

**City of Gallatin, Tennessee**  
**Comprehensive Annual Financial Report**  
**June 30, 2011**

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



**CITY OF GALLATIN, TENNESSEE**  
**Comprehensive Annual Financial Report**  
**June 30, 2011**

**Contents**

	<b>Page</b>
<b>Introductory Section</b>	
Letter of Transmittal	A
City Organizational Chart	B
Roster of Public Officials	C
<b>Financial Section</b>	
Independent Auditors' Report	1 - 1a
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet to Statement of Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Combining Statement of Net Assets - Proprietary Fund	16
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	17
Combining Statement of Cash Flows - Proprietary Fund	18
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	19 - 24
Major Special Revenue Funds	25
Notes to the Financial Statements	26 - 38
Required Supplementary Information	
Schedule of Funding Progress	39
Notes to Required Supplementary Information	40
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	41
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Nonmajor Special Revenue Funds	42 - 43
Nonmajor Capital Projects Funds	44
Nonmajor Permanent Funds	45
Schedule of Expenditures of Federal and State Assistance	46
Schedule of Long-term Debt, Principal, and Interest Requirements	47
Schedule of Property Tax Rates and Assessments - Last 10 Years	48
Schedule of Uncollected Delinquent Property Taxes	49
Schedule of Utility Rate Structure and Number of Customers	
Electric Fund	50 - 51
Gas Fund	52
Water and Sewer Fund	(see Statistical Section)
Schedule of Unaccounted for Water	(see Statistical Section)
<b>Statistical Section</b>	
Statistical Section Table of Contents	53
Financial Trends Information	54
Revenue Capacity Information	57
Debt Capacity Information	63
Demographic and Economic Information	68
Operating Information	70
<b>Internal Control and Compliance Section</b>	
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	73 - 74
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	75 - 76
Summary Schedule of Prior Year Findings	77 - 78
Schedule of Findings, Questioned Costs and Responses	79 - 84
Corrective Action Plan	85 - 86



## **Introductory Section**





March 23, 2012

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, 2011.

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, 2011, 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, 2011, 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

30,792. 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 15<sup>th</sup> 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 1<sup>st</sup>. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30<sup>th</sup>, 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 as the national economy slowly recovers. 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. The first phase of a greenway project is complete, phase II is under way, and phase III plans are being finalized. Fire Hall #4, located in a recently annexed area on the northwest side, was completed and opened in the summer of 20 11. 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. Additional idle funds are invested in certificates of deposit with Volunteer State Bank and Sumner Bank & Trust. 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 401(k) 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.

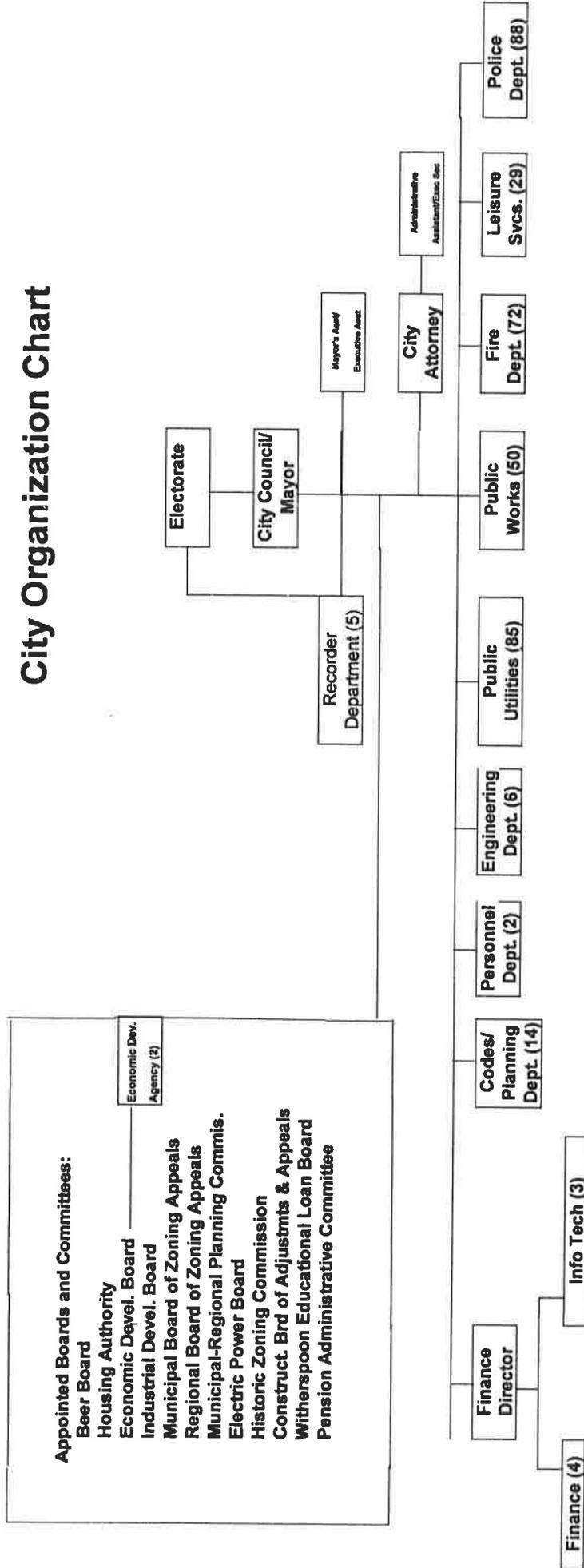
Respectfully submitted,



Rachel Nichols  
Finance Director

# CITY OF GALLATIN, TENNESSEE

## City Organization Chart



See attached breakdown

Econ. Dev Agency (2)

EDA Director (1)  
Admin Asst (1)

City Attorney (3)

City Attorney (1)  
Admin Asst (1)  
Executive Secretary (1)

Finance (5)

Finance Director (1)  
Accountant II O (1)  
Purchasing Agent O (1)  
Accountant I M (1)  
Fin/Account Clerk J (1)

Personnel (2)

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)

Information Technology (3)

Network Administrator T (1)  
GIS Coordinator II O (1)  
Comp Tech Spt Spec L (1)

Public Utilities (85)

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 Can 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 (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 Atnd F (1)  
Water Plt Atnd F (1)  
Util Svc Worker F (13)  
Util Dispatcher F (1)  
Cashier D (2)  
Wastewater Plt Asst C (1)

Engineering (5)

City Engineer (1)  
Project Mgr I R (1)  
Project Mgr I R (1)  
Qual Con Insp N (1)  
Exec Secretary K (1)

Codes/Planning (14)

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)

Public Works (49)

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)  
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 (8)  
Sign & Marking Tech G (1)  
San Crew Leader F (2)  
San Wkr/Oper D (6)  
Sanitation Worker C (4)  
General Worker C (6)  
Inv Clerk/Custodian B (1)  
Custodian A (2)

Fire Dept. (58)

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)

Leisure Services (29)

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)  
Lvy 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/Grmds 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)  
Grmdskpr/Spray Tech F (1)  
Grmdskpr/Operator F (1)

Police Dept. (88)

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)

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, 2011**

**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.....	Donald Bandy
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
--	------------------

**Financial Section**



# Parker, Parker & Associates, PLC

Certified Public Accountants

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GOODLETTSVILLE, TN 37072

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## *Independent Auditors' Report*

To the Honorable Mayor and City Council  
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, 2011, 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 24 percent of the assets, 23 percent of net assets, and 68 percent revenues of the 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. An audit also includes assessing the accounting principles used and the 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, 2011, 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 16, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gallatin, Tennessee's financial statements as a whole. 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 for 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 supplemental information on pages 41 to 47 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, supplemental information on pages 48 to 52 and statistical sections 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 do not express an opinion or provide any assurance on them.

*Parke, Parke & Associates*

February 16, 2012

## **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, 2011. 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 \$181,625,895 as compared to \$174,835,956 in the prior year. Of these amounts, \$35,765,595 (unrestricted net assets), as compared to \$43,383,504 in 2010, may be used to meet the government's ongoing obligations.
- The governments total net assets increased by \$6,789,930 in 2011 and \$5,661,241 in 2010.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,906,312, a decrease of \$29,506,463 in comparison to the prior year. Approximately \$9,278,008 of that total is available for spending at the government's discretion although \$2,735,164 is assigned for capital projects and \$4,439,466 is designated as the minimum fund balance.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,696,819, or 27.99% of the general fund expenditures as compared to \$7,345,735 the prior year.
- The City's total debt decreased by \$4,050,612 (5.8%) 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	2011	2010	2011
Current and other assets	\$ 51,822,602	20,626,629	20,200,427	41,457,759
Capital assets	53,024,786	57,917,565	123,023,329	130,095,884
Total assets	104,847,388	78,544,194	143,223,756	171,553,643
Long-term liabilities outstanding	13,464,833	12,728,742	36,390,459	35,321,112
Other liabilities	12,409,829	9,906,332	10,970,068	10,515,756
Total liabilities	25,874,662	22,635,074	47,360,527	45,836,868
Net assets:				
Capital assets, net of related debt	40,679,786	46,347,565	90,944,012	99,497,736
Restricted	-171,346	15,000	0	0
Unrestricted	38,464,287	9,546,556	4,919,217	26,219,039
Total net assets	\$ 78,972,727	55,909,121	95,863,229	125,716,775

The city's unrestricted net assets totals \$35,765,595 and may be used to meet the government's ongoing obligations to citizens and creditors as compared to \$43,383,504 in 2010.

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 \$6,789,940 during the current fiscal year.

### Governmental Activities

Governmental activities increased the City's net assets by \$3,811,386 during the current fiscal year as compared to an increase of \$3,647,796 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Program revenues:				
Charges for services	\$ 5,342,165	4,462,096	90,017,000	84,620,482
Operating grants and contributions	854,869	703,346		
Capital grants and contributions	4,020,980	2,383,773	685,151	253,452
General revenues:				
Property taxes	9,514,296	9,211,402		
Sales taxes	6,874,129	6,422,853		
Other local taxes	997,016	1,061,790		
State shared taxes	1,954,747	1,794,456		
Other	341,549	236,533	689,743	211,000
Total revenues	<u>29,899,751</u>	<u>26,276,252</u>	<u>91,391,894</u>	<u>85,084,934</u>
Expenses:				
General government				
General Government Administration	5,509,418	4,334,869		
Public safety:	10,522,520	10,583,895		
Animal control	109,535	99,965		
Highways and streets	1,303,547	1,421,330		
Public works	572,127	351,059		
Environmental Services	1,495,140	1,504,489		
Parks and recreation	4,182,036	3,845,550		
Engineering	1,648,991	395,200		
Community services	313,014	300,000		
Economic Development	222,986	269,588		
Vehicle maintenance	393,742	403,148		
Depreciation & Amortization	0	0		
Interest expense on long-term debt	484,738	487,066		
Water & Sewer			11,510,424	10,386,989
Natural Gas			15,257,278	19,064,230
Electric Power			60,976,208	52,252,566
Golf Course			0	0
Total expenses	<u>26,757,794</u>	<u>23,996,159</u>	<u>87,743,910</u>	<u>81,703,785</u>
Increases in net assets	3,141,957	2,280,093	3,647,984	3,381,149
Transfers	669,414	1,396,522	-669,414	-1,396,522
Prior Period Adjustments	-26,874,975	27,114,581	26,874,975	-27,004,557
Net assets, beginning of year	78,972,727	48,181,531	95,863,229	120,883,159
Net assets, end of year	<u>\$ 55,909,125</u>	<u>78,972,727</u>	<u>125,716,773</u>	<u>95,863,229</u>

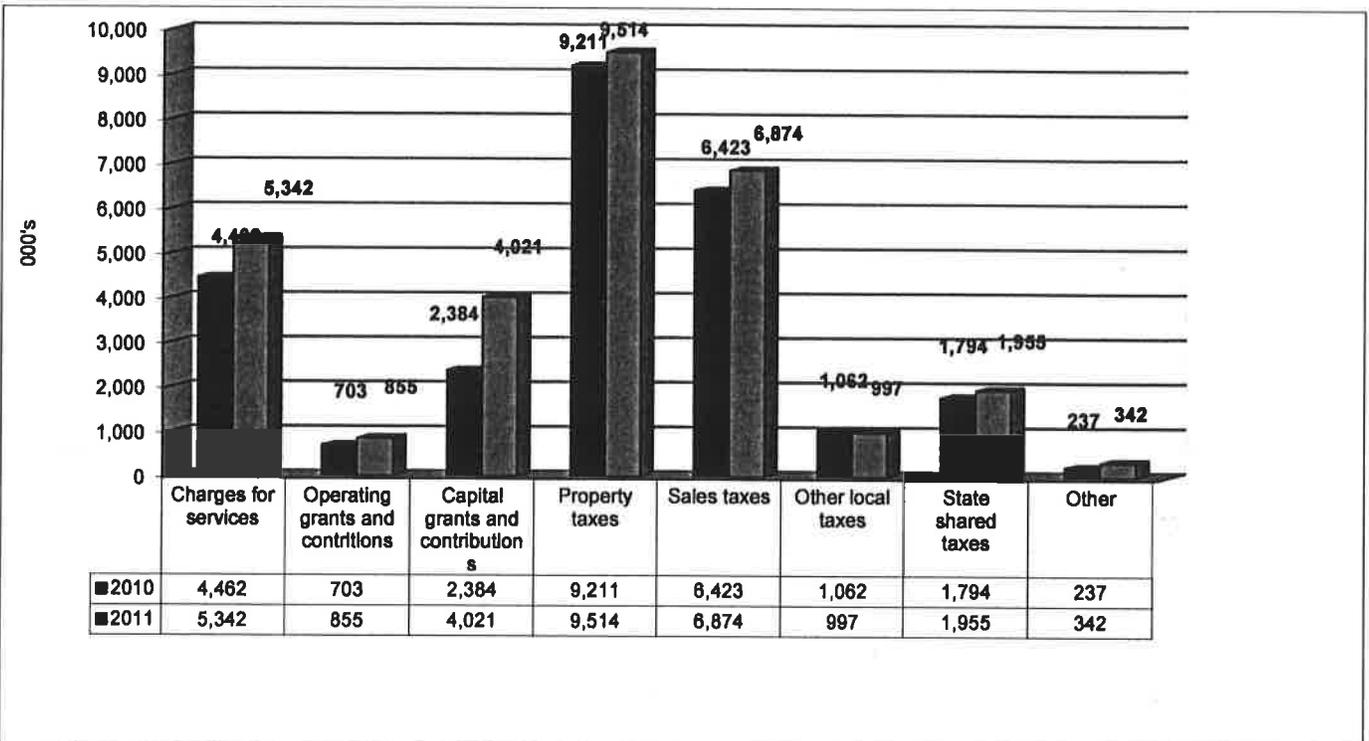
### Governmental Activities

In governmental activities, Program revenue Charges for Services represent an increase in 2011, \$5,342,165 as compared to \$4,462,096 in 2010. Property taxes had a modest increase in 2011 of \$302,894 and Sales taxes had an increase of \$451,276. Capital grants and contributions increased \$1,637,207 in 2011 over 2010 capital grants and contributions. Other revenues remained relatively stable or increased slightly.

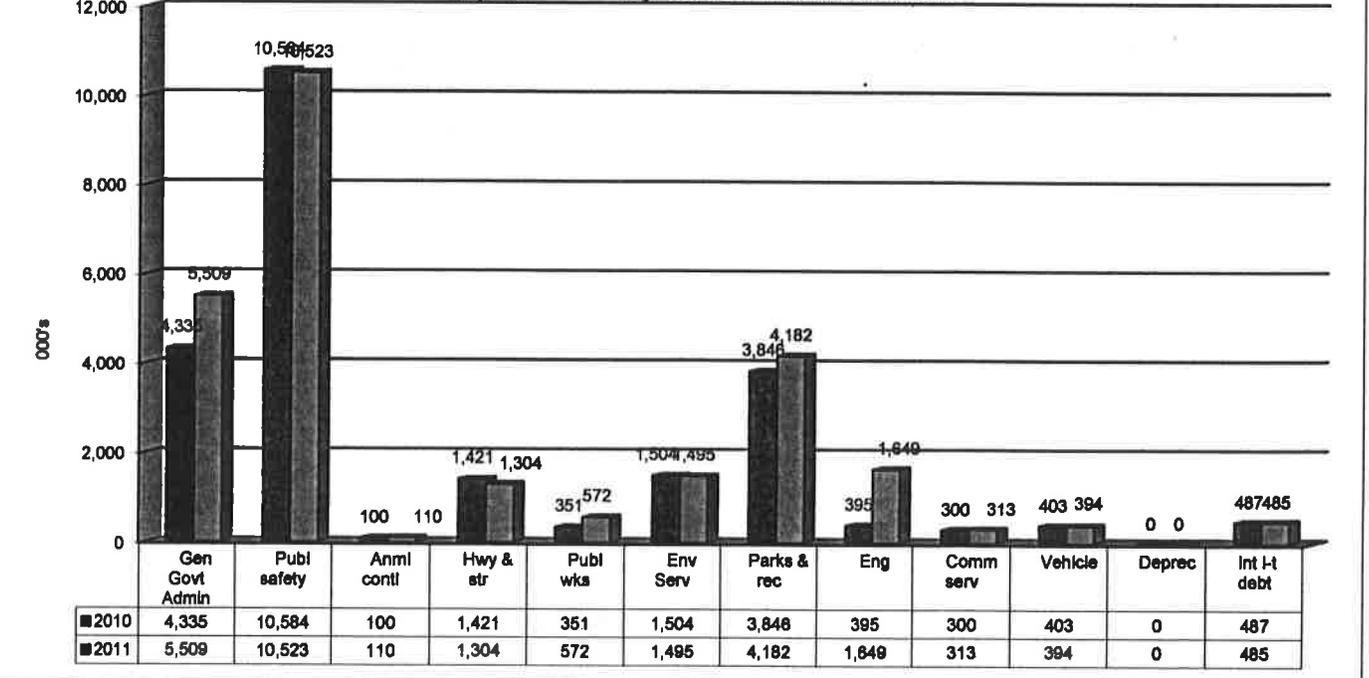
Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity, and efficiency in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

Overall, expenses for 2011 were more than expenses in 2010 by \$2,761,635. For departments with increases, the increases were mainly due to capital projects and grant activities. The most significant increases in expenditures over those of the prior year occurred in General Government, Engineering, Public Works, Parks & Recreation and Electric Power services. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

