

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the City of Gallatin Finance Director

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INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE

DIRECTORY

June 30, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department which is both a major fund and represents 24 percent, 22 percent, and 68 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 Department, 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, 2018, 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 63 through 65 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 including the schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,, 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 including the schedule of expenditures of federal awards, 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 have 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 30, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 30, 2018

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, 2018. 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 \$257.41 million as compared to \$244.54 million in the prior year. Of these amounts, \$52.99 million (unrestricted net position) as compared to \$54.95 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 \$12.87 million in 2018, including (\$6.91) million of prior period adjustments/restatements, compared to an increase of \$18.77 million in 2017.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$31.84 million, a decrease of \$1.59 million from the prior year. Approximately \$17.25 million of that total is available for spending at the government's discretion and \$11.88 million is assigned for capital projects.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$17.25 million, or 46.58% of the total general fund expenditures as compared to \$17.73 million the prior year.
- The City's total debt obligations decreased by \$4.15 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 six 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 66.

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 68 to 70 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 Funds.
- *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.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Gallatin's own programs. The Fiduciary fund reported is for the Electric Department Pension Trust Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds is provided in the form of combining statements which can be found on pages 37 to 38 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 62 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 \$257.41 million at the close of the most recent fiscal year, as compared to \$244.54 million at the close of the previous year.

By far the largest portion of the City's net position (78.87%) 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 \$1.31 million (0.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$52.99 million (20.58%) 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 47,363,190	\$ 49,217,160	\$ 54,414,819	\$ 55,335,307	\$ 101,778,009	\$ 104,552,467
Capital assets	87,907,950	79,582,315	164,591,513	160,074,268	252,499,463	239,656,583
Total assets	<u>135,271,140</u>	<u>128,799,475</u>	<u>219,006,332</u>	<u>215,409,575</u>	<u>354,277,472</u>	<u>344,209,050</u>
Deferred outflows of resources	356,642	398,600	3,509,443	4,102,680	3,866,085	4,501,280
Long-term liabilities	26,047,003	28,036,063	40,056,404	43,027,287	66,103,407	71,063,350
Other liabilities	4,314,236	4,584,903	18,561,198	17,339,803	22,875,434	21,924,706
Total liabilities	<u>30,361,239</u>	<u>32,620,966</u>	<u>58,617,602</u>	<u>60,367,090</u>	<u>88,978,841</u>	<u>92,988,056</u>
Deferred inflows of resources	11,123,823	10,776,714	632,098	402,961	11,755,921	11,179,675
Net position:						
Net investment in capital assets	75,402,931	67,569,997	127,605,680	120,808,485	203,008,611	188,378,482
Restricted	1,403,017	1,205,180	7,675	7,648	1,410,692	1,212,828
Unrestricted	17,336,772	17,025,218	35,652,720	37,926,071	52,989,492	54,951,289
Total net position	<u>\$ 94,142,720</u>	<u>\$ 85,800,395</u>	<u>\$ 163,266,075</u>	<u>\$ 158,742,204</u>	<u>\$ 257,408,795</u>	<u>\$ 244,542,599</u>

The government's total assets increased significantly due to the capital projects that were completed and in progress during the current fiscal year. Long-term liabilities decreased due to payments being made on these projects during the current fiscal year.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$20.27 million. In the business-type activities program revenues exceeded expenses by \$12.87 million. General government revenues and transfers of \$28.61 million offset the governmental activities deficit resulting in a positive change of net position of \$8.34 million. Other business-type revenues of \$197 thousand and transfers out of \$1.64 million reduced income in the business type activities leaving a positive change in net position of \$11.43 million before a prior period adjustment and a restatement of beginning net position totaling (\$6.91) million.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 7,863,631	\$ 7,418,973	\$ 102,309,298	\$ 99,131,412	\$ 110,172,929	\$ 106,550,385
Operating grants and contributions	1,865,673	1,275,976	-	-	1,865,673	1,275,976
Capital grants and contributions	6,010,371	8,921,557	5,623,904	3,508,042	11,634,275	12,429,599
General revenues:						
Property taxes	11,235,726	11,367,951	-	-	11,235,726	11,367,951
Other taxes	14,896,995	14,639,686	-	-	14,896,995	14,639,686
Other sources	844,078	727,059	197,243	134,202	1,041,321	861,261
Total revenues	<u>42,716,474</u>	<u>44,351,202</u>	<u>108,130,445</u>	<u>102,773,656</u>	<u>150,846,919</u>	<u>147,124,858</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	\$ 8,545,515	\$ 7,930,678	\$ -	\$ -	\$ 8,545,515	\$ 7,930,678
Public safety	14,939,109	14,842,150	-	-	14,939,109	14,842,150
Engineering	1,907,119	2,224,831	-	-	1,907,119	2,224,831
Environmental services	2,109,615	1,788,412	-	-	2,109,615	1,788,412
Public works	705,505	568,139	-	-	705,505	568,139
Highway and streets	1,556,403	1,174,314	-	-	1,556,403	1,174,314
Vehicle maintenance	562,563	549,748	-	-	562,563	549,748
Parks and recreation	4,302,313	4,639,151	-	-	4,302,313	4,639,151
Economic development	615,343	448,193	-	-	615,343	448,193
Interest on debt	765,919	923,196	-	-	765,919	923,196
Electric	-	-	68,464,520	68,658,346	68,464,520	68,658,346
Water and Sewer	-	-	13,115,652	11,787,952	13,115,652	11,787,952
Gas	-	-	13,482,880	12,817,606	13,482,880	12,817,606
Total expenses	<u>36,009,404</u>	<u>35,088,812</u>	<u>95,063,052</u>	<u>93,263,904</u>	<u>131,072,456</u>	<u>128,352,716</u>
Revenues over/under						
expenses	6,707,070	9,262,390	13,067,393	9,509,752	19,774,463	18,772,142
In lieu of taxes in (out)	1,635,255	1,699,195	(1,635,255)	(1,699,195)	-	-
Increase in net position	8,342,325	10,961,585	11,432,138	7,810,557	19,774,463	18,772,142
Net position - beginning	85,800,395	74,838,810	158,742,204	150,931,647	244,542,599	225,770,457
Prior period adjustment/restatement	-	-	(6,908,267)	-	(6,908,267)	-
Net position - beginning - restated	<u>85,800,395</u>	<u>74,838,810</u>	<u>151,833,937</u>	<u>150,931,647</u>	<u>237,634,332</u>	<u>225,770,457</u>
Net position - ending	<u>\$ 94,142,720</u>	<u>\$ 85,800,395</u>	<u>\$ 163,266,075</u>	<u>\$ 158,742,204</u>	<u>\$ 257,408,795</u>	<u>\$ 244,542,599</u>

In governmental activities, charges for services increased \$445 thousand in 2018. Operating grants and contributions increased by \$590 thousand. Capital grants and contributions decreased \$2.91 million. In the business type activities charges for services increased by \$3.18 million and costs of sales and service increased by \$1.80 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 2018 were greater than expenses in 2017 in the governmental activities by \$921 thousand. 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 \$17.25 million while total fund balance was \$17.93 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.58% of total general fund expenditures in 2018 as compared to 53.73% in 2017.

The fund balance of the City's general fund decreased by \$743 thousand during the current fiscal year. A key factor in this decrease was the significant amount of capital purchases made during the current fiscal year.

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 \$11.43 million in 2018 as compared to \$7.81 million in 2017, before considering the prior period adjustment and restatement totaling (\$6.91) million.

Unrestricted net position of the proprietary funds amounted to \$35.65 million as compared to \$37.93 million in the prior year. The change in net position (excluding prior period restatement/adjustments) of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$5.99 million in 2018 compared to \$5.46 million in 2017.
- Natural Gas Fund – \$3.31 million in 2018 compared to \$910 thousand in 2017.
- Electric Fund - \$2.14 million in 2018 compared to \$1.44 million in 2017.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$9.93 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 26.80% was mainly for capital expenditures.

Actual revenues and other financing sources were exceeded by budgeted amounts by \$1.82 million. The largest variances were related to other federal grants.

Actual expenditures and transfers out were under budget by \$9.98 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 2018 the City had invested \$252.50 million net of accumulated depreciation in land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and utility systems. The total increase in the City's investment in capital assets for the current fiscal year was 5.36%. 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 \$56.86 million as compared to \$60.73 million at the end of the prior fiscal year. Of this amount, \$22.79 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 TVA weatherization contracts in the amount of \$117,448. 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. Charges for services increased mainly due to increased Parks and Recreation revenues.

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 \$17.25 million. The decrease from the previous year was mainly related to a significant amount of capital projects that were completed in the current 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, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,983,568	\$ 35,582,185	\$ 51,565,753
Certificates of deposit	2,960,297	4,573,824	7,534,121
Investments	21,025	-	21,025
Receivables			
Interest	333,867	-	333,867
Taxes (net of allowance)	11,355,169	-	11,355,169
Accounts (net of allowance)	563,223	10,246,689	10,809,912
Fines (net of allowance)	25,901	-	25,901
Grant	109,297	-	109,297
Intergovernmental	2,658,475	-	2,658,475
Other	152,296	12,871	165,167
Prepayments and other current assets	1,062,805	80,973	1,143,778
Materials and supplies	71,023	3,560,244	3,631,267
Restricted assets:			
Cash and cash equivalents	12,066,244	7,675	12,073,919
Other receivables	-	87,706	87,706
Contracts receivable - for home weatherization program	-	110,478	110,478
Acquisition adjustments	-	152,174	152,174
Capital assets, not being depreciated			
Land	14,353,038	3,386,629	17,739,667
Construction in progress	44,711	4,138,442	4,183,153
Capital assets, net of accumulated depreciation			
Transmission plant	-	367,189	367,189
Distribution plant	-	125,025,496	125,025,496
General plant	-	1,583,124	1,583,124
Buildings	11,532,650	29,001,110	40,533,760
Improvements other than buildings	57,164,586	-	57,164,586
Equipment	1,272,774	480,142	1,752,916
Rolling stock	3,271,287	527,286	3,798,573
Office furniture and equipment	268,904	82,095	350,999
Total assets	135,271,140	219,006,332	354,277,472
Deferred outflows of resources			
Contributions to pension/OPEB funds subsequent to the measurement date	-	815,914	815,914
Differences between expected and actual experience - pensions/OPEB	-	18,255	18,255
Pension change of assumptions	-	653,920	653,920
Net difference between expected and actual earnings on pension plan investments	-	152,730	152,730
Loss on bond refunding	356,642	1,868,624	2,225,266
Total deferred outflows of resources	\$ 356,642	\$ 3,509,443	\$ 3,866,085

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Accounts payable	\$ 957,961	\$ 13,813,756	\$ 14,771,717
Accrued expenses	240,227	272,544	512,771
Accrued interest	404,088	362,906	766,994
Customer deposits	-	4,111,992	4,111,992
Unearned revenue	50,852	-	50,852
Unearned evidence funds	47,977	-	47,977
Unearned grant revenue	6,620	-	6,620
Performance deposits	2,606,511	-	2,606,511
Long-term liabilities:			
Due within one year	2,098,131	2,096,379	4,194,510
Due in excess of one year	23,948,872	35,930,828	59,879,700
Other liabilities due in more than one year:			
OPEB liability	-	472,634	472,634
Net pension liability	-	1,556,563	1,556,563
Total liabilities	30,361,239	58,617,602	88,978,841
Deferred inflows of resources			
Deferred property taxes	11,123,823	-	11,123,823
Pension - actuarial experience	-	253,805	253,805
Pension change of assumptions	-	378,293	378,293
Total deferred inflows of resources	11,123,823	632,098	11,755,921
Net Position			
Net investment in capital assets	75,402,931	127,605,680	203,008,611
Restricted for			
Workman's compensation adjustment	-	7,675	7,675
Funds held in trust	432,413	-	432,413
Environmental services	849,033	-	849,033
Drug enforcement	17,284	-	17,284
Economic development	104,287	-	104,287
Unrestricted	17,336,772	35,652,720	52,989,492
Total net position	\$ 94,142,720	\$ 163,266,075	\$ 257,408,795

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 8,545,515	\$ 3,050,887	\$ 512,594	\$ 5,847,789	\$ 865,755	\$ -	\$ 865,755
Public safety	14,939,109	790,318	127,699	-	(14,021,092)	-	(14,021,092)
Engineering	1,907,119	-	-	159,262	(1,747,857)	-	(1,747,857)
Environmental services	2,109,615	2,018,864	-	-	(90,751)	-	(90,751)
Public works	705,505	-	-	3,320	(702,185)	-	(702,185)
Highways and streets	1,556,403	-	1,225,380	-	(331,023)	-	(331,023)
Vehicle maintenance	562,563	205,174	-	-	(357,389)	-	(357,389)
Parks and recreation	4,302,313	1,798,388	-	-	(2,503,925)	-	(2,503,925)
Economic development	615,343	-	-	-	(615,343)	-	(615,343)
Debt service	765,919	-	-	-	(765,919)	-	(765,919)
Total governmental activities	<u>36,009,404</u>	<u>7,863,631</u>	<u>1,865,673</u>	<u>6,010,371</u>	<u>(20,269,729)</u>	<u>-</u>	<u>(20,269,729)</u>
Business-type activities							
Electric	68,464,520	70,768,167	-	503,156	-	2,806,803	2,806,803
Water & Sewer	13,115,652	15,214,513	-	4,342,532	-	6,441,393	6,441,393
Gas	13,482,880	16,326,618	-	778,216	-	3,621,954	3,621,954
Total business-type activities	<u>\$ 95,063,052</u>	<u>\$ 102,309,298</u>	<u>\$ -</u>	<u>\$ 5,623,904</u>	<u>-</u>	<u>12,870,150</u>	<u>12,870,150</u>
General revenues							
Property taxes - levied for general government					10,733,811	-	10,733,811
In lieu of taxes - other governments					501,915	-	501,915
Sales taxes					11,516,561	-	11,516,561
Franchise taxes					468,690	-	468,690
Alcoholic beverage taxes					1,522,812	-	1,522,812
Business taxes					949,546	-	949,546
Income taxes					439,386	-	439,386
Other sources					503,003	-	503,003
Sale of capital assets					37,548	-	37,548
Unrestricted interest income					<u>303,527</u>	<u>197,243</u>	<u>500,770</u>
Total general revenues					<u>26,976,799</u>	<u>197,243</u>	<u>27,174,042</u>
Transfers							
In lieu of taxes in (out)					<u>1,635,255</u>	<u>(1,635,255)</u>	<u>-</u>
Total general revenues and transfers					<u>28,612,054</u>	<u>(1,438,012)</u>	<u>27,174,042</u>
Changes in net position					8,342,325	11,432,138	19,774,463
Net position - beginning					<u>85,800,395</u>	<u>158,742,204</u>	<u>244,542,599</u>
Prior period adjustment/restatement					<u>-</u>	<u>(6,908,267)</u>	<u>(6,908,267)</u>
Net position, beginning - restated					<u>85,800,395</u>	<u>151,833,937</u>	<u>237,634,332</u>
Net position - ending					\$ 94,142,720	\$ 163,266,075	\$ 257,408,795

