

City of Gallatin, Tennessee
Comprehensive Annual Financial Report

June 30, 2010

Prepared by: City of Gallatin, Department of Finance
Rachel Nichols, Director of Finance

Introductory Section

CITY OF GALLATIN, TENNESSEE
Comprehensive Annual Financial Report
June 30, 2010

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March 22, 2011

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Gallatin:

State of Tennessee law requires that all general-purpose local governments publish within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Gallatin for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Gallatin. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gallatin has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gallatin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gallatin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gallatin's financial statements have been audited by Parker, Parker & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gallatin for the fiscal year ended June 30, 2010, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gallatin's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gallatin's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Gallatin, incorporated in 1593, is located in the middle part of Tennessee. The City of Gallatin currently occupies a land area of almost 31 square miles and serves a population of 27,569. The City of Gallatin is empowered to levy a property tax on both real and personal properties located within its boundaries. It is empowered also, by State statute, to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Gallatin has operated under the council-mayor form of government since 1953. Policy-making and legislative authority are vested in a governing council consisting of the mayor and seven council members. The governing council is responsible for passing ordinances, adopting the budget, appointing committees, and appointing the government's attorney and heads of departments. The mayor of the City of Gallatin is responsible for carrying out the policies and ordinances of the governing council and for overseeing the day-to-day operation of the government. The council is elected on a nonpartisan basis. Council members serve four-year staggered terms, with three or four council seats being up for election every other year.

The City of Gallatin provides a full range of services, including police and fire protection; construction and maintenance of streets, and other infrastructure; golf and recreational activities; and cultural events. Utilities are provided by the City's Gallatin Public Utilities (gas, water and sewer) and Gallatin's Department of Electricity. These comprise the proprietary funds. Other units of general government include environmental services, a drug fund, capital project funds (for development of parks, road, etc.), cemetery trust fund and educational loan fund.

The annual budget serves as a foundation for the City of Gallatin's financial planning and control. All agencies of the City of Gallatin are required to submit requests for appropriation to the Finance Director on or before March 15th each year. The Finance Director uses these requests as the starting point for developing a proposed budget. The Finance Director and Mayor then present a proposed budget to the council for review prior to June 1st. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Budget-to-date comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted by the council. For the general fund, this comparison is presented on page 19-24 as part of the basic financial statements for the governmental funds. For funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report. Also included are comparisons for the drug fund and environmental services fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Gallatin operates.

Local Economy. The City of Gallatin currently enjoys a relatively stable economic environment, and local indicators point to continued stability, even in the continued national downturn. A varied manufacturing and industrial base adds to the relative stability of the unemployment rate. Major industries in the area include: clothing distributor; general light manufacturing, automobile parts, homes and stone; commercial printing; local hospital; 5 major corporate headquarters; and local college. The City of Gallatin is within commuting distance to Nashville. Sumner County, which includes the City of Gallatin, employs a local labor force of 77,480 and a regional labor force of more than 750,000.

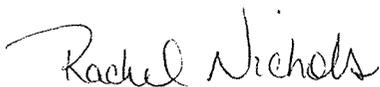
Long Term Financial Planning. The governing council has laid out a five year strategic plan to strengthen the city. The City of Gallatin continues the construction of a new service center. Phase I of a revitalization and refurbishment plan for the downtown area is complete and Phase II will begin in 2010/11. The first phase of a greenway project is complete and phase II is under way. Fire Hall #4, located in a recently annexed area on the northwest side, is under construction and should be complete in the summer of 2011. The City is developing a long range plan for solid waste disposal and a storm water drainage program. Major street projects continue with plans for the extension of Albert Gallatin Blvd to Highway 109N bypass.

Cash Management Practices. Cash temporarily idle during the year was invested mainly in Green Bank and the State's Local Government Investment Pool. The City maintains minimum balances in other local bank accounts to cover current expenditures and bond payments.

Risk Management. The City of Gallatin reduces its exposure by maintaining a worker's compensation insurance policy for all employees through Tennessee Municipal League. The safety committee requires post accident drug screens, reviews all accidents for weaknesses in safety, and conducts work site inspections. Likewise, the City maintains an insurance policy to cover all major incidents. The City maintains a rainy day fund of 20% of anticipated general fund operating expenditures. A two-thirds majority vote is required to expend any rainy day funds.

Pensions and Other Post Employment Benefits. The City of Gallatin offers a 401k retirement program to its employees. The City contributes 5% of the employees' salaries and matches up to an additional 4%. The plan is maintained by a third party and funded by the City on a timely basis. The City of Gallatin offers retiring employees a portion of their unused sick leave balance, depending on age and length of service.

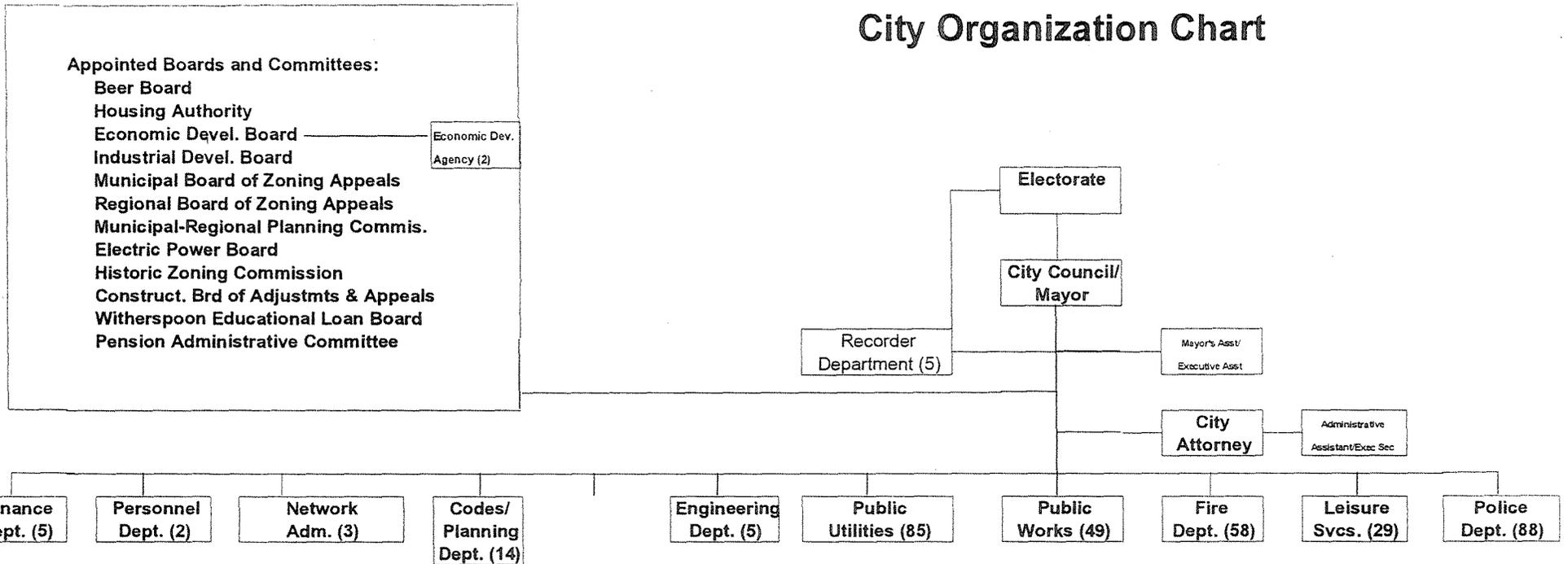
Respectfully submitted,



Rachel Nichols
Finance Director

CITY OF GALLATIN, TENNESSEE

City Organization Chart



See attached breakdown

<u>Econ Dev Agency (2)</u>	<u>City Attorney (3)</u>	<u>Finance (5)</u>	<u>Personnel (2)</u>	<u>Recorder (5)</u>	<u>Information Technology (3)</u>	<u>Public Utilities (85)</u>
EDA Director (1) Admin Asst (1)	City Attorney (1) Admin Asst (1) Executive Secretary (1)	Finance Director (1) Accountant II O (1) Purchasing Agent O (1) Accountant I M (1) Fin/Account Clerk J (1)	Pers Official (1) Pers Spec K (1)	City Recorder (1) (Elect) Lead Dep Clerk N (1) Municipal Crt Clerk I (1) Cust Svc Clerk I H (2)	Network Administrator T (1) GIS Coordinator II O (1) Comp Tech Spt Spec L (1)	Supt of Public Utilities (1) Asst Supt of Pub Util X (1) Chief Water Plt Oper W (1) Chief Wastewater Plt Op W (1) Utility Ops Support Coord R (1) Gen Supv Nat Gas R (1) Gen Supv Water R (1) Gen Supv Sewer R (1) Utility Gen Supv/Inspector Q (1) Utility GIS Coord O (1) Customer Svc Supv N (1) Wastewater Plt Op II N (3) Water Plt Op II N (4) Util Engrg Tech M (1) Util Maint Supv L (1) Crew Supv Water L (1) Crew Supv Sewer L (1) Gas Line Welder L (1) Lab Analyst L (1) Motor Equip Op III K (3) Motor Equip Op III Nat Gas K (1) Gas Svc Tech K (5) Exec Secretary K (1) TV/Sealing Tech K (1) Util Billing Clerk K (1) Wastewater Plt Op I K (1) Water Plt Op I K (3) Utility Location Tech J (1) Pump Station Tech J (2) Meter Rdr Crew Ldr J (1) Util Svc Tech I (6) Cross Conn Cont Tech I (1) Flushing Svc Tech I (1) Gas Svc Worker I (2) Cust Svc Clerk II I (3) Inventory Recrds Clk H (1) Cust Svc Clerk I H (3) Util Switch Op/Rec Clerk G (1) Meter Reader F (4) Wastewater Plt Attnd F (1) Water Plt Attnd F (1) Util Svc Worker F (13) Util Dispatcher F (1) Cashier D (2) Wastewater Plt Asst C (1)
<u>Engineering (5)</u>	<u>Codes/Planning (14)</u>	<u>Public Works (49)</u>	<u>Fire Dept. (58)</u>	<u>Leisure Services (29)</u>	<u>Police Dept. (88)</u>	
City Engineer (1) Project Mgr I R (1) Project Mgr I R (1) Qual Con Insp N (1) Exec Secretary K (1)	Dir Codes/Planning (1) Asst Dir Codes/Planning U (1) Community Dev Coord T (1) Planner II S (1) Planner I P (1) Chief Insp/Plans Exam P (1) Plumb/Mech Insp/Plans Exam O (1) Codes Inspector I N (1) Prop Stand, Zon & Hous Insp N (1) Mechanical Inspector M (1) Planning Asst M (1) Exec Secretary K (1) Permit Spec K (1) Permit/Records Clerk G (1)	Supt of Public Works (1) General Supv Q (2) Equip Maint Supt Q (1) Fac Maint Supv O (1) Crew Supervisor L (1) Equip Mechanic K (3) Exec Secretary K (1) Motor Equip Op III K (5) Animal Con Off J (2) Fac Maint Mech J (1) Inmate Crew Ldr I (1) San Equip Op II I (8) Sign & Marking Tech G (1) San Crew Leader F (2) Gen Wkr/Oper D (6) Sanitation Worker C (4) General Worker C (6) Irv Clerk/Custodian B (1) Custodian A (2)	Fire Chief (1) Asst Fire Chief (1) Fire Marshal T (1) Fire Shift Capt T (3) Fire Captain R (3) Fire Training Officer R (1) Senior Fire Insp R (1) Fire Lieutenant Q (6) Fire Inspector Q (1) Firefighter/Engr N (15) Firefighter L (24) Exec Secretary K (1)	Dir of Leisure Svcs (1) Asst Dir CC/Admin R (1) Asst Dir Maint R (1) Park Ranger/Safety Off O (1) Aquatics Supv N (1) Rec Program Supv N (1) Lsv Maint Supv N (1) Park Ranger N (1) Crew Supv L (1) LSV Cust Svc Supv L (1) Exec Secretary K (1) Equip Tech J (1) Crew Leader J (3) Inmate Crew Leader I (1) Civic Center Asst I (2) Cemetery Clk/Gmrs E (1) Groundskeeper D (2) General Worker C (1) Asst Dir Golf Course R (1) Clubhouse Mgr L (1) Clubhouse Asst Mgr H (1) Grounds Mgr J (1) Equip Tech J (1) Gmrdskpr/Spray Tech F (1) Gmrdskpr/Operator F (1)	Police Chief (1) Police Commander (2) Police Lieutenant S (4) Police Sergeant P (10) Police Corporal O (0) Police Officer N (48) Staff Svc Supv M (0) Records Supv L (1) Exec Secretary K (1) Police/Fire Dispatch Coord J (1) Police Evidence Tech II J (1) Public Safety Dispatcher I (11) Admin Secretary H (3) Police Evidence Tech I H (0) Records Clerk G (3) Police Gen Wkr/Custodian C (1) Public Service Officer C (1)	
<u>Mayor (3)</u>						
Mayor (1) Mayor's Admin Asst (1) Mayor's Executive Asst (1)						

Legend: Position title followed by grade level. Number in parenthesis is number of employees.

NOTE: Above does not include 6 Permanent Part-time positions: 2 Traffic Control Officers (Pol), 2 Public Svc Officers (Pol), 2 Cust Svc Clerk I (Rec).

CITY OF GALLATIN, TENNESSEE
City Officials
June 30, 2010

Elected Officials

City Council

Mayor.....	Jo Ann Graves
Council Member.....	Dale Bennett
Council Member.....	Anne Kemp
Council Member.....	Craig Hayes
Council Member.....	Ed Mayberry
Council Member.....	Tommy Garrott
Council Member.....	John D. Alexander
Council Member.....	Jimmy Overton
Recorder.....	Connie Kittrell

Officers Appointed by City Council

Director of Finance.....	Rachel Nichols
Director of Public Works.....	Ronnie Stiles
Superintendent of Public Utilities.....	David A Gregory
Chief of Police.....	John Tisdale
Fire Chief.....	William L. (Billy) Crook
Director of Codes & Planning.....	Tony Allers
Director of Leisure Services.....	David Brown
Personnel Official.....	Dave Crawford
Director of Economic Development.....	Clay Walker
City Engineer.....	Nick Tuttle

Operating Manager

Electric Department Manager.....	William Draper
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Other Key Personnel

Assistant Director of Codes & Planning	Katherine Schoch
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Financial Section

Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260
GOODLETTSVILLE, TN 37072

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Independent Auditors' Report

To the Honorable City Council and Mayor
City of Gallatin, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gallatin (the "City"), Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gallatin, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gallatin Department of Electricity ("Electric Fund"), which represent 25 percent of the assets, 30 percent of net assets, and 53 percent of the revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and other major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2011, on our consideration of the City of Gallatin, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information on pages 2 through 10 and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gallatin, Tennessee's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 41 through 48 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, supplementary information on pages 49 through 52 and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Parker, Parker & Associates

February 10, 2011

Management's Discussion and Analysis

As management of the City of Gallatin, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. The analysis focuses on significant financial position, budget changes and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

- The assets of the City of Gallatin exceeded its liabilities at the close of the most recent fiscal year by \$174,835,956 as compared to \$169,064,690 in the prior year. Of these amounts, \$43,383,504 (unrestricted net assets), as compared to \$51,235,149 in 2009, may be used to meet the government's ongoing obligations.
- The governments total net assets increased by \$5,661,241 in 2010 and \$7,160,022 in 2009.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39,412,775, an increase of \$25,537,200 in comparison to the prior year. Approximately \$10,446,359 of that total is available for spending at the government's discretion although \$3,065,215 is designated for capital projects and \$4,403,255 is designated as the "Rainy Day" fund which requires a 2/3's majority vote of Council to appropriate.
- At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,942,480, or 13.3% of total general fund expenditures as compared to \$2,966,074 and 12% respectively for the prior year.
- The City's total debt decreased by \$2,082,426 (4.33%) during the current fiscal year. The decrease was the result of scheduled debt payments in accordance with the terms of the bonds and notes.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Gallatin's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Overall, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected tax and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover costs through user fees and charges (business-type activities). The governmental activities of the City of Gallatin include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities include Water and Sewer, Natural Gas and Electric Power services.

The government - wide financial statements can be found on pages 11-12 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 of Gallatin, 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 or proprietary funds.

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

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects Other, and the capital projects WWTP fund which are considered to be a 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 elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-14 of this report.

The City of Gallatin, Tennessee adopts an annual appropriated budget for its general fund. A budgetary comparison statement and related notes have been provided for the general fund to demonstrate compliance with this budget on pg 19-24

Proprietary Funds. The City of Gallatin maintains only one type of proprietary fund, the enterprise fund. It is used to report the same functions presented in the business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water/Sewer, Natural Gas and Electric Power operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for Water and Sewer, Natural Gas and Electric Power operations, each of which are considered to be a major funds.

The basic proprietary fund financial statements can be found on pages 16-18 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 starting on page 26 of this report.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 16-18 and 41 of this report.

Financial Analysis of the Financial Statements

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Gallatin, assets exceeded liabilities by \$174,835,956 at the close of the most recent fiscal year, as compared to \$169,064,690 at the close of the previous fiscal year.

By far the largest portion of the City's net assets (75.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt that is still outstanding. 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.

City of Gallatin's Net Assets

	Governmental Activities		Business -type Activities	
	2010	2009	2010	2009
Current and other assets	\$ 51,822,602	24,029,333	20,200,427	46,272,623
Capital assets	53,024,786	48,186,049	123,023,329	117,390,308
Total assets	104,847,388	72,215,382	143,223,756	163,662,931
Long-term liabilities outstanding	13,464,833	14,331,062	36,390,459	37,326,033
Other liabilities	12,409,829	9,702,790	10,970,068	5,453,739
Total liabilities	25,874,662	24,033,852	47,360,527	42,779,772
Net assets:				
Capital assets, net of related debt	40,679,786	35,081,049	90,944,012	82,808,956
Restricted	-171,346	-60,463	0	0
Unrestricted	38,464,287	13,160,946	4,919,217	38,074,203
Total net assets	\$ 78,972,727	48,181,532	95,863,229	120,883,159

The city's unrestricted net assets totals \$43,383,504 and may be used to meet the government's ongoing obligations to citizens and creditors as compared to \$51,235,149 in 2009.

At the end of the current fiscal year, the City is able to report positive balances in all three category of net assets, both for the government as a whole, as well as for its separate governmental and business - type activities.

The government's net assets increased by \$5,771,265 during the current fiscal year.

Governmental Activities

Governmental activities increased the City's net assets by \$3,647,796 during the current fiscal year as compared to a decrease of \$1,007,460 during the previous fiscal year. Key elements of this increase are summarized below:

City of Gallatin's Changes in Net Assets

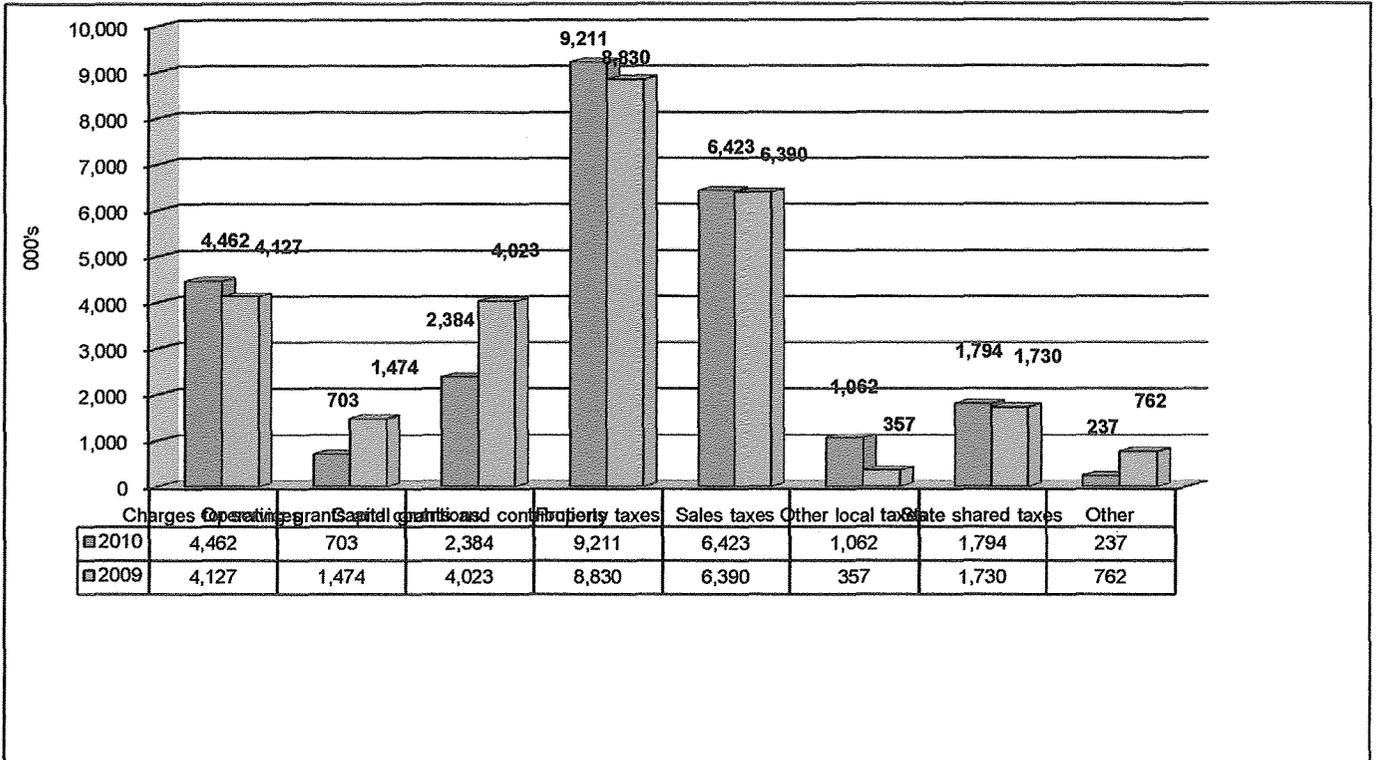
	<u>Governmental Activities</u>		<u>Business -type Activities</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues:				
Program revenues:				
Charges for services	\$ 4,127,495	4,462,096	85,400,190	84,620,482
Operating grants and contributions	1,474,369	703,346		
Capital grants and contributions	4,022,806	2,383,773	1,252,667	253,452
General revenues:				
Property taxes	8,830,313	9,211,402		
Sales taxes	6,390,038	6,422,853		
Other local taxes	357,447	1,061,790		
State shared taxes	1,729,875	1,794,456		
Other	762,330	236,533	445,563	211,000
Total revenues	<u>27,694,673</u>	<u>26,276,252</u>	<u>87,098,420</u>	<u>85,084,934</u>
Expenses:				
General government				
General Government Administration	5,595,900	4,334,869		
Public safety:	10,217,027	10,583,895		
Animal control	112,082	99,965		
Highways and streets	2,085,472	1,421,330		
Public works	26,564	351,059		
Environmental Services	1,542,358	1,504,489		
Parks and recreation	3,238,619	3,845,550		
Engineering	636,589	395,200		
Community services	231,649	300,000		
Economic Development	270,456	269,588		
Vehicle maintenance	376,013	403,148		
Depreciation & Amortization	0			
Interest expense on long-term debt	785,391	487,066		
Water & Sewer			10,073,496	10,386,989
Natural Gas			19,354,295	19,064,230
Electric Power			52,075,601	52,252,566
Golf Course			1,011,561	0
Total expenses	<u>25,118,120</u>	<u>23,996,159</u>	<u>82,514,953</u>	<u>81,703,785</u>
Increases in net assets	2,576,553	2,280,093	4,583,467	3,381,149
Transfers	1,071,241	1,396,522	-1,071,241	-1,396,522
Prior Period Adjustments	-322,620	27,114,581	-267,600	-27,004,557
Net assets, beginning of year	<u>44,856,355</u>	<u>48,181,531</u>	<u>117,638,534</u>	<u>120,883,159</u>
Net assets, end of year	<u>\$ 48,181,531</u>	<u>78,972,727</u>	<u>120,883,159</u>	<u>95,863,229</u>

Program revenue Charges for Services represent a modest increase in 2010, \$4,462,096 as compared to \$4,127,495 in 2009. Property taxes had a modest increase in 2010 of \$381,089 and Other Local Taxes had an increase of \$704,303. In 2009, the City received Note proceeds from a capital outlay note issue which it did not have in 2010. This represents the bulk of the \$2,410,083 decrease in 2010 in Contributions and Grants. Other revenues remained relatively stable or decreased slightly.

