 7/2016 - 6/2017

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

WATER SUPPLIED

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

Volume from own sources:	+ ? 9	2,209.101	MG/Yr
Water imported:	+ ? n/a	0.000	MG/Yr
Water exported:	+ ? 9	0.000	MG/Yr

WATER SUPPLIED: 2,209.101 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+ ? 9	0	MG/Yr
Value:	+ ? 9	0	MG/Yr
Pcnt:	+ ? 9	0	MG/Yr
Value:	+ ? 9	0	MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	1,821.121	MG/Yr
Billed unmetered:	+ ? n/a	0.000	MG/Yr
Unbilled metered:	+ ? 10	61.812	MG/Yr
Unbilled unmetered:	+ ? 9	11.893	MG/Yr

AUTHORIZED CONSUMPTION: 1,894.825 MG/Yr

Click here: [?](#)
for help using option buttons below

Pcnt:	+ ? 9	11.893	MG/Yr
-------	-------	--------	-------

Use buttons to select percentage of water supplied OR value

Pcnt:	+ ? 9	0.25%	MG/Yr
Value:	+ ? 9	0.100	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 314.276 MG/Yr

Apparent Losses

Unauthorized consumption:	+ ? 9	5.523	MG/Yr
---------------------------	-------	-------	-------

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

Customer metering inaccuracies:	+ ? 7	19.020	MG/Yr
Systematic data handling errors:	+ ? 5	0.100	MG/Yr

Apparent Losses: 24.642 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 289.633 MG/Yr

WATER LOSSES: 314.276 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 387.980 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:	+ ? 7	43	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

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

Average operating pressure: 95.0 psi

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

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

See independent auditor's report.
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CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2017

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: City of Gallatin		
Reporting Year: 2017 7/2016 - 6/2017		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***		
System Attributes:		
	Apparent Losses:	24.642 MG/Yr
	+ Real Losses:	289.633 MG/Yr
	= Water Losses:	314.276 MG/Yr
	Unavoidable Annual Real Losses (UARL):	142.61 MG/Yr
	Annual cost of Apparent Losses:	\$118,262
	Annual cost of Real Losses:	\$205,527 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:	17.6%
	Non-revenue water as percent by cost of operating system:	9.4% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	4.51 gallons/connection/day
	Real Losses per service connection per day:	52.99 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.56 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	289.63 million gallons/year
	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.03

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

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

June 30, 2017

Year Ended June 30,	G.O. Refunding Bonds Series 2014		G.O. Bonds Series 2016		2009 Capital Outlay Note		Sumner County Note	Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	Total
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>\$ 12,945,000</u>	<u>\$ 3,428,882</u>	<u>\$ 10,610,000</u>	<u>\$ 4,010,800</u>	<u>\$ 895,000</u>	<u>\$ 61,581</u>	<u>\$ 179,490</u>	<u>\$ 24,629,490</u>	<u>\$ 7,501,263</u>	<u>\$ 32,130,753</u>

See independent auditor's report.

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

June 30, 2017

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
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
	<u>\$ 7,900,000</u>	<u>\$ 2,264,705</u>	<u>\$ 4,325,000</u>	<u>\$ 1,063,425</u>	<u>\$ 23,560,000</u>	<u>\$ 10,627,700</u>	<u>\$ 35,785,000</u>	<u>\$ 13,955,830</u>	<u>\$ 49,740,830</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

	<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 Cluster:			
Highway Planning and Construction	20.205	83LPLM-F3-067	78,801
Passed Through the Tennessee Governor's Highway Safety Office :			
Alcohol Related Reconstruction and Education	20.607	Z17THS168	<u>1,854</u>
Total U.S. Department of Transportation			<u>80,655</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	N/A	4,387
Law Enforcement Assistance to FBI Police Training	16.300	N/A	<u>14,808</u>
Total U.S. Department of Justice			<u>19,195</u>
US Department of Environment and Conservation			
Passed Through the Tennessee Department of Environment and Conservation:			
Home Investment Partnership Program	14.239	32701-02684	<u>457</u>
Total US Department of Environment and Conservation			<u>457</u>
U.S. Department of Housing and Urban Development			
Passed Through the Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	N/A	<u>93,601</u>
Total U.S. Department of HUD			<u>93,601</u>
Total Home Investment Partnership Program			<u>94,058</u>
Total Federal Awards			<u>\$ 193,908</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal award and state financial assistance activity of the City under programs of the federal government and State of Tennessee for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2017