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Assets	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 12,081,976	\$ -	\$ 3,901,592	\$ 15,983,568
Restricted cash and cash equivalents	-	12,066,244	-	12,066,244
Certificates of deposit	2,960,297	-	-	2,960,297
Investments	-	-	21,025	21,025
Receivables				
Interest	322,658	-	11,209	333,867
Taxes (net of allowance of \$316,520)	11,355,169	-	-	11,355,169
Accounts (net of allowance of \$1,275)	486,492	-	76,731	563,223
Fines (net of allowance of \$2,028,593)	25,901	-	-	25,901
Grants	80,371	28,926	-	109,297
Intergovernmental	2,658,475	-	-	2,658,475
Other (net allowance of \$18,614)	-	-	152,296	152,296
Inventories	56,855	-	14,168	71,023
Prepaid expense	468,369	594,436	-	1,062,805
Total assets	\$ 30,496,563	\$ 12,689,606	\$ 4,177,021	\$ 47,363,190
Liabilities				
Accounts payable	\$ 663,091	\$ 210,243	\$ 84,627	\$ 957,961
Accrued expenses	240,227	-	-	240,227
Unearned revenue	50,852	-	-	50,852
Unearned evidence funds	-	-	47,977	47,977
Unearned grant revenue	-	6,620	-	6,620
Performance deposits	-	-	2,606,511	2,606,511
Total liabilities	954,170	216,863	2,739,115	3,910,148
Deferred inflows of resources				
Unavailable property taxes	11,583,100	-	-	11,583,100
Unavailable court fines	29,011	-	-	29,011
Total deferred inflows of resources	11,612,111	-	-	11,612,111
Fund balances				
Nonspendable				
Prepays	468,369	594,436	-	1,062,805
Funds held in trust	-	-	36,025	36,025
Inventory	56,855	-	14,168	71,023
Restricted for:				
Funds held in trust	-	-	396,388	396,388
Environmental services	-	-	849,033	849,033
Drug enforcement	-	-	17,284	17,284
Economic development	-	-	104,287	104,287
Committed for:				
Economic development	156,408	-	-	156,408
Assigned for				
Capital projects	-	11,878,307	-	11,878,307
Police special projects	-	-	12,914	12,914
Cemetery	-	-	7,807	7,807
Unassigned	17,248,650	-	-	17,248,650
Total fund balances	17,930,282	12,472,743	1,437,906	31,840,931
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,496,563	\$ 12,689,606	\$ 4,177,021	\$ 47,363,190

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, 2018

Amounts reported for the governmental activities in the statement of net position (Pages 11 and 12) are different because:

Fund balance - total governmental funds (Page 14)	\$	31,840,931
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		87,907,950
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		488,288
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		(22,240,000)
Notes payable		(549,745)
Bond premiums		(1,781,518)
Compensated absences		(1,475,740)
Deferred outflows of resources, specifically deferred loss on refunding, are not due in the current period and, therefore, are not reported in the funds		356,642
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(404,088)</u>
Net position - governmental activities (Page 12)	\$	<u>94,142,720</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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 22,304,176	\$ -	\$ -	\$ 22,304,176
Licenses and permits	2,542,185	-	-	2,542,185
Intergovernmental	5,767,663	949,900	-	6,717,563
Charges for services	2,515,814	-	2,018,864	4,534,678
Fines	668,946	-	116,214	785,160
Other	933,536	191,456	190,545	1,315,537
Total revenues	<u>34,732,320</u>	<u>1,141,356</u>	<u>2,325,623</u>	<u>38,199,299</u>
Expenditures				
Current				
General government	7,461,379	147,723	-	7,609,102
Public safety	14,135,596	206,073	105,671	14,447,340
Engineering	1,862,297	40,432	-	1,902,729
Environmental services	-	-	1,921,514	1,921,514
Public works	405,198	24,071	-	429,269
Highways and streets	1,379,615	180,000	-	1,559,615
Vehicle maintenance	558,653	-	-	558,653
Parks and recreation	4,279,012	13,527	-	4,292,539
Economic development	738,625	-	5,239	743,864
Capital outlay	3,506,067	1,622,805	129,021	5,257,893
Debt service				
Principal	1,839,745	-	-	1,839,745
Interest	861,956	-	-	861,956
Other debt service expense	812	-	-	812
Total expenditures	<u>37,028,955</u>	<u>2,234,631</u>	<u>2,161,445</u>	<u>41,425,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,296,635)</u>	<u>(1,093,275)</u>	<u>164,178</u>	<u>(3,225,732)</u>
Other financing sources (uses)				
Transfers in - in lieu of taxes	1,635,255	-	-	1,635,255
Transfers (to)/from other funds	(82,000)	62,000	20,000	-
Total other financing sources (uses)	<u>1,553,255</u>	<u>62,000</u>	<u>20,000</u>	<u>1,635,255</u>
Net changes in fund balances	(743,380)	(1,031,275)	184,178	(1,590,477)
Fund balances - beginning	<u>18,673,662</u>	<u>13,504,018</u>	<u>1,253,728</u>	<u>33,431,408</u>
Fund balances - ending	<u>\$ 17,930,282</u>	<u>\$ 12,472,743</u>	<u>\$ 1,437,906</u>	<u>\$ 31,840,931</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, 2018

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)	\$ (1,590,477)
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.	3,441,634
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	4,884,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(366,825)
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.	1,839,745
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>64,289</u>
Change in net position of governmental activities (Page 13)	<u>\$ 8,342,325</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

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	7,247,396	19,866,167	8,466,112	35,579,675
Cash and cash equivalents - restricted	7,675	-	-	7,675
Certificates of deposit	4,573,824	-	-	4,573,824
Accounts receivable - trade (net of allowance for uncollectibles)	7,633,914	829,334	1,783,441	10,246,689
Accounts receivable - other	-	5,295	7,576	12,871
Prepayments and other current assets	24,760	-	56,213	80,973
Materials and supplies	1,354,158	605,990	1,600,096	3,560,244
Portion of non-current receivables due within one year	30,695	-	-	30,695
Total current assets	20,872,422	21,309,016	11,913,718	54,095,156
Noncurrent assets				
Other assets				
Other receivables	87,706	-	-	87,706
Contracts receivable - for home weatherization	79,783	-	-	79,783
Acquisition adjustments	152,174	-	-	152,174
Total other assets	319,663	-	-	319,663
Capital assets, not being depreciated				
Land	2,026,543	1,128,639	231,447	3,386,629
Construction in progress	4,138,442	-	-	4,138,442
Capital assets, net of accumulated depreciation				
Transmission plant	367,189	-	-	367,189
Distribution plant	23,744,453	70,993,832	30,287,211	125,025,496
General plant	1,583,124	-	-	1,583,124
Buildings	-	28,310,327	690,783	29,001,110
Operating equipment	-	251,435	228,707	480,142
Rolling stock	-	297,766	229,520	527,286
Office furniture and equipment	-	12,086	70,009	82,095
Total capital assets	31,859,751	100,994,085	31,737,677	164,591,513
Total noncurrent assets	32,179,414	100,994,085	31,737,677	164,911,176
Total assets	53,051,836	122,303,101	43,651,395	219,006,332
Deferred outflows of resources				
Loss on bond refunding	-	1,868,624	-	1,868,624
Differences between expected and actual experience - pensions	18,255	-	-	18,255
Pension change of assumptions	653,920	-	-	653,920
Net difference between expected and actual earnings on pension plan investments	152,730	-	-	152,730
Contributions to pension fund	815,914	-	-	815,914
Total deferred outflows of resources	\$ 1,640,819	\$ 1,868,624	\$ -	\$ 3,509,443

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

Liabilities	Electric Division	Water & Sewer Division	Gas Division	Totals
Current liabilities				
Accounts payable	\$ 11,816,748	\$ 1,133,802	\$ 863,206	\$ 13,813,756
Other accrued expense	207,414	48,451	16,679	272,544
Accrued interest	26,104	336,802	-	362,906
Customers' deposits	3,720,522	187,020	204,450	4,111,992
Accrued leave	157,716	-	-	157,716
Current maturities of long-term debt	35,037	1,903,626	-	1,938,663
Total current liabilities	<u>15,963,541</u>	<u>3,609,701</u>	<u>1,084,335</u>	<u>20,657,577</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	35,234,381	-	35,234,381
Accrued leave	130,803	298,350	184,883	614,036
Net pension liability	1,556,563	-	-	1,556,563
OPEB Liability	472,634	-	-	472,634
Advances from Tennessee Valley Authority - Home Insulation Program	82,411	-	-	82,411
Total noncurrent liabilities	<u>2,242,411</u>	<u>35,532,731</u>	<u>184,883</u>	<u>37,960,025</u>
Total liabilities	<u>18,205,952</u>	<u>39,142,432</u>	<u>1,269,218</u>	<u>58,617,602</u>
Deferred inflows of resources				
Difference between expected and actual experience	253,805	-	-	253,805
Change of assumptions	378,293	-	-	378,293
Total deferred inflows of resources	<u>632,098</u>	<u>-</u>	<u>-</u>	<u>632,098</u>
Net position				
Net investment in capital assets	32,011,925	63,856,078	31,737,677	127,605,680
Restricted - workman's compensation adjustment	7,675	-	-	7,675
Unrestricted	3,835,005	21,173,215	10,644,500	35,652,720
Total net position	<u>\$ 35,854,605</u>	<u>\$ 85,029,293</u>	<u>\$ 42,382,177</u>	<u>\$ 163,266,075</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, 2018

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Operating revenues				
Charges for sales and service	\$ 69,884,523	\$ 14,593,834	\$ 15,683,828	\$ 100,162,185
Forfeited discounts	259,573	159,433	-	419,006
Other operating revenue	624,071	461,246	642,790	1,728,107
Total operating revenues	<u>70,768,167</u>	<u>15,214,513</u>	<u>16,326,618</u>	<u>102,309,298</u>
Operating expenses				
Cost of sales and service	61,858,493	-	10,062,825	71,921,318
Water treatment and pumping	-	1,565,246	-	1,565,246
Transmission and distribution	1,533,116	2,007,513	1,418,840	4,959,469
Customer service and collection	764,162	579,597	495,224	1,838,983
General administration	1,610,149	1,102,879	469,546	3,182,574
Sewer collection	-	1,117,508	-	1,117,508
Sewer system rehab	-	614,681	-	614,681
Sewer treatment and disposal	-	1,477,907	-	1,477,907
Sewer pretreatment	-	81,403	-	81,403
Maintenance	868,346	-	-	868,346
Customer deposit interest	27,637	-	-	27,637
Amortization - acquisition adjustments	191,136	-	-	191,136
Provision for depreciation	1,611,481	3,283,149	1,036,445	5,931,075
Total operating expenses	<u>68,464,520</u>	<u>11,829,883</u>	<u>13,482,880</u>	<u>93,777,283</u>
Operating income (loss)	<u>2,303,647</u>	<u>3,384,630</u>	<u>2,843,738</u>	<u>8,532,015</u>
Nonoperating revenues (expenses)				
Interest and other income	108,594	66,934	21,715	197,243
Tap fees	-	1,524,568	-	1,524,568
Amortization of bond premiums	-	173,626	-	173,626
Amortization of loss on refunding	-	(87,805)	-	(87,805)
Interest and other expense	-	(1,371,590)	-	(1,371,590)
Total nonoperating revenues (expenses)	<u>108,594</u>	<u>305,733</u>	<u>21,715</u>	<u>436,042</u>
Income (loss) before transfers and contributions	<u>2,412,241</u>	<u>3,690,363</u>	<u>2,865,453</u>	<u>8,968,057</u>
Tranfers and capital contributions				
Transfers out - in lieu of taxes	(778,895)	(517,760)	(338,600)	(1,635,255)
Capital contributions	503,156	2,817,964	778,216	4,099,336
Total transfers and capital contributions	<u>(275,739)</u>	<u>2,300,204</u>	<u>439,616</u>	<u>2,464,081</u>
Change in net position	2,136,502	5,990,567	3,305,069	11,432,138
Total net position - beginning	34,074,560	85,590,536	39,077,108	158,742,204
Prior period adjustment/restatement	(356,457)	(6,551,810)	-	(6,908,267)
Total net position - beginning - restated	<u>33,718,103</u>	<u>79,038,726</u>	<u>39,077,108</u>	<u>151,833,937</u>
Total net position - ending	<u>\$ 35,854,605</u>	<u>\$ 85,029,293</u>	<u>\$ 42,382,177</u>	<u>\$ 163,266,075</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, 2018

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 69,296,358	\$ 16,557,852	\$ 16,122,825	\$ 101,977,035
Cash paid to suppliers of goods and services	(63,752,636)	(5,013,931)	(12,028,710)	(80,795,277)
Cash paid to employees for services	(2,567,205)	(3,042,875)	(1,003,400)	(6,613,480)
Interest paid on customer deposits	(27,637)	-	-	(27,637)
Net decrease in TVA loan funds receivable	73,019	-	-	73,019
Net decrease in TVA loan funds payable	(74,894)	-	-	(74,894)
Net change in customer deposits	714,799	35,725	(75)	750,449
Payments in lieu of tax	(778,895)	(517,760)	(338,600)	(1,635,255)
Net cash provided (used) by operating activities	<u>2,882,909</u>	<u>8,019,011</u>	<u>2,752,040</u>	<u>13,653,960</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	503,156	2,817,964	778,216	4,099,336
Principal paid on debt	(124,150)	(1,830,000)	-	(1,954,150)
Interest paid on bonds, notes and leases	-	(1,403,935)	-	(1,403,935)
Construction and acquisition of plant	(5,479,800)	(7,647,745)	(4,239,506)	(17,367,051)
Received on sale of assets	4,094	-	-	4,094
Plant removal cost	(69,589)	-	-	(69,589)
Net cash provided (used) by capital and related financing activities	<u>(5,166,289)</u>	<u>(8,063,716)</u>	<u>(3,461,290)</u>	<u>(16,691,295)</u>
Cash flows from investing activities:				
Redemption of certificates of deposit	487,531	-	-	487,531
Interest and other income	100,642	66,934	21,715	189,291
Net cash provided (used) by investing activities	<u>588,173</u>	<u>66,934</u>	<u>21,715</u>	<u>676,822</u>
Net increase (decrease) in cash and cash equivalents	(1,695,207)	22,229	(687,535)	(2,360,513)
Cash and cash equivalents - beginning 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 - end of year	<u>\$ 7,255,071</u>	<u>\$ 19,868,397</u>	<u>\$ 8,466,392</u>	<u>\$ 35,589,860</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	2,230	280	2,510
Unrestricted cash and cash equivalents on deposit	7,247,396	19,866,167	8,466,112	35,579,675
Restricted cash and cash equivalents on deposit	7,675	-	-	7,675
Total cash and cash equivalents	\$ 7,255,071	\$ 19,868,397	\$ 8,466,392	\$ 35,589,860