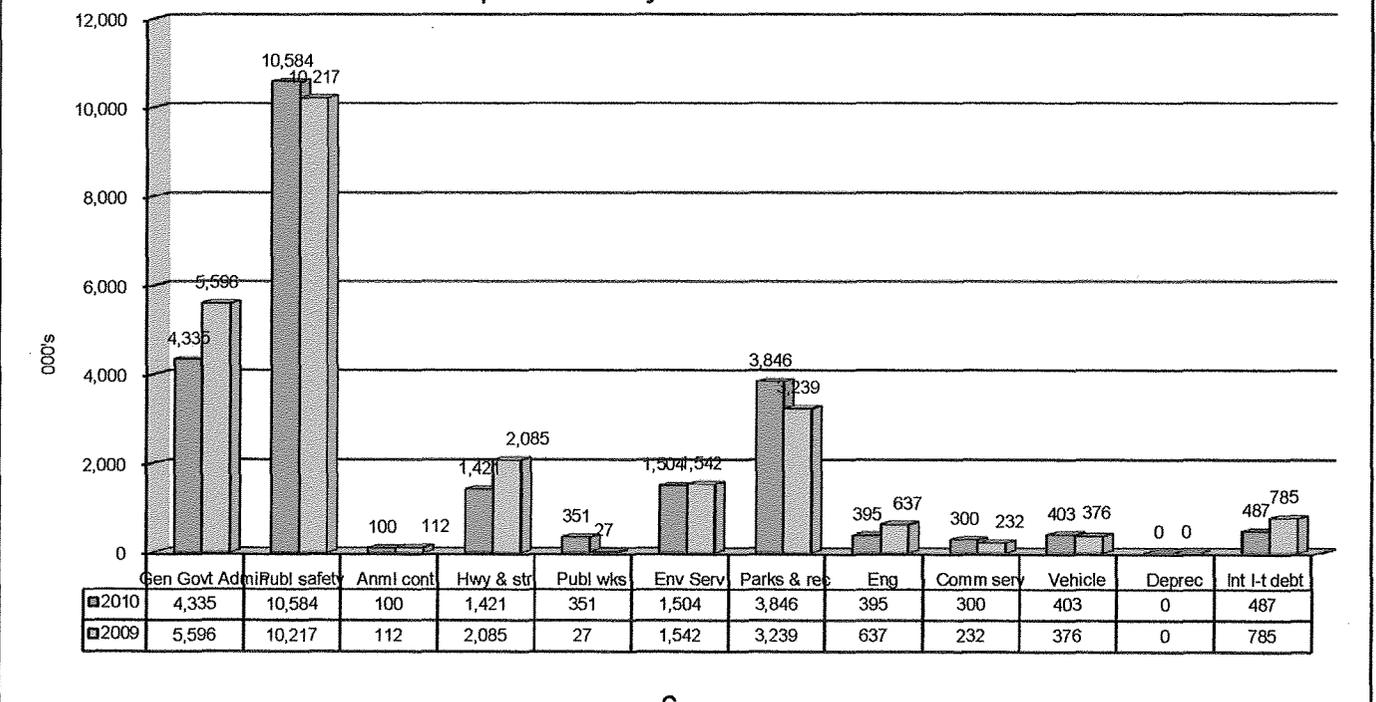
Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in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

Overall, expenses for 2010 were less than expenses in 2009 by \$1,933,129. For departments with increases, the increases closely paralleled growth in the demand for services. The most significant increases in expenditures over those of the prior occurred in Public Safety, Public Works, Parks & Recreation and Utility services. All departments worked diligently to keep spending to a minimum in continued tight economic times, which is reflected in the overall decrease of expenses.

Revenues by Source - Governmental Activities

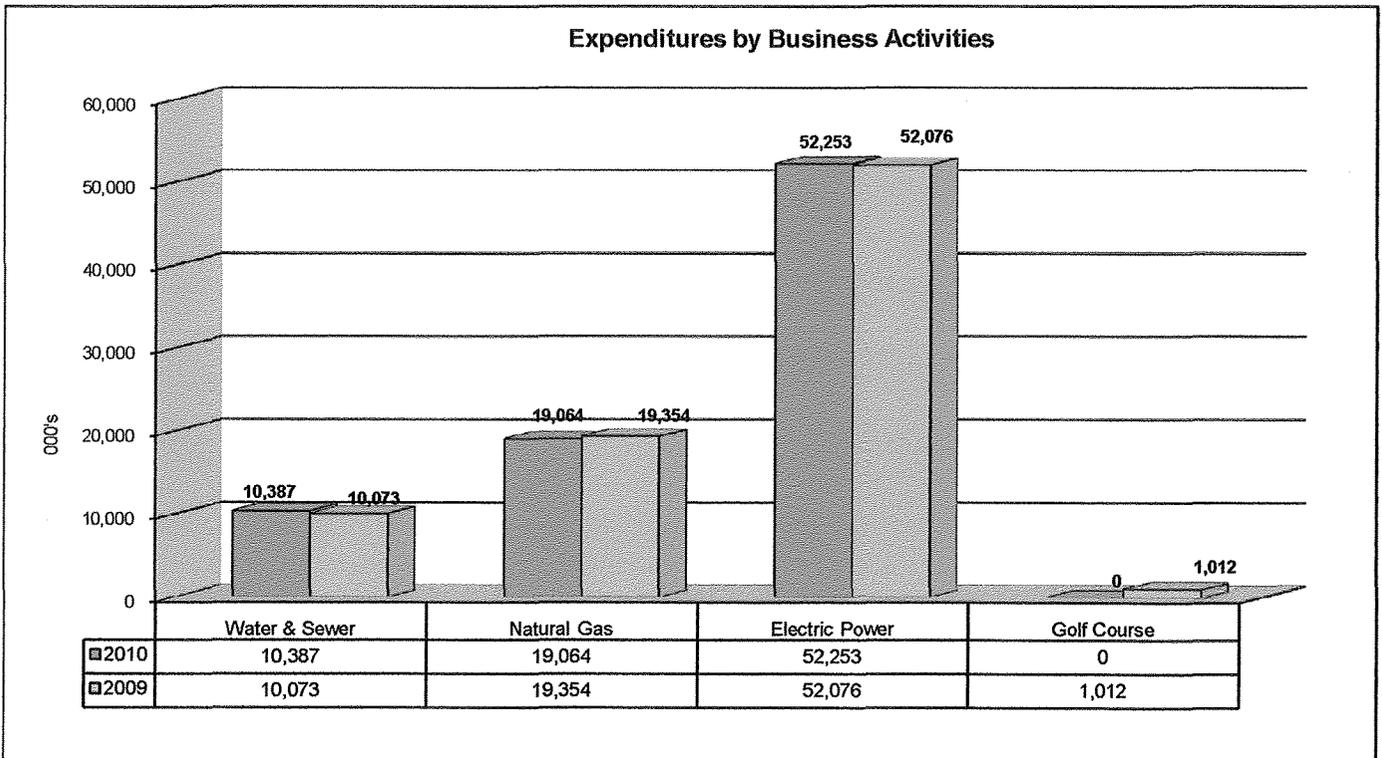
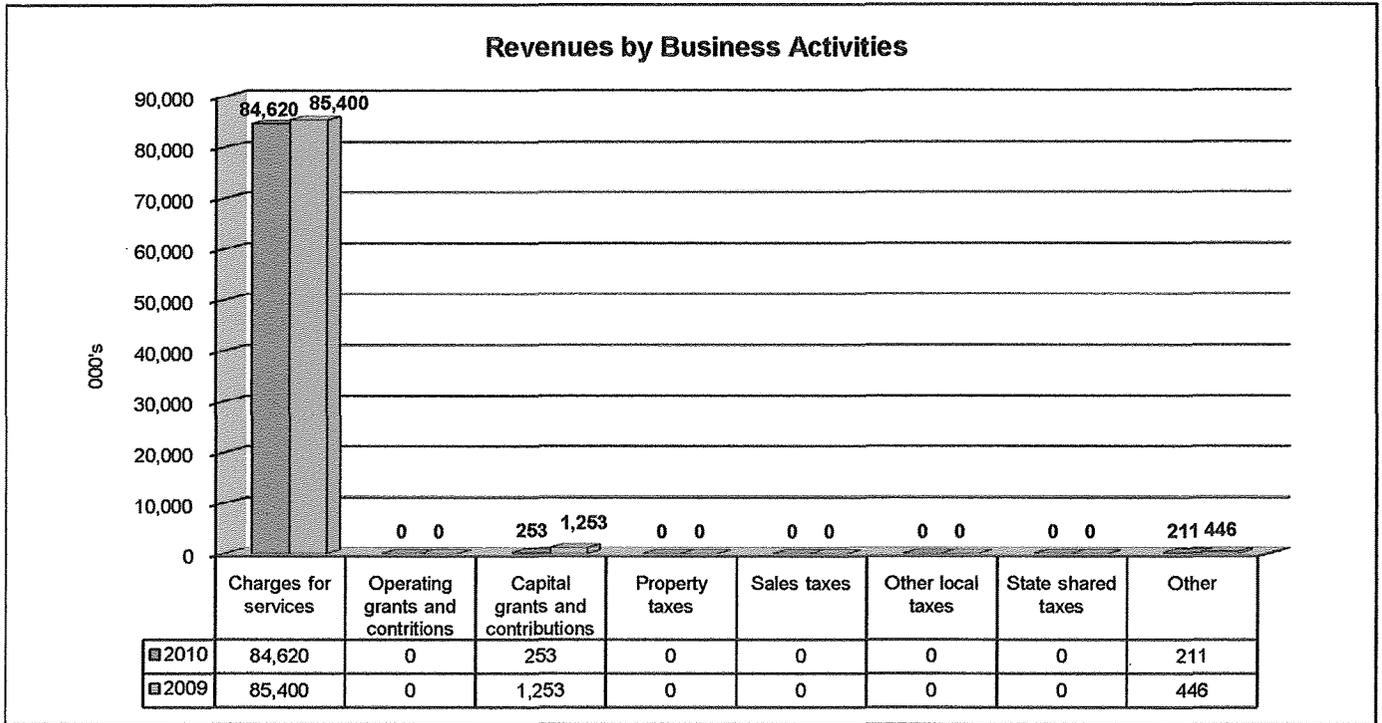


Expenditures by Governmental Activities



Business - type activities

Business - type activities increased the City's net assets by \$1,984,627 accounting for 35.1% of the total growth in the government's net assets as compared to \$11,124,486 in 2009.



Governmental Funds

The focus of the City of Gallatin'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, unreserved

The general fund is the chief operation fund of the City of Gallatin, Tennessee. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$2,942,480 while total fund balance reached \$10,446,359. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.3% of total general fund expenditures as compared to 12% last year.

The fund balance of the City's general fund decreased by \$807,171 during the current fiscal year. The key factor in this decrease was a deliberate spend-down for capital projects, using the pay-as-you-go principal.

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

Unrestricted net assets of the Enterprise Funds amounted to \$4,919,217 as compared to \$38,074,203 in the prior year. The large decrease was the result of a prior period adjustment for the WWTP fund activity. The change in net assets of the individual enterprise funds was as follows:

		2010	2009
Water & Sewer Fund	\$	-543,074	265,641
Natural Gas Fund		1,622,743	1,760,033
Electric Power Fund		904,958	1,486,552

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were an overall increase in appropriations by \$581,483 and can be briefly summarized as follows:

	Budgeted Amounts (Operating)		Budgeted Amounts (Capital)	
	Original	Final	Original	Final
General Government	4,027,734	4,045,007	549,422	549,922
Economic Development Agency	248,991	248,991	80,000	80,000
Police Department	5,877,982	5,910,854	92,000	105,811
Fire Department	3,637,269	3,708,479	86,800	176,410
Animal Control	98,158	99,908	-	-
Highways and Streets	1,740,533	1,745,523	31,156	31,156
Public Works	154,209	154,209	185,000	185,000
Parks and Recreation	3,453,338	3,590,953	224,033	435,885
Engineering	398,942	398,942	57,500	57,500
Community Services	300,000	300,000	-	-
Vehicle Maintenance	389,893	389,893	-	-
Debt Service	1,282,725	1,282,725	-	-
Total Expenditures	21,609,774	21,875,484	1,305,911	1,621,684

Capital Asset and Debt Administration

Capital Assets

The City of Gallatin's investment in capital assets from its governmental and business - type activities as of June 30, 2010, amounts to \$176,048,115 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 6.3% (a 10% increase for governmental activities and a 4.8% increase for business - type activities).

City of Gallatin's Capital Assets

	Governmental Activities	Business -type Activities	Total
Land	\$ 11,152,311	3,490,426	14,642,737
Buildings and utility plant	9,938,461	3,291,228	13,229,689
Improvements other than buildings	35,508,845	148,529,169	184,038,014
Equipment and furniture	14,594,776	5,303,271	19,898,047
Construction in progress	5,200,613	21,562,113	26,762,726
	<u>76,395,006</u>	<u>182,176,207</u>	<u>258,571,213</u>
Less accumulated depreciation	<u>23,370,221</u>	<u>59,152,877</u>	<u>82,523,098</u>
Net Capital Assets	<u>\$ 53,024,785</u>	<u>123,023,330</u>	<u>176,048,115</u>

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

Long - Term Debt

At the end of the current year, the City of Gallatin had bonded debt outstanding of \$46,004,370 as compared to \$48,086,796 at the end of the prior fiscal year. Of this amount, \$12,345,000 represents debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured by both the taxing power of the City and specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds.

City of Gallatin's Outstanding Debt

	Governmental Activities	Business -type Activities	Total
General obligation bonds and capital outlay notes	\$ 12,345,000		12,345,000
Revenue and tax bonds	<u>0</u>	<u>33,659,370</u>	<u>33,659,370</u>
Total	<u>\$ 12,345,000</u>	<u>33,659,370</u>	<u>46,004,370</u>

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

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

Economic Factors and Next Year's Budget and Rates

General Fund Revenue:

- As the nations economy began to recover in 2010, the City saw moderate increases in operating revenues. There were increases in property tax revenues and grant revenues, and modest increases in beer and alcohol related taxes and charges for recreational services. Other revenue areas continued to decrease slightly.

General Fund Expenditures and Capital Outlay:

- All departments were encouraged to cut costs wherever possible, while maintaining an awareness of the state of the national economy.
- Original operating expense budgets totaled \$21,609,774 as compared to \$21,338,107 for the prior fiscal year, representing an increase of 1.3%.

At the end of the current fiscal year, unreserved fund balance in the general fund was \$2,942,480. Management made a decision to spend down some of the unreserved fund balance that had accumulated over the years on non-recurring expenses to better serve the citizens of Gallatin.

Next Year's Budget and Rates:

- The City continues to encourage departments to be frugal and cut spending whenever possible due to the slow recovery of the local and national economies. The City will make any necessary adjustments to operate within available revenues. The City has no plans to increase the property tax rate paid by citizens.

Requests for Information

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

Department of Finance
City of Gallatin
132 W Main St
Gallatin, TN 37066

CITY OF GALLATIN, TENNESSEE
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents - Unrestricted	\$ 15,024,024	\$ 23,009,663	\$ 38,033,687	\$ 23,180
Receivables:				
Property Taxes	11,712,206	-	11,712,206	-
Intergovernmental	3,060,189	-	3,060,189	-
Customers, Net of Allowance and Other	751,987	9,337,095	10,089,081	-
Total Receivables	<u>15,524,382</u>	<u>9,337,095</u>	<u>24,861,477</u>	<u>-</u>
Investments	-	5,036,294	5,036,294	-
Inventory	47,626	1,526,735	1,574,361	-
Prepays and Other Current Expenses	-	357,920	357,920	-
Internal Balances	21,225,070	(21,225,070)	-	-
Total Current Assets	<u>51,821,102</u>	<u>18,042,637</u>	<u>69,863,739</u>	<u>23,180</u>
CAPITAL ASSETS				
Depreciable Capital Assets, Net of Accumulated Depreciation	36,671,861	97,970,791	134,642,652	-
Non Depreciable Capital Assets	16,352,925	25,052,538	41,405,463	-
Total Capital Assets	<u>53,024,786</u>	<u>123,023,329</u>	<u>176,048,115</u>	<u>-</u>
OTHER ASSETS				
Cash and Cash Equivalents - Restricted		7,378	7,378	-
Unamortized Costs	-	355,903	355,903	-
Receivable - TVA Residential Energy Service Program	-	277,397	277,397	-
Deposits and Other	1,500	1,517,112	1,518,612	-
Total Other Assets	<u>1,500</u>	<u>2,157,790</u>	<u>2,159,290</u>	<u>-</u>
Total Assets	<u>\$ 104,847,387</u>	<u>\$ 143,223,756</u>	<u>\$ 248,071,144</u>	<u>\$ 23,180</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 1,362,305	\$ 10,421,015	\$ 11,783,321	\$ -
Accrued Liabilities	263,051	539,327	802,377	-
Accrued Interest	-	9,726	9,726	-
Deferred Revenue	10,784,473	-	10,784,473	-
Long-term Liabilities:				
Customer Deposits	-	1,797,822	1,797,822	-
Other Liabilities	143,073	313,043	456,116	-
Compensated Absences	976,760	620,224	1,596,984	-
Due Within One Year	775,000	1,351,711	2,126,711	-
Due in More Than One Year	11,570,000	32,307,659	43,877,659	-
Total Liabilities	<u>25,874,662</u>	<u>47,360,528</u>	<u>73,235,189</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	40,679,786	90,944,012	131,623,798	-
Restricted for:				
Special Revenue Funds - Drug Fund	(186,346)		(186,346)	-
Endowment	15,000	-	15,000	-
Unrestricted	38,464,287	4,919,217	43,383,504	23,180
Total Net Assets	<u>78,972,727</u>	<u>95,863,229</u>	<u>174,835,956</u>	<u>23,180</u>
Total Liabilities and Net Assets	<u>\$ 104,847,387</u>	<u>\$ 143,223,756</u>	<u>\$ 248,071,144</u>	<u>\$ 23,180</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Industrial Development Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General Government	\$ 4,334,869	29,906	\$ -	\$ 774,664	\$ (3,530,300)	\$ -	\$ (3,530,300)	\$ -
Public Safety	10,583,895	1,424,589	16,746	68,509	(9,074,052)	-	(9,074,052)	-
Animal Control	99,965	-	-	-	(99,965)	-	(99,965)	-
Highways, Streets and Roadways	1,421,330	-	686,601	1,098,295	363,566	-	363,566	-
Public Works	351,059	10,241	-	-	(340,819)	-	(340,819)	-
Environmental Services	1,504,489	1,138,060	-	-	(366,429)	-	(366,429)	-
Parks and Recreation	3,845,550	1,446,689	-	442,305	(1,956,556)	-	(1,956,556)	-
Engineering	395,200	273,410	-	-	(121,790)	-	(121,790)	-
Community Services	300,000	-	-	-	(300,000)	-	(300,000)	-
Economic Development	269,588	-	-	-	(269,588)	-	(269,588)	-
Vehicle Maintenance	403,148	139,202	-	-	(263,946)	-	(263,946)	-
Interest on Long-term Debt	487,066	-	-	-	(487,066)	-	(487,066)	-
Total Governmental Activities	23,996,159	4,462,096	703,346	2,383,773	(16,446,943)	-	(16,446,943)	-
Business-type Activities:								
Electric Power	52,252,566	53,602,000	-	2,866	-	1,352,300	1,352,300	-
Gas	19,064,230	20,971,057	-	-	-	1,906,827	1,906,827	-
Water and Sewer	10,386,989	10,047,425	-	250,586	-	(88,978)	(88,978)	-
Total Business-type Activities	81,703,785	84,620,482	-	253,452	-	3,170,149	3,170,149	-
Total Primary Government	\$ 105,699,943	\$ 89,082,578	\$ 703,346	\$ 2,637,225	\$ (16,446,943)	\$ 3,170,149	\$ (13,276,794)	\$ -
Component Unit:								
Industrial Development Board	\$ 4,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,850)
General Revenues:								
Property and Personal Taxes					\$ 9,211,402	\$ -	\$ 9,211,402	\$ -
TVA Gross Receipts and PILOT					303,475	-	303,475	-
Income and Excise Taxes					758,315	-	758,315	-
Sales Taxes					6,422,853	-	6,422,853	-
Alcoholic Beverage Taxes					965,092	-	965,092	-
Business Taxes					485,461	-	485,461	-
Hospitality Taxes					341,828	-	341,828	-
Miscellaneous State Taxes					2,075	-	2,075	-
Unrestricted Investment Income					100,415	200,533	300,948	-
Rental Income					29,627	-	29,627	-
Sale of Capital Assets					8,404	10,467	18,871	-
Insurance Proceeds					74,359	-	74,359	-
Miscellaneous					23,728	-	23,728	-
Transfers, Net					1,396,522	(1,396,522)	(0)	-
Total General Revenues and Transfers					20,123,557	(1,185,522)	18,938,035	-
Change in Net Assets					3,676,614	1,984,627	5,661,241	(4,850)
Net Assets - July 1, 2009					48,181,531	120,883,159	169,064,690	28,030
Prior Period Adjustment					27,114,581	(27,004,557)	110,024	-
Net Assets - June 30, 2010					\$ 78,972,727	\$ 95,863,229	\$ 174,835,956	\$ 23,180

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Capital Projects Other	Capital Projects WWTP	Non-major Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 13,309,505	\$ (6,274,095)	\$ 6,097,636	\$ 1,890,979	\$ 15,024,024
Receivables, Net:					
Property Taxes	11,712,206	-	-	-	11,712,206
Intergovernmental	2,983,891	-	-	-	2,983,891
Other	431,791	-	-	320,196	751,987
Due From Other Funds	(6,634,901)	6,709,384	21,150,587	-	21,225,070
Investments	-	-	-	-	-
Inventory	35,409	-	-	12,217	47,626
Prepays and Other Current Expenses	1,500	-	-	-	1,500
Total Assets	<u>\$ 21,839,401</u>	<u>\$ 435,288</u>	<u>\$ 27,248,223</u>	<u>\$ 2,223,392</u>	<u>\$ 51,746,304</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 449,516	\$ 435,288	\$ 331,248	\$ 146,252	1,362,304
Accrued Liabilities	235,351	-	-	27,700	263,051
Due To Other Funds	-	-	-	-	-
Deferred Revenue	10,708,175	-	-	-	10,708,175
Total Liabilities	<u>11,393,042</u>	<u>435,288</u>	<u>331,248</u>	<u>173,952</u>	<u>12,333,529</u>
Fund Balances:					
Reserved For:					
Inventory	35,409	-	-	12,217	47,626
Special Revenue Funds - Drug Fund	-	-	-	(186,346)	(186,346)
Endowments	-	-	-	15,000	15,000
Unreserved Reported in Non-Major:					
Special Revenue Funds	-	-	-	(2,955)	(2,955)
Capital Projects Funds	-	0	26,916,975	1,837,203	28,754,178
Permanent Funds	-	-	-	374,321	374,321
Unreserved: Designated For:					
Capital Projects	3,065,215	-	-	-	3,065,215
Other Designated	4,403,255	-	-	-	4,403,255
Unreserved	2,942,480	-	-	-	2,942,480
Total Fund Balances	<u>10,446,359</u>	<u>0</u>	<u>26,916,975</u>	<u>2,049,439</u>	<u>39,412,775</u>
Total Liabilities and Fund Balances	<u>\$ 21,839,401</u>	<u>\$ 435,288</u>	<u>\$ 27,248,223</u>	<u>\$ 2,223,392</u>	<u>\$ 51,746,304</u>

CITY OF GALLATIN, TENNESSEE
Reconciliation of the Balance Sheet to the Statement of Net Assets of Governmental Activities
June 30, 2010

Total Governmental Fund Balances	\$ 39,412,775
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Some assets, including accounts receivable are not available in the current period and therefore are not reported in the funds.	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,024,786
Other long-term assets (bond costs) are not available to pay for current-period expenditures and, therefore are deferred in the funds.	-
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(13,464,833)
Net Assets of the Governmental Activities	<u>\$ 78,972,727</u>

CITY OF GALLATIN, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>Capital Projects Other</u>	<u>Capital Projects WWTP</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 19,177,101	\$ -	\$ -	\$ -	\$ 19,177,101
Licenses and Permits	278,110	-	-	-	278,110
Fines and Forfeitures	1,316,236	-	-	108,353	1,424,589
Charges for Services	1,621,338	-	-	1,138,060	2,759,398
Intergovernmental	2,219,598	-	-	247,046	2,466,644
Investment Income	38,510	-	35,580	26,325	100,415
Rental/Property Income	29,627	-	-	-	29,627
Miscellaneous Revenues	9,292	-	-	14,437	23,729
Total Revenues	<u>24,689,811</u>	<u>-</u>	<u>35,580</u>	<u>1,534,221</u>	<u>26,259,613</u>
Expenditures					
Current:					
General Government	3,705,982	-	-	-	3,705,982
Public Safety	9,572,386	-	-	269,194	9,841,580
Animal Control	99,965	-	-	-	99,965
Highways, Streets and Roadways	1,421,330	-	-	-	1,421,330
Public Works	152,145	-	-	-	152,145
Environmental Services	-	-	-	1,430,341	1,430,341
Parks and Recreation	3,392,380	-	-	-	3,392,380
Engineering	395,200	-	-	-	395,200
Community Services	300,000	-	-	-	300,000
Economic Development	234,598	-	-	-	234,598
Vehicle Maintenance	403,148	-	-	-	403,148
Other Program Costs	-	-	-	(291)	(291)
Debt Service:					
Principal	760,000	-	-	-	760,000
Interest	487,066	-	-	-	487,066
Capital Outlay	1,268,579	4,983,586	-	825,516	7,077,681
Total Expenditures	<u>22,192,778</u>	<u>4,983,586</u>	<u>-</u>	<u>2,524,761</u>	<u>29,701,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,497,033</u>	<u>(4,983,586)</u>	<u>35,580</u>	<u>(990,540)</u>	<u>(3,441,512)</u>
Other Financing Sources (Uses)					
Contributions	367,916	-	-	16,746	384,662
Insurance Proceeds	74,359	-	-	-	74,359
Operating Transfers In (Out) /PILOT	(3,864,908)	4,983,586	-	277,844	1,396,522
Bonds Issued, net of Bond Costs	-	-	-	-	-
Sales of Capital Assets	8,404	-	-	-	8,404
Total Other Financing Sources (Uses)	<u>(3,414,228)</u>	<u>4,983,586</u>	<u>-</u>	<u>294,590</u>	<u>1,863,948</u>
Net Change in Fund Balances	(917,195)	-	35,580	(695,950)	(1,577,564)
Fund Balance - July 1, 2009	11,253,530	-	(123,162)	2,745,390	13,875,758
Prior Period Adjustment	110,024	-	27,004,557	-	27,114,581
Fund Balances - June 30, 2010	<u>\$ 10,446,359</u>	<u>\$ -</u>	<u>\$ 26,916,975</u>	<u>\$ 2,049,439</u>	<u>\$ 39,412,774</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (1,577,564)

Amounts reported for governmental activities in the statement of activities are different from the amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of loss on disposal. 4,838,736

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (450,787)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 866,229

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.