### Revenues by Source - Governmental Activities

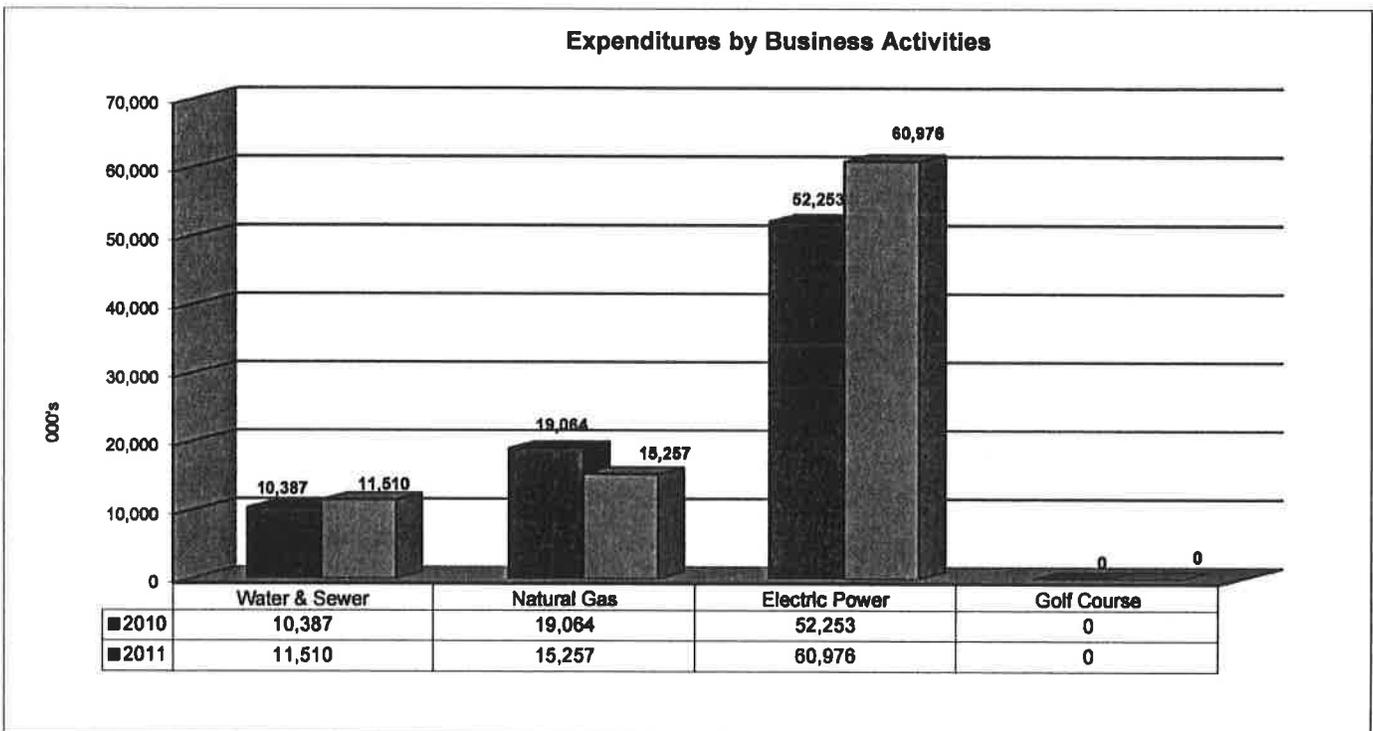
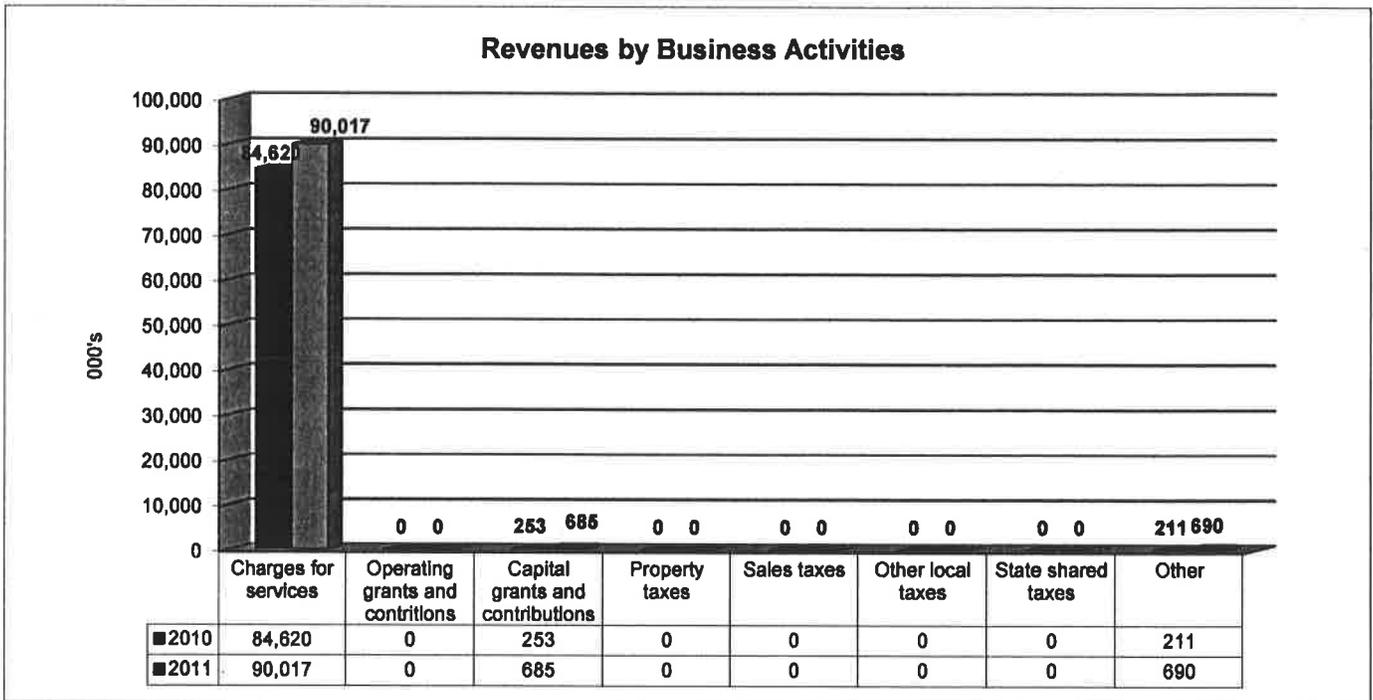


### Expenditures by Governmental Activities



**Business - type activities**

Business - type activities increased the City's net assets by \$2,978,570, accounting for 43.9% of the total growth in the government's net assets, as compared to \$1,984,627 in 2010.



**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 fund balance may serve as a useful measure to a government's net resources available for spending at the end of the year.

The general fund is the chief operation fund of the City of Gallatin, Tennessee. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$6,696,819 while total fund balance reached \$6,905,217. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25% of total general fund expenditures as compared to 30.6% last year.

The fund balance of the City's general fund decreased by \$3,541,142 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 \$26,219,039 as compared to \$4,919,217 in the prior year. The large increase 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	2011
Water & Sewer Fund	\$	-543,074	868,734
Natural Gas Fund		1,622,743	1,956,938
Electric Power Fund		904,958	152,898

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were an overall increase in appropriations by \$554,514 and can be briefly summarized as follows:

	Budgeted Amounts (Operating)		Budgeted Amounts (Capital)	
	Original	Final	Original	Final
General Government	4,162,160	4,181,709	89,451	107,191
Economic Development Agency	254,968	256,869	14,000	14,000
Police Department	6,036,511	6,160,454	152,500	165,293
Fire Department	3,722,352	3,800,067	1,280,400	200,895
Animal Control	104,177	110,960	764	764
Highways and Streets	1,292,904	1,318,824	6,100	6,100
Public Works	156,212	156,212	185,000	362,483
Parks and Recreation	3,487,185	3,616,323	115,500	340,408
Engineering	751,877	754,822	608,000	1,407,559
Community Services	317,500	320,600	-	-
Vehicle Maintenance	392,699	403,241	25,350	25,350
Debt Service	1,269,276	1,269,276	-	-
Total Expenditures	21,947,821	22,349,357	2,477,065	2,630,043

## 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, 2011, amounts to \$181,625,895 (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 3.9% (a 29.2% decrease for governmental activities and a 31.14% increase for business - type activities).

### City of Gallatin's Capital Assets

	Governmental Activities	Business -type Activities	Total
Land	\$ 11,193,562	3,490,426	14,683,988
Buildings and utility plant	9,664,684	27,945,745	37,610,429
Improvements other than buildings	45,769,733	153,811,065	199,580,798
Equipment and furniture	14,884,842	5,804,295	20,689,137
Construction in progress	1,944,458	3,311,572	5,256,030
	<u>83,457,279</u>	<u>194,363,103</u>	<u>277,820,382</u>
Less accumulated depreciation	<u>25,539,716</u>	<u>64,267,219</u>	<u>89,806,935</u>
Net Capital Assets	<u>\$ 57,917,563</u>	<u>130,095,884</u>	<u>188,013,447</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 \$43,896,260 as compared to \$46,004,370 at the end of the prior fiscal year. Of this amount, \$11,570,000 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	\$ 11,570,000		11,570,000
Revenue and tax bonds	<u>0</u>	<u>32,326,260</u>	<u>32,326,260</u>
Total	<u>\$ 11,570,000</u>	<u>32,326,260</u>	<u>43,896,260</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 continued to slowly stabilize in 2011, the City saw moderate increases in operating revenues. All categories except other local taxes showed modest-to-moderate increases.

### **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. The only new capital approved was for necessities. All other capital was to complete existing projects.

At the end of the current fiscal year, unassigned fund balance in the general fund was \$6,696,819. Management made a decision to continue to spend down some of the unassigned 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 recove 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 but does anticipate additional State revenues as a result of the 2010 federal census.

## **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, 2011

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Industrial Development
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents - Unrestricted	\$ 6,447,493	\$ 23,510,036	\$ 29,957,529	\$ 17,955
Receivables:				
Property Taxes	10,369,768	-	10,369,768	-
Intergovernmental	3,151,435	-	3,151,435	-
Customers, Net of Allowance and Other	753,460	8,066,803	8,820,263	-
Total Receivables	14,274,663	8,066,803	22,341,466	-
Investments	-	5,022,551	5,022,551	-
Inventory	86,986	2,046,821	2,133,808	-
Prepays and Other Current Expenses	-	356,873	356,873	-
Internal Balances	(184,013)	184,013	-	-
Total Current Assets	20,625,129	39,187,097	59,812,227	17,955
<b>CAPITAL ASSETS</b>				
Depreciable Capital Assets, Net of Accumulated Depreciation	44,779,543	123,293,887	168,073,430	-
Non Depreciable Capital Assets	13,138,021	6,801,997	19,940,018	-
Total Capital Assets	57,917,565	130,095,884	188,013,448	-
<b>OTHER ASSETS</b>				
Cash and Cash Equivalents - Restricted	-	7,397	7,397	-
Unamortized Costs	-	344,974	344,974	-
Receivable - TVA Residential Energy Service Program	-	355,906	355,906	-
Deposits and Other	1,500	1,562,385	1,563,885	-
Total Other Assets	1,500	2,270,662	2,272,162	-
 Total Assets	 \$ 78,544,194	 \$ 171,553,643	 \$ 250,097,837	 \$ 17,955
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 160,060	\$ 10,218,751	\$ 10,378,811	\$ -
Accrued Liabilities	338,333	281,302	619,636	-
Accrued Interest	-	15,703	15,703	-
Deferred Revenue	9,407,939	-	9,407,939	-
Long-term Liabilities:				
Customer Deposits	-	1,894,565	1,894,565	-
Other Liabilities	135,125	413,310	548,435	-
Compensated Absences	1,023,617	686,978	1,710,595	-
Due Within One Year	800,000	1,404,383	2,204,383	-
Due in More Than One Year	10,770,000	30,921,876	41,691,876	-
Total Liabilities	22,635,074	45,836,868	68,471,942	-
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	46,347,565	99,497,736	145,845,301	-
Restricted for:				
Endowment	15,000	-	15,000	-
Unrestricted	9,546,556	26,219,039	35,765,595	17,955
Total Net Assets	55,909,121	125,716,775	181,625,895	17,955
 Total Liabilities and Net Assets	 \$ 78,544,194	 \$ 171,553,643	 \$ 250,097,837	 \$ 17,955

See auditors' report and notes to the financial statements.

CITY OF GALLATIN, TENNESSEE  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs: Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charge for	Capital	Governmental Activities	Business-type Activities	Total	
		Services	Operating Grants and Contributions				
Governmental Activities:							
General Government	\$ 5,509,418	31,622	\$ 709,750	\$ (4,768,045)	\$ -	\$ (4,768,045)	-
Public Safety	10,522,520	2,307,129	16,748	(8,198,643)	-	(8,198,643)	-
Animal Control	109,535	-	-	(109,535)	-	(109,535)	-
Highways, Streets and Roadways	1,303,547	-	7,16,099	1,766,908	-	1,766,908	-
Public Works	572,127	553	-	(571,574)	-	(571,574)	-
Environmental Services	1,485,140	1,147,969	22,022	(325,149)	-	(325,149)	-
Parks and Recreation	4,182,036	1,470,613	100,000	(1,654,549)	-	(1,654,549)	-
Engineering	1,648,991	240,946	-	(1,408,045)	-	(1,408,045)	-
Community Services	313,014	-	-	(313,014)	-	(313,014)	-
Economic Development	222,986	-	-	(222,986)	-	(222,986)	-
Vehicle Maintenance	393,742	143,332	-	(250,410)	-	(250,410)	-
Interest on Long-term Debt	484,738	-	-	(484,738)	-	(484,738)	-
Total Governmental Activities	26,757,796	5,342,165	854,869	(16,539,782)	-	(16,539,782)	-
Business-type Activities:							
Electric Power	60,976,208	61,599,234	6,413	-	629,439	629,439	-
Gas	15,257,278	17,502,791	-	-	2,245,513	2,245,513	-
Water and Sewer	11,510,424	10,914,976	678,738	-	83,289	83,289	-
Total Business-type Activities	87,743,910	90,017,000	685,151	-	2,958,241	2,958,241	-
Total Primary Government	\$ 114,501,706	\$ 95,359,165	\$ 854,869	\$ (16,539,782)	\$ 2,958,241	\$ (13,581,541)	\$ -
Component Unit:	\$ 5,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,225)
Industrial Development Board							
General Revenues:							
Property and Personality Taxes	\$ 9,514,296			\$ 9,514,296		\$ 9,514,296	
TVA Gross Receipts and PILOT	308,837			308,837		308,837	
Income and Excise Taxes	688,179			688,179		688,179	
Sales Taxes	6,874,129			6,874,129		6,874,129	
Alcoholic Beverage Taxes	1,039,948			1,039,948		1,039,948	
Business Taxes	556,382			556,382		556,382	
Hospitality Taxes	356,845			356,845		356,845	
Miscellaneous State Taxes	1,572			1,572		1,572	
Unrestricted Investment Income	28,999			28,999	153,210	182,209	
Rental Income	25,863			25,863		25,863	
Sale of Capital Assets	38,194			38,194	33,026	71,221	
Insurance Proceeds	130,254			130,254	503,507	633,760	
Miscellaneous	118,239			118,239		118,239	
Transfers, Net	669,414			(669,414)		(0)	
Total General Revenues and Transfers	20,351,150			20,329	20,371,480	20,371,480	
Change in Net Assets				3,811,368	2,978,570	6,789,939	(5,225)
Net Assets - July 1, 2010				78,972,727	95,863,229	174,835,956	23,180
Prior Period Adjustment				(26,874,975)	26,874,975	-	-
Net Assets - June 30, 2011				\$ 55,909,121	\$ 125,716,775	\$ 181,625,895	\$ 17,955

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Capital Projects Other	Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,645,208	\$ 1,951,759	\$ 850,526	\$ 6,447,493
Receivables, Net:				
Property Taxes	10,369,768	-	-	10,369,768
Intergovernmental	2,325,013	-	12,437	2,337,449
Other	459,229	-	294,231	753,460
Due From Other Funds	-	-	2,530	2,530
Investments	-	-	-	-
Inventory	34,897	-	52,089	86,986
Prepays and Other Current Expenses	1,500	-	-	1,500
<b>Total Assets</b>	<b>\$ 16,835,615</b>	<b>\$ 1,951,759</b>	<b>\$ 1,211,813</b>	<b>\$ 19,999,187</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 108,855	\$ 51,204	\$ -	\$ 160,059
Accrued Liabilities	227,059	-	111,274	338,333
Due To Other Funds	186,544	-	-	186,544
Deferred Revenue	9,407,939	-	-	9,407,939
<b>Total Liabilities</b>	<b>9,930,397</b>	<b>51,204</b>	<b>111,274</b>	<b>10,092,875</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	34,897	-	52,089	86,986
Funds Held in Trust	-	-	15,000	15,000
<b>Restricted:</b>				
Committed:	173,501	-	352,817	352,817
<b>Assigned:</b>				
Unassigned	6,696,819	1,900,555	834,609	2,735,164
<b>Total Fund Balances</b>	<b>6,905,217</b>	<b>1,900,555</b>	<b>1,100,538</b>	<b>9,906,312</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,835,614</b>	<b>\$ 1,951,759</b>	<b>\$ 1,211,813</b>	<b>\$ 19,999,186</b>

**CITY OF GALLATIN, TENNESSEE**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets of Governmental Activities**  
**June 30, 2011**

Total Governmental Fund Balances	\$ 9,906,312
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.	813,987
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	57,917,565
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.	(12,728,742)
<b>Net Assets of the Governmental Activities</b>	<b>\$ 55,909,121</b>

**CITY OF GALLATIN, TENNESSEE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>Capital Projects Other</u>	<u>Capital Projects WWTP</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 20,056,287	\$ -	\$ -	\$ -	\$ 20,056,287
Licenses and Permits	247,346	-	-	-	247,346
Fines and Forfeitures	2,143,302	-	-	163,827	2,307,129
Charges for Services	1,639,721	-	-	1,147,969	2,787,690
Intergovernmental	2,945,594	2,625	-	377,590	3,325,809
Investment Income	31,790	-	-	(2,792)	28,998
Rental/Property Income	25,863	-	-	-	25,863
Miscellaneous Revenues	98,116	-	-	20,123	118,239
<b>Total Revenues</b>	<u>27,188,020</u>	<u>2,625</u>	<u>-</u>	<u>1,706,717</u>	<u>28,897,362</u>
<b>Expenditures</b>					
Current:					
General Government	4,067,336	-	-	-	4,067,336
Public Safety	9,844,969	-	-	115,522	9,960,491
Animal Control	108,815	-	-	-	108,815
Highways, Streets and Roadways	1,303,547	-	-	-	1,303,547
Public Works	155,426	-	-	-	155,426
Environmental Services	-	-	-	1,434,591	1,434,591
Parks and Recreation	3,597,665	-	-	-	3,597,665
Engineering	746,367	-	-	-	746,367
Community Services	313,014	-	-	-	313,014
Economic Development	211,193	-	-	-	211,193
Vehicle Maintenance	391,610	-	-	-	391,610
Other Program Costs	-	-	-	-	-
Debt Service:					
Principal	775,000	-	-	-	775,000
Interest	484,739	-	-	-	484,739
Capital Outlay	1,924,239	6,147,390	-	753,699	8,825,328
<b>Total Expenditures</b>	<u>23,923,920</u>	<u>6,147,390</u>	<u>-</u>	<u>2,303,811</u>	<u>32,375,121</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>3,264,100</u>	 <u>(6,144,765)</u>	 <u>-</u>	 <u>(597,094)</u>	 <u>(3,477,759)</u>
<b>Other Financing Sources (Uses)</b>					
Contributions	3,207	-	-	16,748	19,955
Insurance Proceeds	130,254	-	-	-	130,254
Operating Transfers In (Out) /PILOT	(1,032,513)	1,293,937	-	396,445	657,869
Bonds Issued, net of Bond Costs	-	-	-	-	-
Sales of Capital Assets	38,194	-	-	-	38,194
<b>Total Other Financing Sources (Uses)</b>	<u>(860,858)</u>	<u>1,293,937</u>	<u>-</u>	<u>413,193</u>	<u>846,272</u>
<b>Net Change in Fund Balances</b>	2,403,242	(4,850,828)	-	(183,901)	(2,631,488)
<b>Fund Balance - July 1, 2010</b>	10,446,359	-	26,916,975	2,049,440	39,412,774
<b>Prior Period Adjustment</b>	<u>(5,944,384)</u>	<u>6,751,384</u>	<u>(26,916,975)</u>	<u>(765,000)</u>	<u>(26,874,975)</u>
<b>Fund Balances - June 30, 2011</b>	<u>\$ 6,905,217</u>	<u>\$ 1,900,555</u>	<u>\$ -</u>	<u>\$ 1,100,539</u>	<u>\$ 9,906,311</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, 2011**

Net change in fund balances - total governmental funds \$ (2,631,488)

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. 4,892,779

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 813,986

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. 782,948

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. (46,857)