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, 2018

	<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)	\$ 2,303,647	\$ 3,384,630	\$ 2,843,738	\$ 8,532,015
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,891,723	3,283,149	1,036,445	6,211,317
Payments in lieu of tax	(778,895)	(517,760)	(338,600)	(1,635,255)
Tap fees	-	1,524,568	-	1,524,568
Pension related changes	734,569	-	-	734,569
Changes in assets and liabilities:				
Accounts receivable	(757,010)	(181,229)	(203,793)	(1,142,032)
Materials and supplies	(374,398)	(68,872)	(232,772)	(676,042)
Prepayments and other current assets	5,736	-	(34,629)	(28,893)
TVA contracts receivable - home weatherization	73,019	-	-	73,019
Accounts payable	287,363	528,537	(338,172)	477,728
Other accrued expense	9,128	8,413	1,031	18,572
Accrued interest	6,991	-	-	6,991
Customers' deposits	714,799	35,725	(75)	750,449
Accrued leave	4,540	21,850	18,867	45,257
TVA contracts payable - home weatherization	(74,894)	-	-	(74,894)
Accrued post employment benefits other than pensions	(1,163,409)	-	-	(1,163,409)
Net cash provided (used) by operating activities	<u>\$ 2,882,909</u>	<u>\$ 8,019,011</u>	<u>\$ 2,752,040</u>	<u>\$ 13,653,960</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, 2018

Revenues:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
Taxes:				
Property tax current	\$10,375,000	\$10,375,000	\$ 10,430,034	\$ 55,034
Property taxes delinquent	250,000	250,000	415,530	165,530
Property tax penalty and interest	100,000	100,000	152,891	52,891
Local sales tax	8,700,000	8,700,000	8,557,594	(142,406)
Local beer tax	850,000	850,000	1,012,218	162,218
Local liquor tax	300,000	300,000	304,038	4,038
Business tax	800,000	800,000	922,497	122,497
Privilege tax	28,000	28,000	27,049	(951)
Cable TV franchise fee	450,000	450,000	468,690	18,690
Special assessments	15,000	15,000	13,635	(1,365)
	<u>21,868,000</u>	<u>21,868,000</u>	<u>22,304,176</u>	<u>436,176</u>
Licenses and permits:				
Beer licenses	4,500	4,500	3,550	(950)
Building permits	975,000	975,000	850,354	(124,646)
Plumbing permits	200,000	200,000	244,611	44,611
Planning fees	325,000	325,000	241,804	(83,196)
Other mechanical permits	145,000	145,000	297,097	152,097
Other permits	942,800	942,800	904,769	(38,031)
	<u>2,592,300</u>	<u>2,592,300</u>	<u>2,542,185</u>	<u>(50,115)</u>
Intergovernmental:				
In lieu of tax - Housing authority	3,400	3,400	3,427	27
In lieu of tax - industry	72,000	72,000	93,704	21,704
State - sales tax	2,800,000	2,800,000	2,937,947	137,947
State - income tax	600,000	600,000	360,153	(239,847)
State - beer tax	17,000	17,000	16,082	(918)
State - mixed drink tax	120,000	120,000	186,924	66,924
State - gas and motor fuel tax	964,000	964,000	661,366	(302,634)
State - gas - 1989	-	-	105,315	105,315
State - gas - 3 cent	-	-	195,141	195,141
State - gas - 2017	-	-	194,198	194,198
State - petroleum special	70,500	70,500	69,360	(1,140)
State - telecomm	2,500	2,500	21,020	18,520
State - TVA in lieu of tax	480,000	480,000	498,488	18,488
State - excise tax	50,000	50,000	79,233	29,233
State salary supplements	-	83,400	83,400	-
Other federal grants	-	1,886,500	21,487	(1,865,013)

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, 2018

	<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	\$ 1,120,000	\$ 1,344,000	\$ 3,320	\$ (1,340,680)
State grant - Greenlea	-	-	135,590	135,590
Recycling Grant	-	25,000	13,889	(11,111)
Government Highway Safety Grant	-	-	23,497	23,497
EDA Site Development Grant	-	95,975	63,947	(32,028)
Other state grants	10,000	10,000	175	(9,825)
	<u>6,309,400</u>	<u>8,624,275</u>	<u>5,767,663</u>	<u>(2,856,612)</u>
Charges for services:				
Admin and management services	76,400	76,400	191,048	114,648
Accounting and management services	89,330	89,330	111,117	21,787
Personnel services	64,569	64,569	36,803	(27,766)
Other legal services	94,551	94,551	86,073	(8,478)
Miscellaneous	13,300	13,300	54,507	41,207
Vehicle maintenance charges	190,000	225,000	205,174	(19,826)
Rent	23,800	23,800	32,704	8,904
Golf course revenue	762,000	762,000	736,380	(25,620)
Civic center revenue	873,500	873,500	1,062,008	188,508
	<u>2,187,450</u>	<u>2,222,450</u>	<u>2,515,814</u>	<u>293,364</u>
Fines and forfeitures:				
Fines and forfeitures:	356,000	434,151	461,688	27,537
A.C.E.S red light revenue	250,000	250,000	189,139	(60,861)
Drug fines	15,000	15,000	18,119	3,119
	<u>621,000</u>	<u>699,151</u>	<u>668,946</u>	<u>(30,205)</u>
Other:				
Miscellaneous	5,000	5,000	50,082	45,082
Sale of land	-	-	13,329	13,329
Sale of cemetery lots	15,000	15,000	16,100	1,100
Sale of materials	2,000	2,000	10,027	8,027
Sale of equipment	40,000	40,000	24,219	(15,781)
Donations	75,000	278,000	448,647	170,647
Insurance recoveries	-	41,649	67,605	25,956
Interest	90,000	90,000	303,527	213,527
	<u>227,000</u>	<u>471,649</u>	<u>933,536</u>	<u>461,887</u>
Total revenues	\$ 33,805,150	\$ 36,477,825	\$ 34,732,320	\$ (1,745,505)

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, 2018**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
General government:				
Mayor's office:				
Current:				
Salaries	\$ 231,272	\$ 231,272	\$ 232,136	\$ 864
Employee benefits and taxes	56,340	56,340	62,814	6,474
Officials fees	48,650	48,650	37,550	(11,100)
Printing & publications	8,350	8,350	4,242	(4,108)
Membership fees	40,000	40,000	31,700	(8,300)
Repairs and maintenance	2,420	2,420	-	(2,420)
Utilities	3,000	3,000	2,611	(389)
Other professional services	98,000	98,000	74,038	(23,962)
Travel and meals	17,000	17,000	6,598	(10,402)
Mayor's expenses	5,000	5,000	2,749	(2,251)
Council expenses	16,800	16,800	8,512	(8,288)
Office supplies	9,000	9,000	2,001	(6,999)
Payments in lieu of tax	165,000	165,000	155,779	(9,221)
County portion of liquor tax	180,000	180,000	91,752	(88,248)
Discounts on taxes	25,000	25,000	10,430	(14,570)
Grants, donations	2,500	2,500	2,801	301
RTA program	56,000	56,000	55,597	(403)
Prizes and awards	12,000	12,000	12,766	766
Downtown landscape and streetscape	20,335	20,335	7,154	(13,181)
Miscellaneous	72,050	84,830	11,604	(73,226)
	1,068,717	1,081,497	812,834	(268,663)
Finance department:				
Current:				
Salaries	386,074	386,074	379,740	(6,334)
Employee benefits and taxes	107,486	107,486	93,428	(14,058)
Postage	5,000	5,000	3,888	(1,112)
Printing & publications	3,000	3,000	2,699	(301)
Membership fees	500	500	509	9
Utilities	300	300	424	124
Accounting services	63,500	63,500	61,535	(1,965)
Repairs and maintenance	1,500	1,500	900	(600)
Training	3,500	3,500	3,657	157
Operating supplies	5,500	5,500	5,267	(233)
Miscellaneous	850	150,850	134,286	(16,564)
Noncapital expenditures	2,000	2,000	1,190	(810)
	\$ 579,210	\$ 729,210	\$ 687,523	\$ (41,687)

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, 2018**

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	\$ 293,063	\$ 293,063	\$ 235,539	\$ (57,524)
Employee benefits and taxes	98,447	98,447	70,496	(27,951)
Postage	13,000	13,000	9,311	(3,689)
Printing & publications	3,130	3,130	3,375	245
Membership fees	2,500	2,500	1,570	(930)
Utilities	600	600	-	(600)
Data processing services	20,500	20,500	18,835	(1,665)
Other professional services	3,500	3,500	1,700	(1,800)
Travel	3,500	3,500	1,917	(1,583)
Other contractual services	12,000	12,000	931	(11,069)
Office supplies	4,500	4,500	5,690	1,190
Miscellaneous	2,600	2,600	5,835	3,235
Noncapital expenditures	10,000	10,000	-	(10,000)
	<u>467,340</u>	<u>467,340</u>	<u>355,199</u>	<u>(112,141)</u>
Risk management:				
Current:				
HRA expense	130,000	130,000	108,515	(21,485)
Workers compensation	320,000	320,000	358,500	38,500
ADA transition plan	325,000	325,000	239,200	(85,800)
Building insurance	60,000	60,000	71,819	11,819
General liability	325,000	325,000	313,727	(11,273)
	<u>1,160,000</u>	<u>1,160,000</u>	<u>1,091,761</u>	<u>(68,239)</u>
Attorney:				
Current:				
Salaries	306,679	306,679	307,954	1,275
Employee benefits and taxes	77,332	77,332	80,142	2,810
Printing & publications	3,500	3,500	2,324	(1,176)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	12,650	12,650	10,113	(2,537)
Membership fees	4,000	4,000	3,149	(851)
Utilities	1,500	1,500	1,168	(332)
Legal services	20,000	20,000	390	(19,610)

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, 2018

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
General government:				
Attorney:				
Current:				
Other professional services	20,000	20,000	1,048	(18,952)
Travel and meals	3,500	3,500	3,317	(183)
Training	2,500	2,500	3,019	519
Office supplies	650	650	121	(529)
Educational supplies	19,551	19,551	(424)	(19,975)
Miscellaneous	2,500	2,500	896	(1,604)
Noncapital expenditures	1,500	1,500	1,724	224
	477,162	477,162	414,941	(62,221)
Information technology:				
Current:				
Salaries	396,269	396,269	382,431	(13,838)
Employee benefits and taxes	107,921	107,921	107,293	(628)
Copier expense	500	500	334	(166)
Membership fees	1,000	1,000	462	(538)
Utilities	6,000	6,000	4,745	(1,255)
Other professional services	51,600	51,600	51,600	-
Other contractual services	537,600	576,379	559,881	(16,498)
Training	20,000	20,000	19,995	(5)
Office supplies	3,000	3,000	1,148	(1,852)
Operating supplies	10,000	10,000	5,995	(4,005)
Miscellaneous	4,800	4,800	3,427	(1,373)
Noncapital expenditures	255,800	445,225	232,074	(213,151)
Capital outlay	-	-	10,705	10,705
	1,394,490	1,622,694	1,380,090	(242,604)
Personnel:				
Current:				
Salaries	197,517	197,517	199,199	1,682
Employee benefits and taxes	340,008	340,008	47,777	(292,231)
Printing & publications	6,900	6,900	6,063	(837)
Utilities	725	725	529	(196)
Physicals	9,400	9,400	721	(8,679)
Professional services	500	500	51	(449)
Training	6,000	6,000	6,030	30
Office supplies	900	900	872	(28)
Operating supplies	3,000	3,000	2,392	(608)
Miscellaneous	4,000	4,000	5,176	1,176
Noncapital expenditures	1,715	1,715	1,391	(324)
	\$ 570,665	\$ 570,665	\$ 270,201	\$ (300,464)

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, 2018

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	\$ 491,757	\$ 491,757	\$ 463,356	\$ (28,401)
Employee benefits and taxes	148,177	148,177	130,717	(17,460)
Planning commission	19,775	19,775	16,353	(3,422)
Postage	1,500	1,500	435	(1,065)
Printing & publications	7,850	7,850	7,937	87
Membership fees	2,440	2,440	1,976	(464)
Utilities	1,200	1,200	2,484	1,284
Repairs and maintenance	2,000	2,000	314	(1,686)
Other Professional Services	1,500	21,500	211	(21,289)
Office supplies	3,800	8,800	6,810	(1,990)
Gas, oil, diesel, etc.	1,365	1,365	228	(1,137)
Miscellaneous	16,340	19,740	8,722	(11,018)
Noncapital expenditures	5,400	239,126	69,046	(170,080)
	<u>703,104</u>	<u>965,230</u>	<u>708,589</u>	<u>(256,641)</u>
General government buildings:				
Current:				
Salaries	204,040	204,040	207,185	3,145
Employee benefits and taxes	67,955	67,955	67,736	(219)
Utilities	86,200	86,200	71,845	(14,355)
Repairs and maintenance	30,500	30,500	26,272	(4,228)
Other contractual services	20,000	26,840	20,277	(6,563)
Inmate crew expense	-	-	629	629
Small equipment	2,000	2,000	2,132	132
Operating supplies	9,700	9,700	6,900	(2,800)
Janitorial supplies	8,500	8,500	7,709	(791)
Gas, oil, diesel, etc.	7,500	7,500	2,602	(4,898)
Miscellaneous	42,500	42,500	2,324	(40,176)
Noncapital expenditures	214,600	287,326	13,287	(274,039)
Capital outlay	-	-	243,272	243,272
	<u>\$ 693,495</u>	<u>\$ 773,061</u>	<u>\$ 672,170</u>	<u>\$ (100,891)</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, 2018

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
General government:				
Codes:				
Current:				
Salaries	\$ 689,084	\$ 773,520	\$ 694,791	\$ (78,729)
Employee benefits and taxes	219,900	243,755	212,837	(30,918)
Postage	500	500	117	(383)
Printing & publications	8,700	8,700	8,431	(269)
Membership fees	3,500	3,500	5,077	1,577
Utilities	7,000	7,000	8,775	1,775
Repairs and maintenance	5,500	5,500	3,569	(1,931)
Other Professional Services	10,000	110,000	51,212	(58,788)
Office supplies	4,000	4,000	2,050	(1,950)
Gas, oil, diesel, etc.	10,500	10,500	13,327	2,827
Miscellaneous	18,900	18,900	51,076	32,176
Noncapital expenditures	6,000	6,000	1,936	(4,064)
	983,584	1,191,875	1,053,198	(138,677)
Community services:				
Current:				
July 4th celebration	20,000	28,925	17,850	(11,075)
Appropriations to non profits	231,000	251,000	251,000	-
	251,000	279,925	268,850	(11,075)
Total general government	8,348,767	9,318,659	7,715,356	(1,603,303)
Public safety:				
Police:				
Current:				
Salaries	4,903,215	4,981,345	4,840,465	(140,880)
Employee benefits and taxes	1,712,344	1,729,862	1,573,823	(156,039)
Postage	3,000	3,000	3,832	832
Printing & publications	29,400	30,825	33,692	2,867
Membership fees	3,500	18,710	18,566	(144)
Public relations	1,500	2,500	1,075	(1,425)
Utilities	86,600	86,600	81,090	(5,510)
Physicals	8,000	8,000	13,566	5,566
Data processing services	30,000	30,000	17,670	(12,330)
Repairs and maintenances	89,500	89,500	105,701	16,201