Change in net assets of governmental activities \$ 3,676,614

CITY OF GALLATIN, TENNESSEE
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds			
	Electric Fund	Gas Fund	Water & Sewer Fund	Total Proprietary Funds
Assets				
Current Assets				
Cash and Cash Equivalents - Unrestricted	\$ 4,410,546	\$ 7,836,956	\$ 10,762,161	\$ 23,009,663
Receivables, net	7,256,456	1,078,271	1,002,367	9,337,095
Due From Other Funds	-	-	-	-
Inventory	649,778	646,797	230,161	1,526,735
Prepaid and Other Current Expenses	357,920	-	-	357,920
Total Current Assets	12,674,700	9,562,024	11,994,689	34,231,413
Capital Assets				
Non-depreciable Capital Assets:				
Land, Right of Ways, Usages	1,139,141	386,436	1,964,849	3,490,426
Construction in Progress	(42,244)	-	21,604,357	21,562,113
Depreciable Capital Assets:				
Plant and Equipment	34,360,242	26,812,653	95,950,773	157,123,668
Less Accumulated Depreciation	(13,445,665)	(10,448,734)	(35,258,478)	(59,152,878)
Total Capital Assets	22,011,474	16,750,355	84,261,500	123,023,329
Other Assets				
Cash and Cash Equivalents - Restricted	7,378	-	-	7,378
Investments	5,036,294	-	-	5,036,294
Unamortized Costs	42,962	-	312,941	355,903
Receivable - TVA Residential Energy Service Program	277,397	-	-	277,397
Deposits and Other	1,517,112	-	-	1,517,112
Total Other Assets	6,881,143	-	312,941	7,194,084
Total Assets	\$ 41,567,317	\$ 26,312,378	\$ 96,569,131	\$ 164,448,826
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 8,846,204	\$ 878,275	\$ 696,536	\$ 10,421,015
Accrued Liabilities	522,027	11,211	6,088	539,327
Accrued Interest	9,726	-	-	9,726
Deferred Revenue	-	-	-	-
Current Portion of Notes and Bonds Payable	167,750	-	1,183,961	1,351,711
Due to Other Funds	-	21,014	21,204,056	21,225,070
Total Current Liabilities	9,545,707	910,500	23,090,641	33,546,849
Customer deposits	1,614,573	109,025	74,224	1,797,822
Other Liabilities including Advances - TVA	313,043	-	-	313,043
Compensated Absences	285,115	143,960	191,149	620,224
Notes and Bonds Payable, Net of Premiums	825,452	-	31,482,207	32,307,659
Total Long-Term Liabilities	3,038,183	252,985	31,747,581	35,038,749
Total Liabilities	12,583,890	1,163,485	54,838,222	68,585,597
Net Assets				
Unrestricted	6,698,043	8,398,538	(10,177,364)	4,919,217
Invested in Capital Assets, Net of Related Debt	22,285,384	16,750,355	51,908,273	90,944,012
Total Net Assets	28,983,427	25,148,893	41,730,909	95,863,229
Total Liabilities and Net Assets	\$ 41,567,317	\$ 26,312,378	\$ 96,569,131	\$ 164,448,826

See auditors' report and notes to the financial statements.

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

	Business-type Activities - Enterprise Funds			Total Proprietary Funds
	Electric Fund	Gas Fund	Water & Sewer Fund	
Operating Revenues				
Charges for Services	\$ 52,786,400	\$ 20,716,549	\$ 9,822,137	\$ 83,325,086
Late Payment Charges/Forfeited Discounts	209,036	217,645	243,417	670,098
Other Revenues from Operations	606,564	36,863	(18,129)	625,298
Total Operating Revenues	<u>53,602,000</u>	<u>20,971,057</u>	<u>10,047,425</u>	<u>84,620,482</u>
Operating Expenses				
Water Plant	-	-	1,191,534	1,191,534
Transmission and Distribution	48,633,630	17,765,264	972,146	67,371,039
Customer Service and Collection	724,088	272,474	589,186	1,585,749
General Administration	907,126	310,054	592,486	1,809,666
Golf Course Operating Expenses	-	-	-	-
Sewer Collection	-	-	1,324,639	1,324,639
Sewer System Rehab	-	-	288,175	288,175
Sewer Treatment and Disposal	-	-	1,158,634	1,158,634
Sewer Pretreatment	-	-	10,685	10,685
Maintenance	664,200	-	-	664,200
Depreciation and Amortization	1,323,522	716,438	2,814,778	4,854,738
Total Operating Expenses	<u>52,252,566</u>	<u>19,064,230</u>	<u>8,942,264</u>	<u>80,259,060</u>
Income from Operations	1,349,434	1,906,827	1,105,161	4,361,422
Non-operating Revenues (Expenses)				
Investment Income	146,833	1,030	52,670	200,533
Insurance Proceeds	-	-	-	-
Gain on Sale	-	-	10,467	10,467
Interest Expense	-	-	(1,444,725)	(1,444,725)
Total Non-operating Revenues (Expenses)	<u>146,833</u>	<u>1,030</u>	<u>(1,381,588)</u>	<u>(1,233,724)</u>
Income (Loss) Before Contributions and Transfers	1,496,267	1,907,857	(276,426)	3,127,698
Contributions and Transfers In (Out):				
Tap Fees	-	-	250,586	250,586
Contributions and Grants	2,866	-	-	2,866
Transfer to Other Funds/Payment in Lieu of Tax	(594,175)	(285,114)	(517,233)	(1,396,522)
Change in Net Assets	904,958	1,622,743	(543,074)	1,984,627
Net Assets - July 1, 2009	28,078,469	23,526,150	69,278,540	120,883,159
Prior Period Adjustment	-	-	(27,004,557)	(27,004,557)
Net Assets - June 30, 2010	<u>\$ 28,983,427</u>	<u>\$ 25,148,893</u>	<u>\$ 41,730,909</u>	<u>\$ 95,863,229</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Proprietary Funds</u>
	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Water & Sewer Fund</u>	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 50,061,582	\$ 21,147,629	\$ 9,832,885	\$ 81,042,096
Cash Payments to Suppliers for Goods and Services	(43,241,240)	(16,376,478)	(22,232,176)	(81,849,894)
Cash Payments to Employees for Services	(1,983,432)	(998,151)	(3,175,080)	(6,156,663)
Net Cash Provided (Used) by Operating Activities	<u>4,836,910</u>	<u>3,773,000</u>	<u>(15,574,372)</u>	<u>(6,964,461)</u>
Cash Flows from Capital and Related Financing Activities:				
Cash Received from Customers	-	-	250,586	250,586
Principal Paid on Bonds/Notes	-	-	(1,115,000)	(1,115,000)
New Borrowings on Bonds/Notes	-	-	-	-
Interest Paid on Long-Term Debt	-	-	(1,458,461)	(1,458,461)
Acquisition and Construction of Capital Assets	(1,437,730)	(515,898)	(8,551,672)	(10,505,300)
Proceeds from Sale of Capital Assets	-	-	10,467	10,467
Bond Costs	-	-	-	-
Insurance Proceeds	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,437,730)</u>	<u>(515,898)</u>	<u>(10,864,080)</u>	<u>(12,817,708)</u>
Cash Flows from Non-Capital Financing Activities				
Transfers to Other Funds	(594,175)	(285,114)	(517,233)	(1,396,522)
Increase in Lending to Other Funds	-	-	-	-
Advances - TVA Residential Energy Services Program	-	-	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(594,175)</u>	<u>(285,114)</u>	<u>(517,233)</u>	<u>(1,396,522)</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(467,176)	-	-	(467,176)
Proceeds from Sale of Investments	-	-	-	-
Receivables - TVA Residential Energy Service Program	-	-	-	-
Interest Received	146,833	1,030	52,670	200,533
Net Cash Provided by Investing Activities	<u>(320,343)</u>	<u>1,030</u>	<u>52,670</u>	<u>(266,643)</u>
Net Increase in Cash and Restricted Cash	2,484,662	2,973,018	(26,903,015)	(21,445,335)
Cash and Restricted Cash at Beginning of Year	1,933,262	4,863,937	37,665,176	44,462,376
Cash and Restricted Cash at End of Year	<u>\$ 4,417,924</u>	<u>\$ 7,836,956</u>	<u>\$ 10,762,161</u>	<u>\$ 23,017,041</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 1,349,434	\$ 1,906,827	\$ 1,105,161	\$ 4,361,422
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Prior Period Adjustment	-	-	(27,004,557)	(27,004,557)
Depreciation and Amortization	1,376,647	716,438	2,814,778	4,907,863
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivable, Net	(3,540,418)	176,573	(214,541)	(3,578,386)
(Increase) Decrease in Due from Other Funds	-	-	-	-
(Increase) Decrease in Inventory	76,054	1,020,357	23,830	1,120,241
(Increase) Decrease in Prepaid and Other Current Assets	(49,601)	-	-	(49,601)
(Increase) Decrease in Other Assets	(20,546)	-	-	(20,546)
Increase (Decrease) in Accounts Payable and Liabilities	5,618,989	(85,506)	300,607	5,834,089
Increase (Decrease) in Compensated Absences	26,351	-	17,299	43,650
Increase (Decrease) in Due to Other Funds	-	21,014	7,369,810	7,390,823
Net Cash Provided by Operating Activities	<u>\$ 4,836,910</u>	<u>\$ 3,773,000</u>	<u>\$ (15,574,372)</u>	<u>\$ (6,964,461)</u>
Noncash Capital Financing Activities				
Contribution of Capital Assets	\$ 2,866	\$ -	\$ -	\$ 2,866

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes:				
Real and Personal Property Tax	\$ 8,550,000	\$ 8,550,000	\$ 9,038,205	\$ 488,205
Penalty and Interest	60,000	60,000	173,197	113,197
Local Option Sales Tax	5,200,000	5,200,000	4,892,739	(307,261)
Beer Tax	650,000	650,000	703,030	53,030
Alcohol Privilege Tax	-	-	-	-
Wholesale Liquor Tax	180,000	180,000	180,608	608
Business Tax	450,000	450,000	485,461	35,461
Cable TV Franchise Tax	315,000	315,000	341,828	26,828
Payment in Lieu of Tax	47,120	47,120	40,375	(6,745)
Total Taxes	<u>15,452,120</u>	<u>15,452,120</u>	<u>15,855,442</u>	<u>403,322</u>
Licenses and Permits	<u>587,000</u>	<u>587,000</u>	<u>278,110</u>	<u>(308,890)</u>
Fines and Forfeitures	<u>1,343,700</u>	<u>1,409,700</u>	<u>1,316,236</u>	<u>(93,464)</u>
Charges for Services:				
Civic Center Revenues	475,500	511,500	483,923	(27,577)
Administrative Services	6,000	6,000	21,203	15,203
Swimming Pool Concessions and Fees	42,000	42,000	40,506	(1,494)
Recreational Program Fees	135,000	146,000	174,583	28,583
Vehicle Repair Charges	120,000	120,000	139,202	19,202
Golf Course	831,200	831,200	747,809	(83,391)
Engineering Services	-	-	-	-
Street Department Services	-	-	-	-
Other	10,500	15,957	14,111	(1,846)
Total Charges for Services	<u>1,620,200</u>	<u>1,672,657</u>	<u>1,621,338</u>	<u>(51,319)</u>
Intergovernmental:				
TVA Replacement Tax Allocation	229,355	229,355	263,099	33,744
Grants	5,126,780	7,952,891	2,219,598	(5,733,293)
Streets and Transportation	50,000	50,000	51,354	1,354
Sales Tax	1,500,000	1,500,000	1,530,114	30,114
State Beer Tax	8,000	8,000	11,852	3,852
State Income Tax	250,000	250,000	715,155	465,155
State Excise Tax	70,000	70,000	43,160	(26,840)
State Alcoholic Beverage Tax	84,000	84,000	69,602	(14,398)
State Gasoline Tax	575,000	575,000	635,247	60,247
State Supplement-Police and Fire	-	-	-	-
Gas and Motor Fuel Tax	-	-	-	-
State Telecommunications Tax	2,700	2,700	2,075	(625)
Other Grants and Donations	45,000	45,000	-	(45,000)
Total Intergovernmental	<u>7,940,835</u>	<u>10,766,946</u>	<u>5,541,257</u>	<u>(5,225,689)</u>
Investment Income	<u>115,000</u>	<u>115,000</u>	<u>38,510</u>	<u>(76,490)</u>
Rental Income	<u>28,600</u>	<u>28,600</u>	<u>29,627</u>	<u>1,027</u>
Miscellaneous Revenues	<u>6,125</u>	<u>6,125</u>	<u>9,292</u>	<u>3,167</u>
Total Revenues	<u>\$ 27,093,580</u>	<u>\$ 30,038,148</u>	<u>\$ 24,689,811</u>	<u>\$ (5,348,337)</u>
Expenditures				
General Government:				
City Administration:				
Current:				
Salaries	3,801	20,301	23,912	(3,611)
Supplies	4,720	4,720	4,994	(274)
Utilities	165	165	176	(11)
Services	109,940	109,940	102,601	7,339
Payments in Lieu of Tax	112,912	112,912	118,434	(5,522)
Inmate Lease Expense	16,800	16,800	186	16,614
Other Operating Expenses	32,750	32,750	41,407	(8,657)
Total Current	<u>281,088</u>	<u>297,588</u>	<u>291,709</u>	<u>5,879</u>
Capital Outlay	<u>246,040</u>	<u>246,540</u>	<u>173,068</u>	<u>73,472</u>
Total City Administration	<u>527,128</u>	<u>544,128</u>	<u>464,777</u>	<u>79,351</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual, Continued
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government Expenditures, Continued:				
Mayor's Office:				
Current:				
Salaries and Employee Benefits	\$ 228,000	\$ 228,000	\$ 226,440	\$ 1,560
Supplies	2,000	2,000	1,375	625
Utilities	2,000	2,000	2,176	(176)
Other Operating Expenses	4,669	4,669	3,173	1,496
Total Current	<u>236,669</u>	<u>236,669</u>	<u>233,164</u>	<u>3,505</u>
Capital Outlay	-	-	-	-
Total Mayor's Office	<u>236,669</u>	<u>236,669</u>	<u>233,164</u>	<u>3,505</u>
City Planner:				
Current:				
Salaries and Employee Benefits	376,723	376,723	390,553	(13,830)
Repairs and Maintenance	-	-	-	-
Contractual Services	-	-	-	-
Supplies	4,500	4,500	6,392	(1,892)
Utilities	-	-	-	-
Other Operating Expenses	22,750	23,523	16,099	7,424
Planning Commission:				
Salaries	2,500	2,500	1,725	775
Contractual Services	21,500	21,500	18,270	3,230
Other Operating Expenses	1,250	1,250	1,476	(226)
Total Current	<u>429,223</u>	<u>429,996</u>	<u>434,514</u>	<u>(4,518)</u>
Capital Outlay	-	-	67	(67)
Total City Planner	<u>429,223</u>	<u>429,996</u>	<u>434,581</u>	<u>(4,585)</u>
Finance Department:				
Current:				
Salaries and Employee Benefits	300,215	300,215	303,732	(3,517)
Contractual Services	62,500	62,500	54,663	7,837
Supplies	10,000	10,000	13,647	(3,647)
Utilities	2,500	2,500	2,047	453
Other Operating Expenses	10,820	10,820	6,659	4,161
Total Current	<u>386,035</u>	<u>386,035</u>	<u>380,748</u>	<u>5,287</u>
Capital Outlay	178,032	148,032	116,765	31,267
Total Finance Department	<u>564,067</u>	<u>534,067</u>	<u>497,512</u>	<u>36,555</u>
Information Technology:				
Current:				
Salaries and Employee Benefits	194,657	194,657	192,260	2,397
Repairs and Maintenance	-	-	314	(314)
Contractual Services	42,975	42,975	12,166	30,809
Supplies	2,000	2,000	1,934	66
Utilities	250	250	2,684	(2,434)
Other Operating Expenses	10,219	10,219	29,587	(19,368)
Total Current	<u>250,101</u>	<u>250,101</u>	<u>238,946</u>	<u>11,155</u>
Capital Outlay	12,000	12,000	8,653	3,347
Total Information Technology Department	<u>262,101</u>	<u>262,101</u>	<u>247,599</u>	<u>14,502</u>
City Attorney:				
Current:				
Salaries and Employee Benefits	253,658	253,658	254,318	(660)
Repairs and Maintenance	-	-	-	-
Contractual Services	8,810	8,810	7,441	1,369
Supplies	1,000	1,000	609	391
Utilities	2,000	2,000	2,041	(41)
Litigation Expense	-	-	(1)	1
Other Operating Expenses	16,400	16,400	14,552	1,848
Total Current	<u>281,868</u>	<u>281,868</u>	<u>278,961</u>	<u>2,907</u>
Capital Outlay	-	-	-	-
Total City Attorney	<u>281,868</u>	<u>281,868</u>	<u>278,961</u>	<u>2,907</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual, Continued
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government Expenditures, Continued:				
City Recorder:				
Current:				
Salaries and Employee Benefits	\$ 349,603	\$ 349,603	\$ 332,196	\$ 17,407
Repairs and Maintenance	1,500	1,500	868	632
Contractual Services	24,940	24,940	37,167	(12,227)
Supplies	4,000	4,000	3,417	583
Utilities	4,000	4,000	3,956	44
Other Operating Expenses	23,800	23,800	9,726	14,074
Total Current	<u>407,843</u>	<u>407,843</u>	<u>387,330</u>	<u>20,513</u>
Capital Outlay	76,900	76,900	32,888	44,012
Total City Recorder	<u>484,743</u>	<u>484,743</u>	<u>420,218</u>	<u>64,525</u>
Personnel Department:				
Current:				
Salaries and Employee Benefits	156,966	156,966	152,583	4,383
Repairs and Maintenance	250	250	-	250
Contractual Services	1,000	1,000	-	1,000
Supplies	1,100	1,100	487	613
Utilities	1,700	1,700	1,533	167
Other Operating Expenses	13,150	13,150	5,096	8,054
Total Current	<u>174,166</u>	<u>174,166</u>	<u>159,699</u>	<u>14,467</u>
Capital Outlay	-	-	-	-
Total Personnel Department	<u>174,166</u>	<u>174,166</u>	<u>159,699</u>	<u>14,467</u>
Codes Administration:				
Current:				
Salaries and Employee Benefits	462,052	462,052	449,343	12,709
Repairs and Maintenance	1,700	1,700	3,202	(1,502)
Contractual Services	770	770	692	78
Supplies	3,200	3,200	4,647	(1,447)
Utilities	4,000	4,000	4,765	(765)
Tornado Expenses	-	-	-	-
Other Operating Expenses	15,650	15,650	8,740	6,910
Total Current	<u>487,372</u>	<u>487,372</u>	<u>471,390</u>	<u>15,982</u>
Capital Outlay	1,200	31,200	31,003	197
Total Codes Administration	<u>488,572</u>	<u>518,572</u>	<u>502,392</u>	<u>16,180</u>
General Government Buildings:				
Current:				
Salaries and Employee Benefits	241,994	241,994	244,247	(2,252)
Repairs and Maintenance	15,500	15,500	12,792	2,708
Contractual Services	15,500	15,500	18,685	(3,185)
Supplies	10,300	10,300	10,151	149
Utilities	80,000	80,000	67,218	12,782
Tornado Expenses	-	-	-	-
Other Operating Expenses	7,575	7,575	6,128	1,447
Total Current	<u>370,869</u>	<u>370,869</u>	<u>359,221</u>	<u>11,648</u>
Capital Outlay	35,250	35,250	14,256	20,994
Total General Government Buildings	<u>406,119</u>	<u>406,119</u>	<u>373,477</u>	<u>32,642</u>
Risk Management:				
Current:				
Insurance	722,500	722,500	469,551	252,949
Total Current	<u>722,500</u>	<u>722,500</u>	<u>469,551</u>	<u>252,949</u>
Capital Outlay	-	-	-	-
Total Risk Management	<u>722,500</u>	<u>722,500</u>	<u>469,551</u>	<u>252,949</u>
Total General Government	<u>4,577,156</u>	<u>4,594,929</u>	<u>4,081,932</u>	<u>512,997</u>
Economic Development Agency:				
Current:				
Salaries and Employee Benefits	155,841	155,841	155,630	211
Repairs and Maintenance	1,000	1,000	207	793
Contractual Services	2,500	2,500	1,577	923
Supplies	1,800	1,800	1,426	374
Utilities	3,500	3,500	2,535	965