Change in net assets of governmental activities \$ 3,811,368

CITY OF GALLATIN, TENNESSEE  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Electric Fund	Gas Fund	Water & Sewer Fund		
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents - Unrestricted	\$ 5,249,844	\$ 9,436,446	\$ 8,823,746	\$	\$ 23,510,036
Receivables, net	6,326,078	558,278	1,182,447		8,066,803
Due From Other Funds	-	499,859	322,254		822,114
Inventory	675,091	1,105,081	266,650		2,046,821
Prepaid and Other Current Expenses	356,873	-	-		356,873
Total Current Assets	12,607,886	11,599,664	10,595,096		34,802,646
<b>Capital Assets</b>					
Non-depreciable Capital Assets:					
Land, Right of Ways, Usages	1,139,141	386,436	1,964,849		3,490,426
Construction in Progress	81,119	-	3,230,452		3,311,571
Depreciable Capital Assets:					
Plant and Equipment	35,468,188	27,479,502	124,613,416		187,561,106
Less Accumulated Depreciation	(14,552,667)	(11,104,418)	(38,610,134)		(64,267,219)
Total Capital Assets	22,135,781	16,761,520	91,198,582		130,095,884
<b>Other Assets</b>					
Cash and Cash Equivalents - Restricted	7,397	-	-		7,397
Investments	5,022,551	-	-		5,022,551
Unamortized Costs	29,247	-	315,727		344,974
Receivable - TVA Residential Energy Service Program	355,906	-	-		355,906
Deposits and Other	1,562,385	-	-		1,562,385
Total Other Assets	6,977,486	-	315,727		7,293,213
Total Assets	\$ 41,721,153	\$ 28,361,185	\$ 102,109,405		\$ 172,191,743
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 9,008,494	\$ 864,928	\$ 345,329		\$ 10,218,751
Accrued Liabilities	232,244	8,695	40,363		281,302
Accrued Interest	10,267	-	5,436		15,703
Deferred Revenue	-	-	-		-
Current Portion of Notes and Bonds Payable	162,277	-	1,242,106		1,404,383
Due to Other Funds	-	114,697	523,403		638,100
Total Current Liabilities	9,413,282	988,320	2,156,638		12,558,239
Customer deposits	1,727,615	-	48,800		1,894,565
Other Liabilities including Advances - TVA	413,310	-	-		413,310
Compensated Absences	323,846	148,884	214,248		686,978
Notes and Bonds Payable, Net of Premiums	706,775	-	30,215,101		30,921,876
Total Long-Term Liabilities	3,171,546	267,034	30,478,149		33,916,729
Total Liabilities	12,584,828	1,255,354	32,634,787		46,474,968
<b>Net Assets</b>					
Unrestricted	6,457,211	10,344,310	9,417,517		26,219,039
Invested in Capital Assets, Net of Related Debt	22,679,114	16,761,520	60,057,102		99,497,736
Total Net Assets	29,136,325	27,105,831	69,474,619		125,716,775
Total Liabilities and Net Assets	\$ 41,721,153	\$ 28,361,185	\$ 102,109,405		\$ 172,191,743

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, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Electric Fund	Gas Fund	Water & Sewer Fund		
<b>Operating Revenues</b>					
Charges for Services	\$ 60,793,375	\$ 17,396,749	\$ 10,784,113	\$	\$ 88,974,236
Late Payment Charges/Forfeited Discounts	220,004	83,181	130,863		434,048
Other Revenues from Operations	585,855	22,861	-		608,716
<b>Total Operating Revenues</b>	<u>61,599,234</u>	<u>17,502,791</u>	<u>10,914,976</u>		<u>90,017,000</u>
<b>Operating Expenses</b>					
Water Plant	-	-	1,293,789		1,293,789
Transmission and Distribution	57,245,486	14,225,411	1,050,479		72,521,376
Customer Service and Collection	685,658	142,656	557,349		1,385,663
General Administration	942,448	270,607	738,903		1,951,958
Golf Course Operating Expenses	-	-	-		-
Sewer Collection	-	-	1,218,953		1,218,953
Sewer System Rehab	-	-	300,664		300,664
Sewer Treatment and Disposal	-	-	1,174,889		1,174,889
Sewer Pretreatment	-	-	60,976		60,976
Maintenance	712,777	-	-		712,777
Capital Outlay	-	(37,079)	-		392,890
Depreciation and Amortization	1,389,839	655,684	3,279,910		5,325,432
<b>Total Operating Expenses</b>	<u>60,976,208</u>	<u>15,257,278</u>	<u>10,105,881</u>		<u>86,339,367</u>
Income from Operations	623,026	2,245,513	809,095		3,677,633
<b>Non-operating Revenues (Expenses)</b>					
Investment Income	122,001	9,181	22,028		153,210
Insurance Proceeds	-	-	503,507		503,507
Intergovernmental Grants	-	-	137,715		137,715
Gain on Sale	-	-	33,026		33,026
Interest Expense	-	-	(1,404,543)		(1,404,543)
<b>Total Non-operating Revenues (Expenses)</b>	<u>122,001</u>	<u>9,181</u>	<u>(708,267)</u>		<u>(577,085)</u>
Income (Loss) Before Contributions and Transfers	745,027	2,254,694	100,828		3,100,549
<b>Contributions and Transfers In (Out):</b>					
Tap Fees	-	-	308,336		308,336
Contributions and Grants	6,413	-	232,687		239,100
Transfer to Other Funds/Payment in Lieu of Tax	(598,542)	(297,756)	226,884		(669,414)
<b>Change in Net Assets</b>	<u>152,898</u>	<u>1,956,938</u>	<u>868,734</u>		<u>2,978,570</u>
<b>Net Assets - July 1, 2010</b>	<u>28,983,427</u>	<u>25,148,893</u>	<u>41,730,909</u>		<u>95,863,229</u>
<b>Prior Period Adjustment - Transfers</b>	-	-	26,874,975		26,874,975
<b>Net Assets - June 30, 2011</b>	<u>\$ 29,136,325</u>	<u>\$ 27,105,831</u>	<u>\$ 69,474,619</u>		<u>\$ 125,716,775</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, 2011

	Business-type Activities - Enterprise Funds				Total Proprietary Funds
	Electric Fund	Gas Fund	Water & Sewer Fund		
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 62,537,922	\$ 18,022,784	\$ 10,734,896		\$ 91,295,602
Cash Payments to Suppliers for Goods and Services	(57,421,803)	(14,466,414)	2,030,215		(69,858,002)
Cash Payments to Employees for Services	(2,094,953)	(1,001,456)	(3,339,864)		(6,436,273)
Net Cash Provided (Used) by Operating Activities	3,021,166	2,554,914	9,425,247		15,001,328
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Cash Received from Customers	-	-	541,023		541,023
Principal Paid on Bonds/Notes	-	-	(1,140,000)		(1,140,000)
New Borrowings on Bonds/Notes	-	-	-		-
Interest Paid on Long-Term Debt	-	-	(1,399,108)		(1,399,108)
Acquisition and Construction of Capital Assets	(1,719,051)	(666,850)	(10,288,738)		(12,674,639)
Proceeds from Sale of Capital Assets	-	-	33,026		33,026
Grant Proceeds	-	-	137,715		137,715
Insurance Proceeds	-	-	503,507		503,507
Net Cash Used by Capital and Related Financing Activities	(1,719,051)	(666,850)	(11,612,575)		(13,998,476)
<b>Cash Flows from Non-Capital Financing Activities</b>					
Transfers (to) from Other Funds	(598,542)	(297,756)	226,884		(669,414)
Increase in Lending to Other Funds	-	-	-		-
Advances - TVA Residential Energy Services Program	-	-	-		-
Net Cash Provided (Used) by Non-Capital Financing Activities	(598,542)	(297,756)	226,884		(669,414)
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investments	-	-	-		-
Proceeds from Sale of Investments	13,743	-	-		13,743
Receivables - TVA Residential Energy Service Program	-	-	-		-
Interest Received	122,001	9,181	22,028		153,210
Net Cash Provided by Investing Activities	135,744	9,181	22,028		166,953
<b>Net Increase in Cash and Restricted Cash</b>	839,317	1,596,489	(1,938,415)		500,391
<b>Cash and Restricted Cash at Beginning of Year</b>	4,417,924	7,836,956	10,762,161		23,017,041
<b>Cash and Restricted Cash at End of Year</b>	\$ 5,257,241	\$ 9,436,446	\$ 8,823,746		\$ 23,517,432
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income	\$ 623,026	\$ 2,245,513	\$ 809,095		\$ 3,677,633
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Prior Period Adjustment	-	-	26,874,975		26,874,975
Depreciation and Amortization	1,439,955	655,684	3,279,910		5,375,548
Changes in Assets and Liabilities:					
(Increase) Decrease in Receivable, Net	938,688	519,983	(180,079)		1,278,602
(Increase) Decrease in Due from Other Funds	-	(520,873)	(322,254)		(843,127)
(Increase) Decrease in Inventory	(25,313)	(458,284)	(36,489)		(520,086)
(Increase) Decrease in Prepaid and Other Current Assets	1,048	-	-		1,048
(Increase) Decrease in Other Assets	(81,326)	-	-		(81,326)
Increase (Decrease) in Accounts Payable and Liabilities	86,357	(6,739)	(342,356)		(262,738)
Increase (Decrease) in Compensated Absences	38,731	4,924	23,098		66,754
Increase (Decrease) in Due to Other Funds	-	114,697	(20,680,653)		(20,565,956)
Net Cash Provided by Operating Activities	\$ 3,021,166	\$ 2,554,914	\$ 9,425,247		\$ 15,001,328
<b>Noncash Capital Financing Activities</b>					
Contribution of Capital Assets	\$ 6,413	\$ -	\$ 232,687		\$ 239,100
<b>Cash Paid for Interest</b>	\$ 11,465	\$ -	\$ (1,395,108)		\$ (1,387,643)

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Positive</b>
	<u>Original</u>	<u>Final</u>		<b>(Negative)</b>
<b>Revenues</b>				<b>Variance with</b>
				<b>Final</b>
<b>Taxes:</b>				
Real and Personal Property Tax	\$ 9,100,000	\$ 9,100,000	\$ 9,203,099	\$ 103,099
Penalty and Interest	90,000	90,000	311,197	221,197
Local Option Sales Tax	5,000,000	5,000,000	5,252,348	252,348
Beer Tax	875,000	875,000	760,156	85,156
Alcohol Privilege Tax	-	-	-	-
Wholesale Liquor Tax	225,000	225,000	185,994	(39,006)
Business Tax	500,000	500,000	556,382	56,382
Cable TV Franchise Tax	320,000	320,000	356,845	36,845
Payment in Lieu of Tax	47,120	47,120	39,679	(7,441)
<b>Total Taxes</b>	<u>15,957,120</u>	<u>15,957,120</u>	<u>16,665,700</u>	<u>708,580</u>
Licenses and Permits	435,000	435,000	247,346	(187,654)
Fines and Forfeitures	1,181,400	1,905,959	2,143,302	237,343
<b>Charges for Services:</b>				
Civic Center Revenues	482,000	482,000	529,650	47,650
Administrative Services	11,000	11,000	1,475	(9,525)
Swimming Pool Concessions and Fees	32,500	32,500	47,720	15,220
Recreational Program Fees	160,000	160,000	167,118	7,118
Vehicle Repair Charges	126,000	126,000	143,332	17,332
Golf Course	849,500	849,500	726,125	(123,375)
Engineering Services	-	-	-	-
Street Department Services	-	-	-	-
Other	10,000	21,168	24,301	3,133
<b>Total Charges for Services</b>	<u>1,671,000</u>	<u>1,682,168</u>	<u>1,639,721</u>	<u>(42,447)</u>
<b>Intergovernmental:</b>				
TVA Replacement Tax Allocation	229,355	229,355	269,158	39,803
Grants	-	396,957	2,945,594	2,548,637
Streets and Transportation	51,360	51,360	52,236	876
Sales Tax	1,500,000	1,500,000	1,621,782	121,782
State Beer Tax	12,000	12,000	12,477	477
State Income Tax	250,000	250,000	674,589	424,589
State Excise Tax	35,000	35,000	13,590	(21,410)
State Alcoholic Beverage Tax	75,000	75,000	75,028	28
State Gasoline Tax	615,000	615,000	663,863	48,863
State Supplement-Police and Fire	-	-	-	-
Gas and Motor Fuel Tax	-	-	-	-
State Telecommunications Tax	2,500	2,500	1,572	(928)
Other Grants and Donations	10,000	10,000	6,292	(3,708)
<b>Total Intergovernmental</b>	<u>2,780,215</u>	<u>3,177,172</u>	<u>6,336,182</u>	<u>3,159,010</u>
Investment Income	30,000	30,000	31,790	1,790
Rental Income	28,600	28,600	25,863	(2,737)
Miscellaneous Revenues	6,000	6,000	98,116	92,116
<b>Total Revenues</b>	<u>\$ 22,089,335</u>	<u>\$ 23,222,019</u>	<u>\$ 27,188,020</u>	<u>\$ 3,966,001</u>
<b>Expenditures</b>				
<b>General Government:</b>				
<b>Mayor's Office:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	\$ 505,093	\$ 506,191	\$ 488,806	\$ 17,385
Contractual Services	32,600	65,800	65,186	614
Supplies	18,600	18,600	3,070	15,530
Utilities	2,405	2,405	2,452	(47)
Payments in Lieu of Tax	113,000	113,000	129,678	(16,678)
Other Operating Expenses	66,040	66,040	65,830	210
<b>Total Current</b>	<u>737,738</u>	<u>772,036</u>	<u>755,022</u>	<u>17,014</u>
Capital Outlay	7,061	10,736	5,614	5,122
<b>Total Mayor's Office</b>	<u>744,799</u>	<u>782,772</u>	<u>760,636</u>	<u>22,136</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, 2011**

	<u>Budgeted Amounts</u>			<b>Positive (Negative) Variance with Final</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>General Government Expenditures, Continued:</b>				
<b>City Planner:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	870,891	874,371	870,518	3,853
Repairs and Maintenance	-	-	-	-
Contractual Services	2,270	2,270	2,240	30
Supplies	12,950	12,950	15,741	(2,791)
Utilities	-	-	-	-
Other Operating Expenses	25,715	25,715	19,589	6,126
<b>Planning Commission:</b>				
Salaries	2,500	2,500	2,279	221
Contractual Services	21,500	21,500	19,212	2,288
Other Operating Expenses	1,050	1,050	3,314	(2,264)
<b>Total Current</b>	<u>936,876</u>	<u>940,356</u>	<u>932,892</u>	<u>7,464</u>
Capital Outlay	7,500	7,500	7,286	214
<b>Total City Planner</b>	<u>944,376</u>	<u>947,856</u>	<u>940,178</u>	<u>7,678</u>
<b>Finance Department:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	321,325	321,325	317,760	3,565
Contractual Services	57,000	57,000	62,055	(5,055)
Supplies	8,000	8,000	6,421	1,579
Utilities	2,500	2,500	1,797	703
Other Operating Expenses	8,700	8,700	5,396	3,304
<b>Total Current</b>	<u>397,525</u>	<u>397,525</u>	<u>393,429</u>	<u>4,096</u>
Capital Outlay	-	-	-	-
<b>Total Finance Department</b>	<u>397,525</u>	<u>397,525</u>	<u>393,429</u>	<u>4,096</u>
<b>Information Technology:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	197,530	198,186	196,651	1,536
Repairs and Maintenance	-	-	531	(531)
Contractual Services	23,500	25,100	17,546	7,554
Supplies	2,000	2,000	1,153	847
Utilities	4,700	4,700	2,450	2,250
Other Operating Expenses	31,577	31,577	25,280	6,297
<b>Total Current</b>	<u>259,307</u>	<u>261,563</u>	<u>243,609</u>	<u>17,954</u>
Capital Outlay	17,000	17,000	15,926	1,074
<b>Total Information Technology Department</b>	<u>276,307</u>	<u>278,563</u>	<u>259,535</u>	<u>19,028</u>
<b>City Attorney:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	255,545	256,140	255,724	416
Repairs and Maintenance	-	-	-	-
Contractual Services	8,810	57,810	53,756	4,054
Supplies	500	13,000	12,886	114
Utilities	2,000	2,000	1,896	104
Litigation Expense	-	20,000	9,640	10,360
Other Operating Expenses	18,125	18,125	15,688	2,439
<b>Total Current</b>	<u>284,980</u>	<u>367,075</u>	<u>349,589</u>	<u>17,486</u>
Capital Outlay	-	-	-	-
<b>Total City Attorney</b>	<u>284,980</u>	<u>367,075</u>	<u>349,589</u>	<u>17,486</u>
<b>City Recorder:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	\$ 363,509	\$ 363,509	\$ 351,377	\$ 12,132
Repairs and Maintenance	750	750	255	495
Contractual Services	35,150	40,962	33,372	7,590
Supplies	4,250	4,250	2,155	2,095
Utilities	4,200	4,200	3,188	1,012
Other Operating Expenses	24,680	24,680	19,536	5,144
<b>Total Current</b>	<u>432,539</u>	<u>438,351</u>	<u>409,882</u>	<u>28,469</u>
Capital Outlay	25,000	29,000	17,034	11,966
<b>Total City Recorder</b>	<u>457,539</u>	<u>467,351</u>	<u>426,916</u>	<u>40,435</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>		<u>Actual</u>	<u>Positive (Negative) Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government Expenditures, Continued:</b>				
<b>Personnel Department:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	158,684	158,684	158,560	2,124
Repairs and Maintenance	250	250	-	250
Contractual Services	2,700	2,700	2,277	423
Supplies	800	800	413	387
Utilities	1,560	1,560	1,397	163
Other Operating Expenses	12,422	12,422	9,967	2,455
<b>Total Current</b>	<b>178,416</b>	<b>178,416</b>	<b>170,613</b>	<b>5,803</b>
Capital Outlay	-	-	-	-
<b>Total Personnel Department</b>	<b>178,416</b>	<b>178,416</b>	<b>170,613</b>	<b>5,803</b>
<b>General Government Buildings:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	245,654	246,927	248,506	(1,579)
Repairs and Maintenance	15,000	24,335	15,054	9,281
Contractual Services	18,500	18,500	18,117	383
Supplies	10,300	10,300	9,340	960
Utilities	82,500	82,500	77,637	4,863
Tomado Expenses	-	-	-	-
Other Operating Expenses	7,325	7,325	7,523	(198)
<b>Total Current</b>	<b>379,279</b>	<b>389,887</b>	<b>376,178</b>	<b>13,709</b>
Capital Outlay	32,890	42,955	28,234	14,721
<b>Total General Government Buildings</b>	<b>412,169</b>	<b>432,842</b>	<b>404,411</b>	<b>28,431</b>
<b>Risk Management:</b>				
<b>Current:</b>				
Insurance	557,500	438,500	435,372	3,128
<b>Total Current</b>	<b>557,500</b>	<b>438,500</b>	<b>435,372</b>	<b>3,128</b>
Capital Outlay	-	-	-	-
<b>Total Risk Management</b>	<b>557,500</b>	<b>438,500</b>	<b>435,372</b>	<b>3,128</b>
<b>Total General Government</b>	<b>4,251,611</b>	<b>4,288,900</b>	<b>4,140,680</b>	<b>148,220</b>
<b>Economic Development Agency:</b>				
<b>Current:</b>				
Salaries and Employee Benefits	160,418	162,319	162,153	166
Repairs and Maintenance	1,000	1,000	1,344	(344)
Contractual Services	2,500	2,500	1,774	726
Supplies	1,800	1,800	25,832	(24,032)
Utilities	3,500	3,500	2,238	1,262
Other Operating Expenses	85,750	85,750	17,851	67,899
<b>Total Current</b>	<b>254,968</b>	<b>256,869</b>	<b>211,193</b>	<b>45,676</b>
Capital Outlay	14,000	14,000	9,500	4,500
<b>Total Economic Development Agency</b>	<b>268,968</b>	<b>270,869</b>	<b>220,693</b>	<b>50,176</b>