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, 2018**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Public safety:				
Police:				
Current:				
Travel	\$ 8,000	\$ 8,000	\$ 8,081	\$ 81
Other contractual services	40,000	44,378	37,356	(7,022)
Inmate crew expense	1,500	1,500	985	(515)
Reserve officers expense	10,000	10,000	6,968	(3,032)
Office supplies	5,100	5,100	3,903	(1,197)
Small office equipment	3,000	3,000	4,540	1,540
Operating supplies	40,750	40,750	41,864	1,114
Janitorial supplies	5,000	5,000	3,740	(1,260)
Clothing and uniforms	38,300	38,300	49,991	11,691
Fire arm supplies	20,000	20,000	20,199	199
Other operating supplies	3,000	3,000	3,458	458
Gas, oil, diesel, etc.	150,500	150,500	168,456	17,956
Other supplies	3,000	3,000	2,240	(760)
Traffic light camera expense	120,000	120,000	87,736	(32,264)
Other grants and donations	784,195	1,023,718	684,283	(339,435)
Noncapital expenditures	280,000	300,185	86,242	(213,943)
Capital outlay	-	-	210,459	210,459
	<u>8,379,404</u>	<u>8,756,773</u>	<u>8,109,981</u>	<u>(646,792)</u>
Fire department:				
Current:				
Salaries	4,335,729	4,292,679	4,262,681	(29,998)
Employee benefits and taxes	1,477,496	1,453,654	1,429,157	(24,497)
Radio and television services	3,500	3,500	2,969	(531)
Printing & publications	3,050	3,050	1,866	(1,184)
Membership fees	20,000	20,000	5,629	(14,371)
Utilities	54,000	54,000	51,975	(2,025)
Physicals	12,000	12,000	6,861	(5,139)
Repairs and maintenance	90,000	90,000	152,912	62,912
Travel	25,000	25,000	18,624	(6,376)
Other contractual services	15,000	15,000	22,001	7,001
Training	80,000	80,000	80,311	311
Office supplies	2,000	2,000	1,433	(567)
Small office equipment	4,500	4,500	1,220	(3,280)
Operating supplies	22,000	22,000	7,841	(14,159)
Janitorial supplies	8,000	8,000	6,452	(1,548)
Clothing and uniforms	30,000	31,940	31,754	(186)
Fire prevention supplies	8,500	8,500	7,637	(863)

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, 2018

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Fire department:				
Current:				
Gas, oil, diesel, etc.	\$ 50,000	\$ 50,000	\$ 66,945	\$ 16,945
Miscellaneous	20,500	20,500	16,733	(3,767)
Noncapital expenditures	318,252	1,253,243	61,073	(1,192,170)
Capital outlay	-	-	1,058,544	1,058,544
	6,579,527	7,449,566	7,294,618	(154,948)
Total public safety	14,958,931	16,206,339	15,404,599	(801,740)
Engineering:				
Current:				
Salaries	442,134	442,134	442,107	(27)
Employee benefits and taxes	134,617	134,617	137,741	3,124
Printing	2,000	2,000	1,275	(725)
Licenses	3,600	3,600	2,980	(620)
Membership fees	2,010	2,010	1,812	(198)
Utilities	3,070	3,070	2,602	(468)
Street lights	300,000	300,000	299,439	(561)
Professional services	40,000	40,000	27,458	(12,542)
Repairs and maintenance	3,500	3,500	703	(2,797)
Other contractual services	25,000	83,163	63,746	(19,417)
Office supplies	2,000	2,000	521	(1,479)
Operating supplies	20,800	20,800	2,350	(18,450)
Gas, oil, diesel, etc.	4,750	5,250	3,159	(2,091)
Permit fees	3,460	3,460	3,460	-
Miscellaneous	5,965	156,934	133,273	(23,661)
Noncapital expenditures	1,960,000	8,323,240	739,671	(7,583,569)
Capital outlay	-	-	1,218,597	1,218,597
Total engineering	\$ 2,952,906	\$ 9,525,778	\$ 3,080,894	\$ (6,444,884)

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, 2018

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Public works:				
Current:				
Salaries	\$ 220,146	\$ 220,146	\$ 217,795	\$ (2,351)
Employee benefits and taxes	64,257	64,257	54,632	(9,625)
Utilities	1,200	1,200	741	(459)
Repairs and maintenance	4,000	4,000	7,297	3,297
Gas, oil, diesel, etc.	1,500	1,500	811	(689)
Miscellaneous	15,700	18,383	17,258	(1,125)
Noncapital expenditures	195,000	306,487	106,664	(199,823)
Capital outlay	-	-	35,607	35,607
Total public works	501,803	615,973	440,805	(175,168)
Highways and streets:				
Current:				
Salaries	845,357	845,357	762,129	(83,228)
Employee benefits and taxes	319,753	319,753	270,733	(49,020)
Utilities	13,200	13,200	15,842	2,642
Physicals	1,000	1,000	2,044	1,044
Repairs and maintenance	166,000	166,000	169,994	3,994
Travel	1,000	1,000	433	(567)
Other contractual services	1,250	1,250	1,920	670
Operating supplies	5,400	5,400	4,533	(867)
Agricultural and horticultural supplies	6,500	6,500	2,257	(4,243)
Janitorial supplies	1,000	1,000	1,082	82
Clothing and uniforms	6,500	6,500	6,559	59
Other operating supplies	1,500	1,500	1,951	451
Gas, oil, diesel, etc.	62,000	62,000	71,836	9,836
Consumable tools	3,500	3,500	1,481	(2,019)
Sign parts and supplies	15,000	16,060	10,813	(5,247)
Demolition and mowing	16,000	27,050	29,640	2,590
Other supplies	1,500	1,500	2,297	797
Salt	20,000	20,000	-	(20,000)
Drainage material	40,000	40,000	13,353	(26,647)
Inmate crew	14,000	14,000	9,191	(4,809)
Miscellaneous	4,150	4,150	1,527	(2,623)
Noncapital expenditures	377,000	551,412	-	(551,412)
Capital outlay	-	-	251,247	251,247
Total highways and streets	\$ 1,921,610	\$ 2,108,132	\$ 1,630,862	\$ (477,270)

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, 2018

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
Vehicle maintenance:				
Current:				
Salaries	\$ 245,470	\$ 245,470	\$ 244,369	\$ (1,101)
Employee benefits and taxes	81,854	81,854	80,873	(981)
Utilities	11,500	11,500	12,098	598
Repairs and maintenance	179,000	214,000	212,199	(1,801)
Operating supplies	3,500	3,500	2,230	(1,270)
Clothing and uniforms	1,400	1,400	1,049	(351)
Maintenance supplies	1,000	1,000	310	(690)
Gas, oil, diesel, etc.	6,000	6,000	3,170	(2,830)
Miscellaneous	3,300	3,300	1,431	(1,869)
Noncapital expenditures	38,000	38,000	924	(37,076)
Capital outlay	-	-	28,379	28,379
	<u>571,024</u>	<u>606,024</u>	<u>587,032</u>	<u>(18,992)</u>
Parks and recreation				
Civic Center:				
Current:				
Salaries	583,311	590,195	702,208	112,013
Employee benefits and taxes	118,712	119,895	123,368	3,473
Postage	2,100	2,100	2,120	20
Printing and publications	6,000	6,000	7,141	1,141
Utilities	250,600	250,600	191,259	(59,341)
Professional services	3,000	3,000	-	(3,000)
Employee physicals	1,000	1,000	2,141	1,141
Repairs and maintenance	28,000	28,000	40,132	12,132
Other contractual services	120,000	120,000	100,306	(19,694)
Operating supplies	61,000	61,000	92,708	31,708
Food	40,000	40,000	63,634	23,634
Janitorial supplies	15,000	15,000	11,580	(3,420)
Miscellaneous	16,500	17,367	15,161	(2,206)
Noncapital expenditures	390,000	436,856	179,834	(257,022)
Capital outlay	-	-	127,166	127,166
	<u>\$ 1,635,223</u>	<u>\$ 1,691,013</u>	<u>\$ 1,658,758</u>	<u>\$ (32,255)</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, 2018**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Golf course:				
Current:				
Salaries	\$ 402,507	\$ 402,507	\$ 379,049	\$ (23,458)
Employee benefits and taxes	113,175	113,175	112,825	(350)
Printing and publications	2,150	2,150	302	(1,848)
Membership fees	1,600	1,600	1,738	138
Utilities	43,800	43,800	27,548	(16,252)
Physicals	200	200	196	(4)
Repairs and maintenance	7,500	7,500	1,299	(6,201)
Other contractual services	25,000	25,000	2,820	(22,180)
Items for resale	25,000	25,000	18,663	(6,337)
Operating supplies	20,500	20,500	22,937	2,437
Agricultural and horticultural supplies	76,000	76,000	47,613	(28,387)
Food	35,000	35,000	30,108	(4,892)
Clothing and uniforms	3,200	3,200	3,035	(165)
Gas, oil, diesel, etc.	14,000	14,000	14,765	765
Other equipment parts	30,000	30,000	26,914	(3,086)
Repair parts for water/sewer lines	4,000	4,000	3,128	(872)
Beer for resale	15,000	15,000	15,105	105
Discount credit card	12,000	12,000	14,466	2,466
Miscellaneous	300	300	-	(300)
Noncapital expenditures	30,000	30,000	-	(30,000)
	<u>860,932</u>	<u>860,932</u>	<u>722,511</u>	<u>(138,421)</u>
Parks:				
Current:				
Salaries	1,195,466	1,201,311	1,088,658	(112,653)
Employee benefits and taxes	355,556	356,560	348,576	(7,984)
Printing and publication	4,800	4,800	1,567	(3,233)
Memberships	800	800	2,871	2,071
Public relations	15,000	15,000	14,991	(9)
Utilities	110,000	110,000	97,642	(12,358)
Repairs and maintenance	47,000	62,000	72,033	10,033
Travel	2,000	2,000	1,572	(428)
Other contractual services	10,000	10,000	30,464	20,464
Inmate crew meals	8,000	8,000	9,057	1,057
Small equipment	9,100	9,100	7,491	(1,609)
Operating supplies	120,000	120,000	88,886	(31,114)
Agricultural and horticultural supplies	25,000	25,000	17,112	(7,888)
Food	50,000	50,000	20,411	(29,589)

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018**

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Parks:				
Gas, oil, diesel, etc.	50,000	50,000	59,209	9,209
Miscellaneous	4,150	4,150	943	(3,207)
Noncapital expenditures	225,000	522,196	163,426	(358,770)
Capital outlay	-	-	322,091	322,091
	<u>2,231,872</u>	<u>2,550,917</u>	<u>2,347,000</u>	<u>(203,917)</u>
Total parks and recreation	<u>4,728,027</u>	<u>5,102,862</u>	<u>4,728,269</u>	<u>(374,593)</u>
Economic development agency:				
Current:				
Salaries	212,378	212,378	206,084	(6,294)
Employee benefits and taxes	58,680	58,680	59,563	883
Printing & publications	25,750	25,750	23,968	(1,782)
Membership fees	13,000	13,000	14,813	1,813
Public relations	28,000	37,595	27,819	(9,776)
Utilities	2,300	2,300	1,562	(738)
Repairs and maintenance	1,000	1,000	1,534	534
Professional services	40,000	75,000	61,788	(13,212)
Travel	8,000	8,000	7,488	(512)
Office supplies	2,000	2,000	2,660	660
Industrial Development Board	5,400	152,400	153,593	1,193
Gas, oil, diesel, etc.	2,000	2,000	424	(1,576)
Miscellaneous	350	350	316	(34)
Noncapital expenditures	-	-	8,361	8,361
	<u>398,858</u>	<u>590,453</u>	<u>569,973</u>	<u>(20,480)</u>
Economic Development Utility				
Current:				
Professional Services	75,000	125,000	39,093	(85,907)
Grants and donations	-	191,950	129,559	(62,391)
	<u>75,000</u>	<u>316,950</u>	<u>168,652</u>	<u>(148,298)</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, 2018**

	<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	1,750,000	1,750,000	1,839,745	89,745
Interest	861,956	861,956	861,956	-
Bond fees	1,400	1,400	812	(588)
	<u>2,613,356</u>	<u>2,613,356</u>	<u>2,702,513</u>	<u>89,157</u>
Total expenditures	<u>37,070,282</u>	<u>47,004,526</u>	<u>37,028,955</u>	<u>(9,975,571)</u>
Excess (deficiency) of revenues over (under) expenditures	(3,265,132)	(10,526,701)	(2,296,635)	8,230,066
Other financing sources (uses)				
In lieu of tax payments - utility	1,709,000	1,709,000	1,635,255	(73,745)
Transfers out	(20,000)	(82,000)	(82,000)	-
Total other financing sources (uses)	<u>1,689,000</u>	<u>1,627,000</u>	<u>1,553,255</u>	<u>(73,745)</u>
Net changes in fund balances	<u>\$ (1,576,132)</u>	<u>\$ (8,899,701)</u>	(743,380)	<u>\$ 8,156,321</u>
Fund balance - beginning			<u>18,673,662</u>	
Fund balance - ending			<u>\$ 17,930,282</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, 2018

Assets		
Cash and cash equivalents	\$	129,284
Receivables:		
Employee contributions		4,751
Investment income		34,991
Investments:		
Certificates of deposit		449,222
Mutual funds		1,967,147
US government and municipal obligations		1,342,489
Corporate bonds and debentures		2,243,263
Common stocks		3,151,543
		<u>3,151,543</u>
Total assets		<u>9,322,690</u>
Liabilities		
Payables:		
Trustee/Custody fees		232
Investment management fees		10,909
		<u>10,909</u>
Total liabilities		<u>11,141</u>
Net position restricted for pensions	\$	<u>9,311,549</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, 2018

Additions

Contributions:

Employees	\$	62,395
Employer		<u>800,000</u>
Total contributions		<u>862,395</u>

Investment income:

Net appreciation in fair value of investments		395,476
Interest and dividends		<u>214,546</u>
		610,022
Less: investment fees		<u>(44,369)</u>
Net investment gain		<u>565,653</u>

Total additions 1,428,048

Deductions

Benefit payments		<u>492,024</u>
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Total deductions 492,024

Change in net position 936,024

Total net position - beginning 8,375,525

Total net position - ending \$ 9,311,549

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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 and fiduciary 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.

Additionally, the City reports the following fiduciary fund:

The Electric Department's pension trust fund is used to account for assets held for benefits related to the Gallatin Department of Electricity's pension plan.

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

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

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

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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.

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 funds 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

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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.

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. 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

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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 implemented this statement in the current year and it resulted in a restatement in the Electric fund.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance

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

Nonspendable fund balance

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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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 or enabling legislation or through external restrictions imposed by creditors, grantors, contributors, legislation, or the other governments.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

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.

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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 \$3,441,634 difference are as follows:

Capital outlay	\$ 6,077,113
Depreciation expense	<u>(2,635,479)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 3,441,634</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 (\$366,825) difference are as follows:

Change in deferred property taxes	\$ (371,983)
Change in deferred red light revenue	<u>5,158</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (366,825)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public 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.