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual, Continued
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government Expenditures, Continued:				
Economic Development Agency: Continued				
Other Operating Expenses	\$ 84,350	\$ 84,350	\$ 73,222	\$ 11,128
Total Current	248,991	248,991	234,598	14,393
Capital Outlay	80,000	80,000	53,000	27,000
Total Economic Development Agency	<u>328,991</u>	<u>328,991</u>	<u>287,598</u>	<u>41,393</u>
Public Safety:				
Police Department:				
Current:				
Salaries and Employee Benefits	5,046,282	5,066,482	5,087,428	(20,946)
Repairs and Maintenance	64,000	78,141	84,345	(6,204)
Contractual Services	98,000	98,000	88,747	9,253
Supplies	57,000	55,250	50,041	5,209
Utilities	58,700	58,700	50,128	8,572
Other Operating Expenses	304,000	304,281	254,548	49,733
Grants	-	-	-	-
Police Special Funds:				
Supplies	-	-	-	-
Contractual Services	250,000	250,000	305,613	(55,613)
Shop with a Cop	-	-	-	-
Other Operating Expenses	-	-	-	-
Total Current	<u>5,877,982</u>	<u>5,910,854</u>	<u>5,920,850</u>	<u>(9,996)</u>
Capital Outlay	92,000	105,811	104,791	1,020
Total Police Department	<u>5,969,982</u>	<u>6,016,665</u>	<u>6,025,641</u>	<u>(8,976)</u>
Fire Department:				
Current:				
Salaries and Employee Benefits	3,433,319	3,434,008	3,441,898	(7,890)
Repairs and Maintenance	31,000	37,187	55,545	(18,358)
Contractual Services	28,500	35,876	18,747	17,129
Supplies	21,500	26,404	25,520	884
Utilities	39,600	39,600	30,622	8,978
Other Operating Expenses	83,350	135,404	79,203	56,201
Total Current	<u>3,637,269</u>	<u>3,708,479</u>	<u>3,651,535</u>	<u>56,944</u>
Capital Outlay	86,800	176,410	196,284	(19,874)
Total Fire Department	<u>3,724,069</u>	<u>3,884,889</u>	<u>3,847,819</u>	<u>37,070</u>
Total Public Safety	<u>9,694,051</u>	<u>9,901,554</u>	<u>9,873,460</u>	<u>28,094</u>
Animal Control:				
Current:				
Salaries and Employee Benefits	87,408	89,158	89,993	(835)
Repairs and Maintenance	800	800	664	136
Utilities	1,500	1,500	1,560	(60)
Supplies	1,200	1,200	466	734
Other Operating Expense	7,250	7,250	7,282	(32)
Total Current	<u>98,158</u>	<u>99,908</u>	<u>99,965</u>	<u>(57)</u>
Capital Outlay	-	-	-	-
Total Animal Control	<u>98,158</u>	<u>99,908</u>	<u>99,965</u>	<u>(57)</u>
Highway and Streets:				
Current:				
Salaries and Employee Benefits	988,393	988,393	876,038	112,355
Contractual Services	2,000	2,000	970	1,030
Supplies	85,200	85,200	85,912	(712)
Utilities	16,100	16,100	17,851	(1,751)
Repairs and Maintenance	133,940	133,940	108,496	25,444
Other Operating Expenses	18,900	18,900	10,135	8,765
State Street Aid:				
Street Repair Materials	117,000	117,000	54,290	62,710
Street Lighting, Signs and Signals	379,000	383,990	267,637	116,353
Total Current	<u>1,740,533</u>	<u>1,745,523</u>	<u>1,421,330</u>	<u>324,193</u>
Capital Outlay	31,156	31,156	10,769	20,387
Total Highway and Streets	<u>1,771,689</u>	<u>1,776,679</u>	<u>1,432,099</u>	<u>344,580</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual, Continued
General Fund
For the Year Ended June 30, 2010

	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
General Government Expenditures, Continued:				
Public Works:				
Current:				
Salaries and Employee Benefits	\$ 147,066	\$ 147,066	\$ 147,075	\$ (9)
Repairs and Maintenance	1,000	1,000	557	443
Supplies	750	750	1,004	(254)
Utilities	1,600	1,600	1,404	196
Contractual Services	-	-	-	-
Other Operating Expenses	3,793	3,793	2,105	1,688
Total Current	<u>154,209</u>	<u>154,209</u>	<u>152,145</u>	<u>2,064</u>
Capital Outlay	185,000	185,000	181,830	3,170
Total Public Works	<u>339,209</u>	<u>339,209</u>	<u>333,974</u>	<u>5,235</u>
Parks and Recreation:				
Current:				
Salaries and Employee Benefits	1,725,920	1,725,920	1,694,403	31,517
Contractual Services	101,100	101,100	49,741	51,359
Utilities	138,900	138,900	121,341	17,559
Repairs and Maintenance	66,250	129,085	84,179	44,906
Supplies	440,600	512,880	404,176	108,704
Other Operating Expenses	92,050	92,050	89,878	2,172
Civic Center:				
Salaries and Employee Benefits	451,868	451,868	515,971	(64,103)
Contractual Services	60,000	60,000	72,836	(12,836)
Utilities	200,000	200,000	193,275	6,725
Supplies	75,000	75,000	72,865	2,135
Repairs and Maintenance	75,000	77,500	69,562	7,938
Other Operating Expenses	26,650	26,650	24,154	2,496
Total Current	<u>3,453,338</u>	<u>3,590,953</u>	<u>3,392,380</u>	<u>198,573</u>
Capital Outlay	224,033	435,885	295,696	140,189
Total Parks and Recreation	<u>3,677,371</u>	<u>4,026,838</u>	<u>3,688,076</u>	<u>338,762</u>
Engineering:				
Current:				
Salaries and Employee Benefits	334,722	334,722	333,146	1,576
Contractual Services	40,000	40,000	44,878	(4,878)
Utilities	6,000	6,000	4,133	1,867
Supplies	1,900	1,900	1,156	744
Repairs and Maintenance	3,000	3,000	692	2,308
Other Operating Expenses	13,320	13,320	11,195	2,125
Total Current	<u>398,942</u>	<u>398,942</u>	<u>395,200</u>	<u>3,742</u>
Capital Outlay	57,500	57,500	49,511	7,989
Total Engineering	<u>456,442</u>	<u>456,442</u>	<u>444,711</u>	<u>11,731</u>
Community Services:				
Current:				
Appropriations to Non-Profit Organizations	61,000	61,000	61,000	-
Salaries and Employee Benefits	-	-	-	-
Other Operating Expenses	-	-	-	-
Grants and Donations	239,000	239,000	239,000	-
Total Current	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Capital Outlay	-	-	-	-
Total Community Services	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Vehicle Maintenance:				
Current:				
Salaries and Employee Benefits	234,543	234,543	229,073	5,470
Contractual Services	-	-	-	-
Utilities	18,800	18,800	25,619	(6,819)
Supplies	2,500	2,500	1,816	684
Repairs and Maintenance	122,000	122,000	139,783	(17,783)
Other Operating Expenses	12,050	12,050	6,858	5,192
Total Current	<u>389,893</u>	<u>389,893</u>	<u>403,148</u>	<u>(13,255)</u>
Capital Outlay	-	-	-	-
Total Vehicle Maintenance	<u>389,893</u>	<u>389,893</u>	<u>403,148</u>	<u>(13,255)</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual, Continued
General Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Positive (Negative) Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Debt Service	\$ 1,282,725	\$ 1,282,725	\$ 1,247,816	\$ 34,909
Total Expenditures	22,915,685	23,497,168	22,192,778	1,304,390
Excess of Revenues Over (Under) Expenditures	4,177,895	6,540,980	2,497,033	(4,043,947)
Other Financing Sources (Uses)				
Contributions	1,327,000	1,327,562	367,916	(959,646)
Insurance Proceeds	-	26,753	74,359	47,606
Operating Transfers In (Out)	1,001,543	(10,479,295)	(3,864,908)	6,614,387
Borrowings on Notes/Bonds	-	-	-	-
Sales of Capital Assets	15,000	15,000	8,404	(6,596)
Total Other Financing Sources (Uses)	<u>2,343,543</u>	<u>(9,109,980)</u>	<u>(3,414,228)</u>	<u>5,695,752</u>
Net Change in Fund Balances	6,521,438	(2,569,000)	(917,195)	1,651,805
Fund Balance - July 1, 2009	11,253,530	11,253,530	11,253,530	11,253,530
Prior Period Adjustment	-	-	110,024	110,024
Fund Balance - June 30, 2010	<u>\$ 17,774,968</u>	<u>\$ 8,684,530</u>	<u>\$ 10,446,359</u>	<u>\$ 13,015,359</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Major Special Revenue Funds
For the Year Ended June 30, 2010

	Capital Projects - Other				Capital Projects - WWTP			
	Budgeted Amounts			Positive (Negative) Variance with Final	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual		Original	Final	Actual	
Revenues								
Investment Income	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ 35,580	\$ (264,420)
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>35,580</u>	<u>(264,420)</u>
Expenditures								
Capital Outlay	10,560,838	11,730,838	4,983,586	6,747,252	27,000,000	27,000,000	-	27,000,000
Total Expenditures	<u>10,560,838</u>	<u>11,730,838</u>	<u>4,983,586</u>	<u>6,747,252</u>	<u>27,000,000</u>	<u>27,000,000</u>	<u>-</u>	<u>27,000,000</u>
Excess of Revenues Over (Under) Expenditures	(10,560,838)	(11,730,838)	(4,983,586)	6,747,252	(26,700,000)	(26,700,000)	35,580	26,735,580
Other Financing Sources (Uses)								
Operating Transfers In (Out)	7,210,575	11,480,838	4,983,586	(6,497,252)	-	-	-	-
Total Other Financing Sources (Uses)	<u>7,210,575</u>	<u>11,480,838</u>	<u>4,983,586</u>	<u>(6,497,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(3,350,263)	(250,000)	-	250,000	(26,700,000)	(26,700,000)	35,580	26,735,580
Fund Balance - July 1, 2009	-	-	-	-	(128,687)	(128,687)	(128,687)	-
Prior Period Adjustment	-	-	-	-	-	-	27,004,557	27,004,557
Fund Balance - June 30, 2010	<u>\$ (3,350,263)</u>	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ (26,828,687)</u>	<u>\$ (26,828,687)</u>	<u>\$ 26,911,451</u>	<u>\$ 53,740,138</u>

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements
June 30, 2010

Note 1. Significant Accounting Policies

The City of Gallatin, Tennessee was incorporated November 7, 1815. The City operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Gallatin, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity

The accompanying financial statements present the government and its component unit. There are no fiduciary funds presented. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government's financial statements using either a "blended" or "discrete" presentation.

The Industrial Development Board (a Corporation) of the City of Gallatin, Tennessee was established to promote industry and develop trade for the City. The Corporation's board is appointed by the Mayor and approved by the City Council. The Corporation issues industrial development bonds for private enterprises. The bonds do not constitute debt of the City and are secured solely by revenues received from the commercial organizations on whose behalf the bonds are issued. The City must approve any debt issues of the Corporation. The Board is discretely presented as a Governmental Fund-Component Unit in the accompanying financial statements. Financial statements of the Board are available from the City Finance Director.

Related Organizations

The City's officials are also responsible for appointing the members of the board of the following organization, but the City's accountability for this organization does not extend beyond making the appointments.

Gallatin Housing Authority-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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 1. Significant Accounting Policies – Continued

B. Government-wide and Fund Financial Statements - Continued

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

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.

C. Measurement Focus and Basis of Accounting

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

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 City considers all revenues to be available in the period for which levied if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - 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.

Capital Projects – These two funds are accounting for the capital funds to 1)construct greenway, big station and streetscape projects funded with ARRA funds and roads, a service center and fire station # 4 funded with non ARRA funds and 2)construct the new wastewater treatment facility using bond proceeds.

The government reports the following major proprietary funds:

Water & Sewer Fund - accounts for the water and wastewater services provided to customers of the system

Natural Gas Fund - accounts for the distribution of natural gas to customers of the system

Electric Fund - accounts for the activities of the government's electric distribution operations

The City has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". Accordingly, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City, however, has elected not to apply FASB pronouncements issued subsequent to that date.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 1. Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting - Continued

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu taxes and other charges between the government's utilities 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 (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. Expenses are allocated among various city functions including administrative overhead charges allocated by the general fund to various city functions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the various utility funds and golf course fund are charges to customers for sales and services. The Water & Sewer fund also recognizes as contributions the portion of tap fees intended to recover the cost of connecting new customers to the system. Contributions in the electric fund include federal, state and local grants in support of system improvements. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Investments

For purposes of the proprietary statements of cash flows, the City defines its cash and cash equivalents to include only cash on hand, demand deposits, money-market accounts, deposits with the Tennessee Local Government Investment Pool, and all highly liquid investments with original maturities of three months or less from the date of acquisition. Certain cash is reported as restricted because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

E. Inventories

Inventory of the Water & Sewer and Gas Funds is valued at the lower of 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.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2002, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to July 1, 2002. 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 capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Electric System values capital assets at historical cost and computes depreciation based on average rates which range from 3% to 20%. The capitalization threshold for the department is \$500.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 1. Significant Accounting Policies – Continued

F. Capital Assets - Continued

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. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	50 years
Buildings / Structures	25-50 years
Distribution Systems	10-50 years
Equipment / Vehicles	3-10 years
Furniture / Fixtures	3-10 years

G. Property Tax

The City's property tax is levied each October 1st on the assessed value listed as the prior January 1st for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1st of the year assessments are made. Taxes become delinquent in March of the year subsequent to the levy date; at that time delinquent taxes are turned over to the City attorney for collection proceedings. Property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectability is doubtful.

Under GASB Statement 33, *Accounting for Non-exchange Transactions*, property taxes are imposed nonexchange revenue. Accounts receivable from imposed nonexchange transactions are recorded when the City has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date of January 1st. Therefore, the City has recorded the succeeding year's receivable and deferred revenue for taxes assessed as of June 30, 2010 that will not be received until after year-end.

H. Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and not expendable available resources.

I. Compensated Absences

Vacation pay is accumulated at the rate of one week after the first year of employment and two weeks a year for every year until year eleven, then one day is added for each year up to a maximum of 20 days (30 days for Electric Fund). Sick leave is accumulated at the rate of one day per month (10 days per year for the Electric Fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age, or years of service on effective date of retirement.

J. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets for discounts and long-term liabilities for premiums.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 1. Significant Accounting Policies – Continued

J. Long-Term Liabilities

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.

K. Fund Balance Reserves

Reserves represent those portions of fund equity not appropriated for expenditure, legally segregated for a specific future use or committed to outside third parties. Designated fund balances represent tentative plans for future use of unreserved fund equity, but are subject to change.

L. Net Assets

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

Net Assets Invested in Capital Assets Net of Related Debt 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.

M. 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. Cash and Investments

The City has no formal deposit and investment policies other than those prescribed by State of Tennessee statute and explained below.

Policies: Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by Federal Deposit Insurance Corporation insurance (FDIC). Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. The Electric Fund requires collateralization of 110% less the amount insured by FDIC.

Deposits: As of June 30, 2010, all of the City's deposits were held by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee or in the State of Tennessee Local Government Investment Pool ("LGIP"). Participating banks in the bank collateral pool determine the aggregate balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Collected securities required to be pledged by the participant banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under the additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

Investments: As of June 30, 2010, the City also held no investments. The electric fund held certificates of deposit with interest rates ranging from 1.73% to 2.08% and maturities exceeding three months.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 3. Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	Balance 7/1/2009		Additions		Disposals		Balance 6/30/2010
Governmental Activities							
Capital Assets not being Depreciated							
Land	\$ 11,152,311	\$	-	\$	-	\$	11,152,311
Construction in Progress	2,372,776		3,953,416		1,125,579		5,200,613
Total Capital Assets not being Depreciated	\$ 13,525,087	\$	3,953,416	\$	1,125,579	\$	16,352,924
Capital Assets being Depreciated							
Buildings	\$ 9,922,905	\$	15,556	\$	-	\$	9,938,461
Improvements Other than Buildings	7,157,348		28,351,497		-		35,508,845
Infrastructure	25,020,153		-		25,020,153		-
Machinery & Equipment	5,284,552		618,812		-		5,903,364
Vehicles	8,435,268		256,144		-		8,691,412
Total Capital Assets being Depreciated	\$ 55,820,227	\$	29,242,010	\$	25,020,153	\$	60,042,083
Business-type Activities							
Capital Assets not being Depreciated							
Land & Right of Way	\$ 2,384,382	\$	1,052,044		-	\$	3,436,426
Water Usage Rights	54,000		-		-		54,000
Construction in Progress	14,471,910		7,343,041		252,838		21,562,113
Total Capital Assets not being Depreciated	\$ 16,910,292	\$	8,395,084	\$	252,838	\$	25,052,538
Capital Assets being Depreciated							
Building & Structures	\$ 3,104,078	\$	187,150	\$	-	\$	3,291,228
Distribution Systems	146,969,580		1,679,003		119,415		148,529,169
Equipment & Vehicles	3,748,168		249,033		-		3,997,201
Furniture & Fixtures	1,303,759		2,312		-		1,306,070
Total Capital Assets being Depreciated	\$ 155,125,586	\$	2,117,497	\$	119,415	\$	157,123,668
Governmental Activities							
Accumulated Depreciation							
Buildings & Structures	\$ 4,864,045	\$	283,217		-	\$	5,147,262
Improvements Other than Buildings	894,392		636,952		(4,783,706)		6,315,050
Infrastructure	4,783,706		-		4,783,706		-
Equipment	4,542,492		483,598		-		5,026,090
Vehicles	6,074,630		807,189		-		6,881,819
Total Accumulated Depreciation	\$ 21,159,264	\$	2,210,956	\$	-	\$	23,370,221
Business-type Activities							
Accumulated Depreciation							
Building & Structures	\$ 1,265,359	\$	155,304	\$	38,677	\$	1,381,986
Distribution Systems	49,269,355		4,258,881		205,962		53,322,274
Equipment and Vehicles	3,012,611		337,299		-		3,349,910
Furniture and Fixtures	1,098,245		462		-		1,098,707
Total Accumulated Depreciation	\$ 54,645,570	\$	4,751,946	\$	244,639	\$	59,152,877
Total Governmental Activities, Net	\$ 48,186,049	\$	30,984,469	\$	26,145,732	\$	53,024,786
Total Business-type Activities, Net	\$ 117,390,308	\$	5,760,635	\$	127,614	\$	123,023,329

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 3. Capital Assets – Continued

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

Depreciation Expense by Function

Governmental Activities

General Government	\$ 637,126
Public Safety	840,595
Public Works	198,915
Environmental Services	74,148
Parks and Recreation	453,170
Economic Development	7,003
	<u>\$ 2,210,956</u>

Business-type Activities

Electric	\$ 1,197,191
Gas	716,438
Water and Sewer	<u>2,838,317</u>
	<u>\$ 4,751,946</u>

Note 4. Long-Term Debt

The following are summaries of long-term debt maturities of the City for the year ended June 30, 2010. Refer to page 48 for a detail of long-term debt maturities: Note that other long-term liabilities are generally liquidated using governmental activities cash.

	Year Ended June 30,	Principal Due	Interest Due
	2011	2,151,711	1,966,219
	2012	2,196,092	1,893,980
	2013	2,251,276	1,820,054
	2014	2,318,148	1,738,351
	2015	2,499,330	1,653,859
	2016-2020	10,986,978	6,880,151
	2021-2025	9,857,145	4,725,496
	2026-2030	8,504,465	2,501,513
	2031-2033	5,239,226	531,500
Total Long-term Debt		<u>46,004,370</u>	<u>23,711,122</u>

The following is a summary of changes to long-term liabilities during the year ended June 30, 2010

	Balance 7/1/2009	Additions	Disposals	Balance 6/30/2010	Due Within 1 Year
Governmental Activities					
Bonds and Notes Payable					
Notes Payable	\$ 3,800,000	-	320,000	\$ 3,480,000	\$ 330,000
Revenue Bonds	\$ 9,305,000	\$ -	\$ 440,000	\$ 8,865,000	\$ 445,000
Total Bonds and Notes Payable	<u>\$ 13,105,000</u>	<u>\$ -</u>	<u>\$ 760,000</u>	<u>\$ 12,345,000</u>	<u>\$ 775,000</u>
Other Long-Term Liabilities					
Compensated Absences	\$ 1,075,040	\$ -	\$ 98,280	\$ 976,760	\$ -
Total Other Long-Term Liabilities	<u>\$ 1,075,040</u>	<u>\$ -</u>	<u>\$ 98,280</u>	<u>\$ 976,760</u>	<u>\$ -</u>
Total Governmental Activities Long-Term Liabilities	\$ 14,180,040	\$ -	\$ 858,280	\$ 13,321,760	\$ 775,000
Business-type Activities					
Bonds and Notes Payable					
Notes Payable	\$ 1,117,352	-	124,150	\$ 993,202	\$ 150,748
Revenue Bonds, Net of Bond Premium	\$ 33,864,444	\$ -	\$ 1,198,276	\$ 32,666,168	\$ 1,198,276
Total Bonds and Notes Payable	<u>\$ 34,981,796</u>	<u>\$ -</u>	<u>\$ 1,322,426</u>	<u>\$ 33,659,370</u>	<u>\$ 1,349,024</u>
Other Long-Term Liabilities					
Compensated Absences	449,712	170,512	-	620,224	-
Total Other Long-Term Liabilities	<u>\$ 449,712</u>	<u>\$ 170,512</u>	<u>\$ -</u>	<u>\$ 620,224</u>	<u>\$ -</u>
Total Business-type Activities Long-Term Liabilities	\$ 35,431,508	\$ 170,512	\$ 1,322,426	\$ 34,279,594	\$ 1,349,024

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 4. Long-Term Debt - Continued

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 prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirements 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, 2010, outstanding bonds considered as defeased were as follows:

Sewer & Water Revenue Tax Bonds - Series 1997 (2004)	\$ 2,425,000
General Obligation Bonds - Series 1997 (2004)	\$ 1,655,000

Note 5. Pension Plans

A. Plan Description

City of Gallatin

The City (exclusive of the electric utility) administers an IRC Section 401K plan (the Plan) with a Roth option. Employees of the City's Municipal Service departments, Water and Sewer Utility Fund, and Natural Gas Utility Fund are eligible to participate in the Plan.

The plan assets are not held by the City and the City does not exercise a trustee responsibility over such assets nor does the City actively participate in the Plan's management or administration, which is delegated to the City of Gallatin Pension Committee. The Pension Committee has designated MetLife as a third-party administrator. Accordingly, the City does not meet the criteria necessary for presentation of the Plan as a fiduciary fund of the City.

Electric Department

The Gallatin Department of Electricity Employees' Pension Plan (the Electric Plan) is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

B. Funding Policy

City of Gallatin

The Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the internal revenue code. From July 1, 2009 to June 30, 2010, the City contributed 5% of the employee's annual compensation and matched up to an additional 4% of the employee's contribution.

Electric Department

The contribution requirements of 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 14.79% of annual covered payroll.

C. Annual Pension Cost

City of Gallatin

The maximum contribution to the Plan by the City is defined as up to 6% of an eligible employee's annual compensation. The City contributed \$1,178,540.40 on behalf of the employees during 2010.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Electric Department

For 2010, the Department's annual pension cost of \$216,100 was equal to the Department's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the aggregate cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases of 4% per year, and (c) 1.5% per year cost-of-living adjustments. The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 216,100	100.00%	\$ -
6/30/2009	\$ 182,885	100.00%	\$ -
6/30/2008	\$ 181,358	100.00%	\$ -

Funding Status and Funding Progress:

Actuarial Accrued Liability (AAL)	\$ 5,310,592
Actuarial Value of Plan Assets (a)	\$ 4,725,035
Unfunded Actuarial Accrued Liability (UAAL)	\$ 585,557
Funded Ratio (a)/AAL	89.0%
Covered Payroll (Active Plan Members)	\$ 1,807,742
UAAL as % of Covered Payroll	32.4%

Electric Department

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

Note 6. Other Post-Employment Benefits-Electric Fund

A. 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 include years of service and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. Authority to establish and amend benefit provisions is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

B. Funding Policy

The PRMP funds the benefits on a pay-as-you-go basis. The actuarial required contribution for the year was \$23,663 and the actual amount contributed was \$9,351.

C. Annual Pension Cost

For 2010, the PRMP's annual cost of \$9,351 was less than the PRMP's actuarial required contribution of \$23,663. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.74% of annual covered payroll.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 6. Other Post-Employment Benefits-Electric Fund - Continued
Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 23,663	39.50%	\$ 14,312
6/30/2009	\$ 23,663	72.30%	\$ 6,563

The actuarial required contribution is composed of the following:

Normal Cost	\$ 7,633
30 year Amortization of Accrued Liability	15,340
Interest at 3%	690
Total at end of year with interest	\$ 23,663
Expected Benefit Payments	9,351
Net Post-employment Benefit at End of Year	\$ 14,312

Funding Status and Funding Progress is as follows:

Funding Status and Funding Progress:	
Actuarial Accrued Liability (AAL)	\$ 309,700
Actuarial Value of Plan Assets (a)	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 309,700
Funded Ratio (a)/AAL	0.0%
Covered Payroll (Active Plan Members)	\$ 1,357,271
UAAL as % of Covered Payroll	22.8%

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

Note 7. Risk Management

The City is exposed to various risks to general liability and property and casualty losses. The City deems it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty and workman's compensation coverage. The City participates in the TML Risk Management Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability and casualty insurance coverage.

The Department of Electricity purchases commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, workman's compensation coverage and employee health and accident. Settled claims for these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Commitments, Concentrations and Contingencies

A. Commitments

Natural Gas Fund

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 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.