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>	
<b>Public Safety:</b>				
Police Department:				
Current:				
Salaries and Employee Benefits	\$ 5,215,871	\$ 5,254,071	\$ 5,209,488	\$ 44,583
Repairs and Maintenance	69,000	70,885	87,549	(16,664)
Contractual Services	78,800	78,800	76,540	2,260
Supplies	70,500	71,896	65,131	6,765
Utilities	71,200	71,200	66,889	4,311
Other Operating Expenses	291,340	291,602	295,613	(4,011)
Grants	-	-	-	-
Police Special Funds:				
Supplies	-	-	-	-
Contractual Services	240,000	322,000	325,049	(3,049)
Shop with a Cop	-	-	-	-
Other Operating Expenses	-	-	-	-
Total Current	<u>6,036,511</u>	<u>6,160,454</u>	<u>6,126,260</u>	<u>34,194</u>
Capital Outlay	152,500	165,293	159,109	6,184
Total Police Department	<u>6,189,011</u>	<u>6,325,747</u>	<u>6,285,369</u>	<u>40,378</u>
Fire Department:				
Current:				
Salaries and Employee Benefits	3,495,002	3,525,387	3,467,113	58,274
Repairs and Maintenance	52,000	52,000	53,910	(1,910)
Contractual Services	24,000	30,983	16,573	14,410
Supplies	27,500	31,536	21,819	9,717
Utilities	37,700	37,700	29,212	8,488
Other Operating Expenses	86,150	122,461	130,082	(7,621)
Total Current	<u>3,722,352</u>	<u>3,800,067</u>	<u>3,718,709</u>	<u>81,358</u>
Capital Outlay	1,280,400	200,895	154,134	46,761
Total Fire Department	<u>5,002,752</u>	<u>4,000,962</u>	<u>3,872,843</u>	<u>128,119</u>
Total Public Safety	<u>11,191,763</u>	<u>10,326,709</u>	<u>10,158,212</u>	<u>168,497</u>
<b>Animal Control:</b>				
Current:				
Salaries and Employee Benefits	93,427	97,710	96,032	1,678
Repairs and Maintenance	800	800	1,250	(450)
Utilities	1,500	1,500	1,150	350
Supplies	1,200	1,200	320	880
Other Operating Expense	7,250	9,750	10,063	(313)
Total Current	<u>104,177</u>	<u>110,960</u>	<u>108,815</u>	<u>2,145</u>
Capital Outlay	764	764	720	44
Total Animal Control	<u>104,941</u>	<u>111,724</u>	<u>109,535</u>	<u>2,189</u>
<b>Highway and Streets:</b>				
Current:				
Salaries and Employee Benefits	963,804	986,304	971,911	14,393
Contractual Services	2,000	2,000	1,689	311
Supplies	66,700	66,700	95,720	(29,020)
Utilities	14,100	14,100	12,088	2,012
Repairs and Maintenance	112,700	112,899	107,294	5,605
Other Operating Expenses	18,600	18,600	10,764	7,836
State Street Aid:				
Street Repair Materials	92,000	92,000	76,087	15,913
Street Lighting, Signs and Signals	23,000	26,221	27,995	(1,774)
Total Current	<u>1,292,904</u>	<u>1,318,824</u>	<u>1,303,547</u>	<u>15,277</u>
Capital Outlay	6,100	6,100	5,895	205
Total Highway and Streets	<u>1,299,004</u>	<u>1,324,924</u>	<u>1,309,442</u>	<u>15,482</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>			<b>Positive (Negative) Variance with Final</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government Expenditures, Continued:				
<b>Public Works:</b>				
Current:				
Salaries and Employee Benefits	\$ 149,069	\$ 149,069	\$ 150,408	\$ (1,339)
Repairs and Maintenance	1,000	1,000	270	730
Supplies	750	750	460	290
Utilities	1,600	1,600	1,098	502
Contractual Services	-	-	28	(28)
Other Operating Expenses	3,793	3,793	3,162	631
Total Current	<u>156,212</u>	<u>156,212</u>	<u>155,426</u>	<u>786</u>
Capital Outlay	185,000	362,483	206,816	155,667
Total Public Works	<u>341,212</u>	<u>518,695</u>	<u>362,242</u>	<u>156,453</u>
<b>Parks and Recreation:</b>				
Current:				
Salaries and Employee Benefits	1,746,086	1,769,306	1,758,644	10,662
Contractual Services	60,000	60,000	70,987	(10,987)
Utilities	137,800	137,800	145,579	(7,779)
Repairs and Maintenance	97,000	101,158	81,584	19,574
Supplies	436,000	466,577	446,858	19,719
Other Operating Expenses	96,350	96,350	103,991	(7,641)
Civic Center:				
Salaries and Employee Benefits	473,799	556,826	521,878	34,948
Contractual Services	60,000	60,000	120,014	(60,014)
Utilities	204,500	204,500	202,575	1,925
Supplies	85,000	85,000	82,185	2,815
Repairs and Maintenance	65,000	53,156	33,409	19,747
Other Operating Expenses	25,650	25,650	29,961	(4,311)
Total Current	<u>3,487,185</u>	<u>3,616,323</u>	<u>3,597,665</u>	<u>18,658</u>
Capital Outlay	115,500	220,963	228,040	(7,077)
Capital Outlay - ARRA #5 Energy Lighting Grant	-	119,445	113,735	5,711
Total Parks and Recreation	<u>3,602,685</u>	<u>3,956,731</u>	<u>3,939,439</u>	<u>17,292</u>
<b>Engineering:</b>				
Current:				
Salaries and Employee Benefits	347,247	347,247	345,297	1,950
Contractual Services	55,000	55,000	72,415	(17,415)
Utilities	306,750	306,750	290,845	15,905
Supplies	21,700	24,645	22,827	1,818
Repairs and Maintenance	2,200	2,200	1,157	1,043
Other Operating Expenses	18,980	18,980	13,826	5,154
Total Current	<u>751,877</u>	<u>754,822</u>	<u>746,367</u>	<u>8,455</u>
Capital Outlay	608,000	1,407,559	947,672	459,887
Total Engineering	<u>1,359,877</u>	<u>2,162,381</u>	<u>1,694,039</u>	<u>468,342</u>
<b>Community Services:</b>				
Current:				
Appropriations to Non-Profit Organizations	71,000	71,000	71,000	-
Salaries and Employee Benefits	-	-	-	-
Other Operating Expenses	-	-	-	-
Grants and Donations	246,500	249,600	242,014	7,586
Total Current	<u>317,500</u>	<u>320,600</u>	<u>313,014</u>	<u>7,586</u>
Capital Outlay	-	-	-	-
Total Community Services	<u>317,500</u>	<u>320,600</u>	<u>313,014</u>	<u>7,586</u>
<b>Vehicle Maintenance:</b>				
Current:				
Salaries and Employee Benefits	235,299	235,841	237,206	(1,365)
Contractual Services	-	-	154	(154)
Utilities	18,800	18,800	12,997	5,803
Supplies	3,000	3,000	2,488	512
Repairs and Maintenance	123,000	133,000	128,889	4,111
Other Operating Expenses	12,600	12,600	9,875	2,725
Total Current	<u>392,699</u>	<u>403,241</u>	<u>391,610</u>	<u>11,631</u>
Capital Outlay	25,350	25,350	24,525	825
Total Vehicle Maintenance	<u>418,049</u>	<u>428,591</u>	<u>416,135</u>	<u>12,456</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>			<b>Positive (Negative) Variance with Final</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Debt Service</b>	<u>\$ 1,269,276</u>	<u>\$ 1,269,276</u>	<u>\$ 1,260,489</u>	<u>\$ 8,787</u>
<b>Total Expenditures</b>	24,424,886	24,979,400	23,923,920	1,055,480
<b>Excess of Revenues Over (Under) Expenditures</b>	(2,335,551)	(1,757,381)	3,264,100	5,021,481
<b>Other Financing Sources (Uses)</b>				
Contributions	-	3,025	3,207	182
Insurance Proceeds	-	110,685	130,254	19,569
Operating Transfers In (Out)	1,169,070	(271,291)	(1,032,513)	(761,222)
Borrowings on Notes/Bonds	-	-	-	-
Sales of Capital Assets	8,000	33,184	38,194	5,010
<b>Total Other Financing Sources (Uses)</b>	<u>1,177,070</u>	<u>(124,397)</u>	<u>(860,858)</u>	<u>(736,461)</u>
<b>Net Change in Fund Balances</b>	(1,158,481)	(1,881,778)	2,403,242	4,285,020
<b>Fund Balance - July 1, 2010</b>	10,446,359	10,446,359	10,446,359	-
<b>Prior Period Adjustment</b>	<u>(5,944,384)</u>	<u>(5,944,384)</u>	<u>(5,944,384)</u>	<u>-</u>
<b>Fund Balance - June 30, 2011</b>	<u>\$ 3,343,494</u>	<u>\$ 2,620,197</u>	<u>\$ 6,905,217</u>	<u>\$ 4,285,020</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, 2011**

	Capital Projects - Other			Positive (Negative) Variance with Final
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Intergovernmental Grants	\$ -	\$ -	\$ 2,625	\$ 2,625
Total Revenues	-	-	2,625	2,625
<b>Expenditures</b>				
Capital Outlay	-	8,194,236	6,147,390	2,046,846
Total Expenditures	-	8,194,236	6,147,390	2,046,846
Excess of Revenues Over (Under) Expenditures	-	(8,194,236)	(6,144,765)	2,049,471
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	-	1,293,937	1,293,937	(0)
Total Other Financing Sources (Uses)	-	1,293,937	1,293,937	2,046,846
<b>Net Change in Fund Balances</b>	-	(6,900,299)	(4,850,828)	2,049,471
<b>Fund Balance - July 1, 2010</b>	6,751,384	6,751,384	6,751,384	-
<b>Prior Period Adjustment</b>	-	-	-	-
<b>Fund Balance - June 30, 2011</b>	<u>\$ 6,751,384</u>	<u>\$ (148,915)</u>	<u>\$ 1,900,555</u>	<u>\$ 2,049,471</u>

	Capital Projects - WWTP			Positive (Negative) Variance with Final
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Gasoline Tax	\$ -	\$ -	\$ -	\$ -
Investment Income	\$ -	\$ -	\$ -	\$ -
Intergovernmental Grants	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<b>Expenditures</b>				
Capital Outlay	-	19,656,959	-	19,656,959
Total Expenditures	-	19,656,959	-	19,656,959
Excess of Revenues Over (Under) Expenditures	-	(19,656,959)	-	19,656,959
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
<b>Net Change in Fund Balances</b>	-	(19,656,959)	-	19,656,959
<b>Fund Balance - July 1, 2010</b>	-	-	-	-
<b>Prior Period Adjustment</b>	-	-	-	-
<b>Fund Balance - June 30, 2011</b>	<u>\$ -</u>	<u>\$(19,656,959)</u>	<u>\$ -</u>	<u>\$ 19,656,959</u>

See auditors' report and notes to the financial statements.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2011**

**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, 2011**

**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.

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 Other and WWTP – These funds are accounting for the capital funds to 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. The Capital Projects WWTP fund was closed during 2011 when construction of the wastewater treatment plant was completed.

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

**C. Measurement Focus and Basis of Accounting**

Government-wide Financial Statements

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. 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.

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.

Governmental Fund Financial Statements

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.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**Note 1. Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

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.

Proprietary Fund Financial Statements

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.

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.

**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, 2011**

**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 1<sup>st</sup> on the assessed value listed as the prior January 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup>. Therefore, the City has recorded the succeeding year's receivable and deferred revenue for taxes assessed as of June 30, 2011 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, 2011**

**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 Balances**

Beginning July 1, 2010, the City classifies fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement classifies fund balances into clearly defined categories making the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints as defined in the City's fund balance policy (adopted by ordinance of the City Council):

**Nonspendable Fund Balance** – Funds that are not in a spendable form (e.g. inventories, prepaid items, and long term receivables) or funds that legally or contractually must be maintained intact (e.g. endowments).

**Restricted Fund Balance** – Funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation (e.g. state or federal requirements restricting use of certain funds, creditor loan covenants, and private donations).

**Committed Fund Balance** – Funds that are set aside for a specific purpose by the City's highest level of decision-making authority (i.e. City Council) and the highest form of authority (ordinance). This commitment of funds is authorized by ordinance and may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The ordinance must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. If the actual amount of the commitment is not available by June 30<sup>th</sup>, the ordinance must state the process of formula necessary to calculate the actual amount as soon as information is available.

**Assigned Fund Balance** – Funds that are intended to be used by the government for a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The City Council has authorized the City's Finance Director as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy. Any funds assigned must be reported to the Council at the next regular meeting and recorded in the minutes. Council has the authority to assign funds or to remove or change the assignment of the Finance Director with a simple majority vote. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as assigned fund balance.

**Unassigned Fund Balance** – the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Within the general funds, when multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. For all other governmental funds, interest earnings will always be spent first, and then the same order will apply, most restrictive to less.

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

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**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, 2011, 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, 2011, the City also held no investments. The electric fund held certificates of deposit with interest rates ranging from 1.0% to 1.54% and maturities exceeding three months.

**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:

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

	Balance 7/1/2010	Additions	Disposals	Balance 6/30/2011
<b>Governmental Activities</b>				
<b>Capital Assets not being Depreciated</b>				
Land	\$ 11,152,311	\$ 41,252	\$ -	\$ 11,193,562
Construction in Progress	5,200,613	1,727,173	4,983,327	1,944,458
<b>Total Capital Assets not being Depreciated</b>	<b>\$ 16,352,924</b>	<b>\$ 1,768,424</b>	<b>\$ 4,983,327</b>	<b>\$ 13,138,021</b>
<b>Capital Assets being Depreciated</b>				
Buildings	\$ 9,938,461	\$ 875,380	\$ 1,149,156	\$ 9,664,684
Improvements Other than Buildings	35,508,845	10,260,888	-	45,769,733
Infrastructure	-	-	-	-
Machinery & Equipment	5,903,364	208,707	61,489	6,050,582
Vehicles	8,691,412	150,479	7,631	8,834,260
<b>Total Capital Assets being Depreciated</b>	<b>\$ 60,042,083</b>	<b>\$ 11,495,453</b>	<b>\$ 1,218,277</b>	<b>\$ 70,319,259</b>
<b>Business-type Activities</b>				
<b>Capital Assets not being Depreciated</b>				
Land & Right of Way	\$ 3,436,426	\$ -	\$ -	\$ 3,436,426
Water Usage Rights	54,000	-	-	54,000
Construction in Progress	21,562,113	6,407,826	24,658,367	3,311,572
<b>Total Capital Assets not being Depreciated</b>	<b>\$ 25,052,538</b>	<b>\$ 6,407,826</b>	<b>\$ 24,658,367</b>	<b>\$ 6,801,998</b>
<b>Capital Assets being Depreciated</b>				
Building & Structures	\$ 3,291,228	\$ 24,658,367	\$ 3,850	\$ 27,945,745
Distribution Systems	148,529,169	5,484,362	202,466	153,811,065
Equipment & Vehicles	3,997,201	1,018,570	525,434	4,490,337
Furniture & Fixtures	1,306,070	7,888	-	1,313,958
<b>Total Capital Assets being Depreciated</b>	<b>\$ 157,123,668</b>	<b>\$ 31,169,187</b>	<b>\$ 731,750</b>	<b>\$ 187,561,106</b>
<b>Governmental Activities</b>				
<b>Accumulated Depreciation</b>				
Buildings & Structures	\$ 5,147,262	\$ 477,920	266,818	\$ 5,358,365
Improvements Other than Buildings	6,315,050	1,163,335	11,239	7,467,146
Infrastructure	-	-	-	-
Equipment	5,026,090	441,877	18,928	5,449,040
Vehicles	6,881,819	395,148	11,802	7,265,165
<b>Total Accumulated Depreciation</b>	<b>\$ 23,370,221</b>	<b>\$ 2,478,281</b>	<b>\$ 308,786</b>	<b>\$ 25,539,716</b>
<b>Business-type Activities</b>				
<b>Accumulated Depreciation</b>				
Building & Structures	\$ 1,381,986	\$ 698,921	\$ 1,859	\$ 2,079,049
Distribution Systems	53,322,274	4,286,683	141,841	57,467,116
Equipment and Vehicles	3,349,910	497,303	336,583	3,510,630
Furniture and Fixtures	1,098,707	111,716	-	1,210,423
<b>Total Accumulated Depreciation</b>	<b>\$ 59,152,877</b>	<b>\$ 5,594,624</b>	<b>\$ 480,282</b>	<b>\$ 64,267,219</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 53,024,786</b>	<b>\$ 10,785,596</b>	<b>\$ 5,892,818</b>	<b>\$ 57,917,565</b>
<b>Total Business-type Activities, Net</b>	<b>\$ 123,023,329</b>	<b>\$ 31,982,389</b>	<b>\$ 24,909,835</b>	<b>\$ 130,095,884</b>

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**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	\$ 980,653
Public Safety	428,724
Public Works	305,523
Environmental Services	49,005
Parks and Recreation	403,296
Economic Development	2,294
	<u>\$ 2,169,495</u>

**Business-type Activities**

Electric	\$ 1,107,002
Gas	655,684
Water and Sewer	3,351,656
	<u>\$ 5,114,342</u>

**Note 4. Long-Term Debt**

The following are summaries of long-term debt maturities of the City for the year ended June 30, 2011. Refer to page 47 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
2012	2,204,383	1,896,596
2013	2,259,567	1,822,173
2014	2,326,438	1,739,972
2015	2,409,706	1,654,982
2016-2020	11,095,330	6,896,388
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>43,896,260</u>	<u>21,768,620</u>

The following is a summary of changes to long-term liabilities during the year ended June 30, 2011

	Balance 7/1/2010	Additions	Disposals	Balance 6/30/2011	Due Within 1 Year
<b>Governmental Activities</b>					
<b>Bonds and Notes Payable</b>					
Notes Payable	\$ 3,480,000	-	330,000	\$ 3,150,000	\$ 340,000
Revenue Bonds	\$ 8,865,000	-	\$ 445,000	\$ 8,420,000	\$ 460,000
Total Bonds and Notes Payable	<u>\$ 12,345,000</u>	<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ 11,570,000</u>	<u>\$ 800,000</u>
<b>Other Long-Term Liabilities</b>					
Compensated Absences	\$ 976,760	\$ 46,857	\$ -	\$ 1,023,617	\$ -
Total Other Long-Term Liabilities	<u>\$ 976,760</u>	<u>\$ 46,857</u>	<u>\$ -</u>	<u>\$ 1,023,617</u>	<u>\$ -</u>
Total Governmental Activities Long-Term Liabilities	\$ 13,321,760	\$ 46,857	\$ 775,000	\$ 12,593,617	\$ 800,000
<b>Business-type Activities</b>					
<b>Bonds and Notes Payable</b>					
Notes Payable	\$ 993,202	-	124,150	\$ 869,052	\$ 162,277
Revenue Bonds, Net of Bond Premium	\$ 32,666,168	-	\$ 1,208,960	\$ 31,457,208	\$ 1,242,106
Total Bonds and Notes Payable	<u>\$ 33,659,370</u>	<u>\$ -</u>	<u>\$ 1,333,110</u>	<u>\$ 32,326,260</u>	<u>\$ 1,404,383</u>
<b>Other Long-Term Liabilities</b>					
Compensated Absences	790,736	-	103,758	686,978	-
Total Other Long-Term Liabilities	<u>\$ 790,736</u>	<u>\$ -</u>	<u>\$ 103,758</u>	<u>\$ 686,978</u>	<u>\$ -</u>
Total Business-type Activities Long-Term Liabilities	\$ 34,450,106	\$ -	\$ 1,436,868	\$ 33,013,238	\$ 1,404,383

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**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, 2011, 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 \$1,204,467.98 on behalf of the employees during 2011.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**Electric Department**

For 2011, the Department's annual pension cost of \$269,919 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**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2011	\$ 269,919	100.00%	\$ -
6/30/2010	\$ 216,100	100.00%	\$ -
6/30/2009	\$ 182,885	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 \$11,142.