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5. Formal budgetary integration is employed as a management control device during the year for all funds excluding the Electric Fund.
6. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2018, the City of Gallatin, Tennessee's Electric Department had \$4,573,824 and the General fund had \$2,960,297 invested in certificates of deposit with local financial institutions. As of June 30, 2018, 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, 2018, all bank deposits were fully collateralized or insured.

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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	\$ 11,671,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,671,689
Interest	322,658	-	-	-	-	11,209	333,867
Accounts	487,767	-	7,633,914	1,170,433	1,816,282	76,731	11,185,127
Fines	2,054,494	-	-	-	-	-	2,054,494
Grants	80,371	28,926	-	-	-	-	109,297
Intergovernmental	2,658,475	-	-	-	-	-	2,658,475
Other	-	-	-	5,295	7,576	170,910	183,781
Gross receivables	<u>17,275,454</u>	<u>28,926</u>	<u>7,633,914</u>	<u>1,175,728</u>	<u>1,823,858</u>	<u>258,850</u>	<u>28,196,730</u>
Less: Allowance for uncollectibles	<u>(2,346,388)</u>	<u>-</u>	<u>-</u>	<u>(341,099)</u>	<u>(32,841)</u>	<u>(18,614)</u>	<u>(2,738,942)</u>
Net total receivable	<u>\$ 14,929,066</u>	<u>\$ 28,926</u>	<u>\$ 7,633,914</u>	<u>\$ 834,629</u>	<u>\$ 1,791,017</u>	<u>\$ 240,236</u>	<u>\$ 25,457,788</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	\$ 198,995	\$ -
Interest and penalty on property taxes receivable	260,282	-
2018 property tax assessment	11,123,823	-
Grants	-	6,620
Drug fund revenue held	-	47,977
Court fines	29,011	-
Total unavailable revenue for fund financial statements	<u>\$ 11,612,111</u>	<u>\$ 54,597</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	\$ 14,339,334	\$ 13,704	\$ -	\$ -	\$ 14,353,038
Construction in progress	<u>5,771,224</u>	<u>881,599</u>	<u>-</u>	<u>(6,608,112)</u>	<u>44,711</u>
Total capital assets, not being depreciated	<u>20,110,558</u>	<u>895,303</u>	<u>-</u>	<u>(6,608,112)</u>	<u>14,397,749</u>

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	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Buildings	17,203,678	1,479,202	-	-	18,682,880
Improvements other than buildings	58,564,982	6,383,526	-	6,608,112	71,556,620
Vehicles	12,570,592	1,534,582	-	-	14,105,174
Office equipment	2,308,416	24,627	-	-	2,333,043
Equipment	3,616,092	643,873	-	1	4,259,966
Total capital assets being depreciated	<u>94,263,760</u>	<u>10,065,810</u>	<u>-</u>	<u>6,608,113</u>	<u>110,937,683</u>
Less accumulated depreciation for:					
Buildings and improvements	6,756,790	393,440	-	-	7,150,230
Improvements other than buildings	13,314,396	1,077,638	-	-	14,392,034
Vehicles	10,017,458	816,429	-	-	10,833,887
Office equipment	1,909,689	154,450	-	-	2,064,139
Equipment	2,793,670	193,522	-	-	2,987,192
Total accumulated depreciation	<u>34,792,003</u>	<u>2,635,479</u>	<u>-</u>	<u>-</u>	<u>37,427,482</u>
Total capital assets being depreciated, net	<u>59,471,757</u>	<u>7,430,331</u>	<u>-</u>	<u>6,608,113</u>	<u>73,510,201</u>
Governmental activities capital assets, net	<u>\$ 79,582,315</u>	<u>\$ 8,325,634</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 87,907,950</u>

	Beginning Balance	Additions	Disposal	Adjustments/ Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,946,001	\$ 440,628	\$ -	\$ -	\$ 3,386,629
Construction in progress	2,545,696	2,040,638	-	(447,892)	4,138,442
Total capital assets, not being depreciated	<u>5,491,697</u>	<u>2,481,266</u>	<u>-</u>	<u>(447,892)</u>	<u>7,525,071</u>
Capital assets being depreciated:					
Transmission plant	780,905	-	-	-	780,905
Distribution plant	194,367,671	14,695,679	148,769	447,892	209,362,473
General plant	3,912,931	155,429	29,052	-	4,039,308
Buildings	43,110,257	-	-	-	43,110,257
Operating equipment	2,727,951	-	-	-	2,727,951
Rolling stock	3,150,798	34,677	-	-	3,185,475
Office furniture and equipment	705,930	-	-	-	705,930
Total capital assets being depreciated	<u>248,756,443</u>	<u>14,885,785</u>	<u>177,821</u>	<u>447,892</u>	<u>263,912,299</u>
Less accumulated depreciation for:					
Transmission plant	391,390	22,326	-	-	413,716
Distribution plant	80,054,666	4,500,669	218,358	-	84,336,977
General plant	2,292,383	192,853	29,052	-	2,456,184
Buildings	6,612,550	944,787	-	6,551,810	14,109,147
Operating equipment	2,155,273	92,536	-	-	2,247,809
Rolling stock	2,408,952	249,237	-	-	2,658,189
Office furniture and equipment	601,968	21,867	-	-	623,835
Total accumulated depreciation	<u>94,517,182</u>	<u>6,024,275</u>	<u>247,410</u>	<u>6,551,810</u>	<u>106,845,857</u>
Total capital assets being depreciated, net	<u>154,239,261</u>	<u>8,861,510</u>	<u>(69,589)</u>	<u>(6,103,918)</u>	<u>157,066,442</u>
Business-type activities capital assets, net	<u>\$ 159,730,958</u>	<u>\$ 11,342,776</u>	<u>\$ (69,589)</u>	<u>\$ (6,551,810)</u>	<u>\$ 164,591,513</u>
Total capital assets, net	<u>\$ 239,313,273</u>	<u>\$ 19,668,410</u>	<u>\$ (69,589)</u>	<u>\$ (6,551,809)</u>	<u>\$ 252,499,463</u>

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Included in the additions for the governmental activities are \$4,884,000 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 \$191,136 and total accumulated amortization of \$2,203,360 for an ending balance of \$152,174.

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

Governmental activities:	
General government	\$ 1,221,563
Public safety	793,341
Environmental services	1,000
Highways and streets	257,329
Parks and recreation	362,246
Total depreciation expense - governmental activities	<u>\$ 2,635,479</u>
Business-type activities:	
Electric	\$ 1,611,841
Water and sewer	3,283,149
Gas	1,036,445
Electric charged to other accounts	92,840
Total depreciation expense - business-type activities	<u>\$ 6,024,275</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, 2018:

Transfers From	Transfers To	Amount
General Fund	Environmental Services Fund	\$ 20,000
General Fund	Capital Projects	62,000
Water and Sewer Fund	General Fund	517,760
Gas Fund	General Fund	338,600
Electric Fund	General Fund	778,895
Total		<u>1,717,255</u>
Governmental fund activities eliminated		(82,000)
Total government-wide		<u>\$ 1,635,255</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 capital projects fund was related to a called performance bond for infrastructure work at Far Away Hills subdivision.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments

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E. Long-term Debt

General long-term debt at June 30, 2018, 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%	12,100,000
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>10,140,000</u>
Total bonds payable	<u>22,240,000</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%	460,000
Note with Sumner County Board of Education to pay liquor tax collections that should have been transferred as collected in prior years	<u>89,745</u>
Total notes payable	<u>549,745</u>
Total general long-term debt	<u>\$ 22,789,745</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2018, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2018, is comprised of the following:

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%	117,448
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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%	22,570,000
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%	3,765,000
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>7,620,000</u>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Total proprietary long-term debt

\$ 34,072,448

The aforementioned notes are secured by the full faith and credit of the City. During 2018, 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 liability, and Net Pension Liability at June 30, 2018, are as follows:

Year Ending June 30,	Electric Department							
	Notes		Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 35,037	\$ 6,312	\$ 549,745	\$ 21,276	\$ 3,065,000	\$ 2,113,236	\$ 3,649,782	\$ 2,140,824
2020	28,830	4,713	-	-	3,130,000	2,007,156	3,158,830	2,011,869
2021	23,016	2,432	-	-	3,220,000	1,894,136	3,243,016	1,896,568
2022	15,384	1,272	-	-	3,295,000	1,805,810	3,310,384	1,807,082
2023	9,030	516	-	-	3,385,000	1,679,661	3,394,030	1,680,177
2024-2028	6,151	189	-	-	18,175,000	6,288,373	18,181,151	6,288,562
2029-2033	-	-	-	-	17,480,000	2,904,288	17,480,000	2,904,288
2034-2038	-	-	-	-	3,855,000	445,000	3,855,000	445,000
2039	-	-	-	-	590,000	32,263	590,000	32,263
	<u>\$ 117,448</u>	<u>\$ 15,434</u>	<u>\$ 549,745</u>	<u>\$ 21,276</u>	<u>\$ 56,195,000</u>	<u>\$ 19,169,923</u>	<u>\$ 56,862,193</u>	<u>\$ 19,206,633</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, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 1,074,490	\$ -	\$ 524,745	\$ 549,745	\$ 549,745
General obligation bonds	23,555,000	-	1,315,000	22,240,000	1,335,000
Premium on bond issue	1,893,435	-	111,917	1,781,518	113,386
Compensated absences	1,513,138	-	37,398	1,475,740	100,000
	<u>\$ 28,036,063</u>	<u>\$ -</u>	<u>\$ 1,989,060</u>	<u>\$ 26,047,003</u>	<u>\$ 2,098,131</u>
Business-type activities:					
Notes payable	\$ 124,150	\$ -	\$ 124,150	\$ -	\$ -
TVA winterization contracts	192,342	-	74,894	117,448	35,037
Revenue and tax bonds	35,785,000	-	1,830,000	33,955,000	1,730,000
Premium on bond issue	3,356,633	-	173,626	3,183,007	173,626
Compensated absences	717,495	54,257	-	771,752	157,716
	<u>\$ 40,175,620</u>	<u>\$ 54,257</u>	<u>\$ 2,202,670</u>	<u>\$ 38,027,207</u>	<u>\$ 2,096,379</u>

CITY OF GALLATIN, TENNESSEE
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June 30, 2018

Within the City's governmental activities, compensated absences are generally liquidated by the general fund.

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 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.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, outstanding bonds considered as defeased were as follows:

General Obligation Public Improvement Bonds – Series 2007	\$ 5,130,000
Water and Sewer Revenue and Tax Bonds – Series 2008	\$20,010,000

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, 2018, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

B. Commitments

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

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018, which is the latest available financial statement date, has net investment in capital assets in the amount of \$1,427,381 and an unrestricted net deficit of (\$147,062) as compared to \$1,388,162 and (\$1,282,276) for the year 2017. During 2018, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$591,193 in tipping fees for solid waste.

C. Contingent Liabilities

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

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

D. Power Contract

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

E. Employee Retirement Systems and Pension Plans

City of Gallatin

Plan description

The City (exclusive of the electric utility) participates in the State of Tennessee 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 Retire Ready TN 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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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. The City had no forfeitures in 2018. 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 \$1,466,658 on behalf of the employees during calendar year 2018.

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. While the Electric Plan covers substantially all Department employees, it was closed to new entrants effective 3/1/2016. 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

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 \$1,040,000 applicable to FY 2017, of which \$1,040,000 was contributed by end of the fiscal year.

Net Pension Liability

The Electric Department's net pension liability was measured as of June 30, 2017, 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, 2017 were as follows:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

	<u>Changes in Net Pension Liability</u>		
	Total Pension Liability (TPL)	Increase (Decrease)	
		Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a) - (b)
Balances of 6/30/16	\$ 9,847,345	\$ 7,131,105	\$ 2,716,240
Changes for the year:			
Service Cost	177,907	-	177,907
Interest	685,170	-	685,170
Difference in expected & actual experience	(295,965)	-	(295,965)
Contributions - Employer	-	1,040,000	(1,040,000)
Contributions - Employee	-	62,487	(62,487)
Net Investment Income	-	663,332	(663,332)
Benefit payments	(482,369)	(482,369)	-
Change of assumptions	-	-	-
Administrative expense	-	(39,030)	39,030
Net Changes	<u>84,743</u>	<u>1,244,420</u>	<u>(1,159,677)</u>
Balances as of 6/30/17	<u>\$ 9,932,088</u>	<u>\$ 8,375,525</u>	<u>\$ 1,556,563</u>

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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	\$ 11,178,256	\$ 9,932,088	\$ 8,883,607
Plan Fiduciary Net Position	\$ 8,375,525	\$ 8,375,525	\$ 8,375,525
Net Pension Liability	\$ 2,802,731	\$ 1,556,563	\$ 508,082

<u>Pension Expense</u>	
<u>Components of Pension Expense</u>	<u>2017</u>
Service Cost	\$ 177,907
Interest on TPL	685,170
Difference between Expected & Actual Experience	(40,220)
Change of Assumptions	18,207
Employee Contributions	(62,487)
Projected Earnings on Assets	(519,171)
Difference between Expected & Actual Earnings	54,536
Pension Plan administrative expense	39,030
Total Expense	<u>\$ 352,972</u>

The total expense represents the amount of pension expense recognized in the FY 2018 financial statements.

Deferred Outflow of Resources and Deferred Inflow of Resources

For the year ended June 30, 2018, the Department reported balances in deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 15,128	\$ 253,805
Change of assumptions	653,920	337,332
Difference between expected and actual earnings on pension plan investments	<u>311,128</u>	<u>158,398</u>
Totals to be amortized	980,176	749,535
Contributions made subsequent to the measurement date	800,000	-
	<u>\$ 1,780,176</u>	<u>\$ 749,535</u>

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

Year ended June 30:

2018	\$ 32,524
2019	75,593
2020	7,407
2021	(50,846)
2022	(22,013)
Thereafter	187,976

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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. The plan was closed to new entrants effective March 1, 2016. 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.

<u>Plan membership</u>	
At June 30, 2017 the plan membership consisted of:	
Inactive employees receiving benefits	12
Active employees	30
	42

Total OPEB Liability

The Electric Department’s total OPEB liability of \$472,634 was measured as of June 30, 2017 by applying projections to roll forward the actuarial valuation dated July 1, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0 percent per year
Salary increases	2.5 percent per year
Discount rate	3.58 percent, as of June 30, 2017
Healthcare cost trend rates	None assumed
Participation rate	100 percent assumed

The discount rate was based on the Bond Buyer’s 20-year Bond Index.