Electric Fund

The City purchased discounted energy units (DEU) from the Tennessee Valley Authority (TVA) during 2003 whereby they would prepay a portion of the price of a block of kilowatt hour yet to be supplied by TVA. The DEU are being recognized on a straight-line method over 10 years.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 8. Commitments, Concentrations and Contingencies - Continued

B. Commitments - Continued

Sumner County Resource Authority

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

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

The Authority, as of June 30, 2010, has net assets invested in capital assets (net of related debt) in the amount of \$2,439,365 and an unrestricted net deficit of (\$717,067) as compared to \$2,610,358 and (\$1,181,247) for the year 2009. During 2010, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$457,383 in tipping fees. Deficit funding and tipping fees amounted to \$0 and \$455,720, respectively for 2009.

C. Concentrations

The business-type activities have a concentration of accounts receivable with customers who are geographically concentrated in the City service area. The business-type activities require a cash deposit from new customers or a letter of credit from a previous utility company showing timely payment of bills. These requirements are in place to mitigate the risk of uncollectible accounts. During the year ended June 30, 2010, The City supplied utility services to a corporation accounting for 3% of Water and Sewer Fund operating revenues, 33% of natural gas operating revenues and 16% of electric fund operating revenues.

D. Contingencies

There are pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation would not materially affect the accompanying financial statements of the City.

Note 9. Interfund Balances and Transfers

Interfund balances as of June 30, 2010, consist of the following:

Due From Fund	Due to Fund						Total
	General Fund	Environmental Services	Other Governmental	Electric	Gas	Water & Sewer	
General Fund	\$ -	\$ -	\$ 6,709,384	\$ -	\$ -	\$ -	\$ 6,709,384
Environmental Services	-	-	-	-	-	-	-
Other Governmental Funds	-	-	-	-	-	-	-
Electric	-	-	-	-	-	-	-
Gas	21,014	-	-	-	-	-	21,014
Water & Sewer	53,469	-	21,150,587	-	-	-	21,204,056
	<u>\$ 74,483</u>	<u>\$ -</u>	<u>\$ 27,859,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,934,454</u>

The net balance of \$74,483 due to the general fund from the water/sewer and gas funds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. It will be collected within one year. The net balance of \$6,709,384 between the general fund and other governmental funds is for ongoing construction projects discussed in footnote 1c. The net balance of \$21,150,587 between the water/sewer fund and other governmental funds is for ongoing construction project discussed in footnote 1c. of a wastewater treatment facility. These interfund balances will be repaid at the completion of the projects which are projected to be within one year.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 9. Interfund Balances and Transfers - Continued

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Transfer From</u>	Environmental		Other		Electric	Gas	Water & Sewer	Total
	General Fund	Services	Governmental					
General Fund	\$ -	\$ 277,844	\$ 4,983,586					\$ 5,261,430
Environmental Services	-							-
Other Governmental Funds	-							-
Electric	594,175							594,175
Gas	285,114							285,114
Water & Sewer	517,233							517,233
	<u>\$ 1,396,522</u>	<u>\$ 277,844</u>	<u>\$ 4,983,586</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,657,952</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers above were within these guidelines.

Note 10. Fund Balances- Reserves and Designations and Prior Period Adjustment

The City records reserves to indicate that a portion of the governmental fund balances are legally segregated. The following is a description of the reserved amounts:

Reserved for Inventory - Amounts are reserved for supply inventory are not readily convertible to spendable resources and accordingly, not available for appropriation.

Reserved for Drug Fund - Amounts are reserved for police operations for drug and sex-offender programs as required by state enabling legislation.

Reserved for Endowment- Amounts are segregated for the non-expendable corpus, as established by court decree for fund balances of the Thomas A. Witherspoon Educational Memorial Trust Fund in the amounts of \$15,000. All net appreciation on investments of donor-restricted endowments is available for authorization for expenditure by the governing board, and is reported as interest income.

Designations of governmental fund balances are not legally required segregations but are segregated by the City's management for specific purposes. As of June 30, 2010 the City's designated unreserved fund balances are described as follows:

Designated for Capital Projects- The designation of a portion of the governmental fund balances for the future acquisition of capital assets appropriated in a previous year but not expended. Such amounts are subject to change and may not result in the exact amount indicated being expended.

Designated for Other- The City purposely excludes 20% of general fund revenues for future use as determined by the governing body and requires a supermajority of votes by the governing body to appropriate.

The governmental fund balances were restated as of the beginning of the fiscal year from \$13,875,758 to \$40,990,339 an increase of \$27,114,581. The increase is a result of various corrections of errors found in cash of the economic development department and the transfer of loan proceeds for the construction of the wastewater treatment facility construction project from the water/sewer fund to a capital projects fund.

CITY OF GALLATIN, TENNESSEE
Notes to Financial Statements – Continued
June 30, 2010

Note 11. Net Assets

Restricted assets consist of the following:

Restricted for Endowment- Amounts are segregated for the non-expendable corpus, as established by court decree for fund balances of the Thomas A. Witherspoon Educational Memorial Trust Fund in the amounts of \$15,000. All net appreciation on investments of donor-restricted endowments is available for authorization for expenditure by the governing board, and is reported as interest income.

Restricted for Drug Fund - Amounts are reserved for police operations for drug and sex-offender programs as required by state enabling legislation.

Net assets were restated as of the beginning of the fiscal year from \$169,064,690 to \$169,174,714 an increase of \$110,024. The increase is a result of a corrections of errors found in found in cash of the economic development department totaling \$110,024.

CITY OF GALLATIN, TENNESSEE
Schedule of Funding Progress
Electric Fund Pension Plan
June 30, 2010

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL/ Surplus (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll	Investment Assumption
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)	
6/30/2010	7/1/2009	\$ 4,725,035	5,310,592	(585,557)	89%	1,807,742	32%	7%
6/30/2009	7/1/2007	\$ 4,468,165	4,634,483	(166,318)	96%	1,272,267	13%	7%
6/30/2006	7/1/2005	\$ 3,908,037	3,819,632	88,405	102%	1,201,722	-7%	7%
6/30/2004	7/1/2003	\$ 3,529,647	3,251,778	277,869	109%	1,200,575	-23%	7%

Fiscal Year Ended	Actuarial Method	Amortization Period	Market Value Assets	Annual Required Contribution(ARC)	Actual Contribution	Net Pension Obligation/ (Asset) NPO	% of ARC Contributed	Salary Assumption
6/30/2009	Aggregate Costs	N/A	\$ 4,414,518	\$ 181,358	\$ 181,358	0	100%	4%
6/30/2007	Aggregate Costs	N/A	\$ 4,516,491	\$ 181,358	\$ 181,358	0	100%	4%
6/30/2005	Aggregate Costs	N/A	\$ 3,959,468	\$ 133,442	\$ 133,442	0	100%	4%
6/30/2003	Aggregate Costs	N/A	\$ 3,461,801	\$ 102,917	\$ 102,917	0	100%	4%
6/30/2002	Aggregate Costs	N/A	\$ 3,229,064	\$ 98,086	\$ 98,086	0	100%	4%

CITY OF GALLATIN, TENNESSEE
Schedule of Funding Progress
Electric Fund Post Retirement Medical Plan
June 30, 2010

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL/ Surplus (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2009	7/1/2009	\$ -	309,700	(309,700)	0%	1,357,271	22.8%

See auditors' report and notes to required supplementary information.

City of Gallatin, Tennessee
Notes to Required Supplementary Information
June 30, 2010

Note 1. Budget Basis

Budgets for the General Fund and Special Revenue Funds are adopted on the modified accrual basis consistent with generally accepted accounting principles (GAAP).

Note 2. Budget Policies and Procedures

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

- A. 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.
- B. Public hearings are conducted to obtain taxpayer comments on the budget.
- C. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- D. 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.
- E. Formal Budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Fund.
- F. Budgeted amounts are as originally adopted, or as amended by the City Council. Budget appropriations lapse at year end.

Note 3. Budget Overages

As of June 30, 2010, the following budget overages were noted. Funding of any deficiencies is the ultimate responsibility of the City of Gallatin, Tennessee.

Fund/Department	Final Budget	Actual	Overage
City Planner	429,996	434,581	(4,585)
Police Department	6,016,665	6,025,641	(8,976)
Animal Control	99,908	99,965	(57)
Vehicle Maintenance	389,893	403,148	(13,255)

CITY OF GALLATIN, TENNESSEE
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2010

	Special Revenue Funds			Non-major Capital Projects Funds		Permanent Funds		Total Non-major Governmental Funds
	Special Funds	Drug Fund	Environmental Services Fund	Capital Projects 2007 G.O Bond Fund	Industrial Park Fund	Thomas A. Witherspoon Educational Memorial Trust Fund	Cemetery Trust Fund	
Assets								
Cash and Cash Equivalents	\$ 234,056	\$ (185,803)	\$ (126,080)	\$ 1,778,137	\$ 59,066	\$ 104,682	\$ 26,921	\$ 1,890,979
Receivables, net	-	-	62,478	-	-	257,718	-	320,196
Due From Other Funds	-	-	-	-	-	-	-	-
Inventory	-	-	12,217	-	-	-	-	12,217
Total Assets	<u>\$ 234,056</u>	<u>\$ (185,803)</u>	<u>\$ (51,385)</u>	<u>\$ 1,778,137</u>	<u>\$ 59,066</u>	<u>\$ 362,400</u>	<u>\$ 26,921</u>	<u>\$ 2,223,392</u>
Liabilities and Fund Equity								
Liabilities								
Accounts Payable	\$ 68,407	\$ 542	\$ 77,302	\$ -	\$ -	\$ -	\$ -	\$ 146,252
Due To Other Funds	-	-	-	-	-	-	-	-
Accrued Liabilities	27,700	-	-	-	-	-	-	27,700
Total Liabilities	<u>96,107</u>	<u>542</u>	<u>77,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,952</u>
Fund Balances								
Unreserved:								
Designated for Specific Projects	137,949	(186,346)	(140,904)	1,778,137	59,066	347,400	26,921	2,022,223
Reserved For:								
Inventory	-	-	12,217	-	-	-	-	12,217
Endowments	-	-	-	-	-	15,000	-	15,000
Total Fund Balances	<u>137,949</u>	<u>(186,346)</u>	<u>(128,687)</u>	<u>1,778,137</u>	<u>59,066</u>	<u>362,400</u>	<u>26,921</u>	<u>2,049,439</u>
Total Liabilities and Fund Balances	<u>\$ 234,056</u>	<u>\$ (185,803)</u>	<u>\$ (51,385)</u>	<u>\$ 1,778,137</u>	<u>\$ 59,066</u>	<u>\$ 362,400</u>	<u>\$ 26,921</u>	<u>\$ 2,223,392</u>

CITY OF GALLATIN, TENNESSEE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds			Capital Projects Funds		Permanent Funds		Total Non-major Governmental Funds
	Special Funds	Drug Fund	Environmental Services Fund	Capital Projects 2007 G.O Bond Fund	Industrial Park Fund	Thomas A. Witherspoon Educational Memorial Trust Fund	Cemetery Trust Fund	
Revenues								
Charges for Services	\$ -	\$ -	\$ 1,138,060	\$ -	\$ -	\$ -	\$ -	\$ 1,138,060
Intergovernmental Grants	68,509	-	-	178,538	-	-	-	247,046
Investment Income	40	-	-	6,252	-	17,354	2,680	26,325
Fines and Forfeitures	4,200	104,153	-	-	-	-	-	108,353
Miscellaneous:								
Other Revenue	-	-	14,437	-	-	-	-	14,437
Total Revenues	<u>72,748</u>	<u>104,153</u>	<u>1,152,497</u>	<u>184,790</u>	<u>-</u>	<u>17,354</u>	<u>2,680</u>	<u>1,534,221</u>
Expenditures								
Salaries, Taxes and Benefits	34,229	-	666,472	-	-	-	-	700,701
Repairs and Maintenance	-	-	33,855	-	-	-	-	33,855
Insurance	-	-	12,050	-	-	-	-	12,050
Other Contractual Services	-	-	512,909	-	-	-	-	512,909
Utilities	-	-	9,016	-	-	-	-	9,016
Supplies	4,704	-	71,751	-	-	(291)	-	76,164
Other Current Operating	15,226	215,035	124,288	-	-	-	-	354,549
Capital Outlay	56,733	-	-	757,733	11,051	-	-	825,516
Total Expenditures	<u>110,892</u>	<u>215,035</u>	<u>1,430,341</u>	<u>757,733</u>	<u>11,051</u>	<u>(291)</u>	<u>-</u>	<u>2,524,761</u>
Excess of Revenues Over (Under) Expenditures	(38,144)	(110,882)	(277,844)	(572,943)	(11,051)	17,645	2,680	(990,540)
Other Financing Sources (Uses)								
Contributions	16,746	-	-	-	-	-	-	16,746
Operating Transfers In (Out)	-	-	277,844	-	-	-	-	277,844
Total Other Financing Sources (Uses)	<u>16,746</u>	<u>-</u>	<u>277,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,590</u>
Net Change in Fund Balances	<u>(21,399)</u>	<u>(110,882)</u>	<u>-</u>	<u>(572,943)</u>	<u>(11,051)</u>	<u>17,645</u>	<u>2,680</u>	<u>(695,950)</u>
Fund Balance - July 1, 2009	<u>159,347</u>	<u>(75,463)</u>	<u>(128,687)</u>	<u>2,351,080</u>	<u>70,117</u>	<u>344,755</u>	<u>24,241</u>	<u>2,745,390</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - June 30, 2010	<u>\$ 137,949</u>	<u>\$ (186,346)</u>	<u>\$ (128,687)</u>	<u>\$ 1,778,137</u>	<u>\$ 59,066</u>	<u>\$ 362,400</u>	<u>\$ 26,921</u>	<u>\$ 2,049,439</u>

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Non-Major Special Revenue Funds
For the Year Ended June 30, 2010

	Special Funds			
	Budgeted Amounts			Positive (Negative) Variance with Final
	Original	Final	Actual	
Revenues				
Intergovernmental Grants	\$ 68,565	\$ 125,338	\$ 68,509	\$ (56,829)
Fines and Forfeitures	3,000	11,000	4,200	(6,800)
Interest Earnings	-	-	40	40
Total Revenues	<u>71,565</u>	<u>136,338</u>	<u>72,748</u>	<u>(63,590)</u>
Expenditures				
Current:				
Salaries, Taxes and Benefits	21,317	148,788	34,229	114,559
Supplies	10,280	18,999	4,704	14,295
Drug Operating Supplies	46,000	46,000	15,226	30,774
Capital Outlay	4,761	170,215	56,733	113,482
Total Expenditures	<u>82,358</u>	<u>384,002</u>	<u>110,892</u>	<u>273,110</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,793)</u>	<u>(247,664)</u>	<u>(38,144)</u>	<u>209,520</u>
Other Financing Sources (Uses)				
Contributions	5,000	15,000	16,746	1,746
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>15,000</u>	<u>16,746</u>	<u>1,746</u>
Net Change in Fund Balances	(5,793)	(232,664)	(21,399)	211,265
Fund Balance - July 1, 2009	-	226,871	159,347	(67,524)
Fund Balances - June 30, 2010	<u>\$ (5,793)</u>	<u>\$ (5,793)</u>	<u>\$ 137,949</u>	<u>\$ 143,742</u>

CITY OF GALLATIN, TENNESSEE
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Non-Major Special Revenue Funds
For the Year Ended June 30, 2010

	Drug Fund			Positive (Negative) Variance with Final
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Fines and Forfeitures	200,000	200,000	104,153	\$ (95,847)
Interest Earnings	1,000	1,000	-	(1,000)
Total Revenues	<u>201,000</u>	<u>201,000</u>	<u>104,153</u>	<u>(96,847)</u>
Expenditures				
Current:				
Drug Operating Supplies	320,000	320,000	215,035	104,965
Total Expenditures	<u>320,000</u>	<u>320,000</u>	<u>215,035</u>	<u>104,965</u>
Excess of Revenues Over (Under) Expenditures	<u>(119,000)</u>	<u>(119,000)</u>	<u>(110,882)</u>	<u>8,118</u>
Net Change in Fund Balances	(119,000)	(119,000)	(110,882)	8,118
Fund Balance - July 1, 2009	-	-	(75,463)	(75,463)
Fund Balances - June 30, 2010	<u>\$ (119,000)</u>	<u>\$ (119,000)</u>	<u>\$ (186,346)</u>	<u>\$ (67,346)</u>

	Environmental Services Fund			Positive (Negative) Variance with Final
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Charges for Services	\$ 1,120,500	\$ 1,120,500	\$ 1,138,060	\$ 17,560
Miscellaneous:				-
Other Revenue	5,100	14,752	14,437	(315)
Total Revenues	<u>1,125,600</u>	<u>1,135,252</u>	<u>1,152,497</u>	<u>17,245</u>
Expenditures				
Salaries, Taxes and Benefits	712,084	712,084	666,472	45,612
Repairs and Maintenance	51,000	51,000	33,855	17,145
Insurance	24,500	24,500	12,050	12,450
Other Contractual Services-Tipping Fees	500,000	500,000	512,909	(12,909)
Utilities	7,350	7,350	9,016	(1,666)
Supplies	96,000	96,000	71,751	24,249
Other Current Operating	121,054	130,706	124,288	6,418
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,511,988</u>	<u>1,521,640</u>	<u>1,430,341</u>	<u>91,299</u>
Excess of Revenues Over (Under) Expenditures	<u>(386,388)</u>	<u>(386,388)</u>	<u>(277,844)</u>	<u>108,544</u>
Other Financing Sources (Uses)				
Operating Transfers In (Out)	386,388	386,388	277,844	(108,544)
Total Other Financing Sources (Uses)	<u>386,388</u>	<u>386,388</u>	<u>277,844</u>	<u>(108,544)</u>
Net Change in Fund Balances	-	-	-	(0)
Fund Balance - July 1, 2009	(128,687)	(128,687)	(128,687)	-
Fund Balance - June 30, 2010	<u>\$ (128,687)</u>	<u>\$ (128,687)</u>	<u>\$ (128,687)</u>	<u>\$ (0)</u>

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund - Industrial Park and 2007 G.O. Bond Funds
For the Year Ended June 30, 2010**

	Industrial Park Fund			Positive (Negative) Variance with Final
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Interest Earnings	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Expenditures				
Current:				
Capital Outlay	100,000	135,276	11,051	124,225
Total Expenditures	<u>100,000</u>	<u>135,276</u>	<u>11,051</u>	<u>124,225</u>
Excess of Revenues Over (Under) Expenditures	(98,000)	(133,276)	(11,051)	122,225
Net Change in Fund Balances	(98,000)	(133,276)	(11,051)	122,225
Fund Balance - July 1, 2009	<u>70,117</u>	<u>70,117</u>	<u>70,117</u>	<u>-</u>
Fund Balances - June 30, 2010	<u>\$ (27,883)</u>	<u>\$ (63,159)</u>	<u>\$ 59,066</u>	<u>\$ 122,225</u>
	2007 G.O. Bond Fund			
	Budgeted Amounts		Actual	Positive (Negative) Variance with Final
	Original	Final		
Revenues				
Intergovernmental Grants	\$ -	\$ -	\$ 178,538	\$ 178,538
Investment Income	200,000	300,000	6,252	(293,748)
Total Revenues	<u>200,000</u>	<u>300,000</u>	<u>184,790</u>	<u>(115,210)</u>
Expenditures				
Capital Outlay	5,045,344	4,816,409	757,733	4,058,676
Total Expenditures	<u>5,045,344</u>	<u>4,816,409</u>	<u>757,733</u>	<u>4,058,676</u>
Excess of Revenues Over (Under) Expenditures	(4,845,344)	(4,516,409)	(572,943)	3,943,466
Other Financing Sources (Uses)				
Operating Transfers In (Out)	(200,000)	(200,000)	-	200,000
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>200,000</u>
Net Change in Fund Balances	(5,045,344)	(4,716,409)	(572,943)	4,143,466
Fund Balance - July 1, 2009	<u>2,351,080</u>	<u>2,351,080</u>	<u>2,351,080</u>	<u>-</u>
Fund Balances - June 30, 2010	<u>\$ (2,694,264)</u>	<u>\$ (2,365,329)</u>	<u>\$ 1,778,137</u>	<u>\$ 4,143,466</u>

See auditors' report.

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual Non-major Permanent Funds
Thomas A. Witherspoon Educational Memorial Trust Fund and Cemetary Trust Fund
For the Year Ended June 30, 2010

	Thomas A. Witherspoon Educational Memorial Trust Fund			Positive (Negative) Variance with Final
	Budgeted Amounts			
	Original	Final	Actual	
Revenues				
Interest Earnings on Savings	\$ -	\$ -	\$ 17,354	\$ 17,354
Total Revenues	-	-	17,354	17,354
Expenditures				
Current:				
Supplies	-	-	(291)	291
Total Expenditures	-	-	(291)	291
Excess of Revenues Over (Under) Expenditures	-	-	17,645	17,645
Net Change in Fund Balances	-	-	17,645	17,645
Fund Balance - July 1, 2009	344,755	344,755	344,755	-
Fund Balances - June 30, 2010	\$ 344,755	\$ 344,755	\$ 362,400	\$ 17,645

	Cemetary Trust Fund			Positive (Negative) Variance with Final
	Budgeted Amounts			
	Original	Final	Actual	
Revenues				
Interest Earnings	\$ -	\$ -	\$ 2,680	\$ 2,680
Total Revenues	-	-	2,680	2,680
Expenditures				
Current:				
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	2,680	2,680
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	2,680	2,680
Fund Balance - July 1, 2009	24,241	24,241	24,241	-
Fund Balances - June 30, 2010	\$ 24,241	\$ 24,241	\$ 26,921	\$ 2,680

See auditors' report.

CITY OF GALLATIN, TENNESSEE
Schedule of Expenditures of Federal and State Financial Assistance
For the Year Ended June 30, 2010

<u>Grantor Agency</u>	<u>CFDA Number</u>	<u>Program Name</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
Federal Awards - ARRA						
Greenway Phase I and II	ARRA-CM-9306(12)	ARRA Town Creek Greenway Phase I and II	-	-	(273,545)	(273,545)
Department of Transportation, Federal Highway Administration	ARRA-20.205	ARRA #1 Big Station bridge/road	-	2,939	(738,734)	(735,795)
Department of Transportation, Federal Highway Administration	ARRA-20.205	ARRA #2 S Water Resurfacing	-	79,833	(103,643)	(23,810)
Department of Transportation, Federal Highway Administration	ARRA 20.205	Downtown Streetscape Phase II	-	-	-	-
Department of Justice	ARRA-16.804	Police	-	56,773	(56,773)	-
Federal Awards - Non ARRA						
Department of Transportation, Federal Highway Administration	20.205	Downtown Streetscape Phase I	(201,239)	205,920	(4,681)	0
Department of Transportation, Federal Highway Administration	20.205	Downtown Streetscape Phase II	(573,531)	668,355	(94,825)	(0)
Federal Emergency Management Agency	97.036	May Flood	-	-	(76,298)	(76,298)
Department of Justice		Police	-	7,326	(7,326)	-
The Federal Bureau of Investigation		Nashville Violent Crime Task Force Grant	22,045	3,345	(25,390)	(0)
USDA	10-769	Rural Business Enterprise Grant- Farmers Market	-	25,000	(25,000)	-
Federal Emergency Management Agency	97.036	Z-06-034036-01	-	7,729	(7,729)	-
OJP BJA 2008 BVP	16.607	Body Armor Replacement	(6,002)	13,000	(6,998)	-
Youth Community Empowerment		TML Safety Grant	-	2,400	(2,400)	-
			2,660	-	(2,660)	-
Total Federal Awards			<u>(756,066)</u>	<u>1,072,620</u>	<u>(1,426,001)</u>	<u>(1,109,446)</u>
State Financial Assistance						
Tennessee Department of Transportation	40234	Big Station Camp Creek (non ARRA)	(41,859)	214,704	(247,408)	(74,563)
Tennessee Department of Transportation		Albert Gallatin/Hattentrack extension	-	57,841	(73,840)	(15,999)
TN Dept of Agriculture	DG/08-22849-00/ Z-08-201382-00	TN Agriculture Enhancement Program - Gallatin Farmers Market	(78,598)	89,950	(11,352)	-
TN Department of Commerce and Insurance	unknown	Salary Supplement - Police	-	40,200	(40,200)	-
TN Department of Commerce and Insurance	unknown	Salary Supplement - Fire	-	29,400	(29,400)	-
TN Dept of Agriculture	32506-05210	TN Agriculture Enhancement Program - Gallatin Farmers Market Tree Grant	-	2,380	(2,380)	-
TN Dept of Agriculture		Governors Highway Safety	(12,668)	24,443	(11,775)	(0)
		Downtown Tree grant	-	10,241	(10,241)	-
TN Dept of Environment and Conservation	LWCF Grant #47-00788	Triple Creek Walking Trail & Restrooms / Land Water Park Grant	(42,865)	22,093	-	(20,772)
			<u>(175,990)</u>	<u>491,251</u>	<u>(426,596)</u>	<u>(111,334)</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Financial Assistance summarizes the expenditures of the City of Gallatin, Tennessee under the programs of the federal and state governments for the year ended June 30, 2010. The schedule is presented using the modified accrual basis of accounting.