**C. Annual Pension Cost**

For 2011, the PRMP's annual cost of \$11,142 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, 2011**

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 23,663	47.10%	\$ 33,396
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	<u>\$ 23,663</u>
Expected Benefit Payments	11,142
Net Post-employment Benefit at End of Year	<u>\$ 12,521</u>

Funding Status and Funding Progress is as follows:

<b>Funding Status and Funding Progress:</b>	
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. As of June 30, 2011, the unamortized balance is \$150,000, net of interest.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**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, 2011, has net assets invested in capital assets (net of related debt) in the amount of \$2,335,294 and an unrestricted net deficit of (\$766,090) as compared to \$2,335,365 and (\$717,067) for the year 2010. During 2011, 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 \$460,265, respectively for 2010.

**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, 2011, 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, 2011, consist of the following:

Due From Fund	Due to Fund						Total
	General Fund	Environmental Services	Other Governmental	Electric	Gas	Water & Sewer	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,557	\$ 207,557
Environmental Services	-	-	-	-	-	-	-
Other Governmental Funds	-	-	-	-	-	-	-
Electric	-	-	-	-	-	-	-
Gas	21,014	-	2,530	-	-	114,897	138,241
Water & Sewer	-	-	-	-	523,403	-	523,403
	<u>\$ 21,014</u>	<u>\$ -</u>	<u>\$ 2,530</u>	<u>\$ -</u>	<u>\$ 523,403</u>	<u>\$ 322,254</u>	<u>\$ 869,201</u>

The net balance of \$186,543 due to the general fund from the water/sewer and gas funds and other governmental 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 \$408,706 between the gas and water/sewer fund is for ongoing construction projects. These interfund balances will be repaid within one year.

**CITY OF GALLATIN, TENNESSEE**  
**Notes to Financial Statements – Continued**  
**June 30, 2011**

**Note 9. Interfund Balances and Transfers - Continued**

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Transfer From</u>	General Fund	Envirommental Services	Other Governmental	Electric	Gas	Water & Sewer	Total
General Fund	\$ -	\$ 277,844	\$ 4,983,586	\$ -	\$ -	\$ 226,884	\$ 5,488,314
Envirommental Services	-	-	-	-	-	-	-
Other Governmental Funds	-	-	-	-	-	-	-
Electric	598,542	-	-	-	-	-	598,542
Gas	297,756	-	-	-	-	-	297,756
Water & Sewer	-	-	-	-	-	-	-
	<u>\$ 896,298</u>	<u>\$ 277,844</u>	<u>\$ 4,983,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,884</u>	<u>\$ 6,384,612</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 and Prior Period Adjustment**

Fund Balances have the following specific purposes for each classification:

	<u>Total Governmental Funds</u>
<b>Nonspendable</b>	
Inventory	\$ 86,986
Funds Held in Trust	15,000
<b>Restricted</b>	
SOR Registry	4,369
Funds Held in Trust	348,448
<b>Committed</b>	
Economic Development	173,501
<b>Assigned</b>	
Capital Projects	1,900,555
Police Special Projects	137,495
Capital Projects	616,633
Industrial Park	59,066
Cemetary	21,414
<b>Unassigned</b>	<u>6,542,843</u>
<b>Total</b>	<u>\$ 9,906,312</u>

The governmental fund balances were restated as of the beginning of the fiscal year from \$39,412,774 to \$12,537,799 a decrease of \$26,874,975. The decrease is a result of the transfer of loan proceeds for the construction of the wastewater treatment facility construction project from the capital projects fund to the water/sewer fund upon completion of the project.

**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. No restricted net assets as of June 30, 2011.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Funding Progress**  
**Electric Fund Pension Plan**  
**June 30, 2011**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL/ Surplus (UAAL)	Funded Ratio	Covered Payroll	UAAAL 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, 2011**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL/ Surplus (UAAL)	Funded Ratio	Covered Payroll	UAAAL 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, 2011**

**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 1<sup>st</sup>. 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 all funds excluding the Electric 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, 2011, 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
none noted			

CITY OF GALLATIN, TENNESSEE  
 Combining Balance Sheet  
 Non-major Governmental Funds  
 June 30, 2011

	Special Revenue Funds				Non-major Capital Projects Funds				Permanent Funds	
	Special Funds	Drug Fund	Environmental Services Fund	Capital Projects 2007 G.O Bond Fund	Industrial Park Fund	Witherspoon Educational Memorial Trust Fund	Cemetery Trust Fund	Total Non-major Governmental Funds		
<b>Assets</b>										
Cash and Cash Equivalents	\$ 252,772	\$ (125,187)	\$ (86,644)	\$ 604,197	\$ 99,066	\$ 134,888	\$ 21,414	\$ 850,526		
Receivables, net	-	-	65,671	12,437	-	228,561	-	306,668		
Due From Other Funds	-	-	2,530	-	-	-	-	2,530		
Inventory	-	-	52,069	-	-	-	-	52,069		
<b>Total Assets</b>	<b>\$ 252,772</b>	<b>\$ (125,187)</b>	<b>\$ 23,646</b>	<b>\$ 616,633</b>	<b>\$ 99,066</b>	<b>\$ 363,448</b>	<b>\$ 21,414</b>	<b>\$ 1,211,813</b>		
<b>Liabilities and Fund Equity</b>										
Liabilities										
Accounts Payable	-	-	-	-	-	-	-	-		
Due To Other Funds	110,908	-	365	-	-	-	-	111,274		
Accrued Liabilities	110,908	-	365	-	-	-	-	111,274		
<b>Total Liabilities</b>	<b>221,816</b>	<b>-</b>	<b>730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,548</b>		
Fund Balances										
Nonspendable:										
Inventory	-	-	52,069	-	-	-	-	52,069		
Funds Held in Trust	4,369	-	-	-	-	15,000	-	19,369		
Restricted For:										
Committed To:	-	-	-	-	-	348,448	-	348,448		
Assigned To:	137,495	-	-	616,633	59,066	-	21,414	834,609		
Unassigned	141,864	(125,187)	(28,808)	816,633	59,066	363,448	21,414	(153,978)		
<b>Total Fund Balances</b>	<b>284,169</b>	<b>(125,187)</b>	<b>23,281</b>	<b>816,633</b>	<b>59,066</b>	<b>363,448</b>	<b>21,414</b>	<b>1,100,539</b>		
<b>Total Liabilities and Fund Balances</b>	<b>\$ 252,772</b>	<b>\$ (125,187)</b>	<b>\$ 23,646</b>	<b>\$ 616,633</b>	<b>\$ 59,066</b>	<b>\$ 363,448</b>	<b>\$ 21,414</b>	<b>\$ 1,211,813</b>		

CITY OF GALLATIN, TENNESSEE  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the Year Ended June 30, 2011

	Special Revenue Funds				Non-major Capital Projects Funds				Permanent Funds	
	Special Funds	Drug Fund	Environmental Services Fund	Capital Projects 2007 G.O Bond Fund	Industrial Park Fund	Witherspoon Educational Memorial Trust Fund	Cemetery Trust Fund	Total Non-major Governmental Funds		
<b>Revenues</b>										
Charges for Services	-	-	1,147,868	-	-	-	-	1,147,868		
Intergovernmental Grants	38	-	22,022	-	-	-	-	22,060		
Investment Income	6,000	157,827	-	1,827	-	1,049	(5,506)	160,150		
Fines and Forfeitures	-	-	-	-	-	-	-	-		
Miscellaneous:										
Other Revenue	-	-	20,123	-	-	-	-	20,123		
<b>Total Revenues</b>	<b>6,038</b>	<b>157,827</b>	<b>1,190,114</b>	<b>357,195</b>	<b>-</b>	<b>1,049</b>	<b>(5,506)</b>	<b>1,708,717</b>		
<b>Expenditures</b>										
Salaries, Taxes and Benefits	-	-	708,124	-	-	-	-	708,124		
Repairs and Maintenance	-	-	48,266	-	-	-	-	48,266		
Insurance	-	-	22,164	-	-	-	-	22,164		
Other Contractual Services	-	-	455,617	-	-	-	-	455,617		
Utilities	-	-	7,834	-	-	-	-	7,834		
Supplies	2,042	-	67,588	-	-	-	-	69,590		
Other Current Operating	16,831	86,649	135,593	-	-	-	-	249,072		
Capital Outlay	-	-	-	753,689	-	-	-	753,689		
<b>Total Expenditures</b>	<b>18,873</b>	<b>86,649</b>	<b>1,446,195</b>	<b>753,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,315,356</b>		
Excess of Revenues Over (Under) Expenditures	(12,834)	61,179	(256,022)	(396,504)	-	1,049	(5,506)	(609,639)		
<b>Other Financing Sources (Uses)</b>										
Contributions	16,748	-	-	-	-	-	-	16,748		
Operating Transfers in (Out)	16,748	-	407,960	-	-	-	-	407,960		
<b>Total Other Financing Sources (Uses)</b>	<b>33,496</b>	<b>-</b>	<b>407,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>424,737</b>		
<b>Net Change in Fund Balances</b>	<b>20,662</b>	<b>61,179</b>	<b>151,938</b>	<b>(396,504)</b>	<b>-</b>	<b>1,049</b>	<b>(5,506)</b>	<b>(183,901)</b>		
Fund Balance - July 1, 2010	137,950	(186,349)	(128,667)	1,776,137	59,066	362,400	26,821	2,049,440		
Prior Period Adjustment	-	-	-	(765,000)	-	-	-	(765,000)		
<b>Fund Balance - June 30, 2011</b>	<b>\$ 141,864</b>	<b>\$ (125,187)</b>	<b>\$ 23,281</b>	<b>\$ 616,633</b>	<b>\$ 59,066</b>	<b>\$ 363,448</b>	<b>\$ 21,414</b>	<b>\$ 1,100,539</b>		

**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, 2011**

	<b>Special Funds</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Grants	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	5,100	5,100	6,000	900
Interest Earnings	-	-	39	39
<b>Total Revenues</b>	<u>5,100</u>	<u>5,100</u>	<u>6,039</u>	<u>939</u>
<b>Expenditures</b>				
Current:				
Salaries, Taxes and Benefits	-	-	-	-
Supplies	5,100	5,100	2,042	3,058
Drug Operating Supplies	20,000	20,000	16,831	3,169
<b>Total Expenditures</b>	<u>25,100</u>	<u>25,100</u>	<u>18,873</u>	<u>6,227</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(12,834)</u>	<u>7,166</u>
<b>Other Financing Sources (Uses)</b>				
Contributions	20,000	20,000	16,748	(3,252)
<b>Total Other Financing Sources (Uses)</b>	<u>20,000</u>	<u>20,000</u>	<u>16,748</u>	<u>(3,252)</u>
<b>Net Change in Fund Balances</b>	-	-	3,914	3,914
<b>Fund Balance - July 1, 2010</b>	-	-	137,950	137,950
<b>Fund Balances - June 30, 2011</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,864</u>	<u>\$ 141,864</u>

	<b>Drug Fund</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and Forfeitures	100,000	100,000	157,827	\$ 57,827
Interest Earnings	1,000	1,000	-	(1,000)
<b>Total Revenues</b>	<u>101,000</u>	<u>101,000</u>	<u>157,827</u>	<u>56,827</u>
<b>Expenditures</b>				
Current:				
Drug Operating Supplies	200,000	200,000	96,649	103,351
<b>Total Expenditures</b>	<u>200,000</u>	<u>200,000</u>	<u>96,649</u>	<u>103,351</u>
Excess of Revenues Over (Under) Expenditures	<u>(99,000)</u>	<u>(99,000)</u>	<u>61,179</u>	<u>160,179</u>
<b>Net Change in Fund Balances</b>	(99,000)	(99,000)	61,179	160,179
<b>Fund Balance - July 1, 2010</b>	-	-	(186,346)	(186,346)
<b>Fund Balances - June 30, 2011</b>	<u>\$ (99,000)</u>	<u>\$ (99,000)</u>	<u>\$ (125,167)</u>	<u>\$ (26,167)</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, 2011**

	<b>Environmental Services Fund</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for Services	\$ 1,240,250	\$ 1,240,250	\$ 1,147,969	\$ (92,281)
Intergovernmental Grants	-	-	22,022	22,022
Other Revenue	-	17,182	20,123	2,941
<b>Total Revenues</b>	<u>1,240,250</u>	<u>1,257,432</u>	<u>1,190,114</u>	<u>(67,318)</u>
<b>Expenditures</b>				
Salaries, Taxes and Benefits	710,092	716,516	708,124	8,392
Repairs and Maintenance	51,000	51,000	49,266	1,734
Insurance	27,000	27,000	22,164	4,836
Other Contractual Services-Tipping Fees	500,000	500,000	455,617	44,383
Utilities	8,000	8,000	7,834	166
Supplies	96,000	111,000	67,538	43,462
Other Current Operating	97,667	124,849	135,593	(10,744)
Capital Outlay	-	115,000	-	115,000
<b>Total Expenditures</b>	<u>1,489,759</u>	<u>1,653,365</u>	<u>1,446,135</u>	<u>207,230</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(249,509)	(395,933)	(256,022)	139,911
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	249,509	280,933	407,990	127,057
<b>Total Other Financing Sources (Uses)</b>	<u>249,509</u>	<u>280,933</u>	<u>407,990</u>	<u>127,057</u>
<b>Net Change in Fund Balances</b>	-	(115,000)	151,968	266,968
<b>Fund Balance - July 1, 2009</b>	<u>(128,687)</u>	<u>(128,687)</u>	<u>(128,687)</u>	<u>-</u>
<b>Fund Balance - June 30, 2010</b>	<u>\$ (128,687)</u>	<u>\$ (243,687)</u>	<u>\$ 23,281</u>	<u>\$ 266,968</u>

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual  
Capital Projects Funds  
For the Year Ended June 30, 2011**

	<b>Capital Projects 2007 G.O. Bond Fund</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Grants	\$ -	\$ -	\$ 355,568	\$ 355,568
Investment Income	-	-	1,627	1,627
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>357,195</b>	<b>357,195</b>
<b>Expenditures</b>				
Capital Outlay	-	4,115,145	753,699	3,361,446
<b>Total Expenditures</b>	<b>-</b>	<b>4,115,145</b>	<b>753,699</b>	<b>3,361,446</b>
Excess of Revenues Over (Under) Expenditures	-	(4,115,145)	(396,504)	3,718,641
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	-	(143,531)	-	143,531
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(143,531)</b>	<b>-</b>	<b>143,531</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(4,258,676)</b>	<b>(396,504)</b>	<b>3,862,172</b>
<b>Fund Balance - July 1, 2010</b>	<b>1,778,137</b>	<b>1,778,137</b>	<b>1,778,137</b>	<b>-</b>
<b>Prior Period Adjustment</b>	<b>(765,000)</b>	<b>(765,000)</b>	<b>(765,000)</b>	<b>-</b>
<b>Fund Balances - June 30, 2011</b>	<b>\$ 1,013,137</b>	<b>\$ (3,245,539)</b>	<b>\$ 616,633</b>	<b>\$ 3,862,172</b>

	<b>Industrial Park Fund</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
<b>Expenditures</b>				
Excess of Revenues Over (Under) Expenditures	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1, 2010</b>	<b>59,066</b>	<b>59,066</b>	<b>59,066</b>	<b>-</b>
<b>Fund Balances - June 30, 2011</b>	<b>\$ 59,066</b>	<b>\$ 59,066</b>	<b>\$ 59,066</b>	<b>\$ -</b>

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, 2011**

	<b>Thomas A. Witherspoon Educational Memorial Trust Fund</b>			<b>Positive (Negative) Variance with Final</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Interest Earnings on Savings	\$ 15,000	\$ 15,000	\$ 1,049	\$ (13,951)
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>1,049</u>	<u>(13,951)</u>
<b>Expenditures</b>				
Current:				
Supplies	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	15,000	15,000	1,049	(13,951)
<b>Net Change in Fund Balances</b>	15,000	15,000	1,049	(13,951)
<b>Fund Balance - July 1, 2010</b>	<u>362,400</u>	<u>362,400</u>	<u>362,400</u>	<u>-</u>
<b>Fund Balances - June 30, 2011</b>	<u>\$ 377,400</u>	<u>\$ 377,400</u>	<u>\$ 363,448</u>	<u>\$ (13,951)</u>
	<b>Cemetary Trust Fund</b>			
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive (Negative) Variance with Final</b>
<b>Revenues</b>				
Interest Earnings	\$ -	\$ -	\$ (5,506)	\$ (5,506)
Total Revenues	<u>-</u>	<u>-</u>	<u>(5,506)</u>	<u>(5,506)</u>
<b>Expenditures</b>				
Current:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	-	-	(5,506)	(5,506)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	(5,506)	(5,506)
<b>Fund Balance - July 1, 2010</b>	<u>26,921</u>	<u>26,921</u>	<u>26,921</u>	<u>-</u>
<b>Fund Balances - June 30, 2011</b>	<u>\$ 26,921</u>	<u>\$ 26,921</u>	<u>\$ 21,414</u>	<u>\$ (5,506)</u>

See auditors' report.

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Expenditures of Federal and State Financial Assistance**  
**For the Year Ended June 30, 2011**

Grantor Agency	CFDA Number	Program Name	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<b>Federal Awards - ARRA</b>						
Department of Transportation, Federal Highway Administration	ARRA-20-205	ARRA #1 Big Station bridge/road	(735,795)	1,000,000	(264,205)	-
Department of Transportation, Federal Highway Administration	ARRA-20-205	ARRA #2 S Water Resurfacing	(23,810)	834,210	(1,360,290)	(549,890)
Department of Transportation, Federal Highway Administration	ARRA-20-205	ARRA Town Creek Greenway Phase I and II	(273,545)	1,000,000	(726,455)	-
Department of Transportation, Federal Highway Administration	ARRA 20-205	ARRA Downtown Streetscape Phase II	-	220,695	(437,027)	(216,332)
Department of Energy and Conservation	ARRA-81-128	ARRA Civic Center Lighting Upgrade	-	100,000	(100,000)	-
<b>Federal Awards - Non ARRA</b>						
Department of Transportation, Federal Highway Administration	20.205	Town Creek Greenway Phase I and II	(111,123)	55,914	(166,344)	(221,553)
Federal Emergency Management Agency	97.036	May/August 2010 Floods Nashville Violent Crime Task Force Grant	(76,298)	115,294	(38,996)	-
The Federal Bureau of Investigation	16.300	Long Hollow Gold Course Dam Repairs	-	20,499	(20,499)	-
Department of Agriculture, NRCS	10.923	Leaves/Pump Repair	-	36,392	(36,392)	-
Department of Agriculture, NRCS	10.923	Tow Creek Retaining Wall Repair	-	80,303	(80,303)	-
Department of Agriculture, NRCS	10.923	Bureau of Justice Assistance Grant	-	12,793	(37,421)	(37,421)
Department of Justice	16.738	Body Armor Replacement	-	8,135	(12,793)	(5,122)
Department of Justice	16.607	SAFER Grant	-	3,013	(8,135)	(5,122)
Department of Homeland Security	97.083		-	-	(25,002)	(25,002)
<b>Total Federal Awards</b>			<u>(1,220,571)</u>	<u>3,479,113</u>	<u>(3,313,862)</u>	<u>(1,055,320)</u>
<b>State Financial Assistance</b>						
Tennessee Department of Transportation	40234	Big Station Camp Creek (non ARRA)	(74,563)	626,916	(553,499)	(1,146)
Tennessee Department of Transportation		Albert Gallatin/Hatbentrack extension	(15,999)	180,488	(178,361)	(13,872)
TN Dept of Environment and Conservation	LWCF Grant #47-00788	Triple Creek Walking Trail & Restrooms / Land Water Park Grant	(20,772)	20,772	-	-
TN Resource Conservation & Development		Triple Creek Flood Repairs	-	2,188	(2,188)	-
TN Dept of Agriculture		Tree grant	-	-	(1,440)	(1,440)
TN Housing Development Agency		Home Grant 2010	-	2,625	(2,625)	-
TN Library and Archives		SNAP Grant for Record Preservation	-	3,751	(3,751)	-
TN Department of Commerce and Insurance	unknown	Salary Supplement - Police	-	38,400	(38,400)	-
TN Department of Commerce and Insurance	unknown	Salary Supplement - Fire	-	27,600	(27,600)	-
<b>Total State Financial Assistance</b>			<u>(111,334)</u>	<u>902,740</u>	<u>(807,964)</u>	<u>(16,458)</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, 2011. The schedule is presented using the modified accrual basis of accounting.