Mortality rates were based on the RP-2014 fully generational mortality table for males and females, with improvement scale MP-2016.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Changes in Total OPEB Liability

	Total OPEB Liability
Balances of 6/30/16	\$ 516,997
Changes for the year:	
Service Cost	9,220
Interest	14,641
Difference in expected & actual experience	3,563
Benefit payments	(25,113)
Change of assumptions	(46,674)
Net Changes	(44,363)
Balances as of 6/30/17	\$ 472,634

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58 percent) or one percentage point higher (4.58 percent) than the current discount rate:

Sensitivity of Total OPEB Liability to Changes in the Discount Rate at June 30, 2017			
	1% Decrease	Current Rate	1% Increase
Interest Rate	2.58%	3.58%	4.58%
Total OPEB Liability	\$ 538,341	\$ 472,634	\$ 418,405

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2017, the Department had OPEB expense of \$18,584. At June 30, 2017, the Department had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 3,127	\$ -
Change of assumptions	-	40,961
Totals to be amortized	3,127	40,961
Contributions made subsequent to the measurement date	15,914	-
	\$ 19,041	\$ 40,961

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Year ended June 30:	
2018	\$ (5,277)
2019	(5,277)
2020	(5,277)
2021	(5,277)
2022	(5,277)
Thereafter	(11,449)

G. Defined Contribution Plan

Gallatin Department of Electricity

Plan Description

The Electric Department entered into an agreement with the State of Tennessee to participate in the State of Tennessee Deferred Compensation Plan II – 401(k) Defined Contribution Plan with a ROTH option effective 3/1/2016. The Plan will be administered by the Treasurer for the State of Tennessee which has an agreement with Empower Retirement for the enrollment, deferrals, advisory services and many other administrative aspects. The Plan assets are not held by the Department and the Department does not exercise a trustee responsibility over such assets. This will be the only plan offered to employees hired after 3/1/2016 and will also be available to those employees hired before 3/1/2016 on a voluntary basis.

Funding Policy

The Plan allows employees to make tax deferred contributions into self-directed investments as much as allowable under the Internal Revenue Code. For employees hired after 3/1/2016, the Department will match 200% of Participant elective deferrals of up to 5% of Compensation. The vested interest of each participant, with respect to matching contributions, will be as follows:

- 20% after one year of service
- 40% after two years of service
- 60% after three years of service
- 80% after four years of service
- 100% after five years of service

Any forfeitures will be used first to reduce the employer's matching contributions and then to offset plan expenses. As of June 30, 2018, there have been no forfeitures. For employees hired before 3/1/2016, they can make elective deferrals into the plan with no matching contribution from the Department.

Annual Cost

The Department's maximum contribution to the Plan is defined as up to 10% of an eligible employee's annual compensation. The Department contributed \$18,732 on behalf of the eligible employees during the fiscal year ended June 30, 2018. There were no outstanding contributions at June 30, 2018.

H. 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:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

<u>Entity and Terms</u>	<u>Percentage of Taxes Abated During Year Ended June 30, 2018</u>	<u>Amount of Taxes Abated during Year Ended June 30, 2018</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	87,439
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.	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

I. Restatement of Beginning Net Position – Implementation of GASB Statement 75

A restatement was necessary with the implementation of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net OPEB liability attributable to periods prior to 7/1/2016 was determined to be \$516,997. With this implementation, an adjustment was also necessary to reflect any employer contributions made to the plan since the beginning of the measurement period which was July 1, 2016 through June 30, 2017. The contributions made during fiscal year 2017 was \$25,112. Prior to the implementation of GASB 75, the Department reported OPEB according to GASB 45 and had a liability recorded for \$135,428. Therefore, the net adjustment for the GASB 75 implementation was \$356,457. This amount was recorded as a restatement to fiscal year 2018 beginning net position.

J. Prior Period Adjustment

As of June 30, 2018, a prior period adjustment was made in the Water & Sewer fund's capital assets. There were \$6,551,810 of capital assets that had not been depreciating in the Distribution System. Upon further investigation, these were assets that were fully depreciated before the system conversion almost a decade ago. These assets were adjusted to being fully depreciated through a prior period adjustment of \$6,551,810.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - ELECTRIC DEPARTMENT
June 30, 2018

	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 177,907	\$ 165,004	\$ 160,612
Interest	685,170	659,028	652,294
Changes of benefit terms	-	-	-
Differences between expected & actual experience	(295,965)	-	-
Changes of assumptions	-	(468,590)	-
Benefit payments / refunds	(482,369)	(445,233)	(403,705)
Net change in Total Pension Liability	<u>84,743</u>	<u>(89,791)</u>	<u>409,201</u>
Total Pension Liability - beginning	9,847,345	9,937,136	9,527,935
Total Pension Liability - ending (a)	<u>\$ 9,932,088</u>	<u>\$ 9,847,345</u>	<u>\$ 9,937,136</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,040,000	\$ 666,994	\$ 385,256
Contributions - Member	62,487	65,855	61,065
Net investment income	663,332	185,887	118,499
Benefit payments / refunds	(482,369)	(445,233)	(403,705)
Administrative expense	(39,030)	(34,134)	(32,684)
Other	-	-	-
Net change in fiduciary net position	<u>1,244,420</u>	<u>439,369</u>	<u>128,431</u>
Plan fiduciary net position - beginning	7,131,105	6,691,736	6,563,305
Plan fiduciary net position - ending (b)	<u>\$ 8,375,525</u>	<u>\$ 7,131,105</u>	<u>\$ 6,691,736</u>
Plan's net pension liability - ending (a) - (b)	\$ 1,556,563	\$ 2,716,240	\$ 3,245,400
Plan's fiduciary net position as a percentage of the total pension liability	84.33%	72.42%	67.34%
Covered-employee payroll	\$ 2,043,550	\$ 2,030,845	\$ 1,952,736
Plan's net pension liability as a percentage of covered-employee payroll	76.17%	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 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.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
ELECTRIC DEPARTMENT
June 30, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contributions	\$ 417,159	\$ 417,159	\$ 385,256	\$ 385,256	\$ 257,050	\$ 272,060	\$ 276,205	\$ 269,919	\$ 265,701	\$ 216,100
Contributions in relation to actuarially determined contribution	800,000	1,040,000	666,994	385,256	257,050	272,060	276,205	269,919	265,701	216,100
Contribution deficiency (excess)	(382,841)	(622,841)	(281,738)	-	-	-	-	-	-	-
Covered-employee payroll	1,958,148	2,043,550	2,030,845	1,952,736	1,960,720	1,968,593	1,998,592	1,953,105	1,922,583	1,696,231
Contributions as a percentage of covered payroll	40.85%	50.89%	32.84%	19.73%	13.11%	13.82%	13.82%	13.82%	13.82%	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	24
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	SOA RP-2014 Total Dataset Adjusted to 2006 with Scale MP-2016

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -
ELECTRIC
June 30, 2018

	2017
Total OPEB liability	
Service cost	\$ 9,220
Interest	14,641
Changes of benefit terms	-
Differences between expected and actual experience	3,563
Changes of assumptions or other inputs	(46,674)
Benefit payments	(25,113)
Net change in total OPEB liability	(44,363)
Total OPEB liability - beginning	516,997
Total OPEB liability - ending	\$ 472,634

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2016	2.85%
2017	3.58%

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, 2018

	<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	\$ 2,667,402	\$ 17,431	\$ 856,782	\$ 104,287	\$ 248,012	\$ 7,678	\$ 3,901,592
Investments	-	-	-	-	-	21,025	21,025
Receivables:							
Accounts	-	-	76,731	-	-	-	76,731
Interest	-	-	-	-	11,080	129	11,209
Other	-	-	-	-	152,296	-	152,296
Inventory	-	-	14,168	-	-	-	14,168
Total assets	<u>\$ 2,667,402</u>	<u>\$ 17,431</u>	<u>\$ 947,681</u>	<u>\$ 104,287</u>	<u>\$ 411,388</u>	<u>\$ 28,832</u>	<u>\$ 4,177,021</u>
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	\$ -	\$ 147	\$ 84,480	\$ -	\$ -	\$ -	\$ 84,627
Unearned evidence funds	47,977	-	-	-	-	-	47,977
Performance deposits	2,606,511	-	-	-	-	-	2,606,511
Total liabilities	<u>2,654,488</u>	<u>147</u>	<u>84,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,739,115</u>
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	14,168	-	-	-	14,168
Restricted:							
Funds held in trust	-	-	-	-	396,388	-	396,388
Environmental services	-	-	849,033	-	-	-	849,033
Economic development	-	-	-	104,287	-	-	104,287
Drug enforcement	-	17,284	-	-	-	-	17,284
Assigned for:							
Police special projects	12,914	-	-	-	-	-	12,914
Cemetery use	-	-	-	-	-	7,807	7,807
Total fund balances	<u>12,914</u>	<u>17,284</u>	<u>863,201</u>	<u>104,287</u>	<u>411,388</u>	<u>28,832</u>	<u>1,437,906</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,667,402</u>	<u>\$ 17,431</u>	<u>\$ 947,681</u>	<u>\$ 104,287</u>	<u>\$ 411,388</u>	<u>\$ 28,832</u>	<u>\$ 4,177,021</u>

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, 2018

	Special Revenue Funds			Industrial Development Board	Permanent Funds		Totals
	Special Services	Drug	Environmental Services		Thomas Witherspoon	Cemetery Trust	
Revenues							
Charges for services	\$ -	\$ -	\$ 2,018,864	\$ -	\$ -	\$ -	\$ 2,018,864
Fines and forfeitures	3,450	112,764	-	-	-	-	116,214
Other	22,830	-	54,011	101,696	10,598	1,410	190,545
Total revenues	26,280	112,764	2,072,875	101,696	10,598	1,410	2,325,623
Expenditures							
Current							
Public safety	29,333	76,338	-	-	-	-	105,671
Environmental services	-	-	1,921,514	-	-	-	1,921,514
Economic development	-	-	-	5,239	-	-	5,239
Capital outlay	-	129,021	-	-	-	-	129,021
Total expenditures	29,333	205,359	1,921,514	5,239	-	-	2,161,445
Excess (deficiency) of revenues over (under) expenditures	(3,053)	(92,595)	151,361	96,457	10,598	1,410	164,178
Other financing sources (uses)							
Transfers to/from other funds	-	-	20,000	-	-	-	20,000
Total other financing sources (uses)	-	-	20,000	-	-	-	20,000
Net changes in fund balances	(3,053)	(92,595)	171,361	96,457	10,598	1,410	184,178
Fund balance - beginning	15,967	109,879	691,840	7,830	400,790	27,422	1,253,728
Fund balance - ending	\$ 12,914	\$ 17,284	\$ 863,201	\$ 104,287	\$ 411,388	\$ 28,832	\$ 1,437,906

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 5,000	\$ 5,000	\$ 3,450	\$ (1,550)
Other:				
Donations	20,000	20,000	22,812	2,812
Interest	-	-	18	18
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>26,280</u>	<u>1,280</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	5,000	5,000	1,186	(3,814)
Grants and donations	<u>20,000</u>	<u>28,150</u>	<u>28,147</u>	<u>(3)</u>
Total expenditures	<u>25,000</u>	<u>33,150</u>	<u>29,333</u>	<u>(3,817)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (8,150)</u>	<u>(3,053)</u>	<u>\$ 5,097</u>
Fund balance - beginning			<u>15,967</u>	
Fund balance - ending			<u><u>\$ 12,914</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, 2018

	<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	\$ 193,000	\$ 206,000	\$ 102,436	\$ (103,564)
Interest	-	-	153	153
Contributions	-	-	10,175	10,175
Total revenues	<u>193,000</u>	<u>206,000</u>	<u>112,764</u>	<u>(93,236)</u>
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	50,000	63,000	63,321	321
Noncapital expenditures	143,000	179,004	13,017	(165,987)
Capital Outlay	-	-	129,021	129,021
Total expenditures	<u>193,000</u>	<u>242,004</u>	<u>205,359</u>	<u>(36,645)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (36,004)</u>	<u>(92,595)</u>	<u>\$ (56,591)</u>
Fund balance - beginning			<u>109,879</u>	
Fund balance - ending			<u>\$ 17,284</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
Revenues				
Charges for services	\$ 1,950,000	\$ 1,950,000	\$ 2,018,864	\$ 68,864
Other:				
Sale of supplies	60,000	60,000	52,952	(7,048)
Miscellaneous	-	-	1,059	1,059
Total revenues	2,010,000	2,010,000	2,072,875	62,875
Expenditures				
Environmental services:				
Current:				
Salaries	583,148	583,148	578,395	(4,753)
Employee benefits and taxes	253,405	253,405	253,254	(151)
Insurance	30,000	30,000	39,409	9,409
Utilities	15,650	15,650	18,302	2,652
Repairs and maintenance	61,500	61,500	56,987	(4,513)
Other contractual services	550,000	875,000	714,255	(160,745)
Supplies	8,000	8,000	7,494	(506)
Gas, oil, diesel, etc.	101,000	101,000	78,627	(22,373)
Supplies for resale	50,000	50,000	46,095	(3,905)
Natural materials	75,000	75,000	59,129	(15,871)
Professional services	67,008	67,008	68,750	1,742
Miscellaneous	10,950	10,950	817	(10,133)
Capital outlay	213,000	213,000	-	(213,000)
Total expenditures	2,018,661	2,343,661	1,921,514	(422,147)
Excess (deficiency) of revenue over (under) expenditures	(8,661)	(333,661)	151,361	485,022
Other financing sources (uses)				
Transfers in	20,000	20,000	20,000	-
Total other financing sources (uses)	20,000	20,000	20,000	-
Net changes in fund balance	\$ 11,339	\$ (313,661)	171,361	\$ 485,022
Fund balance - beginning			691,840	
Fund balance - ending			\$ 863,201	

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>
2017	0.99	\$10,827,979	\$ -	\$ 10,816,990	\$10,579,355	\$ 237,635	\$ -
2016	0.99	10,619,974	507,054	-	446,857	60,197	60,197
2015	0.99	10,090,162	210,669	-	168,503	42,166	42,166
2014	0.99	9,610,494	67,670	-	30,144	37,526	37,526
2013	0.99	9,546,819	45,427	-	19,794	25,633	25,633
2012	0.99	9,413,801	30,905	-	7,189	23,716	23,716
2011	0.99	9,438,136	27,946	-	7,133	20,813	20,813
2010	0.99	8,947,608	26,254	-	3,014	23,240	23,240
2009	0.99	8,655,224	32,044	-	2,479	29,565	29,565
2008	1.12	8,154,892	37,666	9,709	-	47,375	47,375
2007	1.12	7,525,767	29,418	(29,418)	-	-	-
			<u>\$ 1,015,053</u>	<u>\$ 10,797,281</u>	<u>\$11,264,468</u>	<u>\$ 547,866</u>	<u>\$ 310,231</u>
Above balances represented as follows:							
Considered current revenue						32,351	
Allowance for uncollectible accounts						316,520	
Unavailable revenue						198,995	
						<u>547,866</u>	
2018 property tax assessment						11,123,823	
Total taxes receivable						\$ 11,671,689	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2018

Residential Rate Schedule:

Customer charge - per delivery point per month	\$	13.55
Energy charge - cents per kWh		0.08972

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		0.10172

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		10.34

Energy charge - cents per kWh		
First 15,000 kWh per month		0.09448
Additional kWh per month		0.06459

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		10.38
More than 1,000 to 5,000 kW, per kW		14.41
Energy charge - cents per kWh		0.06455

GSB (5,001 - 15,000 kW demand)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		10.61
Max Demand - per kW per month		5.09
Offpeak Excess of Contract Demand - per kW per month		10.61
Energy charge:		
Onpeak kWh		0.09255
Offpeak kWh First 200 HUD		0.06820
Offpeak kWh Next 200 HUD		0.02296
Additional HUD		0.01962