Note 2. Non-Cash Assistance

For the year ended June 30, 2010, there were no Federal or State awards expended in the form of non-cash assistance.

CITY OF GALLATIN, TENNESSEE
Schedule of Long-Term Debt, Principal, and Interest Requirements
By Fiscal Year
June 30, 2010

Fiscal Year Ended June 30,	Governmental Activities							
	Capital Outlay Note- 2009		General Obligation Refunding Series - 2004		General Obligation Public Improvement Bonds - 2007		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	330,000	140,381	315,000	42,776	130,000	310,369	775,000	493,526
2012	340,000	128,006	310,000	34,570	150,000	305,169	800,000	467,745
2013	355,000	116,106	350,000	25,883	130,000	299,169	835,000	441,158
2014	365,000	102,794	345,000	15,895	150,000	293,969	860,000	412,658
2015	380,000	89,106	335,000	5,360	180,000	287,969	895,000	382,435
2016	400,000	73,906	-	-	430,000	278,969	830,000	352,875
2017	415,000	56,906	-	-	445,000	257,469	860,000	314,375
2018	435,000	40,306	-	-	465,000	235,219	900,000	275,525
2019	460,000	21,275	-	-	485,000	211,969	945,000	233,244
2020	-	-	-	-	500,000	191,356	500,000	191,356
2021	-	-	-	-	525,000	170,106	525,000	170,106
2022	-	-	-	-	545,000	147,794	545,000	147,794
2023	-	-	-	-	565,000	124,631	565,000	124,631
2024	-	-	-	-	590,000	102,031	590,000	102,031
2025	-	-	-	-	615,000	78,431	615,000	78,431
2026	-	-	-	-	640,000	53,831	640,000	53,831
2027	-	-	-	-	665,000	27,431	665,000	27,431
Total	\$ 3,480,000	\$ 768,788	\$ 1,655,000	\$ 124,484	\$ 7,210,000	\$ 3,375,881	\$ 12,345,000	\$ 4,269,153

Fiscal Year Ended June 30,	Business-Type Activities							
	Water & Sewer Revenue & Tax Bonds - 2008		Water & Sewer 2008 Bond Premium		Water & Sewer Revenue & Tax Bonds - 2004		Water & Sewer Revenue & Tax Bonds - 2003	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	600,000	1,187,675	68,961	-	325,000	69,700	215,000	155,726
2012	650,000	1,166,675	57,106	-	315,000	61,294	220,000	148,739
2013	675,000	1,143,925	47,290	-	310,000	53,094	230,000	141,589
2014	725,000	1,120,300	39,161	-	305,000	44,256	235,000	130,089
2015	775,000	1,094,925	32,429	-	300,000	34,881	245,000	119,808
2016	800,000	1,067,800	26,854	-	295,000	25,103	255,000	110,988
2017	850,000	1,037,800	22,238	-	290,000	15,050	265,000	101,553
2018	900,000	1,003,800	18,415	-	285,000	4,988	275,000	91,483
2019	955,000	967,800	15,250	-	-	-	285,000	80,757
2020	990,000	929,600	12,628	-	-	-	300,000	69,358
2021	1,035,000	887,525	10,458	-	-	-	310,000	57,058
2022	1,075,000	846,125	8,660	-	-	-	325,000	44,038
2023	1,120,000	797,750	7,171	-	-	-	340,000	30,063
2024	1,180,000	741,750	5,939	-	-	-	355,000	15,443
2025	1,240,000	682,750	4,918	-	-	-	-	-
2026	1,300,000	620,750	4,072	-	-	-	-	-
2027	1,365,000	555,750	3,372	-	-	-	-	-
2028	1,435,000	487,500	2,793	-	-	-	-	-
2029	1,505,000	415,750	2,313	-	-	-	-	-
2030	1,580,000	340,500	1,915	-	-	-	-	-
2031	1,660,000	261,500	1,586	-	-	-	-	-
2032	1,740,000	178,500	1,313	-	-	-	-	-
2033	1,830,000	91,500	6,326	-	-	-	-	-
Total	\$ 25,985,000	\$ 17,627,950	\$ 401,168	\$ -	\$ 2,425,000	\$ 308,366	\$ 3,855,000	\$ 1,296,692

Fiscal Year Ended June 30,	Business-Type Activities					
	Electric Fund		Total		Total Business-Type & Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	167,750	59,592	1,376,711	1,472,693	2,151,711	1,966,219
2012	153,986	49,527	1,396,092	1,426,235	2,196,092	1,893,980
2013	153,986	40,288	1,416,276	1,378,896	2,251,276	1,820,054
2014	153,987	31,049	1,458,148	1,325,694	2,318,148	1,738,351
2015	251,901	21,810	1,604,330	1,271,424	2,499,330	1,653,859
2016	111,592	6,696	1,488,446	1,210,587	2,318,446	1,563,462
2017	-	-	1,427,238	1,154,403	2,287,238	1,468,778
2018	-	-	1,478,415	1,100,271	2,378,415	1,375,796
2019	-	-	1,255,250	1,048,557	2,200,250	1,281,801
2020	-	-	1,302,628	998,958	1,802,628	1,190,314
2021	-	-	1,355,458	944,583	1,880,458	1,114,689
2022	-	-	1,408,660	890,163	1,953,660	1,037,957
2023	-	-	1,467,171	827,813	2,032,171	952,444
2024	-	-	1,540,939	757,193	2,130,939	859,224
2025	-	-	1,244,918	682,750	1,859,918	761,181
2026	-	-	1,304,072	620,750	1,944,072	674,581
2027	-	-	1,368,372	555,750	2,033,372	583,181
2028	-	-	1,437,793	487,500	1,437,793	487,500
2029	-	-	1,507,313	415,750	1,507,313	415,750
2030	-	-	1,581,915	340,500	1,581,915	340,500
2031	-	-	1,661,586	261,500	1,661,586	261,500
2032	-	-	1,741,313	178,500	1,741,313	178,500
2033	-	-	1,836,326	91,500	1,836,326	91,500
Total	\$ 993,202	\$ 208,961	\$ 33,659,370	\$ 19,441,969	\$ 46,004,370	\$ 23,711,122

See auditors' report.

CITY OF GALLATIN, TENNESSEE
Schedule of Property Tax Rates and Assessments
Last Ten Fiscal Years

Year of Levy	Tax Rate Per \$100 City	Total Assessed Value
2009	0.99	\$ 9,038,205
2008	1.12	8,743,629
2007	1.12	8,284,247
2006	1.12	7,620,697
2005	1.12	6,286,061
2004	1.12	5,965,450
2003	1.12	5,887,040
2002	1.12	5,613,048
2001	1.32	5,444,722
2000	1.32	5,159,201

See auditors' report.

CITY OF GALLATIN, TENNESSEE
Schedule of Uncollected Delinquent Taxes Filed
June 30, 2010

Year of Levy	Gross Property Taxes Receivable June 30, 2010
2010	\$ 10,685,030
2009	511,750
2008	246,918
2007	74,727
2006	39,820
2005	21,337
2004	14,869
2003	21,228
2002	42,214
2001	39,110
2000	15,204
Totals	<u>\$ 11,712,206</u>

See auditors' report.

GALLATIN DEPARTMENT OF ELECTRICITY

SCHEDULE OF RATES IN FORCE

June 30, 2010

RESIDENTIAL RATE

Customer charge per month	\$	7.92
Energy charge:		
Per kWh per month		0.07514

GENERAL POWER RATE

GSA (Demand 0-5,000 kW)

Customer charge per month	\$	13.82
---------------------------	----	-------

1. Less than 50 kW and not more than 15,000 kWh

All kWh per kWh		0.08321
-----------------	--	---------

2. Between 51 and 1,000 kW with energy usage over 15,000 kWh

0 to 50 kW		No charge
More than 50 to 1,000 kW		\$11.52 per kW

First 15,000 kWh per month		0.08688
----------------------------	--	---------

Additional kWh per month		0.04846
--------------------------	--	---------

3. Between 1,001 and 5,000 kW

0 to 1,000 kW	\$11.84 per kW
---------------	----------------

More than 1,000 to 5,000 kW	\$13.96 per kW
-----------------------------	----------------

All kWh per kWh		0.04917
-----------------	--	---------

GSB (Demand from 5,001 to 15,000 kW)

Customer charge per month	\$1,500.00
---------------------------	------------

Demand charge	\$15.40 per kW
---------------	----------------

 Energy charge:

First 620 kWh	0.04336
---------------	---------

Additional kWh	0.03576
----------------	---------

Outdoor lighting	.06053 per kWh
------------------	----------------

MSB1 (Demands for month is less than 5,000 kW)

Customer charge per month	\$1,500.00
---------------------------	------------

Demand charge	\$13.27 per kW
---------------	----------------

 Energy charge:

First 620 kWh	0.03722
---------------	---------

Additional kWh	0.03074
----------------	---------

MSB2 (Demands greater than 5,000 kW)

Customer charge per month	\$1,500.00
---------------------------	------------

Demand charge	\$12.59 per kW
---------------	----------------

 Energy charge:

First 620 kWh	0.03545
---------------	---------

Additional kWh	0.02932
----------------	---------

See Independent Auditors' Report.

CITY OF GALLATIN, TENNESSEE
Gas Rate Structure and Customer Information
For the Year Ended June 30, 2010

Rates

Residential and Commercial Rates

	Outside	Inside
First 200 Cubic Feet	\$3.85 minimum	\$3.50 minimum
All Usage Over 200 Cubic Feet	\$1.72/ccf	\$1.57/ccf

Industrial Rates

All Usage	\$1.72/ccf	\$1.57/ccf
-----------	------------	------------

Preferred Interruptible Rates

All Usage	\$1.42/ccf
-----------	------------

Interruptible Rates

First 100,000 Cubic Feet	\$1.32/ccf
All Usage Over 100,000 Cubic Feet	\$1.27/ccf

Residential Gas Connection Fee

Outside	Inside
\$125	\$100

Number of Customers

Class of Service	Customers	
	2010	2009
Residential	10,669	10,602
Commercial	1,228	1,205
Industrial	96	70
Interruptible	3	5
Total	11,996	11,882

Statistical Tables

CITY OF GALLATIN, TENNESSEE
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CITY OF GALLATIN, TENNESSEE
 Net Assets by Component
 Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002*	2001*
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,858,306	\$ 26,282,195	\$ 23,340,840	\$ 20,324,988	\$ -	\$ -
Restricted	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060	-	-
Unrestricted	38,464,287	13,160,946	14,348,514	19,876,514	8,339,620	8,957,037	9,628,934	9,607,473	-	-
Total Governmental Activities Net Assets	<u>\$ 78,972,727</u>	<u>\$ 48,181,532</u>	<u>\$ 44,856,355</u>	<u>\$ 46,093,654</u>	<u>\$ 39,212,926</u>	<u>\$ 36,162,189</u>	<u>\$ 33,508,418</u>	<u>\$ 30,737,521</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174	\$ 78,646,271	\$ 71,055,638	\$ 67,885,890	\$ 65,065,892	\$ -	\$ -
Unrestricted	4,919,217	38,074,203	20,291,861	19,344,762	20,545,976	17,055,143	14,082,726	11,194,194	-	-
Total Business-Type Activities Net Assets	<u>\$ 95,863,229</u>	<u>\$ 120,883,159</u>	<u>\$ 117,638,534</u>	<u>\$ 106,266,936</u>	<u>\$ 99,192,247</u>	<u>\$ 88,110,781</u>	<u>\$ 81,968,616</u>	<u>\$ 76,260,086</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 131,623,798	\$ 117,890,004	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577	\$ 97,337,833	\$ 91,226,730	\$ 85,390,880	\$ -	\$ -
Restricted	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060	-	-
Unrestricted	43,383,504	51,235,149	34,640,375	39,221,276	28,885,596	26,012,180	23,711,660	20,801,667	-	-
Total Primary Government Net Assets	<u>\$ 174,835,956</u>	<u>\$ 169,064,690</u>	<u>\$ 162,494,889</u>	<u>\$ 152,360,590</u>	<u>\$ 138,405,173</u>	<u>\$ 124,272,970</u>	<u>\$ 115,477,035</u>	<u>\$ 106,997,607</u>	<u>\$ -</u>	<u>\$ -</u>

*Fixed Asset Information was not available prior to 2003.

CITY OF GALLATIN, TENNESSEE
Changes in Net Assets
Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Expenses										
Governmental Activities:										
General Government	\$ 4,334,869	\$ 5,704,655	\$ 9,108,835	\$ 4,048,053	\$ 3,244,668	\$ 3,334,894	2,881,670	2,865,332	-	-
Public Safety	10,583,895	10,217,027	9,312,521	8,926,042	7,710,413	6,756,172	6,246,794	6,076,879	-	-
Animal Control	99,965	112,082	47,647	47,119	42,050	40,235	29,453	43,104	-	-
Highways, Streets and Roadways	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828	1,669,388	1,454,630	978,133	-	-
Public Works	351,059	26,564	226,892	153,821	156,392	138,488	146,935	120,399	-	-
Environmental Services	1,504,489	1,433,602	1,404,985	1,677,427	2,132,344	1,918,049	1,808,843	1,725,197	-	-
Parks and Recreation	3,845,550	3,238,619	2,449,295	2,768,383	2,579,035	2,404,761	2,402,647	2,276,060	-	-
Engineering	395,200	636,589	408,330	703,821	521,482	413,530	447,373	102,101	-	-
Community Services	300,000	231,649	185,500	186,640	182,296	195,591	154,673	160,383	-	-
Economic Development	269,588	270,456	278,287	230,687	202,705	-	-	-	-	-
Vehicle Maintenance	403,148	376,013	352,822	333,463	311,944	302,551	315,462	379,949	-	-
Interest on Long-term Debt	487,066	785,391	320,565	90,045	105,638	94,489	291,139	299,324	-	-
Total Governmental Activities Expenses	23,996,159	25,118,120	25,846,954	21,007,484	18,866,796	17,268,148	16,179,619	15,026,861	-	-
Business-type Activities:										
Electric Power	52,252,566	52,075,601	48,441,112	44,556,792	23,127,731	36,874,016	36,623,921	34,634,951	-	-
Natural Gas	19,064,230	19,354,295	20,349,492	18,901,303	42,349,573	16,953,730	13,980,974	13,189,500	-	-
Golf	-	1,011,561	-	947,510	911,903	913,014	896,171	840,283	-	-
Water and Sewer	10,386,989	10,073,486	7,656,635	7,130,595	6,444,961	5,842,860	5,441,054	5,254,474	-	-
Total Business-type Activities Expenses	81,703,785	82,514,953	77,425,253	71,536,200	72,834,168	60,583,420	56,942,120	53,919,208	-	-
Total Primary Government Expenses	\$ 105,699,944	\$ 107,633,073	\$ 103,272,207	\$ 92,543,684	\$ 91,700,964	\$ 77,851,568	\$ 73,121,739	\$ 68,946,069	\$ -	\$ -
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414	\$ 2,950,614	\$ 2,751,837	2,225,531	2,204,828	-	-
Operating Grants and Contributions	703,346	1,474,369	848,469	3,502,202	636,779	869,005	1,157,765	1,061,975	-	-
Capital Grants and Contributions	2,383,773	4,022,806	590,405	138,751	1,642,282	1,722,591	1,321,300	-	-	-
Total Governmental Activities Program Revenues	7,549,215	9,624,670	6,376,447	8,007,367	5,229,675	5,343,433	4,704,596	3,266,803	-	-
Business-Type Activities:										
Charges for Services:										
Electric Power	53,602,000	53,904,250	49,897,969	46,400,568	44,282,807	38,038,137	38,072,015	35,594,644	-	-
Natural Gas	20,971,057	21,297,574	22,330,508	20,082,042	23,671,087	18,422,895	14,798,256	13,806,592	-	-
Golf	-	827,161	821,651	769,574	709,746	685,421	767,500	677,546	-	-
Water and Sewer	10,047,425	9,371,205	8,538,950	8,071,541	7,256,854	7,169,618	6,656,003	5,994,756	-	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	253,452	1,252,667	6,918,074	3,526,948	7,931,282	2,800,442	2,992,366	1,884,772	-	-
Total Business-Type Activities Program Revenues	84,873,934	86,652,857	88,507,152	78,850,673	83,851,576	67,116,513	63,286,140	57,958,310	-	-
Total Primary Government Program Revenues	\$ 92,423,149	\$ 96,277,527	\$ 94,883,599	\$ 86,858,040	\$ 89,081,251	\$ 72,459,946	\$ 67,990,736	\$ 61,225,113	\$ -	\$ -
Net (Expense)/Revenue										
Governmental Activities	\$ (16,446,944)	\$ (15,493,449)	\$ (19,470,507)	\$ (13,000,117)	\$ (13,637,121)	\$ (11,924,715)	\$ (11,475,023)	\$ (11,760,058)	\$ -	\$ -
Business-Type Activities	3,170,149	4,137,904	11,081,899	7,314,473	11,017,408	6,533,093	6,344,020	4,039,102	-	-
Total Primary Government Net Expense	\$ (13,276,795)	\$ (11,355,545)	\$ (8,388,608)	\$ (5,685,644)	\$ (2,619,713)	\$ (5,391,622)	\$ (5,131,003)	\$ (7,720,956)	\$ -	\$ -
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property and Personalty Taxes	\$ 9,211,402	\$ 8,830,313	\$ 8,350,667	\$ 7,710,687	6,354,160	\$ 5,987,978	\$ 5,724,233	\$ 6,601,113	\$ -	\$ -
Payment in Lieu of Tax	303,475	276,637	258,218	218,147	201,091	-	-	-	-	-
Income and Excise Taxes	758,315	80,810	506,966	440,512	220,822	1,409,098	1,331,015	1,230,562	-	-
Sales Taxes	6,422,853	6,390,038	6,863,042	6,752,289	6,154,339	4,154,177	3,876,075	3,916,658	-	-
Gasoline Tax	-	-	136,495	134,884	665,593	-	-	-	-	-
Alcoholic Beverage Taxes	965,092	877,642	953,765	918,743	875,523	-	-	-	-	-
Business Taxes	485,461	521,590	520,295	483,682	388,283	-	-	-	-	-
Hospitality Taxes	341,828	327,853	299,962	276,664	248,792	-	-	-	-	-
Miscellaneous State Taxes	2,075	2,790	5,537	5,519	8,970	1,896,131	1,966,921	2,048,212	-	-
Unrestricted Investment Earnings	100,415	519,239	682,761	490,238	234,794	151,986	98,936	114,238	-	-
Rental Income	29,627	35,521	66,445	58,855	590,320	-	-	-	-	-
Sale of Capital Assets	8,404	16,684	(1,487,141)	15,966	323,677	-	54,954	642,330	-	-
Insurance Proceeds	74,359	138,900	27,651	26,597	-	-	-	-	-	-
Miscellaneous	23,728	51,986	592,710	352,792	93,441	132,450	246,208	101,002	-	-
Transfers, Net	1,396,522	1,071,242	685,674	887,035	826,908	846,667	830,636	(723,756)	-	-
Total Governmental Activities	20,123,556	19,141,245	18,463,047	18,772,610	17,186,711	14,578,487	14,128,978	13,930,359	-	-
Business-Type Activities:										
Unrestricted Investment Earnings	200,533	437,057	718,092	1,009,368	876,518	455,739	199,264	212,131	-	-
Sale of Capital Assets	10,467	8,465	10,169	2,181	14,447	-	-	-	-	-
Insurance Proceeds	-	41	-	3,304	-	-	-	-	-	-
Transfers, Net	(1,396,522)	(1,071,241)	(685,674)	(887,035)	(826,908)	(846,667)	(830,636)	723,756	-	-
Total Business-Type Activities	(1,185,522)	(625,678)	42,587	127,818	64,057	(390,928)	(631,372)	935,887	-	-
Total Primary Government	\$ 18,938,034	\$ 18,515,567	\$ 18,505,634	\$ 18,900,428	\$ 17,250,768	\$ 14,187,559	\$ 13,497,606	\$ 14,866,246	\$ -	\$ -
Change in Net Assets										
Governmental Activities	3,676,612	3,647,797	(1,007,460)	5,772,493	3,549,591	2,653,772	2,653,955	2,170,301	-	-
Business-Type Activities	1,984,627	3,512,226	11,124,486	7,442,291	11,081,465	6,142,165	5,712,648	4,974,989	-	-
Total Primary Government	\$ 5,661,241	\$ 7,160,022	\$ 10,117,026	\$ 13,214,784	\$ 14,631,056	\$ 8,795,937	\$ 8,366,603	\$ 7,145,290	\$ -	\$ -

CITY OF GALLATIN, TENNESSEE
Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 35,409	\$ 40,172	\$ 17,132	\$ 15,874	\$ 14,687	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,410,950	11,213,358	9,577,025	11,942,364	8,270,705	9,276,034	9,469,208	9,720,110	9,353,606	9,272,816
Total General Fund	<u>\$ 10,446,359</u>	<u>\$ 11,253,530</u>	<u>\$ 9,594,157</u>	<u>\$ 11,958,238</u>	<u>\$ 8,285,392</u>	<u>\$ 9,276,034</u>	<u>\$ 9,469,208</u>	<u>\$ 9,720,110</u>	<u>\$ 9,353,606</u>	<u>\$ 9,272,816</u>
All Other Governmental Funds										
Reserved	\$ (159,129)	\$ (52,076)	\$ 323,753	\$ 286,734	\$ 16,541	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Unreserved, reported in:										
Special Revenue Funds	(2,955)	22,272	24,557	-	174,246	192,017	105,662	106,183	103,385	81,916
Capital Projects Funds	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836	457,490	454,291	454,544	573,096	760,706
Permanent Funds	374,321	353,996	336,050	309,421	297,147	286,970	278,070	270,381	261,737	261,511
Unreserved	-	-	-	12,647	20,985	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 28,966,416</u>	<u>\$ (11,185,320)</u>	<u>\$ 5,430,197</u>	<u>\$ 8,519,633</u>	<u>\$ 981,755</u>	<u>\$ 951,477</u>	<u>\$ 853,023</u>	<u>\$ 846,108</u>	<u>\$ 953,218</u>	<u>\$ 1,119,133</u>