**Note 2. Non-Cash Assistance**  
For the year ended June 30, 2011, 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, 2011**

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
2012	340,000	128,008	310,000	34,570	150,000	305,169	800,000	487,745
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	73,908	-	-	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
<b>Total</b>	<b>\$ 3,150,000</b>	<b>\$ 828,408</b>	<b>\$ 1,340,000</b>	<b>\$ 81,708</b>	<b>\$ 7,080,000</b>	<b>\$ 3,065,513</b>	<b>\$ 11,570,000</b>	<b>\$ 3,775,627</b>

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
2012	650,000	1,166,875	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	30,083
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	8,326	-	-	-	-	-
<b>Total</b>	<b>\$ 25,385,000</b>	<b>\$ 16,440,275</b>	<b>\$ 332,208</b>	<b>\$ -</b>	<b>\$ 2,100,000</b>	<b>\$ 238,666</b>	<b>\$ 3,640,000</b>	<b>\$ 1,140,966</b>

Fiscal Year Ended June 30,	Business-Type Activities				Total Business-Type & Governmental Activities	
	Electric Fund		Total		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
2012	182,277	52,143	1,404,383	1,428,851	2,204,383	1,888,596
2013	182,277	42,407	1,424,567	1,381,015	2,259,567	1,822,173
2014	182,277	32,670	1,466,438	1,327,315	2,326,438	1,739,972
2015	182,277	22,933	1,514,706	1,272,547	2,409,706	1,654,982
2016	182,277	13,197	1,539,131	1,217,088	2,389,131	1,589,963
2017	57,667	9,737	1,484,905	1,164,140	2,344,905	1,478,515
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
<b>Total</b>	<b>\$ 869,052</b>	<b>\$ 173,086</b>	<b>\$ 32,326,280</b>	<b>\$ 17,992,993</b>	<b>\$ 43,896,260</b>	<b>\$ 21,768,620</b>

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

<u>Year of Levy</u>	<u>Tax Rate Per \$100 City</u>	<u>Total Assessed Value</u>
2010	0.99	\$ 9,203,099
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

**CITY OF GALLATIN, TENNESSEE**  
**Schedule of Uncollected Delinquent Taxes Filed**  
**June 30, 2011**

<u>Year of Levy</u>	<u>Gross Property Taxes Receivable June 30, 2011</u>
2011	\$ 9,359,201
2010	337,402
2009	144,636
2008	108,437
2007	79,619
2006	40,469
2005	34,246
2004	26,197
2003	44,958
2002	101,468
2001	93,134
Totals	<u>\$ 10,369,768</u>

See auditors' report.

**GALLATIN DEPARTMENT OF ELECTRICITY**

**SCHEDULE OF RATES IN FORCE**

**June 30, 2011**

**RESIDENTIAL RATE**

Customer charge per month	\$	10.03
Energy charge:		
Per kWh per month		0.07976

**GENERAL POWER RATE**

**GSA (Demand 0-5,000 kW)**

Customer charge per month	\$	14.82
---------------------------	----	-------

1. Less than 50 kW and not more than 15,000 kWh  
     All kWh per kWh 0.08897
  
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	\$8.74 per kW

First 15,000 kWh per month	0.08749
Additional kWh per month	0.06215
  
3. Between 1,001 and 5,000 kW
 

0 to 1,000 kW	\$8.74 per kW
More than 1,000 to 5,000 kW	\$12.11 per kW

All kWh per kWh	0.06215
-----------------	---------

**SGSB (Demand from 5,001 to 15,000 kW)**

Customer charge per month	\$1,500.00
Demand charge	\$21.03 per kW
Energy charge:	
All kWh per kWh	0.04913

**SMSB**

Customer charge per month	\$1,500.00
Demand charge	\$18.22 per kW
Energy charge:	
All kWh per kWh	0.04170

See Independent Auditors' Report.

GALLATIN DEPARTMENT OF ELECTRICITY

SCHEDULE OF RATES IN FORCE

June 30, 2011

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<b>TDMSD (DEMAND over 25,000 kW)</b>	
Customer charge per month	\$1,500.00
Demand charge - on peak	\$15.38 per kW
Demand charge - off peak	\$3.30 per kW
Energy charge:	
All kWh - on peak	0.07928
All kWh - off peak	0.04511
<b>OUTDOOR LIGHTING (including pole)</b>	
100 Watt H.P.S.	8.51
150 Watt H.P.S.	11.43
175 Watt M.V.	8.87
250 Watt H.P.S.	14.36
400 Watt H.P.S.	18.33
outdoor lighting kWh	0.0660
<b>Number of Customers at Year End:</b>	
Residential	13,166
Commercial	2,460
Street and athletic fields	55
Individually billed outdoor lighting	39
	<hr/>
	15,720
	<hr/> <hr/>

See Independent Auditors' Report.

**CITY OF GALLATIN, TENNESSEE**  
**Gas Rate Structure and Customer Information**  
**For the Year Ended June 30, 2011**

**Rates**

<b>Residential and Commercial Rates</b>		
	<b>Outside</b>	<b>Inside</b>
First 200 Cubic Feet	\$3.85 minimum	\$3.50 minimum
All Usage Over 200 Cubic Feet	\$.91/ccf	\$.83/ccf
<b>Industrial Rates</b>		
All Usage	\$.83/ccf	\$.83/ccf
<b>Preferred Interruptible Rates</b>		
All Usage		\$.70/ccf
<b>Interruptible Rates</b>		
First 100,000 Cubic Feet		\$.60/ccf
All Usage Over 100,000 Cubic Feet		\$.55/ccf
<b>Residential Gas Connection Fee</b>		
	Outside	Inside
	\$125	\$100

**Number of Customers**

<b>Class of Service</b>	<b>Customers</b>	
	<b>2011</b>	<b>2010</b>
Residential	8,570	10,669
Commercial	711	1,228
Industrial	31	96
Interruptible	2	3
Total	9,314	11,996



## **Statistical Tables**



**CITY OF GALLATIN, TENNESSEE**  
**Statistical Section - Table of Contents**  
**June 30, 2011**

	Page
<b>Financial Trends Information</b>	54
Net Assets by Component - Last 10 Years	55
Changes in Net Assets - Last 10 Years	56
Fund Balance, Governmental Funds- Last 10 Years	56
Changes in Fund Balance, Governmental Funds- Last 10 Years	
<b>Revenue Capacity Information</b>	
Assessed Value and Estimated Actual Value of Taxable Property - Last 10 Years	57
Direct and Overlapping Property Tax Rates - Last 10 Years	58
Principal Property Tax Payers - Last 10 Years	59
Property Tax Levies and Collections - Last 10 Years	60
Water Sold by Type of Customer - Last 10 Years	61
Water and Sewer Rates - Last 10 Years	62
Schedule of Unaccounted for Water	62a
<b>Debt Capacity Information</b>	
Ratios of Outstanding Debt by Type - Last 10 Years	63
Ratios of General Bonded Debt Outstanding - Last 10 Years	64
Direct and Overlapping Governmental Activities Debt - Last 10 Years	65
Legal Debt Margin Information - Last 10 Years	66
Pledged-Revenue Coverage - Last 10 Years	67
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics - Last 10 Calendar Years	68
Principal Employers - Current Year and 9 Years Ago	69
<b>Operating Information</b>	
Full-Time Equivalent City Government Employees by Function/Program - Last 10 Years	70
Operating Indicators by Function/Program - Last 10 Years	71
Capital Asset Statistics by Function/Program - Last 10 Years	72



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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002*
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,856,306	\$ 26,282,195	\$ 23,340,840	\$ 20,324,988	\$ -
Restricted	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060	-
Unrestricted	9,546,556	38,464,287	13,160,946	14,348,514	19,876,514	8,339,620	8,957,037	9,628,934	9,607,473	-
<b>Total Governmental Activities Net Assets</b>	<b>\$ 55,909,121</b>	<b>\$ 78,972,727</b>	<b>\$ 48,181,532</b>	<b>\$ 44,856,355</b>	<b>\$ 46,093,654</b>	<b>\$ 39,212,926</b>	<b>\$ 36,162,189</b>	<b>\$ 33,508,418</b>	<b>\$ 30,737,521</b>	<b>\$ -</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$ 99,497,736	\$ 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	26,219,039	4,919,217	38,074,203	20,291,861	19,344,762	20,545,976	17,055,143	14,082,726	11,194,194	-
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 125,716,775</b>	<b>\$ 95,863,229</b>	<b>\$ 120,883,159</b>	<b>\$ 117,638,534</b>	<b>\$ 106,266,936</b>	<b>\$ 99,192,247</b>	<b>\$ 88,110,781</b>	<b>\$ 81,968,616</b>	<b>\$ 76,260,086</b>	<b>\$ -</b>
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577	\$ 97,337,833	\$ 81,226,730	\$ 85,390,880	\$ -
Restricted	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645	805,060	-
Unrestricted	35,765,595	43,383,504	51,235,149	34,640,375	39,221,276	28,885,596	26,012,180	23,711,660	20,801,667	-
<b>Total Primary Government Net Assets</b>	<b>\$ 181,625,895</b>	<b>\$ 174,835,956</b>	<b>\$ 169,064,691</b>	<b>\$ 162,494,889</b>	<b>\$ 152,360,590</b>	<b>\$ 138,405,173</b>	<b>\$ 124,272,970</b>	<b>\$ 115,477,035</b>	<b>\$ 106,997,607</b>	<b>\$ -</b>

\*Fixed Asset Information was not available prior to 2003.

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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 5,520,983	\$ 4,334,889	\$ 5,704,655	\$ 9,108,835	\$ 4,048,053	\$ 3,244,868	\$ 3,334,894	2,881,870	2,865,332	-
Public Safety	10,522,520	10,583,885	10,217,027	9,312,521	8,928,042	7,710,413	6,758,172	6,248,794	6,078,879	-
Animal Control	109,535	99,985	112,082	47,847	47,119	42,050	40,235	29,453	43,104	-
Highways, Streets and Roadways	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828	1,869,388	1,454,830	978,133	-
Public Works	572,127	351,059	28,964	226,892	163,821	156,392	138,488	146,935	120,399	-
Environmental Services	1,483,595	1,504,489	1,433,802	1,404,985	1,877,427	2,132,344	1,918,049	1,808,843	1,725,197	-
Parks and Recreation	4,182,036	3,845,550	3,238,819	2,449,295	2,768,383	2,679,035	2,404,781	2,402,847	2,276,080	-
Engineering	1,848,991	395,200	636,589	408,330	703,821	521,482	413,530	447,373	102,101	-
Community Services	313,014	300,000	231,849	185,500	186,640	182,296	195,591	164,873	160,383	-
Economic Development	222,988	269,588	270,456	278,287	230,687	202,705	-	-	-	-
Vehicle Maintenance	393,742	403,148	378,013	352,822	333,463	311,944	302,551	315,462	379,949	-
Interest on Long-term Debt	484,738	487,068	785,391	320,565	90,045	105,838	84,489	291,139	299,324	-
<b>Total Governmental Activities Expenses</b>	<b>28,757,798</b>	<b>23,998,159</b>	<b>25,118,120</b>	<b>25,848,954</b>	<b>21,007,484</b>	<b>18,868,796</b>	<b>17,288,148</b>	<b>16,179,819</b>	<b>15,028,961</b>	<b>-</b>
<b>Business-type Activities:</b>										
Electric Power	80,978,208	52,252,586	52,075,601	48,441,112	44,558,792	23,127,731	38,874,018	38,823,821	34,834,951	-
Natural Gas	15,267,278	19,084,230	18,354,295	20,349,482	18,901,303	42,349,573	16,953,730	13,980,974	13,189,500	-
Golf	-	-	1,011,581	978,014	911,903	947,510	913,014	898,171	840,283	-
Water and Sewer	11,510,424	10,398,969	10,073,498	7,858,835	7,130,595	6,444,981	5,842,980	5,441,054	5,254,474	-
<b>Total Business-type Activities Expenses</b>	<b>87,743,910</b>	<b>81,703,785</b>	<b>82,514,953</b>	<b>77,425,253</b>	<b>71,538,200</b>	<b>72,834,188</b>	<b>60,583,420</b>	<b>58,942,120</b>	<b>53,919,208</b>	<b>-</b>
<b>Total Primary Government Expenses</b>	<b>\$ 114,501,708</b>	<b>\$ 105,699,944</b>	<b>\$ 107,633,073</b>	<b>\$ 103,272,207</b>	<b>\$ 92,545,684</b>	<b>\$ 91,700,984</b>	<b>\$ 77,851,568</b>	<b>\$ 73,121,739</b>	<b>\$ 68,948,069</b>	<b>\$ -</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services	\$ 5,342,165	\$ 4,482,098	\$ 4,127,495	\$ 4,937,573	\$ 4,388,414	\$ 2,950,814	\$ 2,751,837	2,225,531	2,204,828	-
Operating Grants and Contributions	854,889	703,348	1,474,369	848,489	3,502,202	636,779	889,006	1,167,765	1,081,975	-
Capital Grants and Contributions	4,020,980	2,383,773	4,022,806	590,405	138,761	1,642,282	1,722,591	1,321,300	-	-
<b>Total Governmental Activities Program Revenues</b>	<b>10,218,014</b>	<b>7,549,219</b>	<b>9,624,670</b>	<b>6,376,447</b>	<b>8,007,387</b>	<b>5,229,875</b>	<b>5,343,433</b>	<b>4,704,596</b>	<b>3,286,803</b>	<b>-</b>
<b>Business-Type Activities:</b>										
Charges for Services:										
Electric Power	81,599,234	53,802,000	53,904,250	48,897,969	46,400,568	44,282,807	38,038,137	38,072,015	35,594,644	-
Natural Gas	17,502,781	20,871,057	21,287,574	22,330,508	20,082,042	23,871,087	18,422,895	14,798,256	13,806,582	-
Golf	-	-	827,181	821,851	789,574	709,748	685,421	787,500	877,548	-
Water and Sewer	10,914,978	10,047,425	9,371,205	8,538,950	8,071,541	7,258,654	7,169,818	6,856,003	5,994,758	-
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	885,151	253,452	1,252,887	9,918,074	3,528,948	7,931,282	2,800,442	2,992,368	1,884,772	-
<b>Total Business-Type Activities Program Revenues</b>	<b>90,702,161</b>	<b>84,873,934</b>	<b>86,652,857</b>	<b>89,507,152</b>	<b>78,850,673</b>	<b>83,881,578</b>	<b>67,118,513</b>	<b>63,288,140</b>	<b>57,968,310</b>	<b>-</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 100,920,185</b>	<b>\$ 92,423,149</b>	<b>\$ 96,277,527</b>	<b>\$ 94,883,599</b>	<b>\$ 88,858,040</b>	<b>\$ 89,081,251</b>	<b>\$ 72,459,946</b>	<b>\$ 67,990,736</b>	<b>\$ 61,225,113</b>	<b>\$ -</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (16,539,782)	\$ (16,448,844)	\$ (15,493,449)	\$ (19,470,507)	\$ (13,000,117)	\$ (13,837,121)	\$ (11,824,715)	\$ (11,475,023)	\$ (11,760,058)	\$ -
Business-Type Activities	2,958,241	3,170,148	4,137,904	11,081,999	7,314,473	11,017,408	6,533,093	6,344,020	4,039,102	-
<b>Total Primary Government Net Expense</b>	<b>\$ (13,581,541)</b>	<b>\$ (13,278,795)</b>	<b>\$ (11,355,545)</b>	<b>\$ (8,388,508)</b>	<b>\$ (5,685,644)</b>	<b>\$ (2,819,713)</b>	<b>\$ (5,291,622)</b>	<b>\$ (5,131,003)</b>	<b>\$ (7,720,956)</b>	<b>\$ -</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities:</b>										
Property and Personal Taxes	\$ 9,514,298	\$ 9,211,402	\$ 8,830,313	\$ 8,350,867	\$ 7,710,887	8,354,180	\$ 5,987,978	\$ 5,724,233	\$ 6,801,113	\$ -
Payment In Lieu of Tax	308,837	303,475	278,837	259,218	218,147	201,081	-	-	-	-
Income and Excise Taxes	688,179	758,315	80,810	508,968	440,512	220,822	1,409,068	1,331,015	1,230,562	-
Sales Taxes	8,874,129	8,422,953	6,390,038	6,863,042	6,752,289	6,154,339	4,154,177	3,876,076	3,918,858	-
Gasoline Tax	-	-	-	138,498	134,884	665,593	-	-	-	-
Alcoholic Beverage Taxes	1,039,948	965,092	877,842	953,785	918,743	875,523	-	-	-	-
Business Taxes	556,382	485,481	521,590	520,285	483,682	388,283	-	-	-	-
Hospitality Taxes	356,846	341,828	327,853	299,962	278,864	248,792	-	-	-	-
Miscellaneous State Taxes	1,572	2,075	2,790	5,537	5,519	8,970	1,896,131	1,966,921	2,048,212	-
Unrestricted Investment Earnings	28,999	100,415	519,239	682,761	490,238	234,784	151,988	98,936	114,238	-
Rental Income	25,983	29,827	35,521	66,446	58,855	590,320	-	-	-	-
Sale of Capital Assets	38,194	8,404	18,884	(1,487,141)	15,966	323,877	-	54,954	642,330	-
Insurance Proceeds	130,254	74,359	138,900	27,851	28,597	-	-	-	-	-
Miscellaneous	118,239	23,728	51,988	592,710	352,792	83,441	132,450	248,208	101,002	-
Transfers, Net	869,414	1,398,522	1,071,242	685,874	887,035	828,908	848,687	830,836	(723,756)	-
<b>Total Governmental Activities</b>	<b>20,351,151</b>	<b>20,123,556</b>	<b>19,141,245</b>	<b>18,483,047</b>	<b>18,772,810</b>	<b>17,188,711</b>	<b>14,678,487</b>	<b>14,128,978</b>	<b>13,930,359</b>	<b>-</b>
<b>Business-Type Activities:</b>										
Unrestricted Investment Earnings	153,210	200,533	437,057	718,092	1,009,368	876,518	455,739	199,264	212,131	-
Sale of Capital Assets	33,026	10,487	8,485	10,169	2,181	14,447	-	-	-	-
Insurance Proceeds	503,507	-	41	-	3,304	-	-	-	-	-
Transfers, Net	(689,414)	(1,398,522)	(1,071,241)	(885,874)	(887,035)	(828,908)	(848,687)	(830,836)	723,756	-
<b>Total Business-Type Activities</b>	<b>20,329</b>	<b>(1,185,522)</b>	<b>(625,878)</b>	<b>42,587</b>	<b>127,818</b>	<b>64,057</b>	<b>(390,928)</b>	<b>(631,372)</b>	<b>935,887</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 20,371,480</b>	<b>\$ 18,938,034</b>	<b>\$ 18,515,367</b>	<b>\$ 18,505,834</b>	<b>\$ 18,900,428</b>	<b>\$ 17,250,768</b>	<b>\$ 14,187,559</b>	<b>\$ 13,497,606</b>	<b>\$ 14,866,246</b>	<b>\$ -</b>
<b>Change in Net Assets</b>										
Governmental Activities	3,811,389	3,678,812	3,847,796	(1,007,480)	5,772,493	3,549,591	2,653,772	2,853,955	2,170,301	-
Business-Type Activities	2,978,570	1,984,827	3,512,226	11,124,486	7,442,291	11,081,485	6,142,165	5,712,848	4,874,989	-
<b>Total Primary Government</b>	<b>\$ 6,789,959</b>	<b>\$ 5,663,639</b>	<b>\$ 7,360,022</b>	<b>\$ 10,117,028</b>	<b>\$ 13,214,784</b>	<b>\$ 14,631,058</b>	<b>\$ 8,795,937</b>	<b>\$ 8,566,803</b>	<b>\$ 7,045,290</b>	<b>\$ -</b>