	State Grant Number	Disbursements
Tennessee Department of Transportation		
Greenlea Dr Extension	83950-3561-04	\$ 1,139,988
Total State Financial Assistance		<u>\$ 1,139,988</u>

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 YEARS¹**

(Prepared using the accrual basis of accounting)

	<u>2017</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>
Governmental activities:										
Net investment in capital assets	\$ 67,569,997	\$ 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
Restricted	1,205,180	593,324	535,180	615,631	568,020	100,024	15,000	(171,346)	(60,463)	315,366
Unrestricted	<u>17,025,218</u>	<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>
Total net position	<u>\$ 85,800,395</u>	<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>
Business-type activities:										
Net investment in capital assets	\$ 120,808,485	\$ 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
Restricted for workers compensation adjustment	7,648	7,621	7,572	7,522	7,473	7,425	-	-	-	-
Unrestricted	<u>37,926,071</u>	<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>
Total net position	<u>\$ 158,742,204</u>	<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>
Primary government:										
Net investment in capital assets	\$ 188,378,482	\$ 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
Restricted	1,212,828	600,945	542,752	623,153	575,493	107,449	15,000	(171,346)	(60,463)	315,366
Unrestricted	<u>54,951,289</u>	<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>
Total net position	<u>\$ 244,542,599</u>	<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>

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

(Prepared using the accrual basis of accounting)

Governmental activities:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Program revenues:										
Charges for services	\$ 7,418,973	\$ 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
Operating grants & contributions	1,275,976	1,064,123	1,234,427	1,527,429	1,109,040	948,083	854,869	703,346	1,474,369	848,469
Capital grants & contributions	8,921,557	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
General revenues:										
Property taxes	11,367,951	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
Sales taxes	11,064,266	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
Franchise taxes	466,766	448,730	421,534	385,802	360,650	379,020	356,845	341,828	327,853	299,962
Alcoholic beverage taxes	1,509,842	1,260,296	1,251,420	1,165,299	1,117,556	1,067,339	1,039,948	965,092	877,642	953,765
Business taxes	936,708	818,811	756,560	680,446	639,646	668,252	556,382	485,461	521,590	520,295
Income taxes	662,104	946,308	913,636	793,306	520,539	859,602	688,179	758,315	80,810	506,966
Miscellaneous taxes	-	-	-	-	-	-	1,572	2,075	2,790	142,032
Rental and reimbursements	-	-	-	-	-	-	25,863	29,627	35,521	66,445
Other sources	480,686	226,818	230,319	240,216	319,500	188,417	286,687	106,491	207,570	(866,780)
Unrestricted interest income	246,354	115,184	68,994	79,958	28,417	5,491	28,999	100,415	519,239	682,761
In lieu of taxes and transfers	1,699,195	1,640,386	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,242	685,674
Total revenues	<u>46,050,378</u>	<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>
Expenses:										
General government	7,930,678	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
Public safety	14,842,150	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
Engineering	2,224,831	1,643,277	1,611,956	1,412,832	1,112,112	1,978,103	1,648,991	395,200	636,589	408,330
Environmental services	1,788,412	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
Animal control	-	-	123,665	113,487	108,023	119,396	109,535	99,965	112,082	47,647
Public works	568,139	552,190	362,748	1,163,412	1,658,029	1,215,578	572,127	351,059	26,564	226,892
Highways, streets and roadways	1,174,314	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
Vehicle maintenance	549,748	459,858	418,068	420,964	403,696	404,846	393,742	403,148	376,013	352,822
Parks and recreation	4,639,151	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
Economic development	448,174	1,622,199	6,770,860	444,972	280,227	254,355	222,988	269,588	270,456	278,287
Interest on debt	923,196	808,538	653,094	481,455	433,883	472,734	484,738	487,066	785,391	320,565
Total expenses	<u>35,088,793</u>	<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>
Change in net position	\$ 10,961,585	\$ 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)