MSB		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		9.97
Max Demand - per kW per month		2.18
Offpeak Excess of Contract Demand - per kW per month		9.97
Energy charge - cents per kWh		
Onpeak kWh		0.07372
Offpeak kWh First 200 HUD		0.04938
Offpeak kWh Next 200 HUD		0.02046
Additional HUD		0.01798

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2018

General Power Schedule (Continued):

MSD (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		9.97
Max Demand - per kW per month		1.56
Offpeak Excess of Contract Demand - per kW per month		9.97
Energy charge - cents per kWh		
Onprsk kWh		0.07042
Offpeak kWh first 200 HUD		0.04608
Offpeak kWh next 200 HUD		0.02019
Additional HUD		0.01962
OUTDOOR LIGHTING		
73 LED	\$	10.78
113 LED		15.70
100 Watt H.P.S.		9.05
150 Watt H.P.S.		11.99
175 Watt M.V.		9.44
250 Watt H.P.S.		14.96
400 Watt H.P.S.		18.99
Outdoor lighting kWh		0.06699

Number of customers:

	2018	2017
Residential	16,410	15,692
Commercial and industrial	3,277	2,814
Street and athletic fields	54	54
Individually billed outdoor lighting	28	36
	19,769	18,596

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2018

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	\$	0.57
--------------------	----	------

Interruptible

First 100,000 cubic feet	\$	0.47
All usage over 100,000 cubic feet, per ccf	\$	0.42

Number of customers:

	2018	2017
Residential	11,364	10,961
Commercial	893	813
Industrial	39	38
Interruptible	5	6
	12,301	11,818

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2018

AWWA Free Water Audit Software: Reporting Worksheet				WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved.
<input type="button" value="Click to access definition"/>		Water Audit Report for: <u>City of Gallatin (0000253)</u>		
<input type="button" value="Click to add a comment"/>		Reporting Year: <u>2018</u> <u>7/2017 - 6/2018</u>		
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades				
All volumes to be entered as: MILLION GALLONS (US) PER YEAR				
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below				
WATER SUPPLIED		Master Meter and Supply Error Adjustments		
		<----- Enter grading in column 'E' and 'J' ----->		
Volume from own sources:	<input type="button" value="+"/> <input type="button" value="9"/> <input type="text" value="2,585.848"/>	MGYr	<input type="button" value="+"/> <input type="button" value="4"/>	<input type="text" value=""/>
Water imported:	<input type="button" value="+"/> <input type="button" value="n/a"/>	MGYr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>
Water exported:	<input type="button" value="+"/> <input type="button" value="9"/>	MGYr	<input type="button" value="+"/> <input type="button" value=""/>	<input type="text" value=""/>
WATER SUPPLIED:		2,585.848	MGYr	
Enter negative % or value for under-registration Enter positive % or value for over-registration				
AUTHORIZED CONSUMPTION				
Billed metered:	<input type="button" value="+"/> <input type="button" value="9"/>	1,833.689	MGYr	
Billed unmetered:	<input type="button" value="+"/> <input type="button" value="n/a"/>	0.000	MGYr	
Unbilled metered:	<input type="button" value="+"/> <input type="button" value="10"/>	59.483	MGYr	
Unbilled unmetered:	<input type="button" value="+"/> <input type="button" value="9"/>	15.205	MGYr	
AUTHORIZED CONSUMPTION:		1,908.377	MGYr	
Click here: <input <="" below="" buttons="" for="" help="" option="" td="" type="button" using="" value="?"/>				
		Pct:	<input type="radio"/>	Value: <input type="text" value="15.205"/>
Use buttons to select percentage of water supplied OR value				
		Pct:	<input type="radio"/>	Value: <input type="text" value=""/>
		<input type="radio"/>	<input type="radio"/>	<input type="text" value="0.25%"/>
		<input type="radio"/>	<input type="radio"/>	<input type="text" value="1.00%"/>
		<input type="radio"/>	<input type="radio"/>	<input type="text" value="0.25%"/>
WATER LOSSES (Water Supplied - Authorized Consumption)		677.471	MGYr	
Apparent Losses				
Unauthorized consumption:	<input type="button" value="+"/> <input type="button" value="9"/>	6.465	MGYr	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	<input type="button" value="+"/> <input type="button" value="9"/>	19.123	MGYr	
Systematic data handling errors:	<input type="button" value="+"/> <input type="button" value="9"/>	4.584	MGYr	
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed				
Apparent Losses:		30.172	MGYr	
Real Losses (Current Annual Real Losses or CARL)				
Real Losses = Water Losses - Apparent Losses:	<input type="button" value="9"/>	647.299	MGYr	
WATER LOSSES:		677.471	MGYr	
NON-REVENUE WATER				
NON-REVENUE WATER:	<input type="button" value="9"/>	752.159	MGYr	
= Water Losses + Unbilled Metered + Unbilled Unmetered				
SYSTEM DATA				
Length of mains:	<input type="button" value="+"/> <input type="button" value="9"/>	345.0	miles	
Number of active AND inactive service connections:	<input type="button" value="+"/> <input type="button" value="10"/>	15,797		
Service connection density:	<input type="button" value="9"/>	46	conn./mile main	
Are customer meters typically located at the curbside or property line?	<input type="button" value="9"/>	Yes	(length of service line, beyond the property boundary, that is the responsibility of the utility)	
Average length of customer service line:	<input type="button" value="+"/> <input type="button" value="9"/>		Average length of customer service line has been set to zero and a data grading score of 10 has been applied	
Average operating pressure:	<input type="button" value="+"/> <input type="button" value="6"/>	95.0	psi	
COST DATA				
Total annual cost of operating water system:	<input type="button" value="+"/> <input type="button" value="8"/>	\$4,116,972	\$/Year	
Customer retail unit cost (applied to Apparent Losses):	<input type="button" value="+"/> <input type="button" value="9"/>	\$3.59	\$/100 cubic feet (ccf)	
Variable production cost (applied to Real Losses):	<input type="button" value="+"/> <input type="button" value="8"/>	\$709.61	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses	
WATER AUDIT DATA VALIDITY SCORE:				
*** YOUR SCORE IS: 85 out of 100 ***				
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score				
PRIORITY AREAS FOR ATTENTION:				
Based on the information provided, audit accuracy can be improved by addressing the following components:				
1: Volume from own sources				
2: Unauthorized consumption				
3: Systematic data handling errors				

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
 JUNE 30, 2018

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved.
Water Audit Report for: <input style="width: 60%; border: none;" type="text" value="City of Gallatin (0000253)"/>		
Reporting Year: <input style="width: 15%; border: none;" type="text" value="2018"/> <input style="width: 30%; border: none;" type="text" value="7/2017 - 6/2018"/>		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***		
System Attributes:		
	Apparent Losses:	<input style="width: 100px;" type="text" value="30.172"/> MG/Yr
	+ Real Losses:	<input style="width: 100px;" type="text" value="647.299"/> MG/Yr
	= Water Losses:	<input style="width: 100px;" type="text" value="677.471"/> MG/Yr
	? Unavoidable Annual Real Losses (UARL):	<input style="width: 100px;" type="text" value="146.88"/> MG/Yr
	Annual cost of Apparent Losses:	<input style="width: 100px;" type="text" value="\$144,798"/>
	Annual cost of Real Losses:	<input style="width: 100px;" type="text" value="\$459,330"/> Valued at Variable Production Cost
		Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	<input style="width: 100px;" type="text" value="29.1%"/>
	Non-revenue water as percent by cost of operating system:	<input style="width: 100px;" type="text" value="16.0%"/> Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	<input style="width: 100px;" type="text" value="5.23"/> gallons/connection/day
	Real Losses per service connection per day:	<input style="width: 100px;" type="text" value="112.26"/> gallons/connection/day
	Real Losses per length of main per day*:	<input style="width: 100px;" type="text" value="N/A"/>
	Real Losses per service connection per day per psi pressure:	<input style="width: 100px;" type="text" value="1.18"/> gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	<input style="width: 100px;" type="text" value="647.30"/> million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input style="width: 100px;" type="text" value="4.41"/>

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

June 30, 2018

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
2019	\$ 860,000	\$ 409,250	\$ 475,000	\$ 377,650	\$ 460,000	\$ 21,276	\$ 89,745	\$ 1,884,745	\$ 808,176	\$ 2,692,921
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>\$ 12,100,000</u>	<u>\$ 2,994,282</u>	<u>\$ 10,140,000</u>	<u>\$ 3,623,750</u>	<u>\$ 460,000</u>	<u>\$ 21,276</u>	<u>\$ 89,745</u>	<u>\$ 22,789,745</u>	<u>\$ 6,639,308</u>	<u>\$ 29,429,053</u>

See independent auditor's report.

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

June 30, 2018

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
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	222,644	265,000	136,375	1,090,000	909,887	1,775,000	1,268,906	3,043,906
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>\$ 7,620,000</u>	<u>\$ 2,019,403</u>	<u>\$ 3,765,000</u>	<u>\$ 895,975</u>	<u>\$ 22,570,000</u>	<u>\$ 9,636,513</u>	<u>\$ 33,955,000</u>	<u>\$ 12,551,891</u>	<u>\$ 46,506,891</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

	<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:			
IT Signal Grant	20.205*	83LPLM-F3-110 / CM-9306(21)	3,978
Safe Routes to Schools - Rucker Stewart	20.205*	SRTS-4569(10) / 83LPLM	2,400
City Wide Sidewalk Grant	20.205*	TAP-M-9306(22) / 83LPLM	3,320
Albert Gallatin/Hattentrack Extension	20.205*	STP-M-8300(70)	<u>591,219</u>
Total Highway Planning and Construction Cluster			<u>600,917</u>
Passed Through the Tennessee Governor's Highway Safety Office :			
Alcohol Related Reconstruction and Education	20.607	Z17THS168	<u>23,497</u>
Total U.S. Department of Transportation			<u>624,414</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	2013BUBX13070337	175
Law Enforcement Assistance to FBI Police Training	16.300	N/A	<u>15,109</u>
Total U.S. Department of Justice			<u>15,284</u>
U.S. Department of Housing and Urban Development			
Passed Through the Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	HM-12-12	<u>146,726</u>
Total U.S. Department of HUD			<u>146,726</u>
Total Federal Awards			<u>\$ 786,424</u>

*Denotes Major Federal Program

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, 2018. 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.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2018

	<u>State Grant Number</u>	<u>Disbursements</u>
Tennessee Department of Transportation		
Greenlea Dr Extension	33007-33517	\$ <u>63,947</u>
Tennessee Department of Economic and Community Development		
Greenlea Blvd. Extension	N/A	<u>440,799</u>
Tennessee Department of Conservation		
Recycling Equipment Glass Crucher Grant	32701-2938	<u>13,889</u>
 Total State Financial Assistance		 \$ <u>518,635</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, 2018. 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.

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.....	83
Revenue Capacity	
These Schedules contain information to help readers assess the City’s most significant local revenue source - its property taxes.....	88
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.....	91
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.....	94
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.....	96

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

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

(Prepared using the accrual basis of accounting)

	<u>2018</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>
Governmental activities:										
Net investment in capital assets	\$ 75,402,931	\$ 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
Restricted	1,298,730	1,205,180	593,324	535,180	615,631	568,020	100,024	15,000	(171,346)	(60,463)
Unrestricted	<u>17,336,772</u>	<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>
Total net position	<u>\$ 94,038,433</u>	<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>
Business-type activities:										
Net investment in capital assets	\$ 127,605,680	\$ 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
Restricted for workers compensation adjustment	7,675	7,648	7,621	7,572	7,522	7,473	7,425	-	-	-
Unrestricted	<u>35,652,720</u>	<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>
Total net position	<u>\$ 163,266,075</u>	<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>
Primary government:										
Net investment in capital assets	\$ 203,008,611	\$ 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
Restricted	1,306,405	1,212,828	600,945	542,752	623,153	575,493	107,449	15,000	(171,346)	(60,463)
Unrestricted	<u>52,989,492</u>	<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>
Total net position	<u>\$ 257,304,508</u>	<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>

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

(Prepared using the accrual basis of accounting)

Governmental activities:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Program revenues:										
Charges for services	\$ 7,863,631	\$ 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
Operating grants & contributions	1,865,673	1,275,976	1,064,123	1,234,427	1,527,429	1,109,040	948,083	854,869	703,346	1,474,369
Capital grants & contributions	6,010,371	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
General revenues:										
Property taxes	11,235,726	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
Sales taxes	11,516,561	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
Franchise taxes	468,690	466,766	448,730	421,534	385,802	360,650	379,020	356,845	341,828	327,853
Alcoholic beverage taxes	1,522,812	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
Business taxes	949,546	936,708	818,811	756,560	680,446	639,646	668,252	556,382	485,461	521,590
Income taxes	439,386	662,104	946,308	913,636	793,306	520,539	859,602	688,179	758,315	80,810
Miscellaneous taxes	-	-	-	-	-	-	-	1,572	2,075	2,790
Rental and reimbursements	-	-	-	-	-	-	-	25,863	29,627	35,521
Other sources	540,551	480,686	226,818	230,319	240,216	319,500	188,417	286,687	106,491	207,570
Unrestricted interest income	303,527	246,354	115,184	68,994	79,958	28,417	5,491	28,999	100,415	519,239
In lieu of taxes and transfers	1,635,255	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
Total revenues	<u>44,351,729</u>	<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>
Expenses:										
General government	8,545,515	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
Public safety	14,939,109	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
Engineering	1,907,119	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
Environmental services	2,109,615	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
Animal control	-	-	-	123,665	113,487	108,023	119,396	109,535	99,965	112,082
Public works	705,505	568,139	552,190	362,748	1,163,412	1,658,029	1,215,578	572,127	351,059	26,564
Highways, streets and roadways	1,556,403	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
Vehicle maintenance	562,563	549,748	459,858	418,068	420,964	403,696	404,846	393,742	403,148	376,013
Parks and recreation	4,302,313	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
Economic development	615,343	448,174	1,622,199	6,770,860	444,972	280,227	254,355	222,988	269,588	270,456
Interest on debt	765,919	923,196	808,538	653,094	481,455	433,883	472,734	484,738	487,066	785,391
Total expenses	<u>36,009,404</u>	<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>
Change in net position	\$ 8,342,325	\$ 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

**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:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Program revenues:										
Charges for services	\$ 102,309,298	\$ 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
Capital grants & contributions	5,623,904	3,508,042	2,490,314	1,485,205	2,317,854	1,152,932	675,644	685,151	253,452	1,252,667
General revenues:										
Other sources	-	147	10,000	-	487	2,603	9,359	536,533	10,467	8,506
Unrestricted interest income	197,243	134,055	142,192	108,911	95,539	121,102	146,100	153,210	200,533	437,057
Total revenues	108,130,445	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
Expenses:										
Electric	68,464,520	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
Gas	13,482,880	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
Golf	-	-	-	-	-	-	-	-	-	1,011,561
Water & Sewer	13,115,652	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
In lieu of taxes - transfer	1,635,255	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
Total expenses	96,698,307	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
Change in net position	11,432,138	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
Total change in net position	\$ 19,774,463	\$ 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