CITY OF GALLATIN, TENNESSEE
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Taxes	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166	\$ 11,614,584	\$ 10,902,829	\$ 11,504,525	\$ 10,871,627	\$ 10,415,071
Licenses and Permits	278,110	616,775	851,142	696,601	529,282	504,675	344,087	335,201	262,153	161,999
Fines and Forfeitures	1,424,589	1,446,691	1,737,566	1,567,133	966,013	639,128	331,404	327,416	355,114	350,244
Charges for Services	2,759,398	2,064,030	2,348,866	2,102,680	1,455,320	1,422,581	947,669	1,419,183	1,239,250	1,304,047
Intergovernmental	2,466,644	791,301	4,092,959	3,691,619	3,136,744	2,768,336	3,260,883	3,171,790	3,370,511	3,071,242
Investment Income	100,415	519,240	682,762	490,238	234,794	151,986	98,936	114,238	183,892	402,527
Rental/Property Income	29,627	35,521	66,445	58,855	590,320	355,013	106,803	534,195	54,379	84,970
Miscellaneous Revenues	23,729	51,986	592,709	352,792	93,441	132,450	246,210	101,003	131,937	128,199
Total Revenues	<u>26,259,613</u>	<u>23,515,148</u>	<u>25,571,272</u>	<u>23,294,929</u>	<u>19,478,080</u>	<u>17,588,753</u>	<u>16,238,821</u>	<u>17,507,551</u>	<u>16,468,863</u>	<u>15,918,299</u>
Expenditures										
General Government	3,705,982	4,421,328	3,564,744	3,772,613	3,028,811	2,853,340	2,616,026	2,368,888	2,242,790	2,000,250
Public Safety	9,841,580	9,688,847	9,295,197	8,259,007	7,113,058	6,167,861	5,732,734	5,500,365	5,566,461	5,094,215
Animal Control	99,965	90,649	47,647	47,119	42,050	39,931	30,308	43,030	41,141	77,469
Highways and Streets	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618	1,104,654	1,051,389	1,837,336	1,818,324
Public Works	152,145	149,677	145,258	139,527	139,229	126,064	119,260	111,496	117,729	161,092
Environmental Services	1,430,341	1,323,296	1,399,275	1,597,138	2,055,365	1,678,479	1,649,266	1,612,784	1,449,804	1,179,665
Parks and Recreation	3,392,380	2,645,342	2,466,439	2,333,959	2,183,941	1,970,462	1,930,422	1,898,613	1,693,967	1,659,222
Engineering	395,200	372,252	407,115	666,725	482,915	306,312	307,489	311,187	234,065	207,054
Other Community Services	300,000	231,649	185,500	186,640	182,296	195,591	154,673	160,383	165,862	300,312
Economic Development Agency	234,598	230,201	217,975	224,440	198,999	-	-	-	-	-
Vehicle Maintenance	403,148	364,901	349,320	329,108	311,705	301,233	313,752	376,739	-	-
Other Program Cost	(291)	291	-	243,714	125,960	50,339	30,457	32,395	24,956	58,504
Debt Service:										
Principal	760,000	425,000	410,000	775,000	760,000	750,000	1,734,712	953,568	922,022	955,466
Interest	487,066	627,829	321,681	90,045	117,245	141,346	279,742	216,588	360,513	352,047
Capital Outlay	<u>7,077,681</u>	<u>7,085,559</u>	<u>11,624,680</u>	<u>1,594,163</u>	<u>3,832,929</u>	<u>2,812,563</u>	<u>1,830,114</u>	<u>2,412,116</u>	<u>1,726,318</u>	<u>2,415,932</u>
Total Expenditures	<u>29,701,125</u>	<u>29,019,250</u>	<u>31,802,982</u>	<u>21,618,426</u>	<u>21,802,278</u>	<u>18,530,139</u>	<u>17,833,609</u>	<u>17,049,541</u>	<u>16,382,964</u>	<u>16,279,552</u>
Excess of Revenues Over (Under)										
Expenditures	(3,441,512)	(5,504,102)	(6,231,690)	1,676,503	(2,324,198)	(941,386)	(1,594,788)	458,010	85,899	(361,253)
Other Financing Sources (Uses)										
Contributions	384,662	63,156	42,038	466,113	92,070	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-	236,282
Forgiveness of Golf Course Debt	-	-	-	-	-	-	-	(723,756)	-	-
Bond Proceeds less refunding	-	3,642,438	-	7,500,000	-	-	41,661	-	-	-
Insurance Proceeds	74,359	138,900	27,651	26,597	323,677	-	-	-	-	-
Sale of Capital Assets	8,404	16,684	3,661	15,966	-	-	-	-	-	-
Operating Transfers In (Out)	1,396,522	1,071,241	685,674	887,035	826,907	846,667	(274,229)	-	16,360	(36,900)
Total Other Financing Sources (Uses)	<u>1,863,948</u>	<u>4,932,419</u>	<u>759,024</u>	<u>8,895,711</u>	<u>1,242,654</u>	<u>846,667</u>	<u>(232,566)</u>	<u>(723,756)</u>	<u>16,360</u>	<u>199,382</u>
Net Change in Fund Balance	<u>\$ (1,577,564)</u>	<u>\$ (571,684)</u>	<u>\$ (5,472,666)</u>	<u>\$ 10,572,214</u>	<u>\$ (1,081,544)</u>	<u>\$ (94,719)</u>	<u>\$ (1,827,356)</u>	<u>\$ (265,746)</u>	<u>\$ 102,259</u>	<u>\$ (161,871)</u>
Debt Service as a Percentage of Non-Capital Expenditures	5.5%	4.8%	3.6%	4.3%	4.9%	5.7%	12.6%	8.0%	8.8%	9.4%

CITY OF GALLATIN, TENNESSEE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2010	\$ 481,576,505	\$ 292,048,521	\$ 147,620,244	\$ 16,629,000	\$ 921,245,270	\$ 0.99	\$ 3,094,180,851	30.31%
2009	476,514,105	279,698,996	147,585,680	16,697,225	903,798,781	0.99	3,043,499,576	30.24%
2008	407,007,808	227,005,136	138,774,920	7,559,875	772,787,864	1.12	2,634,149,025	29.62%
2007	376,719,045	208,883,100	142,513,175	6,878,800	728,115,320	1.12	2,458,859,601	29.89%
2006	325,228,750	167,318,360	90,694,760	7,680,475	671,943,489	1.12	2,241,616,040	30.32%
2005	257,565,075	165,853,357	127,310,752	7,060,850	550,729,184	1.12	1,723,983,000	32.35%
2004	228,441,075	155,217,655	125,455,607	9,688,400	500,954,000	1.12	1,669,847,000	30.58%
2003	215,819,650	149,037,416	128,301,776	9,293,025	411,054,000	1.32	1,370,180,000	30.68%
2002	177,278,350	129,454,653	96,245,048	7,428,025	389,872,000	1.32	1,299,573,000	30.57%
2001	169,198,475	111,780,363	100,653,926	7,954,675	368,033,000	1.32	1,226,777,000	30.65%
2000	157,536,700	112,529,968	89,407,406	7,041,225	350,607,000	1.32	1,168,690,000	30.60%
1999	150,550,275	103,453,530	56,215,759	7,173,675	320,837,000	1.32	1,069,457,000	30.67%

Source: State Board of Equalization.

Note: Property is appraised in Tennessee with the following assessment ratios:

<u>Taxable Property</u>	<u>Legal Assessment Ratio</u>
Locally Assessed Real Property:	
Industrial and Commercial	40%
Residences and Farms	25%
Personal Tangible Property	30%
Agriculture, Open Space Land Act	25%
Locally Assessed Public Utility	55%

State assessed public utility assessments are equalized assessments certified by the Tennessee Public Service Commission. Public utility appraised values are calculated on the basis the public utility assessments average 55% of appraised value.

See auditors' report.

CITY OF GALLATIN, TENNESSEE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate		Overlapping Rate
	Basic Rate	Total Direct	
2010	\$ 0.99	\$ 0.99	\$ 2.02
2009	0.99	0.99	2.02
2008	1.12	1.12	2.28
2007	1.12	1.12	2.28
2006	1.12	1.12	2.28
2005	1.12	1.12	2.59
2004	1.12	1.12	2.59
2003	1.32	1.32	2.54
2002	1.32	1.32	2.54
2001	1.32	1.32	2.54

Source: State Board of Equalization.

Note: Taxes are assessed as of January 1 and are due on October 1 for City and County. Taxes are delinquent on March 1 for City and County.

CITY OF GALLATIN, TENNESSEE
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GAP	\$ 47,080,096	1	5.11%
Hoeganaes	20,709,283	2	2.25%
Stoneridge	11,615,427	3	1.26%
R. R. Donelley	10,664,321	4	1.16%
Sumner Regional	10,152,805	5	1.10%
Insteel	8,097,951	6	0.88%
Wellington Farms	6,718,440	7	0.73%
Walmart	5,845,941	8	0.63%
Lowe's	4,989,915	9	0.54%
Bellsouth	4,145,566	10	0.45%
Total	\$ 130,019,745		14.11%

Taxpayer	2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Hoeganaes Corp.	\$ 20,402,553	1	5.54%
Donnelley Printing Company	7,380,749	2	2.01%
Bosch	6,776,352	3	1.84%
Insteel	5,318,305	4	1.45%
GAP	7,006,353	5	1.90%
Bell South	5,126,357	6	1.39%
Sumner Regional Hospital	4,528,806	7	1.23%
Crescent	4,128,425	8	1.12%
G. F. Furniture	3,754,521	9	1.02%
Wal-Mart	3,676,047	10	1.00%
Total	\$ 68,098,468		18.50%

See auditors' report.

CITY OF GALLATIN, TENNESSEE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year(a)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 9,120,328	8,794,819	96.43%	427,296	\$ 9,222,115	101.12%
2009	8,947,608	8,743,629	97.72%	580,356	9,323,985	104.21%
2008	8,655,224	8,284,247	95.71%	175,939	8,460,186	97.75%
2007	7,620,697	7,394,843	97.04%	268,278	7,663,120	100.56%
2006	6,286,061	6,023,784	95.83%	144,187	6,167,971	98.12%
2005	5,887,040	5,732,482	97.40%	215,372	5,947,854	101.03%
2004	5,613,048	5,394,388	96.10%	192,497	5,586,885	99.53%
2003	5,444,722	5,196,914	95.40%	246,140	5,443,054	99.97%
2002	5,169,455	4,957,912	95.90%	179,616	5,137,528	99.38%
2001	4,853,452	4,641,392	95.60%	119,950	4,761,342	98.10%

Source: (a) Per the Sumner County Tax Assessor's office

CITY OF GALLATIN, TENNESSEE
Water Sold by Type of Customer
Last Ten Fiscal Years

Type of Customer	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Residential	3,772,964	3,725,171	3,210,020	2,871,581	3,469,476	3,358,216	3,022,187	2,582,648	2,425,164	2,259,452
Industrial	-	-	-	-	-	-	-	-	-	-
Commercial	1,670,606	1,559,235	1,518,685	1,408,490	697,085	748,850	672,222	561,478	410,448	413,536
Military	-	-	-	-	-	-	-	-	-	-
Government	521,150	444,821	366,092	356,613	388,501	394,422	352,882	323,332	264,611	197,147
Total	5,964,720	5,729,227	5,094,797	4,636,684	4,555,062	4,501,488	4,047,291	3,467,458	3,100,223	2,870,135
Total Direct Rate per 250 cu. ft.	\$ 8.75	\$ 7.80	\$ 6.50	\$ 6.50	\$ 6.50	6.10	5.50	5.50	5.30	5.10

Source: David Gregory-Utility Superintendent

** Rates were tracked by different type of customer in years 2005 and prior

CITY OF GALLATIN, TENNESSEE
Water and Sewer Rates
Last Ten Fiscal Years

Water

Fiscal Year	Inside City Rates				Outside City Rates			
	First 250	Next 750	Next 2,000	Next 3,000	First 250	Next 750	Next 2,000	Next 3,000
	Cubic Feet (minimum)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (minimum)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)
2010	\$ 8.75	\$ 2.35	\$ 2.35	\$ 2.35	\$ 13.13	\$ 3.53	\$ 3.53	\$ 3.53
2009	7.80	2.15	2.15	2.15	11.70	3.23	3.23	3.23
2008	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2007	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2006	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2005	6.10	1.70	1.70	1.70	9.15	2.55	2.55	2.55
2004	5.50	1.60	1.60	1.60	8.25	2.40	2.40	2.40
2003	5.50	1.50	1.40	1.40	8.25	2.25	2.10	2.10
2002	5.30	1.40	1.30	1.20	7.95	2.15	1.95	1.80
2001	5.10	1.30	1.20	1.00	7.65	1.95	1.80	1.50

Sewer

Fiscal Year	Inside City Rates				Outside City Rates			
	First 250	Next 750	Next 2,000	Next 3,000	First 250	Next 750	Next 2,000	Next 3,000
	Cubic Feet (minimum)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (minimum)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)	Cubic Feet (per 100CF)
2010	\$ 8.75	\$ 2.35	\$ 2.35	\$ 2.35	\$ 13.13	\$ 3.53	\$ 3.53	\$ 3.53
2009	7.80	2.15	2.15	2.15	11.70	3.23	3.23	3.23
2008	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2007	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2006	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2005	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2004	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2003	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2002	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70
2001	6.50	1.80	1.80	1.80	9.75	2.70	2.70	2.70

Tapping Fees

Meter Size	Connection Fees		Installation Fees	
	Inside	Outside	Inside	Outside
5/8 x 3/4	\$ 300	\$ 350	\$ 200	\$ 250
1"	350	400	300	350
2"	700	800	1,000	1,500
4"	1,400	1,600	*	*
6"	1,700	1,900	*	*
8"	2,500	3,000	*	*
10"	4,000	5,000	*	*
12"	6,000	8,000	*	*

* On meter sizes above 4", the developer shall be responsible for the entire cost of installation including materials, equipment and labor, as determined by the Water Department job cost records. Either the developer or the City may install the tap. If the developer installs the tap, it must be according to the City's material and inspection specifications.

Inspection Fee: \$25
 Sewer Connection

Private Fire Protection:
 Service to Private Hydrant \$300 per hydrant
 Service to Sprinkler System \$2 per head

Number of Water and Sewer Customers 13,526

Gallatin Public Utilities
 Schedule of Unaccounted For Water
 July, 2009 to June, 2010

(All amounts in gallons)

A Water Treated and Purchased		
B Water Pumped (potable)	2,367,346,000	
C Water Purchased	<u>0</u>	
D Total Water Treated and Purchased		<u>2,367,346,000</u>
(Sum Lines B and C)		
E Accounted for Water:		
F Water Sold	1,707,601,449	
G Metered for Consumption (in house usage)	<u>92,895,639</u>	
H Fire Department(s) Usage	<u>77,000</u>	
I Flushing	<u>8,527,766</u>	
J Tank Cleaning/Filling	<u>0</u>	
K Street Cleaning	<u>26,875</u>	
L Bulk Sales	<u>0</u>	
M Water Bill Adjustments	<u>13,011,014</u>	
N Total Accounted for Water		<u>1,822,139,743</u>
(Sum Lines F thru M)		
O Unaccounted for Water		<u>545,206,258</u>
(Line D minus Line N)		
P Percent Unaccounted for Water		<u>23.030%</u>
(Line O divided by Line D times 100)		

Q Other (explain)

See Below

Explain Other:

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if line item is not applicable, a "0" is shown.



CITY OF GALLATIN, TENNESSEE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Industrial Rev and Tax Bonds	Sales Tax Increment Bonds	Lease Revenue Bonds	Term Loan Payable	Water Bonds	Term Loan Payable	Certificates of Participation	Capital Leases				
2010	\$ 8,865,000	-	-	-	\$ 3,480,000	\$ 32,666,168	\$ 993,202	-	-	\$ 46,004,370	100743.17%	1,960.55	
2009	13,105,000	-	-	-	-	33,864,444	1,117,352	-	-	48,086,796	98150.34%	1,952.29	
2008	9,730,000	-	-	-	-	7,360,000	-	-	-	17,090,000	34609.85%	529.02	
2007	10,140,000	-	-	-	-	7,900,000	-	-	-	18,040,000	55842.75%	754.28	
2006	3,415,000	-	-	-	-	8,445,000	-	-	-	11,860,000	40506.85%	495.88	
2005	4,175,000	-	-	-	-	8,940,000	-	-	-	13,115,000	45946.61%	548.35	
2004	4,925,000	-	-	-	-	9,430,000	-	-	-	14,355,000	52371.40%	617.95	
2003	6,359,490	-	-	-	-	4,428,309	-	-	-	10,787,799	40816.49%	464.39	
2002	7,214,645	-	-	-	-	4,754,755	-	-	-	11,969,400	46222.82%	515.26	
2001	7,951,667	185,000	-	-	-	5,029,334	-	-	-	13,166,001	54114.27%	566.77	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See page 68 for personal income and population data. These ratios are calculated using the personal income and population for the prior calendar year.

CITY OF GALLATIN, TENNESSEE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding (000 omitted)			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total		
2001	7,021	-	7,021	1.91%	0.30
2002	6,210	-	6,210	1.59%	0.27
2003	5,467	-	5,467	1.33%	0.24
2004	4,925	-	4,925	0.98%	0.21
2005	4,175	-	4,175	0.81%	0.17
2006	3,510	-	3,510	0.52%	0.15
2007	10,140	-	10,140	1.39%	0.42
2008	9,730	-	9,730	1.25%	0.20
2009	13,105	-	13,105	1.48%	0.53
2010	8,865	-	8,865	0.96%	0.38

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. The City of Gallatin, TN, has no legal debt limit set by State law or City ordinance. See page 57 for property value data. Population data can be found on page 68.

CITY OF GALLATIN, TENNESSEE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

<u>Governmental Unit</u>	<u>(000's) Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
City of Gallatin	\$ 44,610	100.00%	\$ 44,610
Sumner County	137,500	8.15%	11,205
Other Debt	-	0.00%	-
Subtotal, overlapping debt			55,815
Total direct and overlapping debt			<u>\$ 55,815</u>

Source: Assessed value data used to estimate applicable percentages provided by the Tennessee Comptroller of the Treasury website. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Gallatin. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

*Assessed Value of Property:

County	\$ 210,165,750	
City	\$ 17,127,350	\$ 0.0815

CITY OF GALLATIN, TENNESSEE
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ -
Debt limit (XX% of assessed value)	-
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal Debt Margin	\$ -

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Note: Currently, neither the State of Tennessee nor the City of Gallatin have a legal limitation on borrowing. The City is only subject to the lenders' debt ratios. In general, the limit would be 20-25% of the budgeted revenues.

CITY OF GALLATIN, TENNESSEE
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						Special Assessment Bonds				Sales Tax Increment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	Sales Tax Increment	Principal	Interest	Coverage
				Principal	Interest			Principal	Interest					
2010	9,822,137	8,942,264	879,873	905,000	1,286,094	-	-	-	-	-	-	-	-	-
2009	9,371,205	5,955,230	3,415,975	940,000	1,392,100	-	-	-	-	-	-	-	-	-
2008	8,529,877	5,387,709	3,142,168	640,000	261,699	-	-	-	-	-	-	-	-	-
2007	7,961,528	4,774,065	3,187,463	545,000	280,282	-	-	-	-	-	-	-	-	-
2006	7,133,277	4,224,096	2,909,181	495,000	295,883	-	-	-	-	-	-	-	-	-
2005	7,218,859	3,719,666	3,499,193	490,000	320,726	-	-	-	-	-	-	-	-	-
2004	6,656,633	3,509,046	3,147,587	328,309	203,193	-	-	-	-	-	-	-	-	-
2003	5,994,631	3,514,308	2,480,323	326,444	216,588	-	-	-	-	-	-	-	-	-
2002	5,874,412	3,467,408	2,407,004	274,579	228,708	-	-	-	-	-	-	-	-	-
2001	5,362,392	3,271,285	2,091,107	268,986	240,282	-	-	-	-	-	-	-	-	-

Note: 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 the time.

CITY OF GALLATIN, TENNESSEE
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (d)</u>	<u>Median Age (a)</u>	<u>County School Enrollment (b)</u>	<u>County Unemployment Rate (c)</u>
2010	28,677 (f)	162,527 (a)	45,665	23,465	38.1	27,177	9.78%
2009	28,198 (f)	159,013 (a)	48,993	24,631	37.9	26,493	7.90%
2008	27,569 (f)	156,533 (a)	49,379	25,370	37.7	26,528	5.90%
2007	23,917 (f)	130,449 (a)	34,696	32,305	35.5	26,528	3.80%
2006	23,917 (f)	130,449 (a)	34,696	29,279	35.5	26,111	3.30%
2005	23,917 (f)	130,449 (a)	34,696	28,544	36.5	25,528	4.10%
2004	23,230 (a)	130,449 (a)	34,696	27,410	36.5	24,596	4.70%
2003	23,230 (a)	130,449 (a)	34,696	26,430	35.5	24,069	4.10%
2002	23,230 (a)	130,449 (a)	34,696	25,895	35.5	23,951	3.90%
2001	23,230 (a)	130,449 (a)	34,696	24,330	36.1	23,044	4.50%

Sources: The above information is obtained from the following:

- (a) Census Bureau
- (b) Sumner County School Board
- (c) Tennessee State Department of Labor, Statistical Services
- (d) State Estimate
- (e) Special Census by City
- (f) Special Census by Federal Bureau of Census

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
Principal Employers
Current Year and Nine Years Ago

		2010	
Employer	Employees	Rank	Percentage of Total City Employment
Sumner Regional Health Systems	1,003	1	8.87%
Gap, Inc.	990	2	8.75%
Volunteer State Community College	750	3	6.63%
Servpro Industries, Inc.	278	4	2.46%
ABC Group Fuel Systems	263	5	2.32%
R. R. Donnelley & Sons	250	6	2.21%
ABC Technologies / Salga Plastics	200	7	1.77%
Jamison Bedding	175	8	1.55%
Charles C. Parks	174	9	1.54%
Hoeganaes	147	10	1.30%
	<u>4,230</u>		<u>37.39%</u>

		2001	
Employer	Employee	Rank	Percentage of Total City Employment
The Gap	1,359	1	13.52%
Sumner Regional Medical Center	700	2	6.96%
R. R. Donnelley & Sons	600	3	5.97%
Bosch Automotive	517	4	5.14%
Fleetwood Homes	400	5	3.98%
G. F. Business Equipment	389	6	3.87%
Reliant Building	294	7	2.93%
Crescent Manufacturing	250	8	2.49%
Western Reserve	200	9	1.99%
Hoeganaes	180	10	1.79%
	<u>4,889</u>		<u>48.64%</u>

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

CITY OF GALLATIN, TENNESSEE
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government:										
Mayor's Office	3	3	2	2	4	3	2	N/A	N/A	N/A
Planning (Combined in 2010)	0	6	7	7	6	5	5	N/A	N/A	N/A
Finance	5	4	5	5	5	5	5	5	5	5
City Attorney	3	3	3	2	2	2	2	N/A	N/A	N/A
Recorder	7	7	5	5	4	3	4	N/A	N/A	N/A
Personnel	2	2	2	3	3	3	3	N/A	N/A	N/A
Codes	14	8	9	9	7	7	5	N/A	N/A	N/A
Economic Development Agency	2	2	2	2	2	2	2	N/A	N/A	N/A
Information Technology	3	3	3	2	-	-	-	N/A	N/A	N/A
Public Safety:										
Police	90	90	81	82	75	73	74	N/A	N/A	N/A
Fire	58	58	55	55	50	50	43	N/A	N/A	N/A
Public Works										
	47	45	45	45	41	41	39	N/A	N/A	N/A
Leisure Services										
	29	29	22	22	20	20	19	N/A	N/A	N/A
Engineering										
	5	5	5	5	4	5	5	N/A	N/A	N/A
Public Utilities										
	84	79	80	80	64	64	63	N/A	N/A	N/A
Golf Course										
	0	0	8	8	8	8	9	N/A	N/A	N/A
Total	352	344	334	334	295	291	280	271	267	267

Source: 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)

CITY OF GALLATIN, TENNESSEE
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Police										
Physical arrests	5,450	6,019	6,277	6,678	7,363	8,154	7,293	4,856	5,204	5,244
Parking violations	815	1,216	1,538	1,305	1,124	1,429	1,276	1,208	1,267	1,457
Traffic violations	27,906	28,272	23,022	27,769	32,685	35,499	16,013	6,000	7,646	9,771
* Red Light Camera Citations	13,610	10,790	16,021	14,125	N/A	N/A	N/A	N/A	N/A	N/A
Fire										
Emergency responses	2,474	1,901	2,456	2,043	874	756	730	726	761	810
Fires extinguished	95	82	125	97	76	113	83	101	112	137
Inspections	810	942	1,500	5,602	2,351	1,858	2,035	2,676	2,823	1,601
Animal Control										
Animals Restrained	967	1,187	796	810	939	997	760	N/A	N/A	N/A
Highways and Streets										
Street resurfacing (miles)	1	7	14	14	6	2	9	9	8	N/A
Potholes repaired	398	273	344	455	N/A	N/A	N/A	N/A	N/A	N/A
Other Public Works										
Utility cuts repaired	122	147	154	130	218	N/A	N/A	N/A	N/A	N/A
Parks and Recreation										
Athletic field permits issued	N/A									
Community center admissions	220,000	220,000	250,000	240,000	235,000	225,000	220,000	220,000	220,000	220,000
Community Service										
Number of organization benefited	16	17	15	15	15	15	12	12	14	17
Number of services benefited	4	4	5	5	6	3	3	3	3	4
Environmental Services										
Tons hauled	11,420	11,376	11,690	11,890	12,278	11,041	10,950	10,518	9,949	9,793
Water										
New connections	183	288	378	470	477	544	335	N/A	N/A	N/A
Water main breaks	50	62	56	48	39	44	31	55	66	59
Average daily consumption (thousands of gallons)	6,794	6,742	7,074	6,054	6,046	6,227	6,400	6,169	6,726	6,250
Peak daily consumption (thousands of gallons)	7,233	8,108	9,616	9,959	8,535	7,879	7,707	8,235	8,100	8,100
Sewer										
Average daily treatment (thousands of gallons)	5,392	5,172	4,550	5,225	4,698	5,183	5,200	5,119	4,630	4,014
Electric										
Average daily consumption (thousands of kilowatt hours)	2,140	1,858	2,161	2,062	2,092	2,024	2,089	2,016	1,900	2,025
Natural Gas										
Average Daily Consumption:										
Summer -April/October (thousands of cubic feet)	4,068	3,746	4,311	3,509	3,572	3,986	3,989	4,077	3,816	3,382
Winter-November/March (thousands of cubic feet)	7,860	7,401	7,664	7,377	6,930	7,520	7,903	8,042	6,538	6,500
Golf										
Rounds Played	46,000	46,000	45,000	45,728	44,091	41,642	46,415	41,888	44,931	46,079

Sources: Various city departments

Notes: Indicators are not available for the general government function.