**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:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program revenues:										
Charges for services	\$ 99,131,412	\$ 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
Capital grants & contributions	3,508,042	2,490,314	1,485,205	2,317,854	1,152,932	675,644	685,151	253,452	1,252,667	6,918,074
General revenues:										
Other sources	147	10,000	-	487	2,603	9,359	536,533	10,467	8,506	10,169
Unrestricted interest income	134,055	142,192	108,911	95,539	121,102	146,100	153,210	200,533	437,057	718,092
Total revenues	102,773,656	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
Expenses:										
Electric	68,658,346	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
Gas	12,817,606	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
Golf	-	-	-	-	-	-	-	-	1,011,561	978,014
Water & Sewer	11,787,952	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
In lieu of taxes - transfer	1,699,195	1,640,386	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674
Total expenses	94,963,099	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
Change in net position	7,810,557	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
Total change in net position	\$ 18,772,142	\$ 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

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

(Prepared using the accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Funds:										
(Pre-GASB 54)										
Unreserved:										
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025
Special revenue funds	-	-	-	-	-	-	-	(2,955)	22,272	24,557
Capital projects funds	-	-	-	-	-	-	-	28,754,178	(11,509,512)	4,745,837
Permanent funds	-	-	-	-	-	-	-	374,321	353,996	336,050
Total unreserved fund balances	<u>-</u>	<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>
Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,720)</u>	<u>(11,904)</u>	<u>340,885</u>
(Post-GASB 54)										
Nonspendable	1,612,302	1,065,869	173,269	86,851	105,468	84,581	101,966	-	-	-
Restricted	1,176,985	583,621	531,907	579,606	531,995	455,722	352,817	-	-	-
Committed	284,987	209,987	205,085	205,085	226,979	184,395	173,501	-	-	-
Assigned	12,626,737	16,335,657	8,011,003	2,734,115	1,915,974	2,122,761	2,735,185	-	-	-
Unassigned	<u>17,730,397</u>	<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>\$ 33,431,408</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>

**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>2017</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>
Revenues										
Taxes	\$ 21,677,227	\$ 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
Licenses	2,187,478	1,093,853	760,459	467,638	402,533	315,602	247,346	278,110	615,775	851,142
Fines and penalties	922,423	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
Charges for services	4,302,069	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
Intergovernmental	6,616,702	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
Other	884,022	414,025	575,308	708,339	544,215	240,819	173,100	153,771	606,747	1,341,916
Total revenues	<u>36,589,921</u>	<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>
Expenditures										
General government	6,723,566	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
Public safety	14,122,444	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
Engineering	2,219,984	1,643,528	1,611,956	1,353,632	1,006,769	1,955,555	746,367	395,200	372,252	407,115
Environmental services	1,788,412	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
Animal control	-	-	123,665	113,487	108,023	117,017	108,815	99,965	90,649	47,647
Public works	330,388	294,737	360,112	453,374	264,185	592,211	155,426	152,145	149,677	145,258
Highways and streets	1,168,778	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
Vehicle maintenance	551,334	496,426	418,068	418,626	399,019	402,507	391,610	403,148	364,901	349,320
Parks and recreation	4,309,104	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
Economic Development Agency	445,448	1,622,169	6,769,860	444,972	280,227	254,355	211,193	234,598	230,201	217,975
Other program cost	-	-	-	-	-	-	-	(291)	291	-
Debt service:										
Principal	1,754,475	1,205,000	1,385,000	860,000	835,000	800,000	775,000	760,000	425,000	410,000
Interest	892,232	572,156	245,373	403,564	431,901	458,795	484,739	487,066	627,829	321,681
Capital outlay - capital	4,926,719	7,385,042	7,610,707	4,787,847	5,188,144	1,708,556	8,825,328	7,077,681	7,085,559	11,624,680
Total expenditures	<u>39,232,884</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,642,963)</u>	<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>
Other financing sources (uses):										
Contributions	-	-	-	-	-	-	19,955	384,662	63,156	42,038
Premiums on bonds issued	-	1,163,285	884,045	-	-	-	-	-	-	-
Proceeds of long-term debt	-	11,040,000	14,185,000	-	-	-	-	-	3,642,438	-
Bond issuance costs	-	(121,358)	(155,986)	-	-	-	-	-	-	-
Repayment from debt refunding	-	-	(6,098,495)	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-	130,254	74,359	138,900	27,651
Sale of capital assets	-	-	-	-	-	-	38,194	8,404	16,684	3,661
In lieu of tax payments from utility*	1,699,195	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
Operating transfers out	-	-	-	(2,183,420)	(2,807,596)	(1,994,252)	-	-	-	-
Total other financing sources (uses)	<u>1,699,195</u>	<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>
Net changes in fund balances	\$ <u>(943,768)</u>	\$ <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>
Debt services as a percentage of non-capital expenditures	8.36%	6.10%	4.89%	4.89%	5.37%	5.04%	5.30%	5.50%	4.80%	3.60%