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

(Prepared using the accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Funds:										
(Pre-GASB 54)										
Unreserved:										
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358
Special revenue funds	-	-	-	-	-	-	-	-	(2,955)	22,272
Capital projects funds	-	-	-	-	-	-	-	-	28,754,178	(11,509,512)
Permanent funds	-	-	-	-	-	-	-	-	374,321	353,996
Total unreserved fund balances	-	-	-	-	-	-	-	-	39,536,494	80,114
Reserved	-	-	-	-	-	-	-	-	(123,720)	(11,904)
(Post-GASB 54)										
Nonspendable	1,169,853	1,612,302	1,065,869	173,269	86,851	105,468	84,581	101,966	-	-
Restricted	1,366,992	1,176,985	583,621	531,907	579,606	531,995	455,722	352,817	-	-
Committed	156,408	284,987	209,987	205,085	205,085	226,979	184,395	173,501	-	-
Assigned	11,899,028	12,626,737	16,335,657	8,011,003	2,734,115	1,915,974	2,122,761	2,735,185	-	-
Unassigned	17,248,650	17,730,397	16,180,042	13,232,920	11,455,850	8,689,632	7,922,642	6,542,843	-	-
	\$ 31,840,931	\$ 33,431,408	\$ 34,375,176	\$ 22,154,184	\$ 15,061,507	\$ 11,470,048	\$ 10,770,101	\$ 9,906,312	\$ 39,412,774	\$ 68,210

**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>2018</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>
Revenues										
Taxes	\$ 22,304,176	\$ 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
Licenses	2,542,185	2,187,478	1,093,853	760,459	467,638	402,533	315,602	247,346	278,110	615,775
Fines and penalties	785,160	922,423	983,427	1,051,142	2,556,501	884,878	1,479,913	2,307,129	1,424,589	1,446,691
Charges for services	4,534,678	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
Intergovernmental	6,717,563	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
Other	1,315,537	884,022	414,025	575,308	708,339	544,215	240,819	173,100	153,771	606,747
Total revenues	<u>38,199,299</u>	<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>
Expenditures										
General government	7,609,102	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
Public safety	14,447,340	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
Engineering	1,902,729	2,219,984	1,643,528	1,611,956	1,353,632	1,006,769	1,955,555	746,367	395,200	372,252
Environmental services	1,921,514	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
Animal control	-	-	-	123,665	113,487	108,023	117,017	108,815	99,965	90,649
Public works	429,269	330,388	294,737	360,112	453,374	264,185	592,211	155,426	152,145	149,677
Highways and streets	1,559,615	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
Vehicle maintenance	558,653	551,334	496,426	418,068	418,626	399,019	402,507	391,610	403,148	364,901
Parks and recreation	4,292,539	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
Economic Development Agency	743,864	445,448	1,622,169	6,769,860	444,972	280,227	254,355	211,193	234,598	230,201
Other program cost	-	-	-	-	-	-	-	-	(291)	291
Debt service:										
Principal	1,839,745	1,754,475	1,205,000	1,385,000	860,000	835,000	800,000	775,000	760,000	425,000
Interest	862,768	892,232	572,156	245,373	403,564	431,901	458,795	484,739	487,066	627,829
Capital outlay - capital	5,257,893	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
Total expenditures	<u>41,425,031</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,225,732)</u>	<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>
Other financing sources (uses):										
Contributions	-	-	-	-	-	-	-	19,955	384,662	63,156
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
Sale of capital assets	-	-	-	-	-	-	-	38,194	8,404	16,684
In lieu of tax payments from utility*	1,635,255	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
Operating transfers out	-	-	-	-	(2,183,420)	(2,807,596)	(1,994,252)	-	-	-
Total other financing sources (uses)	<u>1,635,255</u>	<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>
Net changes in fund balances	<u>\$ (1,590,477)</u>	<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>
Debt services as a percentage of non-capital expenditures	8.08%	8.36%	6.10%	4.89%	4.89%	5.37%	5.04%	5.65%	5.83%	5.04%

**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		
2018	\$ 1,093,735,253	\$ 21,926,143	\$ 3,758,217,774	29.69%	\$ 0.99
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

* 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**

	2018		2009	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Med Ctr	\$ 83,926,200	7.85%	\$ -	0.00%
Gap Inc	65,000,000	6.08%	68,693,360	8.98%
Wellington Farms Apt	31,800,000	2.98%	13,436,880	1.76%
Stoneridge Farms Hunt Club LLC	30,679,200	2.87%	23,215,427	3.03%
MAA BRIK LLC	23,513,500	2.20%	-	0.00%
Foxland Crossings LLC	22,631,700	2.12%	-	0.00%
Sumner Regional Med Ctr	21,133,580	1.98%	16,302,645	2.13%
Freewill Baptist Bible	17,451,024	1.63%	-	0.00%
Hoegananes Corp	11,503,534	1.08%	15,665,973	2.05%
YAPP USA Auto Systems INC	6,871,854	0.64%	-	0.00%
Kennesaw Partners LLC	-	0.00%	21,054,720	2.75%
Sumner County Plaza LLC	-	0.00%	16,762,268	2.19%
TLP Development Corp	-	0.00%	16,032,840	2.10%
R&R Donnelley & Sons Co	-	0.00%	7,982,131	1.04%
Gap Inc & Subs Ent #90560	-	0.00%	6,438,280	0.84%
Totals	\$ 314,510,592	29.44%	\$ 205,584,524	26.87%

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
2018	\$ 1,093,735,253	\$ 10,827,979	\$ 10,579,355	97.70%	\$ -	\$ 10,579,355	97.70%
2017	1,072,724,646	10,619,974	9,753,871	96.67%	805,906	10,559,777	99.43%
2016	1,054,185,684	10,090,162	9,753,871	96.67%	294,125	10,047,996	99.58%
2015	970,755,281	9,610,494	9,447,813	98.31%	125,155	9,572,968	99.61%
2014	974,737,567	9,546,819	9,336,177	97.83%	185,009	9,521,186	99.73%
2013	962,079,513	9,413,801	9,078,911	96.92%	311,174	9,390,085	99.75%
2012	944,739,332	9,438,136	8,792,522	93.13%	624,801	9,417,323	99.78%
2011	921,041,801	8,947,608	8,756,928	92.60%	167,440	8,924,368	99.74%
2010	903,798,781	8,655,224	8,794,819	98.29%	121,554	8,916,373	103.02%
2009	772,787,864	8,154,892	8,743,629	101.02%	597,028	9,340,657	114.54%

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			
2018	37,351	\$ 26,544	\$ 22,240,000	\$ 549,745	\$ 22,789,745	\$ 33,955,000	\$ 117,448	\$ 34,072,448	\$ 56,862,193	\$ 1,522.37	5.74%
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	1,604.23	6.93%
2009	28,198	23,465	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,705.33	7.27%

* 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>
2018	37,351	\$ 22,240,000	\$ 549,745	\$ 22,789,745	\$ 117,448	\$ 22,907,193	\$ 1,093,735,253	2.09%	\$ 613.30
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	28,677	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	440.52
2009	28,198	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	495.95

* 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>
2018	\$ 14,593,834	\$ 8,546,734	\$ 6,047,100	\$ 1,730,000	\$ 1,326,336	\$ 3,056,336	197.85%
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	5,461,165	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%

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**

<u>CALENDAR YEAR</u>	<u>CITY POPULATION*</u>	<u>COUNTY POPULATION*</u>	<u>PERSONAL INCOME**</u>	<u>PER CAPITA PERSONAL INCOME**</u>	<u>MEDIAN AGE*</u>	<u>COUNTY SCHOOL ENROLLMENT ***</u>	<u>COUNTY UNEMPLOY- MENT RATE****</u>
2018	37,351	183,545	\$ 49,041	\$ 26,544	37.2	29,196	2.80%
2017	35,734	180,063	47,957	26,450	36.0	29,059	2.30%
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%

* 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**

	2018			2009		
	<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>
Gap, Inc.	1,840	1	8.36%	1,100	1	9.57%
Sumner Regional Medical Center	1,120	2	5.09%	1,027	2	8.93%
Vol State Community College	838	3	3.81%	750	3	6.52%
Servpro Industries	475	4	2.16%	180	10	1.57%
Yapp Automotive	375	5	1.70%	N/A	N/A	N/A
ABC Technologies	340	6	1.55%	N/A	N/A	N/A
Hoeganaes	235	7	1.07%	N/A	N/A	N/A
NIC Global	218	8	0.99%	N/A	N/A	N/A
ITW CIP	195	9	0.89%	N/A	N/A	N/A
Charles C. Park	175	10	0.80%	N/A	N/A	N/A
Bosch Gallatin	N/A	N/A	N/A	385	4	3.35%
R.R. Donnelley	N/A	N/A	N/A	320	5	2.78%
ABC Fuel Systems	N/A	N/A	N/A	275	6	2.39%
G.F. Furniture	N/A	N/A	N/A	240	7	2.09%
Crescent Manufacturing	N/A	N/A	N/A	210	8	1.83%
Fleetwood Homes	N/A	N/A	N/A	200	9	1.74%

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

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

<u>Function/Program</u>	<u>2018</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>
General Government:										
Mayor's Office	3	3	3	3	3	3	3	3	3	3
Planning (Combined in 2010)	9	7	7	6	6	0	0	0	0	6
Finance	6	6	5	5	8	8	8	8	5	4
City Attorney	4	4	3	3	3	3	3	3	3	3
Recorder	7	6	6	6	7	7	7	7	7	7
Personnel	3	3	3	2	2	1	2	2	2	2
Codes	15	12	9	10	7	13	13	14	14	8
Economic Development Agency	3	3	3	2	2	2	2	2	2	2
Information Technology	7	7	6	5	0	0	0	0	3	3
Public Safety:										
Police	99	99	98	93	94	89	88	88	90	90
Fire	98	85	68	72	72	71	71	73	58	58
Public Works										
	50	47	48	47	49	48	49	48	47	45
Leisure Services										
	29	29	31	31	31	30	30	29	29	29
Engineering										
	8	7	6	7	6	6	6	5	5	5
Public Utilities										
	95	86	88	87	82	85	86	85	84	79
Golf Course										
	0	0	0	0	0	0	0	0	0	0
Total	436	404	384	379	372	366	368	367	352	344

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police										
Physical arrests	3,718	3,805	3,803	3,575	3,772	4,913	4,526	4,911	5,450	6,019
Parking violations	308	279	458	722	420	634	450	1,087	815	1,216
Traffic violations	13,436	13,824	17,393	22,643	13,231	20,494	19,237	23,657	27,906	28,272
* Red Light Camera Citations	6,211	7,386	9,054	7,751	7,029	5,953	7,188	10,986	13,610	10,790
Fire										
Emergency responses	5,636	4,192	3,917	3,390	3,120	2,973	3,016	3,176	2,474	1,901
Fires extinguished	113	133	144	94	120	105	110	102	95	82
Inspections	2,423	1,658	1,664	1,413	829	1,194	1,170	731	810	942
Animal Control										
Animals Restrained	487	576	622	N/A	388	491	786	765	967	1,187
Highways and Streets										
Street resurfacing (miles)	6.0	3.3	4.6	6	5	6	8	3	1	7
Potholes repaired	356	314	403	324	546	122	N/A	N/A	398	273
Other Public Works										
Utility cuts repaired	N/A	N/A	139	138	175	142	142	171	122	147
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	270,000	240,000	240,000	230,000	230,000	230,000	230,000	220,000	220,000
Community Service										
Number of organization benefited	14	10	12	16	16	16	16	16	16	17
Number of services benefited	3	5	4	4	4	4	4	4	4	4
Environmental Services										
Tons hauled	16,171	16,142	12,224	11,413	11,376	11,588	10,145	11,384	11,420	11,376
Water										
New connections	425	380	316	330	272	238	212	188	183	288
Water main breaks	37	37	37	38	40	32	36	48	50	62
Average daily consumption (thousands of gallons)	7,316	6,052	6,171	5,865	5,944	5,948	6,246	6,705	6,794	6,742
Peak daily consumption (thousands of gallons)	8,451	7,072	8,287	7,873	9,277	9,714	10,265	8,309	7,233	8,108
Sewer										
Average daily treatment (thousands of gallons)	6,282	5,902	5,808	6,435	6,992	6,285	5,621	5,835	5,392	5,172
Electric										
Average daily consumption (thousands of kilowatt hours)	2,254	2,244	2,194	2,186	2,184	2,176	2,164	2,146	2,140	1,858
Natural Gas										
Average Daily Consumption: Summer -April/October (thousands of cubic feet)	4,810	4,656	4,937	5,550	5,117	4,723	4,319	4,928	4,068	3,746
Winter-November/March (thousands of cubic feet)	10,445	7,454	7,644	9,078	9,660	8,823	6,940	9,102	7,860	7,401
Golf										
Rounds Played	45,000	45,000	45,000	35,000	45,000	45,000	45,000	44,000	46,000	46,000

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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	91	79	78	76	73	64	77	70	71	67
Fire										
Stations	4	4	4	4	4	4	4	3	3	3
Fire trucks	9	9	9	8	8	7	7	9	9	9
Animal Control										
Trucks	2	2	2	2	2	2	2	2	2	2
Highways and Streets										
Streets (miles)	204.0	200.0	195.6	195	195	195	194	193	186	184
Streetlights	3,892	3,811	3,621	3,621	3,678	3,602	3,602	3,511	3,562	3,322
Traffic signals	380	370	362	362	354	352	352	358	330	329
Sidewalks (miles)	67	58	47	46	45	44	42	41	37	35
Parks and Recreation										
Acreage	532	532	532	532	532	532	532	532	532	532
Playgrounds	5	5	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	13	14	14	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Horseshoe Pits	5	5	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	8	5	5	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	23	22	22	20	21	20	19	18	17	16
Water										
Water mains (miles)	352	348	345	344	343	340	323	338	336	335
Fire hydrants	2,075	2,025	1,986	1,920	1,902	1,893	1,888	1,888	1,850	1,828
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	16	12	13	12	15	15	20	21	23	22
Sewer										
Sewer mains (miles)	344	340	236	234	233	231	220	220	217	217
Pump Stations	41	41	41	41	40	40	40	40	37	37
Natural Gas										
Gas lines (miles)	385	382	380	376	368	363	361	360	359	355
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, 2018, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Electric Department 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.

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

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

Compliance and Other Matters

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

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.

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 30, 2018



**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the *Uniform Guidance***

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost and Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Jackson, Tennessee
December 30, 2018

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	_____ X no
Significant deficiency(ies) identified?	_____ yes	_____ X none reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516(a)?	_____ yes	_____ X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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20.205	Highway Planning & Construction
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Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes	_____ x no
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CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION II – Financial Statement Findings

There were no current year findings reported.

SECTION III – Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs reported.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2018

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2017-001	Investigative Report - State of Tennessee Comptroller of the Treasury - Released April 19, 2017 (Significant Deficiency and Noncompliance) (original funding #2016-001)	Corrected

Federal Award Findings and Questioned Costs

There were no prior year findings reported.