**CITY OF GALLATIN, TENNESSEE**  
**Fund Balances - Governmental Funds and Changes in Fund Balances - Governmental Funds**  
**Least Ten Fiscal Years**

	Fiscal Year									
	2011*	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Fund</b>										
Reserved	n/a	\$ 35,408	\$ 40,172	\$ 17,132	\$ 15,874	\$ 14,887	\$ -	\$ -	\$ -	\$ -
Unreserved	n/a	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025	\$ 11,942,364	\$ 8,270,705	\$ 9,276,034	\$ 9,468,208	\$ 9,720,110	\$ 9,353,806
Nonspendable										
Restricted	34,897									
Committed	173,501									
Assigned										
Unassigned	6,696,819									
<b>Total General Fund</b>	<b>\$ 6,905,217</b>	<b>\$ 10,446,359</b>	<b>\$ 11,253,530</b>	<b>\$ 9,594,157</b>	<b>\$ 11,958,238</b>	<b>\$ 8,285,392</b>	<b>\$ 9,278,034</b>	<b>\$ 9,469,208</b>	<b>\$ 9,720,110</b>	<b>\$ 9,353,806</b>
<b>All Other Governmental Funds</b>										
Reserved	n/a									
Unreserved, reported in:										
Special Revenue Funds	n/a	\$ (159,129)	\$ (52,076)	\$ 323,753	\$ 286,734	\$ 16,541	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Capital Projects Funds	n/a	(2,955)	22,272	24,557	174,246	182,017	105,662	105,662	105,662	103,385
Permanent Funds	n/a	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836	457,490	454,281	454,544	573,068
Unreserved	n/a	374,321	353,968	336,050	308,421	297,147	288,970	278,070	270,381	281,737
Nonspendable	67,089				12,647	20,985				
Restricted	352,817									
Committed										
Assigned	2,735,165									
Unassigned	(153,976)									
<b>Total All Other Governmental Funds</b>	<b>\$ 3,001,955</b>	<b>\$ 28,966,415</b>	<b>\$ (11,185,320)</b>	<b>\$ 5,430,197</b>	<b>\$ 8,519,633</b>	<b>\$ 981,755</b>	<b>\$ 951,477</b>	<b>\$ 853,023</b>	<b>\$ 846,108</b>	<b>\$ 953,218</b>
<b>Revenues</b>										
Taxes	\$ 20,056,287	\$ 19,177,101	\$ 17,989,804	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166	\$ 11,614,584	\$ 10,902,828	\$ 11,504,525	\$ 10,871,827
Licenses and Permits	9,960,491	247,346	615,775	851,142	698,601	529,282	504,875	344,087	335,201	352,153
Fines and Forfeitures	108,815	89,885	90,846	47,647	47,119	42,050	39,951	30,308	43,050	41,141
Charges for Services	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618	1,104,854	1,051,389	1,837,336
Intergovernmental	2,787,890	2,756,388	2,064,030	2,348,866	2,102,680	1,455,320	1,422,581	1,192,850	1,114,488	1,172,729
Investment Income	3,325,809	2,466,844	791,301	4,062,968	3,691,616	3,136,744	2,768,336	3,260,883	3,171,780	3,370,511
Rental/Property Income	28,998	100,415	519,240	682,762	490,238	234,794	151,886	98,836	114,238	163,862
Miscellaneous Revenues	25,893	28,627	35,521	66,445	58,855	590,320	355,013	108,903	534,185	54,379
	118,239	23,728	51,886	592,709	352,782	93,441	132,450	246,210	101,003	131,857
<b>Total Revenues</b>	<b>28,897,362</b>	<b>26,258,613</b>	<b>23,514,148</b>	<b>25,571,272</b>	<b>23,284,928</b>	<b>19,478,080</b>	<b>17,568,753</b>	<b>16,238,821</b>	<b>17,507,551</b>	<b>16,468,883</b>
<b>Expenditures</b>										
General Government	4,078,861	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
Public Safety	9,960,491	9,841,580	9,888,847	9,295,197	8,259,007	7,113,058	6,167,861	5,732,734	5,500,365	5,566,481
Animal Control	108,815	89,885	90,846	47,647	47,119	42,050	39,951	30,308	43,050	41,141
Highways and Streets	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618	1,104,854	1,051,389	1,837,336
Public Works	155,428	152,145	149,677	145,258	139,527	136,228	119,280	111,488	111,488	117,729
Environmental Services	1,434,591	1,430,341	1,323,296	1,398,275	1,597,138	2,055,365	1,878,479	1,646,286	1,612,784	1,448,804
Parks and Recreation	3,587,665	3,392,390	2,645,342	2,466,439	2,333,959	2,183,941	1,970,462	1,930,422	1,898,613	1,863,867
Engineering	746,367	385,200	372,252	407,115	698,725	482,915	306,312	307,489	311,187	234,065
Other Community Services	313,014	300,000	231,649	185,500	186,640	182,296	195,581	154,673	180,383	165,862
Economic Development Agency	211,163	234,588	230,201	217,975	224,440	188,988	301,233	313,752	376,738	-
Vehicle Maintenance	361,610	403,148	364,901	348,320	329,108	311,705	50,338	30,457	32,385	24,955
Other Program Cost	-	(281)	-	-	243,714	125,980	-	-	-	-
Debt Service:										
Principal	775,000	780,000	425,000	410,000	775,000	760,000	750,000	1,734,712	953,568	922,022
Interest	484,739	487,066	627,829	321,681	90,045	117,245	141,346	279,742	218,588	360,513
Capital Outlay	8,825,328	7,077,681	7,095,559	11,624,680	11,584,163	3,832,929	2,812,583	1,830,114	2,412,116	1,726,318
<b>Total Expenditures</b>	<b>32,385,688</b>	<b>29,701,125</b>	<b>29,019,249</b>	<b>31,862,862</b>	<b>21,818,426</b>	<b>21,862,278</b>	<b>18,530,139</b>	<b>17,833,009</b>	<b>17,048,541</b>	<b>16,362,864</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,489,304)</b>	<b>(3,441,512)</b>	<b>(5,504,102)</b>	<b>(6,231,690)</b>	<b>1,876,503</b>	<b>(2,324,198)</b>	<b>(941,386)</b>	<b>(1,594,786)</b>	<b>458,010</b>	<b>85,869</b>
<b>Other Financing Sources (Uses)</b>										
Contributions	19,955	384,682	63,156	42,038	466,113	92,070	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	(723,756)	-
Forgiveness of Golf Course Debt	-	-	-	-	-	-	-	-	-	-
Bond Proceeds less refunding	-	-	-	-	-	-	-	-	-	-
Insurance Proceeds	130,254	74,359	3,642,438	27,651	7,500,000	323,677	-	-	-	-
Sale of Capital Assets	38,194	8,404	16,684	3,681	15,966	15,966	-	-	-	-
Operating Transfers in (Out)	669,414	1,395,522	1,071,241	685,674	887,035	826,907	846,667	(274,229)	-	16,360
<b>Total Other Financing Sources (Uses)</b>	<b>857,817</b>	<b>1,863,947</b>	<b>4,932,419</b>	<b>759,024</b>	<b>12,421,624</b>	<b>1,242,654</b>	<b>846,667</b>	<b>(232,569)</b>	<b>(723,756)</b>	<b>16,360</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,631,488)</b>	<b>\$ (1,577,565)</b>	<b>\$ (571,683)</b>	<b>\$ (5,472,666)</b>	<b>\$ 10,572,214</b>	<b>\$ (1,081,544)</b>	<b>\$ (94,719)</b>	<b>\$ (1,827,356)</b>	<b>\$ (265,746)</b>	<b>\$ 102,259</b>
<b>Debt Service as a Percentage of Non-Capital Expenditures</b>	5.3%	5.5%	4.8%	3.8%	4.3%	4.6%	5.7%	12.6%	8.0%	8.8%

**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
2011	480,900,976	294,277,873	145,862,952	16,629,000	921,041,801	0.99	3,094,122,921	30.30%
2010	476,514,105	279,698,996	147,585,680	16,697,225	903,798,781	0.99	3,043,499,576	30.24%
2009	407,007,808	227,005,136	138,774,920	7,559,875	772,787,864	1.12	2,634,149,025	29.62%
2008	376,719,045	208,883,100	142,513,175	6,878,800	728,115,320	1.12	2,458,859,601	29.89%
2007	325,231,098	200,964,901	145,747,490	7,680,475	671,943,489	1.12	2,241,616,040	30.32%
2006	257,567,550	165,850,882	127,310,752	7,060,850	550,729,184	1.12	1,850,742,548	30.14%
2005	228,442,544	155,216,166	125,455,607	9,688,400	509,114,317	1.12	1,681,953,966	30.85%
2004	215,824,825	149,032,241	128,301,776	9,293,025	493,158,842	1.32	1,627,650,985	30.87%
2003	177,281,513	129,451,490	96,245,048	7,428,025	402,978,051	1.32	1,376,942,381	29.81%
2002	169,201,115	111,777,723	100,653,926	7,954,675	381,632,764	1.32	1,292,266,983	30.15%

Source: State Board of Equalization.

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

Taxable Property	Legal Assessment Ratio
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.

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

<b>Fiscal Year</b>	<b>City Direct Rate</b>		<b>Overlapping Rate</b>
	<b>Basic Rate</b>	<b>Total Direct</b>	<b>Sumner County</b>
2011	\$ 0.99	\$ 0.99	\$ 2.02
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

**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**

<u>Taxpayer</u>	<b>2011</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Gap, Inc.	\$ 76,300,000	1	8.28%
Stoneridge Farms	25,018,377	2	2.72%
Wellington Farms	24,930,400	3	2.71%
Sumner Regional Health	22,283,480	4	2.42%
Sumner Medical Plaza	20,946,496	5	2.27%
Kennesaw Partners, Inc.	20,005,000	6	2.17%
Hoeganaes Corp.	14,061,216	7	1.53%
Sumner Regional Medical Center	12,116,152	8	1.32%
R. R. Donnelley	9,621,874	9	1.04%
Gap & Subs Ent. #90560	6,209,954	10	0.67%
<b>Total</b>	<b>\$ 231,492,949</b>		<b>25.13%</b>

<u>Taxpayer</u>	<b>2002</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Hoeganaes Corp.	\$ 26,101,736	1	6.84%
Gap, Inc.	9,880,349	2	2.59%
Bosch	6,796,702	3	1.78%
Sumner Regional Hospital	4,691,467	4	1.23%
Bellsouth	4,601,220	5	1.21%
Insteel	4,073,278	6	1.07%
Crescent	4,041,666	7	1.06%
G.F. Furniture	3,793,960	8	0.99%
Wal-Mart	3,516,528	9	0.92%
Donnelley Printing Company	3,360,899	10	0.88%
<b>Total</b>	<b>\$ 70,857,805</b>		<b>18.57%</b>

See auditors' report.

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

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year(a)</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections In Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2011	9,118,314	\$ 8,756,928	96.04%	\$ 594,036	\$ 9,341,753	102.45%
2010	8,947,608	8,794,819	98.29%	427,296	9,222,115	103.07%
2009	8,655,224	8,743,629	101.02%	580,356	9,323,985	107.73%
2008	8,154,892	8,284,247	101.59%	175,939	8,460,186	103.74%
2007	7,525,767	7,394,843	98.26%	268,278	7,663,120	101.83%
2006	6,168,167	6,023,784	97.66%	144,187	6,167,971	100.00%
2005	5,702,080	5,732,482	97.40%	215,372	5,947,854	104.31%
2004	6,509,697	5,394,388	96.10%	192,497	5,586,885	85.82%
2003	5,319,310	5,196,914	95.40%	246,140	5,443,054	102.33%
2002	5,037,552	4,957,912	95.90%	179,616	5,137,528	101.98%

**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										
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Residential	4,237,371	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	1,931,848	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	569,264	521,150	444,821	366,092	356,613	388,501	394,422	352,882	323,332	264,611	197,147
<b>Total</b>	<b>6,738,483</b>	<b>5,964,720</b>	<b>5,729,227</b>	<b>5,094,797</b>	<b>4,636,684</b>	<b>4,555,062</b>	<b>4,501,488</b>	<b>4,047,291</b>	<b>3,467,458</b>	<b>3,100,223</b>	<b>2,870,135</b>
Total Direct Rate per 250 cu. ft.	\$ 9.25	\$ 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)
2011	\$ 9.25	\$ 2.50	\$ 2.50	\$ 2.50	\$ 13.88	\$ 3.75	\$ 3.75	\$ 3.75
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

**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)
2011	\$ 9.25	\$ 2.50	\$ 2.50	\$ 2.50	\$ 13.88	\$ 3.75	\$ 3.75	\$ 3.75
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

**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** 13,808

Gallatin Public Utilities  
 Schedule of Unaccounted For Water  
 July, 2010 to June, 2011

(All amounts in gallons)

<b>A Water Treated and Purchased</b>		
B	Water Pumped (potable)	2,443,574,100
C	Water Purchased	<u>0</u>
D	<b>Total Water Treated and Purchased</b> (Sum Lines B and C)	<u>2,443,574,100</u>
<b>E Accounted for Water:</b>		
F	Water Sold	1,799,398,846
G	Metered for Consumption (in house usage)	<u>98,498,510</u>
H	Fire Department(s) Usage	<u>19,500</u>
I	Flushing	<u>10,851,056</u>
J	Tank Cleaning/Filling	<u>0</u>
K	Street Cleaning	<u>6,200</u>
L	Bulk Sales	<u>4,500</u>
M	Water Bill Adjustments	<u>15,014,513</u>
N	<b>Total Accounted for Water</b> (Sum Lines F thru M)	<u>1,923,793,125</u>
O	<b>Unaccounted for Water</b> (Line D minus Line N)	<u>519,780,975</u>
P	<b>Percent Unaccounted for Water</b> (Line O divided by Line D times 100)	<u>21.271%</u>

**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 Bonds	Water Bonds	Term Loan Payable	Certificates of Participation	Capital Leases				
2011	8,865,000	-	-	-	3,480,000	32,666,168	993,202	-	-	46,004,370	100743.17%	1,960.55	
2010	13,105,000	-	-	-	-	33,864,444	1,117,352	-	-	48,086,796	98150.34%	1,952.29	
2009	9,730,000	-	-	-	-	7,360,000	-	-	-	17,090,000	34609.85%	529.02	
2008	10,140,000	-	-	-	-	7,900,000	-	-	-	18,040,000	55842.75%	754.28	
2007	3,415,000	-	-	-	-	8,445,000	-	-	-	11,860,000	40506.85%	495.88	
2006	4,175,000	-	-	-	-	8,940,000	-	-	-	13,115,000	45946.61%	548.35	
2005	4,925,000	-	-	-	-	9,430,000	-	-	-	14,355,000	52371.40%	617.95	
2004	6,359,490	-	-	-	-	4,428,309	-	-	-	10,787,799	40816.49%	464.39	
2003	7,214,645	-	-	-	-	4,754,755	-	-	-	11,969,400	46222.82%	515.26	

**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		
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	8,865.00	-	8,865	0.96%	0.38
2011					

**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, 2011**

<u>Governmental Unit</u>	<u>(000's) Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
City of Gallatin	\$ 42,695	100.00%	\$ 42,695
Sumner County	128,105	23.54%	30,152
<b>Other Debt</b>			
	-	0.00%	-
<b>Subtotal, overlapping debt</b>			72,847
<b>Total direct and overlapping debt</b>			\$ 72,847

**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	\$ 4,018,002,474	
City	\$ 945,716,940	\$ 0.2354

**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	\$ -

	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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 Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Sales Tax Increment	Principal	Interest	Coverage
2011	10,784,113	10,105,881	678,232	1,140,000	1,404,543	-	-	-	-	-	-	-	-	-
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	8,528,877	5,387,709	3,142,168	640,000	281,699	-	-	-	-	-	-	-	-	-
2007	7,961,528	4,774,065	3,187,463	545,000	280,282	-	-	-	-	-	-	-	-	-
2006	7,133,277	4,224,086	2,909,191	495,000	295,883	-	-	-	-	-	-	-	-	-
2005	7,218,859	3,718,666	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	3,487,408	2,407,004	274,579	228,708	-	-	-	-	-	-	-	-	-

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>
2011	30,278 (f)	160,645 (a)	45,858	23,138	36.6	27,333	8.70%
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%

**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 Ten Years Ago**

<b>2011</b>			
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Sumner Regional Medical Center	943	1	8.34%
Volunteer State Community College	800	2	7.07%
Gap, Inc.	707	3	6.25%
City of Gallatin	358	4	3.16%
ABC Group Fuel Systems	329	5	2.91%
Servpro Industries, Inc.	312	6	2.76%
R. R. Donnelley & Sons	225	7	1.99%
ABC Technologies / Salga Plastics	217	8	1.92%
TVA Gallatin Fossil Plant	175	9	1.55%
Hoeganaes Corporation	172	10	1.52%
	<u>4,238</u>		<u>37.46%</u>

<b>2002</b>			
<u>Employer</u>	<u>Employee</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Gap, Inc.	1,359	1	13.52%
Sumner Regional Medical Center	750	2	7.46%
Bosch Automotive	500	3	4.97%
G F Furniture	389	4	3.87%
Col State Community College	349	5	3.47%
R. R. Donnelley Printing	320	6	3.18%
Crescent Manufacturing	285	7	2.84%
Fleetwood Homes	250	8	2.49%
Hoeganaes Corporation	176	9	1.75%
ABC Technologies	165	10	1.64%
	<u>4,543</u>		<u>45.20%</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									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>General Government:</b>										
Mayor's Office	3	3	3	2	2	4	3	2	N/A	N/A
Planning (Combined in 2010)	0	0	6	7	7	6	5	5	N/A	N/A
Finance	8	5	4	5	5	5	5	5	5	5
City Attorney	3	3	3	3	2	2	2	2	N/A	N/A
Recorder	7	7	7	5	5	4	3	4	N/A	N/A
Personnel	2	2	2	2	3	3	3	3	N/A	N/A
Codes	14	14	8	9	9	7	7	5	N/A	N/A
Economic Development Agency	2	2	2	2	2	2	2	2	N/A	N/A
Information Technology	0	3	3	3	2	-	-	-	N/A	N/A
<b>Public Safety:</b>										
Police	88	90	90	81	82	75	73	74	N/A	N/A
Fire	73	58	58	55	55	50	50	43	N/A	N/A
<b>Public Works</b>	48	47	45	45	45	41	41	39	N/A	N/A
<b>Leisure Services</b>	29	29	29	22	22	20	20	19	N/A	N/A
<b>Engineering</b>	5	5	5	5	5	4	5	5	N/A	N/A
<b>Public Utilities</b>	85	84	79	80	80	64	64	63	N/A	N/A
<b>Golf Course</b>	0	0	0	8	8	8	8	9	N/A	N/A
<b>Total</b>	367	352	344	334	334	295	291	280	271	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)  
2011 numbers include 6 PPT employees and combines 3 IT and 5 Finance. It does not include 6 unfilled positions (total authorized manning 373 as of 6/30/11) (377 as of 7/1/11)