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

TAX YEAR	APPRAISED VALUE			ASSESSED VALUE AS A PERCENTAGE OF ACTUAL	TOTAL DIRECT TAX RATE*
	TOTAL TAXABLE ASSESSED VALUE	TAX EXEMPT PROPERTY	ESTIMATED ACTUAL TAXABLE VALUE		
2017	\$ 1,072,724,646	\$ 23,016,954	\$ 3,688,978,706	29.70%	\$ 0.99
2016	1,054,185,684	23,958,652	3,498,839,903	30.81%	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

* 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**

	2017		2008	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Med Ctr	\$ 83,926,200	9.05%	\$ 14,752,188	4.93%
GAP Inc.	65,000,000	7.01%	61,222,160	20.45%
Hoeganaes Corp.	14,655,395	1.58%	12,932,427	4.32%
Wellington Farms Apt.	31,800,000	3.43%	-	0.00%
Stoneridge Farms Hunt Club LLC	30,679,200	3.31%	21,933,790	7.33%
Sumner Regional Med Ctr	21,160,456	2.28%	9,520,785	3.18%
MAA BRIK LLC	23,513,500	2.54%	-	0.00%
Foxland Crossing LLC	22,631,700	2.44%	5,366,650	1.79%
Y F S Automotive	7,572,929	0.82%	-	0.00%
GAP Inc. & Subs Ent #90304	7,276,955	0.78%	5,500,626	1.84%
TLP DEVCO LLC	-	0.00%	14,516,035	4.85%
R R Donnelley & Sons Co	-	0.00%	8,090,129	2.70%
TLP Development Corp	-	0.00%	6,259,180	2.09%
Totals	\$ 308,216,335	33.23%	\$ 160,093,970	53.48%

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
2017	\$ 1,072,724,646	\$ 10,619,974	\$ 10,096,867	95.07%	\$ -	\$ 10,096,867	95.07%
2016	1,054,185,684	10,090,162	9,753,871	96.67%	125,622	9,879,493	97.91%
2015	970,755,281	9,610,494	9,447,813	98.31%	95,011	9,542,824	99.30%
2014	974,737,567	9,546,819	9,336,177	97.83%	165,215	9,438,917	98.91%
2013	962,079,513	9,413,801	9,078,911	96.92%	303,985	9,307,844	99.36%
2012	944,739,332	9,438,136	8,792,522	93.13%	617,668	9,391,158	99.48%
2011	921,041,801	8,947,608	8,756,928	92.60%	164,426	9,080,842	99.59%
2010	903,798,781	8,655,224	8,794,819	98.29%	121,554	8,905,080	99.52%
2009	772,787,864	8,154,892	8,743,629	101.02%	597,028	9,323,985	107.73%
2008	728,115,320	7,525,767	8,284,247	101.59%	181,952	8,460,186	103.74%