CITY OF GALLATIN, TENNESSEE
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
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	71	67	62	61	59	54	60	58	64	54
Fire										
Stations	3	3	3	3	3	3	2	2	2	2
Fire trucks	9	9	9	9	9	9	7	7	7	6
Animal Control										
Trucks	2	2	2	1	1	1	1	1	1	1
Highways and Streets										
Streets (miles)	186	184	182	185	184	182	180	179	177	177
Streetlights	3,562	3,322	3,443	3,266	3,230	3,141	N/A	N/A	N/A	N/A
Traffic signals	330	329	320	251	251	N/A	N/A	N/A	N/A	N/A
Sidewalks (miles)	37	35	33	33	29	28	27	27	25	25
Parks and Recreation										
Acreage	532	532	486	486	486	486	486	486	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	19	19	19	19	19	15
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	4	4	4	4	4	4
Picnic Shelters	13	13	13	13	13	13	11	11	11	11
Tennis Courts	6	6	6	6	9	9	9	9	9	9
Horseshoe Pits	9	9	9	9	9	9	9	9	9	9
Fishing Piers	2	2	2	2	2	2	2	2	2	2
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Walking Trail (miles)	4	4	4	4	3	3	3	1	1	1
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						
Environmental Services										
Refuse Trucks	17	16	15	13	13	N/A	N/A	N/A	N/A	N/A
Mobile Toters	11,637	11,529	11,221	10,786	10,467	N/A	N/A	N/A	N/A	N/A
Water										
Water mains (miles)	336	335	333	325	319	218	213	209	206	202
Fire hydrants	1,850	1,828	1,802	1,760	1,715	1,610	1,460	1,400	1,350	1,300
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	8,000	8,000	8,000	8,000	8,000
Percent of Water Loss in System	23	22	12	7	4	6	9	6	8	9
Sewer										
Sewer mains (miles)	217	217	216	196	327	178	171	165	163	157
Pump Stations	37	37	37	37	32	33	31	29	26	24
Natural Gas										
Gas lines (miles)	359	355	350	338	328	313	305	300	345	335
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

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

Internal Control and Compliance

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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

To the Honorable City Council and Mayor
City of Gallatin, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gallatin, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City of Gallatin, Tennessee's basic financial statements and have issued our report thereon dated February 10, 2011. Our report includes a reference to 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. Other auditors audited the financial statements of the Gallatin Department of Electricity ("Electric Fund"), as described in our report on the City of Gallatin, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Gallatin, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 10-1 to 10-2 described in the accompanying schedule of findings and questions costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gallatin, Tennessee'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are in the accompanying schedule of findings and questioned costs as items 10-3 to 10-5.

We noted certain additional matters that we reported to management of City of Gallatin, Tennessee, in a separate letter dated February 10, 2011.

The City of Gallatin, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Gallatin, Tennessee's response and, accordingly, we express no opinion on it.

Findings reported in the previous year 09-1 (audit adjustments) has been modified and/or repeated in the accompanying schedule of findings and questioned costs. Finding 09-2 (segregation of duties – cash receipts) and 09-4 (cash deposits) have been corrected. Finding 09-3 (grant/tracking reporting system) have been modified and repeated as other comment in the report on additional matters dated February 10, 2011.

This report is intended solely for the information and use of the State of Tennessee, Comptroller of the Treasury's office, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parker, Parker & Associates

February 10, 2011

Parker, Parker & Associates, PLC

Certified Public Accountants

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Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor
and the Members of the City Council
Gallatin, Tennessee

Compliance

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

The City of Gallatin, Tennessee's basic financial statements include the operations of the Gallatin Department of Electricity (Electric Fund), which is not included in the schedule of federal awards and state financial assistance during the year ended June 30, 2010. Our audit, described below, did not include the operations of the Electric Fund because the fund was audited by other auditors.

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

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

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the City Council, management, the State of Tennessee, Division of Municipal Audit and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Parker, Parker & Associates

February 10, 2011

Parker, Parker & Associates, PLC

Certified Public Accountants

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CITY OF GALLATIN, TENNESSEE Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2010

Department of Transportation, Federal Highway Administration – CFDA 20.205

Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program - Department of Transportation CFDA No. 20.205

09-1. **AUDIT ADJUSTMENTS** (modified and repeated from 08-1.)

Summary of Condition: During the audit, we proposed 29 entries to the modified-cash basis for governmental funds and full accrual basis for enterprise funds for a total net income effect of \$13,894,221. For the conversion from modified-cash to full accrual basis for the government-wide financial statements, we proposed eight entries for a total net income effect of \$4,219,479.

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates within a material amount.

Current Status: The finding has been modified and repeated as finding 10-2. The finding for the current year has not been repeated as a finding for the major program audited in the schedule of findings and questioned costs.

09-2. **SEGREGATION OF DUTIES – CASH RECEIPTS**

Summary of Condition: Duties related to cash receipts are not adequately segregated. All cash receipts collected at city hall are receipted by the various departments to the customer and recorded in various department sub ledgers that are not integrated with the City's general ledger. During our testing of cash receipts, we noted it was difficult to retrace the composition of deposits provided by various departments to the deposit slips and supporting documentation maintained by finance and recorded in the general ledger.

Recommendation: The cash receipts process should be reviewed by management. The process and individuals involved in the process should be segregated to ensure there is proper segregation of duties. The finance department should consider shifting duties between personnel to eliminate the weakness or having the various departments to reconcile the cash deposited and amount recorded in the general ledger daily to their original documentation forwarded to finance.

Current Status: The finding has been corrected.

09-3. **GRANT TRACKING/REPORTING SYSTEM** (modified and repeated from 08-6)

Summary of Condition: There is presently no central reporting repository for all grant activity to produce the state and federally required Schedule of Expenditures of Federal and State Assistance and to reconcile that schedule to the cash receipts and disbursements recorded in the general ledger. As a result, the Schedule has historically been prepared during the audit. This is a deficiency in internal control. For the year ended June 30, 2009, the city expended more than \$500,000 in federal funds which required additional auditing and reporting requirements. Because the city had not prepared the Schedule of Expenditures of Federal and State Assistance, this fact was unknown until several months after year-end. When the schedule was prepared, as part of the audit, adjustments were made to the general ledger in the amount of \$394,502 for modified-cash basis and an additional \$450,787 for full accrual (See finding 09-1 above).

Recommendation: The city should implement a process of grant tracking and reporting where a centralized position collects the information for cash receipts, disbursements and grants receivable/payable from the various departments and produces the Schedule of Expenditures of Federal and State Assistance. The schedule should be reconciled to the general ledger at least annually. We further recommend examining the chart of accounts to determine if separate expenditures accounts should be used for grantor funds versus matching funds. This might make reconciliation to the general ledger less time-consuming.

Current Status: The finding has been modified and repeated as an other comment 10-6. The finding for the current year has not been repeated as a finding for the major program audited in the schedule of findings and questioned costs.

Findings and Questioned Costs- Major Federal Award Program Audit – Compliance and Other Matters for major program - Department of Transportation CFDA No. 20.205

None identified.

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CITY OF GALLATIN, TENNESSEE Schedule of Findings, Questioned Costs and Responses For the Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

- The auditors' report expresses an unqualified opinion on the financial statements of the City of Gallatin, Tennessee.
- Two material weaknesses were identified during the audit of the financial statements. No significant deficiencies were reported during the audit of the financial statements.
- Two instances of noncompliance material to the financial statements of the City of Gallatin, Tennessee were disclosed during the audit.

Federal Awards

- No material weaknesses were identified during the audit of the major federal award programs. No significant deficiencies identified were reported during the audit of the major federal award programs.
- The auditors' report on compliance for the major federal award programs for the City of Gallatin, Tennessee expresses an unqualified opinion on all major federal programs.
- Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- The programs tested as major programs included: Department of Transportation, Federal Highway Administration ARRA CFDA No. 20.205.
- The threshold for distinguishing Types A and B programs was \$300,000.
- The City of Gallatin, Tennessee did not qualify as a low-risk auditee.

Findings- Financial Statements Audit – Internal Control

10-1. INTERNAL CONTROL DESIGN – CITY RECORDER'S OFFICE

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

Condition: The City Recorder's office implemented new software during the fiscal year ended June 30, 2010. With the implementation of the new software, the City Recorder's office changed the daily process for collection of cash receipts and daily close-out procedures. The new software provides modules for business and other taxes, court, and miscellaneous receipts. A module for the collection of property taxes was added after year-end. The intent is that the cash receipts would be entered into the software once (in the City Recorder's office) and uploaded directly into the general ledger daily.

The end result of these changes caused us to note the following items during our audit fieldwork procedures.

- All users of the system in the City Recorder's office were set up with unique login usernames and passwords during the implementation of the software. This internal control was designed so that at the end of each day, each user would have to balance their cash receipts entered into the software with the cash receipts in the cash register by type of receipt (i.e. Cash, credit card, check, etc.) in order to balance for the day. We noted that users shared login on the system and that login's of employees of the information technology department were used to receipt routinely. As a result, each cashier was not able to balance daily their cash receipts to what they had entered into the software. Also, each cashier

did not have a separate “drawer” or cash register for their own collections, making daily reconciliation difficult.

- We also noted that the cashier’s did not consistently enter in the proper type of cash receipt (i.e. Cash, credit card, check, etc.). We also noted that cashiers would “make change” or cash personal checks using the cash register. The end result was that the deposit slips that went to the bank and were turned into the finance department daily did not match the composition on the reports from the City Recorder’s office. We selected 20 deposits from the City Recorder’s office to test during 2010. We were unable to verify the composition of 17 of those deposits. During fieldwork, the City Recorder’s office researched those 17 deposits and provided explanations of errors in data entry to explain 9 of the discrepancies. The remaining 8 could not be explained. This represents a fraud risk for potential misappropriation of cash receipts.
- The Finance department routinely noted that the reports provided from the City Recorder’s office daily to support the cash receipts were changed by marking out system generated numbers and handwriting numbers on the reports to balance. Because of errors found with this process, the finance department did not rely on the cash receipts entered by the City Recorder’s office and did not upload that detail daily into the general ledger. The finance department re-entered the information in summary form into the general ledger daily. Cash receipts were entered into the software twice (once in the City Recorder’s office and once in Finance), which is inefficient.
- The new software requires daily reports to be archived for historical purposes. Certain reports, if not archived cannot be recreated at a later date. The system is supposed to be set up so that default paths are created to store archived reports. We noted that all reports recommended to be archived daily were not archived. We also noted that the default paths had not been properly set up for archived reports. We noted that the few reports that had been archived to various locations on the network were not labeled or organized in such a way to make research easy.
- Property tax reports in the City Recorder’s office were not reconciled to the corresponding general ledger accounts for the various components including property taxes receivable (current and delinquent), interest and penalties, etc. Material adjustments were required to correct the general ledger during the audit.

Questioned Costs: All cash receipts collected through the City Recorder’s office. Amount undetermined.

Context: Identified as part of our obtaining and understanding of the City and its environment including internal control.

Effect: Material Weakness in design of internal control. Fraud risk related to misappropriation of cash receipts.

Cause: Lack of proper design of internal control and training on new software to provide for segregation of duties over cash receipts.

Recommendation: We recommend the City Recorder implement the following to strengthen the internal control process and address the issues described above:

- Each cashier should daily log onto the system using their assigned username and password. Usernames for personnel not involved in the cash receipting process (i.e. Information technology department) should be deactivated or passwords should be changed so that cashier’s do not have access to those logins.

- Cashiers should each be assigned their own drawer or cash register that they are responsible for. Cashiers should not share these or work out of another cashier's till. They should start and end each day with a consistent amount of change.
- At the end of each day, each cashier should be trained on the daily closing process. Each cashier should run their own reports and reconcile those reports by composition (i.e. Cash, credit card, check, etc.) to their cash drawer or register. Once each cashier has balanced, the reports should be run in total for the day and the funds should be prepared for deposit. If this process is implemented correctly, each cashier should identify most keying errors on their own. This should make the information more reliable for finance.
- Once finance is confident the process has been implemented properly, finance should allow the transactions to be uploaded into the general ledger directly from the City Recorder's office and stop entering in summary format.
- The City Recorder should work with the software provider to determine what reports should be archived on a daily, monthly and annual basis. The report path should be set for each user and the appropriate reports should be archived. These reports should be labeled and organized in the archive folders in a manner that allows for easy research and retrieval.
- Property tax reports should be reconciled to the various general ledger accounts monthly by the City Recorder's office to ensure that no adjustment is necessary in the general ledger.

Views of Management and planned corrective action: Management concurs. Management has implemented a number of changes to improve the internal controls within the Recorder's office. Each employee now uses her own personal login and password. Each employee now has her own cash drawer that is balanced at the end of each day. Daily deposits are made intact. An internal form has been created that is signed off by two employees confirming the cash that is included with each deposit. Employees are taking more care to insure that payment types are entered correctly. Employees have received additional instruction on proper procedures and will continue to make improvements in the process. Management continues to track the activity of each employee and has taken steps to reprimand employees who repeatedly fail to perform properly.

10-2. AUDIT ADJUSTMENTS (*modified and repeated from 09-1.*)

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

Condition: The city maintains the books throughout the year on a modified-cash basis and then adjustments are made during the audit to convert from modified to full accrual. Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatement. During the audit, we proposed 24 entries to the modified-cash basis for governmental funds and full accrual basis for enterprise funds for a total net income effect of (\$5,135,204). For the conversion from modified-cash to full accrual basis for the government-wide financial statements, we proposed eight entries for a total net income effect of \$5,254,179.

Questioned Costs: (\$5,135,204)

Context: Identified as part of our audit fieldwork.

Effect: Material Weakness in internal control.

Cause: Books were not adjusted during final year-end closing process. Of the (\$5,135,204) above, approximately \$5,278,823 was related to construction of the wastewater treatment plant accounted for in a major capital projects fund.

Recommendation: Management should review the adjustments made during the audit to determine what entries should be recorded during the fiscal year prior to beginning the annual audit. Most of these entries could be determined by management prior to the audit and recorded as estimates within a material amount.

Views of Management and planned corrective action: Management will make every effort to post year-end entries prior to the beginning of the audit process.

Findings- Financial Statements Audit – Compliance

10-3. COMPETITIVE BIDDING (modified and repeated from 09-5)

Criteria: According to the 1983 Municipal Purchasing Law, the city is required to comply with state law regarding competitive bidding practices and recordkeeping.

Condition: Within our audit sample of 183 expenditure transactions and examination of every vendor paid more than \$10,000 for the fiscal year, we noted multiple occurrences where competitive bidding (for purchases over \$10,000) should have occurred. We were unable to review supporting documentation of bids for several transactions discussed below. In addition, we noted instances where vendors were using old bids for work performed in the current year. We also noted that not all bids are opened at a central location using standard procedures and including the city purchasing manager in the process. Procedures and recordkeeping vary by the department requesting the bid.

- The Leisure Services department of the general fund did not competitively bid the contract for HVAC services, purchase of pool chemicals, purchase of a replacement sauna at the Civic Center, and the purchase of new granite tee signs at the golf course. All of these vendors were paid more than \$10,000 during the year ended June 30, 2010. While the purchase of the volume of pool chemicals will vary from year to year, the city should be able to budget and prepare a bid request that allows for annual pricing of the types of chemicals required.
- While reviewing telephone bids for certain items within the Leisure Services department including marketing materials (t-shirts, printed items, etc.) and catering services we noted that the documentation was not sufficient to determine the dates, times, and persons talked with to make a decision about whether the telephone bids were adequate.
- Paving contracts for jobs that are not part of a larger construction project that is being bid exceeded \$10,000 for the year and were not competitively bid. While this annual paving will vary from year to year, the city should be able to budget and prepare a bid request that allows for annual pricing of these jobs.
- The Water and Sewer Fund has been using an “emergency purchase” (as defined in the 1983 Municipal Purchasing Law) for sludge removal for more than twelve months. A contract dated December 5, 2005 is being used to award these services to an individual who passed away during 2010. The contract was assigned to his estate. The city is in the process of building a facility to deal with sludge internally, but until that facility is complete this service should be competitively bid. Subsequent to year-end, this contract was rebid. The purchasing manager was not present at the bid opening and did not initial the bid documentation.

Questioned Costs: see above

Context: Identified as part of our audit testing process.

Effect: Not in compliance with state law.

Cause: The City has a purchasing manager, who has worked to develop standard processes and documentation procedures to ensure the 1983 Municipal Purchasing Law purchasing requirements are met. Not all departments are using the purchasing manager for all transactions.

Recommendation: We recommend the city require the purchasing manager be involved in every purchase requiring competitive bidding (transactions over \$10,000). In situations where the expertise of the various departments is required, the purchasing manager should be involved in a more limited way but at a minimum should be present at every bid opening and should initial all

bid and award documentation. We further recommend that the purchasing procedures of the city be formalized and standardized across departments. These procedures should encompass the legal requirements of the 1983 Municipal Purchasing Law and recommendations of the University of Tennessee Municipal Technical Advisory Service in their publication *Purchasing Guide for Tennessee Municipalities*. It should include guidelines for procedures, documentation and actions for failure to follow the proper process.

Views of Management and planned corrective action: Management concurs. Management has reminded all departments of purchasing and bid laws. The City Council approved a formalized purchasing policy for all departments to follow in August 2010. The policy has been provided to all department heads and departmental administrative assistants. The finance department has taken steps internally to receive and/or review bid and quote documents before requisitions are converted to purchase orders or invoices are paid. Also, the finance department developed and distributed a form for departments to use when taking telephone bids which includes all pertinent information needed. Management will continue to expand the role of the purchasing agent.

Subsequent to 6/30/2010, the following items/services have been bid through formal bid processes: Leisure HVAC services, Water/Sewer sludge removal. According to the department head, the prior sludge removal contract was a 5 year contract that ended 12/2010.

10-4. BUDGET VIOLATIONS

Criteria: According to Tennessee Code Annotated (TCA) 6-56-203, the City is prohibited from spending money in excess of the budget ordinance within the provisions of the code section.

Condition: Actual expenditures for the year exceeded budget appropriations for the various department of the General Fund as indicated on page 40. Several other violations of line items within the budget were also identified and corrected by management but did not affect the overall department expenditures.

Questioned Costs: \$26,873 (total of expenditures over budget)

Context: Identified as part of our audit process.

Effect: Not in compliance with state law.

Cause: Purchasing is not centralized and the state requirements are not routinely monitored by one central office. The city did hire a purchasing manager subsequent to year-end.

Recommendation: We recommend that the city council amend the budget ordinance to authorize the expenditures made in excess of the original budget appropriation.

Views of Management and planned corrective action: Management will take every effort to ensure to that department spending remain within budget limits. For unforeseen expenses, Council will make additional appropriations to cover the anticipated overages.

Findings- Financial Statements Audit – Fraud, Abuse and Other Matters

10-5. UNLAWFUL MUNICIPAL PURPOSE

Criteria: According to Tennessee Code Annotated (TCA) 6-56-112, one of the foundational requirements of state law is that all expenditures of money made by a municipality must be made for a lawful municipal purpose.

Condition: Two expenditures were paid in the Leisure Services Department of the general fund for the benefit of private individuals.

Questioned Costs: \$223.90

Context: Identified as part of our audit process.

Effect: Not in compliance with state law.

Cause: Entry fees to run a marathon were approved and paid for two individuals.

Recommendation: We recommend that the amounts be repaid by the individuals.

Views of Management and planned corrective action: Management concurs. Management requested and received reimbursement for the unlawful expenditures.

Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program - Department of Transportation ARRA CFDA No. 20.205

None identified.

Findings and Questioned Costs- Major Federal Award Program Audit – Compliance and Other Matters for major program - Department of Transportation ARRA CFDA No. 20.205

None identified.

Parker, Parker & Associates

February 10, 2011



**CITY OF GALLATIN, TENNESSEE
Corrective Action Plan
For the year ended June 30, 2010**

February 10, 2011

Department of Transportation, Federal Highway Administration ARRA CFDA No. 20.205

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2010.

Audit Firm: Parker, Parker & Associates, PLC
1000 Northchase Drive, Suite 260
Gallatin, TN 37072

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings: Financial Statement Audit – Internal Control

10-1. INTERNAL CONTROL DESIGN – CITY RECORDER'S OFFICE

Finding: Internal controls are not designed and operating effectively for cash receipting.

Corrective Action Plan. Management concurs. Management has implemented a number of changes to improve the internal controls within the Recorder's office. Each employee now uses her own personal login and password. Each employee now has her own cash drawer that is balanced at the end of each day. Daily deposits are made intact. An internal form has been created that is signed off by two employees confirming the cash that is included with each deposit. Employees are taking more care to insure that payment types are entered correctly. Employees have received additional instruction on proper procedures and will continue to make improvements in the process. Management continues to track the activity of each employee and has taken steps to reprimand employees who repeatedly fail to perform properly.

Target Date for Completion: 12/31/2010

10-2. AUDIT ADJUSTMENTS

Finding: Material audit adjustments were proposed during the audit.

Corrective Action Plan. Management will make every effort to post year-end entries prior to the beginning of the audit process.

Target Date for Completion: 6/30/2011

Findings: Financial Statement Audit – Compliance

10-3. COMPETITIVE BIDDING

Finding: Within our audit sample of 183 expenditure transactions and examination of every vendor paid more than \$10,000 for the fiscal year, we noted multiple occurrences where competitive bidding (for purchases over \$10,000) should have occurred. We were unable to review supporting documentation of bids for several transactions discussed below. In addition, we noted instances where vendors were using old bids for work performed in the current year. We also noted that not all bids are opened at a central location using standard procedures and including

the city purchasing manager in the process. Procedures and recordkeeping vary by the department requesting the bid.

Corrective Action Plan: Management concurs. Management has reminded all departments of purchasing and bid laws. The City Council approved a formalized purchasing policy for all departments to follow in August 2010. The policy has been provided to all department heads and departmental administrative assistants. The finance department has taken steps internally to receive and/or review bid and quote documents before requisitions are converted to purchase orders or invoices are paid. Also, the finance department developed and distributed a form for departments to use when taking telephone bids which includes all pertinent information needed. Management will continue to expand the role of the purchasing agent.

Subsequent to 6/30/2010, the following items/services have been bid through formal bid processes: Leisure HVAC services, Water/Sewer sludge removal. According to the department head, the prior sludge removal contract was a 5 year contract that ended 12/2010.

Target Date for Completion: 12/31/2010

10-4. BUDGET VIOLATIONS

Finding: Actual expenditures for the year exceeded budget appropriations for the various department of the General Fund as indicated on page 40.

Corrective Action Plan. Management concurs. Management will take every effort to ensure to that department spending remain within budget limits. For unforeseen expenses, Council will make additional appropriations to cover the anticipated overages.

Target Date for Completion 6/30/2011

Findings: Financial Statement Audit – Other Matters

10-5. UNLAWFUL MUNICIPAL PURPOSE

Finding: Two expenditures were paid in the Leisure Services Department of the general fund for the benefit of private individuals.

Corrective Action Plan. Management concurs. Management requested and received reimbursement for the unlawful expenditures.

Target Date for Completion 10/31/2010

Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program - Department of Transportation, Federal Highway Administration ARRA CFDA No. 20.205

None noted.

Findings and Questioned Costs- Major Federal Award Program Audit – Compliance and Other Matters for major program - Department of Transportation, Federal Highway Administration ARRA CFDA No. 20.205

None noted.

If the Department of Transportation, Federal Highway Administration has questions regarding this plan, please contact Mrs. Rachel Nichols at 615-451-5963.

Sincerely,

Rachel Nichols

Director of Finance