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 PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS	NOTES	TOTAL BUSINESS-TYPE ACTIVITIES			
2017	35,734	\$ 26,450	\$ 23,555,000	\$ 1,074,490	\$ 24,629,490	\$ 35,785,000	\$ 316,492	\$ 36,101,492	\$ 60,730,982	\$ 1,699.53	6.43%
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%

* 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>
2017	35,734	\$ 23,555,000	\$ 1,074,490	\$ 24,629,490	\$ 316,492	\$ 24,945,982	\$ 1,072,724,646	2.33%	\$ 698.10
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

* SOURCE FOR POPULATION: US Census Bureau

**CITY OF GALLATIN, TENNESSEE
DEBT CAPACITY INFORMATION
PLEGDED 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>
2017	\$ 14,190,626	\$ 7,221,685	\$ 6,968,941	\$ 1,830,000	\$ 1,403,935	\$ 3,233,935	215.49%
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%

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****
2017	35,734	175,989	\$ 47,957	\$ 26,450	37.0	29,363	3.30%
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%

* 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**

	2017			2008		
	<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	4,307	1	38.07%	4,307	1	42.85%
Gap, Inc.	1,840	2	16.26%	1,250	2	12.44%
Sumner Regional Medical Center	1,077	3	9.52%	N/A	N/A	N/A
Volunteer State CC	814	4	7.20%	N/A	N/A	N/A
Servpro Industries, Inc.	475	5	4.20%	214	5	2.13%
City of Gallatin	413	6	3.65%	N/A	N/A	N/A
YAPP USA Automotive Systemts	375	7	3.31%	N/A	N/A	N/A
ABC Technologies	286	8	2.53%	305	4	3.03%
Hoeganaes Corporation	235	9	2.08%	197	6	1.96%
NIC Global	185	10	1.64%	133	9	1.32%
R.R. Donnelley & Sons	N/A	N/A	N/A	320	3	3.18%
Charles C Parks Company	N/A	N/A	N/A	150	7	1.49%
Nationwide Studios	N/A	N/A	N/A	140	8	1.39%
Byron's Barbecue	N/A	N/A	N/A	120	10	1.19%

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>2017</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>
General Government:										
Mayor's Office	3	3	3	3	3	3	3	3	3	2
Planning (Combined in 2010)	7	7	6	6	0	0	0	0	6	7
Finance	6	5	5	8	8	8	8	5	4	5
City Attorney	4	3	3	3	3	3	3	3	3	3
Recorder	6	6	6	7	7	7	7	7	7	5
Personnel	3	3	2	2	1	2	2	2	2	2
Codes	12	9	10	7	13	13	14	14	8	9
Economic Development Agency	3	3	2	2	2	2	2	2	2	2
Information Technology	7	6	5	0	0	0	0	3	3	3.00
Public Safety:										
Police	99	98	93	94	89	88	88	90	90	81
Fire	85	68	72	72	71	71	73	58	58	55
Public Works										
	47	48	47	49	48	49	48	47	45	45
Leisure Services										
	29	31	31	31	30	30	29	29	29	22
Engineering										
	7	6	7	6	6	6	5	5	5	5
Public Utilities										
	86	88	87	82	85	86	85	84	79	80
Golf Course										
	0	0	0	0	0	0	0	0	0	8
Total	404	384	379	372	366	368	367	352	344	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)

2016 numbers include 4 PPT employees. It does not include 12 unfilled positions (total authorized manning 396 as 6/30/16)

2017 numbers include 4 PPT employees. It does not include 15 unfilled position (total authorized manning as 6/30/17)

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

FUNCTION / PROGRAM	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Physical arrests	3,805	3,803	3,575	3,772	4,913	4,526	4,911	5,450	6,019	6,277
Parking violations	279	458	722	420	634	450	1,087	815	1,216	1,538
Traffic violations	13,824	17,393	22,643	13,231	20,494	19,237	23,657	27,906	28,272	23,022
* Red Light Camera Citations	7,386	9,054	7,751	7,029	5,953	7,188	10,986	13,610	10,790	16,021
Fire										
Emergency responses	4,192	3,917	3,390	3,120	2,973	3,016	3,176	2,474	1,901	2,456
Fires extinguished	133	144	94	120	105	110	102	95	82	125
Inspections	1,658	1,664	1,413	829	1,194	1,170	731	810	942	1,500
Animal Control										
Animals Restrained	576	622	N/A	388	491	786	765	967	1,187	796
Highways and Streets										
Street resurfacing (miles)	3.3	4.6	6	5	6	8	3	1	7	14
Potholes repaired	314	403	324	546	122	N/A	N/A	398	273	344
Other Public Works										
Utility cuts repaired	N/A	139	138	175	142	142	171	122	147	154
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	270,000	240,000	240,000	230,000	230,000	230,000	230,000	220,000	220,000	250,000
Community Service										
Number of organization benefited	10	12	16	16	16	16	16	16	17	15
Number of services benefited	5	4	4	4	4	4	4	4	4	5
Environmental Services										
Tons hauled	16,142	12,224	11,413	11,376	11,588	10,145	11,384	11,420	11,376	11,690
Water										
New connections	380	316	330	272	238	212	188	183	288	378
Water main breaks	37	37	38	40	32	36	48	50	62	56
Average daily consumption (thousands of gallons)	6,052	6,171	5,865	5,944	5,948	6,246	6,705	6,794	6,742	7,074
Peak daily consumption (thousands of gallons)	7,072	8,287	7,873	9,277	9,714	10,265	8,309	7,233	8,108	9,616
Sewer										
Average daily treatment (thousands of gallons)	5,902	5,808	6,435	6,992	6,285	5,621	5,835	5,392	5,172	4,550
Electric										
Average daily consumption (thousands of kilowatt hours)	2,244	2,194	2,186	2,184	2,176	2,164	2,146	2,140	1,858	2,161
Natural Gas										
Average Daily Consumption: Summer -April/October (thousands of cubic feet)	4,656	4,937	5,550	5,117	4,723	4,319	4,928	4,068	3,746	4,311
Winter-November/March (thousands of cubic feet)	7,454	7,644	9,078	9,660	8,823	6,940	9,102	7,860	7,401	7,664
Golf										
Rounds Played	45,000	45,000	35,000	45,000	45,000	45,000	44,000	46,000	46,000	45,000

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
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	79	78	76	73	64	77	70	71	67	62
Fire										
Stations	4	4	4	4	4	4	3	3	3	3
Fire trucks	9	9	8	8	7	7	9	9	9	9
Animal Control										
Trucks	2	2	2	2	2	2	2	2	2	2
Highways and Streets										
Streets (miles)	200.0	195.6	195	195	195	194	193	186	184	182
Streetlights	3,811	3,621	3,621	3,678	3,602	3,602	3,511	3,562	3,322	3,443
Traffic signals	370	362	362	354	352	352	358	330	329	320
Sidewalks (miles)	58	47	46	45	44	42	41	37	35	33
Parks and Recreation										
Acreage	532	532	532	532	532	532	532	532	532	486
Playgrounds	5	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	13	14	14	13	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Horseshoe Pits	5	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	8	5	5	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	22	20	21	20	19	18	17	16	15
Water										
Water mains (miles)	348	345	344	343	340	323	338	336	335	333
Fire hydrants	2,025	1,986	1,920	1,902	1,893	1,888	1,888	1,850	1,828	1,802
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	12	13	12	15	15	20	21	23	22	12
Sewer										
Sewer mains (miles)	340	236	234	233	231	220	220	217	217	216
Pump Stations	41	41	41	40	40	40	40	37	37	37
Natural Gas										
Gas lines (miles)	382	380	376	368	363	361	360	359	355	350
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



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, 2017, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2017-001 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and it is described as item 2017-001.

City’s Response to Findings

The City’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
December 28, 2017

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

SECTION I – FINANCIAL STATEMENT FINDINGS

2017-001 Investigative Report – State of Tennessee Comptroller of the Treasury – Released April 19, 2017 (Significant Deficiency and Noncompliance)

The full investigative report by the State of Tennessee Comptroller of the Treasury released April 19, 2017, including additional details related to the conditions, recommendations, and responses can be accessed at the State of Tennessee website, <http://www.comptroller.tn.gov/IA>.

Condition: The State of Tennessee Comptroller of the Treasury performed an investigative audit of the Recorder’s office of the City of Gallatin, Tennessee, specifically related to the former administrative assistant’s activity for the period of June 2016 through December 2016. The investigative report revealed the following findings:

1. The city recorder failed to separate incompatible financial duties related to the collections process. In addition to receiving mail, which included some collections, the former administrative assistant received and recorded collections paid in person at the city recorder’s office. She also recounted daily collections turned over by each cashier, and she reviewed, reconciled, and approved the accompanying collection reports. Further, she prepared and reviewed the requisite summary reports prior to sending them, along with the related funds, to the City of Gallatin Finance Office. No other individual in the city recorder’s office reviewed these reports.
2. The city recorder failed to provide increased oversight when appropriate to adequately safeguard city cash. The city recorder did not assign responsibility for reconciling the former administrative assistant’s cash drawer. This enabled the former administrative assistant to remove funds for personal use on multiple occasions without detection. In addition, this enabled the former administrative assistant to stockpile, rather than deposit, mailed check collections without discovery. After the former administrative assistant’s resignation, city officials discovered numerous undeposited checks in her work area, some dated weeks and even months prior.
3. The city recorder did not ensure that reports of citations paid for violations detected via the city’s automated red light camera were reconciled with the corresponding collection records.
4. The city recorder failed to ensure that all collections were recorded promptly in the accounting system and were remitted timely to the city finance office for deposit within three business days, as required by state law.

Criteria: The *Internal Control and Compliance Manual for Tennessee Municipalities* as noted in the State of Tennessee Comptroller of the Treasury investigative report.

Effect: The lack of policies and procedures and management oversight allowed for the opportunity for and the act of fraudulent activities to occur.

Recommendation: We recommend that the City, and specifically the Recorder’s office, comply with all of the recommendations that were noted in the investigative report. Proper policies and procedures should be established as outlined in the *Internal Control and Compliance Manual for Tennessee Municipalities*. All funds should promptly be received and deposited in accordance with State statutes. It is also imperative the management provide adequate oversight of the collection process.

Response: Management is making every effort to implement necessary controls to be in compliance.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2017

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2016-001	Lack of Subsidiary Reconciliations and Segregation of Duties (Significant Deficiency) (original funding #2016-001)	Partially Corrected and Replaced with 2017-001

Federal Award Findings and Questioned Costs

There were no prior year findings reported.

CITY OF GALLATIN, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
June 30, 2017

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2017

The findings from the June 30, 2017 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2017-001 Investigative Report – State of Tennessee Comptroller of the Treasury – Released April 19, 2017 (Significant Deficiency)

Recommendation: We recommend that the City, and specifically the Recorder's office, comply with all of the recommendations that were noted in the State of Tennessee Comptroller of the Treasury's investigative report and comply with the *Internal Control and Compliance Manual for Tennessee Municipalities*. Proper policies and procedures should be established as outlined in the *Internal Control and Compliance Manual for Tennessee Municipalities*. All funds should promptly be receipted and deposited in accordance with State statutes. It is also imperative the management provide adequate oversight of the collection process.

Action Taken/Planned Action: Management has made changes in how the collection process is handled and is working to further improve the process with the current staff. Also, the City Recorder made several oversight changes immediately following the investigation and has continued their implementation and adherence in the months since.

Person responsible for implementing the corrective action: Connie Kittrell, City Judge

Completion date of correction plan: May 2017

Repeat finding: No