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Police</b>										
Physical arrests	4,911	5,450	6,019	6,277	6,678	7,363	8,154	7,293	4,856	5,204
Parking violations	1,087	815	1,216	1,538	1,305	1,124	1,429	1,276	1,208	1,267
Traffic violations	23,657	27,906	28,272	23,022	27,769	32,685	35,499	16,013	6,000	7,646
* Red Light Camera Citations	10,986	13,610	10,790	16,021	14,125	N/A	N/A	N/A	N/A	N/A
<b>Fire</b>										
Emergency responses	3,176	2,474	1,901	2,456	2,043	874	756	730	726	761
Fires extinguished	102	95	82	125	97	76	113	83	101	112
Inspections	731	810	942	1,500	5,602	2,351	1,858	2,035	2,676	2,823
<b>Animal Control</b>										
Animals Restrained	765	967	1,187	796	810	939	997	760	N/A	N/A
<b>Highways and Streets</b>										
Street resurfacing (miles)	3	1	7	14	14	6	2	9	9	8
Potholes repaired	N/A	398	273	344	455	N/A	N/A	N/A	N/A	N/A
<b>Other Public Works</b>										
Utility cuts repaired	171	122	147	154	130	218	N/A	N/A	N/A	N/A
<b>Parks and Recreation</b>										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	230,000	220,000	220,000	250,000	240,000	235,000	225,000	220,000	220,000	220,000
<b>Community Service</b>										
Number of organization benefited	16	16	17	15	15	15	15	12	12	14
Number of services benefited	4	4	4	5	5	6	3	3	3	3
<b>Environmental Services</b>										
Tons hauled	11,384	11,420	11,376	11,690	11,890	12,278	11,041	10,950	10,518	9,949
<b>Water</b>										
New connections	188	183	288	378	470	477	544	335	N/A	N/A
Water main breaks	48	50	62	56	48	39	44	31	55	66
Average daily consumption (thousands of gallons)	6,705	6,794	6,742	7,074	6,054	6,046	6,227	6,400	6,169	6,726
Peak daily consumption (thousands of gallons)	8,309	7,233	8,108	9,616	9,959	8,535	7,879	7,707	8,235	8,100
<b>Sewer</b>										
Average daily treatment (thousands of gallons)	5,835	5,392	5,172	4,550	5,225	4,696	5,183	5,200	5,119	4,630
<b>Electric</b>										
Average daily consumption (thousands of kilowatt hours)	2,146	2,140	1,858	2,161	2,062	2,092	2,024	2,089	2,016	1,900
<b>Natural Gas</b>										
Average Daily Consumption:										
Summer -April/October (thousands of cubic feet)	4,928	4,068	3,746	4,311	3,509	3,572	3,986	3,989	4,077	3,816
Winter-November/March (thousands of cubic feet)	9,102	7,860	7,401	7,664	7,377	6,930	7,520	7,903	8,042	6,538
<b>Golf</b>										
Rounds Played	44,000	46,000	46,000	45,000	45,728	44,091	41,642	46,415	41,888	44,931

**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>2011</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>
<b>Police</b>										
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	70	71	67	62	61	59	54	60	58	64
<b>Fire</b>										
Stations	3	3	3	3	3	3	3	2	2	2
Fire trucks	9	9	9	9	9	9	9	7	7	7
<b>Animal Control</b>										
Trucks	2	2	2	2	1	1	1	1	1	1
<b>Highways and Streets</b>										
Streets (miles)	193	186	184	182	185	184	182	180	179	177
Streetlights	3,511	3,562	3,322	3,443	3,266	3,230	3,141	N/A	N/A	N/A
Traffic signals	358	330	329	320	251	251	N/A	N/A	N/A	N/A
Sidewalks (miles)	41	37	35	33	33	29	28	27	27	25
<b>Parks and Recreation</b>										
Acreage	532	532	532	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	23	19	19	19	19	19
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	2	2	2	2	2	2	2	2	2	2
Volleyball Courts	4	4	4	4	4	4	4	4	4	4
Basketball Courts	6	6	6	6	6	4	4	4	4	4
Picnic Shelters	13	13	13	13	13	13	13	11	11	11
Tennis Courts	6	6	6	6	6	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	4	3	3	3	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	1	1	1	1	1	1
<b>Environmental Services</b>										
Refuse Trucks	18	17	16	15	13	13	N/A	N/A	N/A	N/A
<b>Water</b>										
Water mains (miles)	338	336	335	333	325	319	218	213	209	206
Fire hydrants	1,888	1,850	1,828	1,802	1,760	1,715	1,610	1,460	1,400	1,350
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	8,000	8,000	8,000	8,000
Percent of Water Loss in System	21	23	22	12	7	4	6	9	6	8
<b>Sewer</b>										
Sewer mains (miles)	220	217	217	216	196	327	178	171	165	163
Pump Stations	40	37	37	37	37	32	33	31	29	26
<b>Natural Gas</b>										
Gas lines (miles)	360	359	355	350	338	328	313	305	300	345
<b>Golf</b>										
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 Mayor and City Council  
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, 2011, which collectively comprise the City of Gallatin, Tennessee's basic financial statements and have issued our report thereon dated February 16, 2012. 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 and other deficiencies that we consider to be significant deficiencies.

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 11-1 to 11-2 described in the accompanying schedule of findings and questions costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 11-3 to 11-4 described in the accompany schedule of findings and questioned costs to be significant deficiencies.

### 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 11-5 to 11-6.

We noted certain additional matters that we reported to management of City of Gallatin, Tennessee, in a separate letter dated February 16, 2012.

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 10-2 (audit adjustments) has been modified and/or repeated in the accompanying schedule of findings and questioned costs. Finding 10-1 (internal control design city recorder's office), 10-3 (competitive bidding), 10-4 (budget violations) and 10-5 (unlawful municipal purpose) have been corrected.

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 16, 2012

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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 City Council  
Gallatin, Tennessee

### Compliance

We have audited the City of Gallatin, Tennessee's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Gallatin Tennessee's major federal programs for the year ended June 30, 2011. 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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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, 2011.

### 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 16, 2012

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## CITY OF GALLATIN, TENNESSEE Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2011

Department of Transportation, Federal Highway Administration –CFDA 20.205

### Findings- Financial Statements Audit – Internal Control

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

*Summary of Condition:* Internal controls are not designed and operating effectively for cash receipting.

*Recommendation:* We recommended the City Recorder implement the controls to strengthen the internal control process and address the issues described above.

*Current Status:* The finding has been corrected. 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.

#### 10-2. AUDIT ADJUSTMENTS

*Summary of Condition:* Material audit adjustments were proposed during the audit.

*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 11-1 in the schedule of findings and questioned costs .

### Findings- Financial Statements Audit – Compliance

#### 10-3. COMPETITIVE BIDDING

*Summary of 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.

*Recommendation:* We recommend the city require the purchasing manager be involved in every purchase requiring competitive bidding (transactions over \$10,000).

*Current Status:* The finding has been corrected. 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.

#### 10-4. BUDGET VIOLATIONS

*Summary of Condition:* Actual expenditures for the year exceeded budget appropriations for the various department of the General Fund.

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

*Current Status:* The finding has been corrected. 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- Financial Statements Audit – Fraud, Abuse and Other Matters**

**10-5. UNLAWFUL MUNICIPAL PURPOSE**

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

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

*Current Status:* The finding has been corrected. The finding for the current year has not been repeated as a finding in the schedule of findings and questioned costs.

**Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program - Department of Transportation ARRA and Non-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 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, 2011

### 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. Two significant deficiencies were reported during the audit of the financial statements.
- One instance of noncompliance and one instance of abuse 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 and Non-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

#### MATERIAL WEAKNESSES

#### 11-1. AUDIT ADJUSTMENTS (*modified and repeated from 10-2.*)

*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 (\$895,791). For the conversion from modified-cash to full accrual basis for the government-wide financial statements, we proposed six entries for a total net income effect of \$6,442,856.

*Questioned Costs:* See above.

*Context:* Identified as part of our audit fieldwork.

*Effect:* Material Weakness in operation of internal control.

*Cause:* Books were not adjusted during final year-end closing process. The (\$895,791) cumulative adjustments above included two significant adjustments for utilities accounts

receivable (see finding 10-2) and enterprise fund capital assets. Of the 6,442,856 conversion to full accrual above, approximately \$4,892,778 was related to the capitalization of fixed assets.

*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.

## **11-2. RECONCILIATION OF SUBLEDGERS TO GENERAL LEDGER**

*Criteria:* A good system of internal control is part of generally accepted accounting principles. Reconciliation of subsidiary ledgers to the general ledger is a primary means of preventing or detecting an error or fraud in accounts receivable. These reconciliations and the resulting adjustments will ensure meaningful and accurate interim financial statements.

*Condition:* No reconciliation of property taxes receivable for the fiscal year 2011 was performed prior to the audit. A monthly reconciliation of utilities accounts receivable in total during 2011 was performed, but the reconciliation was not accurate for the individual funds.

*Questioned Costs:* Total adjustments made to the property tax receivable were \$35,891. Total net adjustments made to utilities accounts receivable were \$335,244.

*Context:* Identified as part of our audit fieldwork.

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

*Cause:* Lack of proper operation of internal control to provide for timely reconciliation of certain general ledger accounts.

*Recommendation:* We recommend the following:

- A reconciliation of property tax accounts receivable reports from the City Recorder's office to the general ledger should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved. This reconciliation should at a minimum be performed annually and perhaps monthly during the months of October thru February. We recommend working with the vendor to have the reconciliation performed within the MUNIS software.
- The Finance office should modify the monthly reconciliation of utilities accounts receivable using the monthly water/sewer and gas utilities software reports to the general ledger by fund (water/sewer, gas, environmental services). We have already assisted the finance office and the utilities business office in making these changes. The reconciliation should be prepared to check that the recording of transactions is accurate and proper and that any adjustments to, or write-offs of, accounts receivable have been approved by fund.

*Views of Management and planned corrective action:* Management will establish reconciliation processes for the property tax module to insure accurate reporting and approved adjustments. Additionally, management will continue to perform the utility reconciliation as amended by audit staff. Reconciliations will be in place prior to June 30, 2012.

## **SIGNIFICANT DEFICIENCIES**

### **11-3. SEGREGATION OF DUTIES**

*Criteria:* A good system of internal control is part of generally accepted accounting principles. Segregation of duties is vital to that system.

*Condition:* There is inadequate segregation of duties over access to and processing of payroll for the City. There are compensating controls in place but these controls do not address all risk areas.

*Questioned Costs:* Amount undetermined. All payroll processed by the City.

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

*Effect:* Significant Deficiency in design of internal control.

*Cause:* The city has two departments (Human Resources and Finance) involved in the processing of payroll. Below are some of the duties that are not properly segregated:

- All employees with MUNIS access to the rolls of HR/PERSONNEL, PERSONNEL and FINANCE have full access to view/change 1) personnel information (rates, deductions, etc.) and 2) time (hours worked, paid time off, etc.).
- Generation of direct deposit is performed by one employee, authorization of the total is performed by another employee, but the authorization is only in total and is not reconciled to the detailed payroll register each pay period. This represents a fraud risk.
- Responsibilities for the maintenance of personnel records and payroll processing are not divided between the Human Resource and Finance Departments in an efficient and effective way.

*Recommendation:* We recommend the following:

- Access to view and change personnel information and time should be limited to the extent possible with MUNIS even among the rolls listed above.
- The individual responsible for authorization of the direct deposit should compare the total deposit to the detailed pay register to ensure that the total amount is reasonable in related to the detailed report by employee that has been approved for payment.
- The City should consider further segregating the responsibilities to view/change personnel information to only the Human Resource department. All forms that would affect pay rates, deductions, direct deposit, etc. should be maintained in and input into the MUNIS software by the Human Resources Department.
- Responsibilities to enter time information and track compensated absences in the MUNIS software should be maintained by the Finance department. The finance department should continue to generate paychecks, direct deposit slips and direct deposit files as well as reconcile to the general ledger and prepare all tax filings.

*Views of Management and planned corrective action:* Management will review the various duties of the two departments, Human Resources/Personnel and Finance/Payroll, and make adjustments as recommended. Adjustment to roles and responsibilities will occur by June 30, 2012.

#### **11-4. INFORMATION TECHNOLOGY**

*Criteria:* A good system of internal control is part of generally accepted accounting principles. Computerized information systems process, record, and store information that is vital to its daily operations.

*Condition:* There are significant deficiencies related to the information technology practices of the City.

*Questioned Costs:* Amount undetermined.

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

*Effect:* Significant Deficiency in design and operation of information technology.

**Cause:** Practices within the information technology department are not adequately designed and/or operating day to day. We noted the following issues during our audit:

- Backup procedures for daily, weekly and monthly backup of computer files, programs and operating systems are not formally documented for each facility with separate computer locations. We identified backup concerns at the following locations:
  - City Hall – backups performed on tape and CD are physically located in the same room as the servers. Backups are not consistently taken offsite or tested for reliability.
  - Civic Center and Public Works – backups are performed daily but are not taken offsite or tested
  - Golf Course – No consistent backup performed, taken offsite or tested
  - Police Department and Public Utilities – outsourced to a third party vendor and appears adequate
- The server room located at City Hall does not have adequate fire prevention and detection measures installed.
- There is no formal disaster recovery plan or alternative location for processing. As a result, the Company risks losing valuable data during a disruption or disaster
- There is no formal long-range information technology strategic plan.
- There is no written authorization form initiated by the Human Resources department to instruct the information technology department on changes in personnel that would affect user ids, logins, password and other access issues.

**Recommendation:** We recommend the following:

- We recommend that daily backup files at all locations not using third-party vendors, be performed and stored in a secure offsite location. We further recommend that weekly, monthly, and year-end files be properly labeled and stored off premises in a fireproof vault. These backups should be monitored and tested for reliability on a routine basis. As an alternative to performing onsite backups, the City should also consider using third-party vendors to provide this service.
- The City has invested significant time and funds in the development of its computer room at City Hall. However, we noted that fire protection measures for the computer room are inadequate. We recommend that smoke detectors be installed in the computer room. In addition, management should consider installing a fire alarm/suppression system to ensure the safety of the computer equipment in the event of a fire.
- The City should have a current and tested disaster recovery plan. The plan should at a minimum address threats, security, priorities, insurance coverage and alternative processing sites. We recommend one be developed and tested. As part of a disaster recovery plan, we recommend that the City consider making formal alternate processing arrangements with another entity that has sufficient compatible processing facilities to use in the case of catastrophe.
- Consider establishing an IT committee to work with the IT department as part of management's process of reviewing new systems and proposing modifications to existing systems. Such a committee could also assist the IT department in evaluating and prioritizing user requests for system changes.
- No written policy exists that addresses voluntary and involuntary employee termination procedures. In order to provide adequate security to computer system operations and valuable assets such as system hardware, software, and data, procedures should be developed to address employee terminations. Typical termination procedures include the following:
  - Immediate deletion of personnel passwords on the system.
  - Immediate change of all locks or passwords giving access to hardware or software.
  - Collection of system and operations documentation.
  - Immediate removal of the employee from the premises.

These procedures are particularly relevant and important when the termination involves information technology or IT personnel or an involuntary termination or one occurring under adverse conditions. We recommend that a termination policy includes these and other relevant procedures be developed and incorporated in the Company's operations manual.

*Views of Management and planned corrective action:* Management concurs and has already initiated a number of changes to remediate the findings.

Daily back-ups (BU) are performed on all critical systems and weekly BU on less critical systems. Additionally, the BU tapes are transported daily to the Department of Electricity to be stored in their vault, with a 2 week rotation plan. The Civic Center and Golf Course files are being included in the daily city hall BU process. Additional drives have been purchased for PW BU until a city-wide solution is purchased. Some BU have been restored and tested. BU procedures are documented and logged.

The server room has been equipped with a smoke and fire detector and the alarm has been programmed to an automated alert system. Funds are being requested in the 2013 budget for a fire suppression system to be installed in the server room.

Management is in the process of developing a formal disaster recovery plan and has requested funding in the 2013 budget for a redundant off-site system that would duplicate all city systems and be operational in a matter of hours should a catastrophic disaster occur.

IT and Personnel have already incorporated recommendations into standard Personnel forms for notification of personnel changes.

IT has developed and continues to develop policies, procedures and logs for all tasks. Building security measures are being amended to further secure the server room.

### **Findings- Financial Statements Audit – Compliance**

#### **11-5. PILOT (Payment in lieu of tax)**

*Criteria:* Tennessee Code Annotated TCA 7-34-115(a)(9) allows for payment of an in lieu tax on the property of public words within the corporate limits of the municipality.

*Condition:* The public utilities department identified in lieu of tax payments made to the general fund during the fiscal years ended June 30, 2010 and 2011 on property located outside the corporate limits of the municipality.

*Questioned Costs:* approximately \$114,209 for 2011 and \$146,817 for 2010.

*Context:* Identified by management during our audit fieldwork.

*Effect:* Not in compliance with state law.

*Cause:* The City constructed a wastewater treatment facility outside the corporate limits of the city. This treatment facility was included in the calculation of in lieu tax beginning in 2010.

*Recommendation:* We understand the City has already repaid all amounts listed above. We recommend the city take formal action to incorporate the wastewater treatment facility into the corporate limits of the city to collect additional in lieu tax.

*Views of Management and planned corrective action:* Management immediately repaid the overpayment of in lieu tax for both 2010 and 2011 when the error was identified. Additionally, the city is in the process of annexing the property into the corporate limits and will have the property incorporated prior to June 30, 2012.

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

#### **11-6. UNLAWFUL MUNICIPAL PURPOSE**

*Criteria:* During 2011, the City in the process of renegotiating a lease of kitchen facilities located at City Hall entered into an initial arrangement that appeared to violate the public purposes of public property provisions of state law.

*Condition:* The initial lease agreement was restrictive in language that suggested private individuals would benefit from the use of public facilities.

*Questioned Costs:*

*Context:* Identified by management during our audit fieldwork.

*Effect:* Potential abuse of city facilities for benefit of private individuals.

*Context:* Identified by management during our audit fieldwork.

*Effect:* Potential abuse of city facilities for benefit of private individuals.

*Cause:* Execution of an initial contract renewal for kitchen facilities located at City Hall.

*Recommendation:* We understand the City was informed by the Comptroller of the Treasury in memo form that the transaction should be reconsidered. We further understand that the City Council revised the use of city facilities policy and rescinded the initial lease agreement mentioned above.

*Views of Management and planned corrective action:* Management has corrected the error and has amended its existing facility use resolution to include the kitchen and dining rooms.

**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 16, 2012



**CITY OF GALLATIN, TENNESSEE  
Corrective Action Plan  
For the year ended June 30, 2011**

February 16, 2012

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

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2011.

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**

**11-1. 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:* 6/30/12

**11-2. RECONCILIATION OF SUBLEDGERS TO GENERAL LEDGER**

*Finding:* No reconciliation of property taxes receivable for the fiscal year 2011 was performed prior to the audit. A monthly reconciliation of utilities accounts receivable in total during 2011 was performed, but the reconciliation was not accurate for the individual funds.

*Corrective Action Plan:* Management will establish reconciliation processes for the property tax module to insure accurate reporting and approved adjustments. Additionally, management will continue to perform the utility reconciliation as amended by audit staff. Reconciliations will be in place prior to June 30, 2012.

*Target Date for Completion:* 6/30/12

**11-3. SEGREGATION OF DUTIES**

*Finding:* There is inadequate segregation of duties over access to and processing of payroll for the City. There are compensating controls in place but these controls do not address all risk areas.

*Corrective Action Plan:* Management will review the various duties of the two departments, Human Resources/Personnel and Finance/Payroll, and make adjustments as recommended. Adjustment to roles and responsibilities will occur by June 30, 2012.

*Target Date for Completion:* 6/30/12

*Finding:* There are significant deficiencies related to the information technology practices of the City.

*Corrective Action Plan:* Management concurs and has already initiated a number of changes to remediate the findings.

*Target Date for Completion:* 3/31/12

**Findings: Financial Statement Audit – Compliance**

**11-5. PILOT**

*Finding:* The public utilities department identified in lieu of tax payments made to the general fund during the fiscal years ended June 30, 2010 and 2011 on property located outside the corporate limits of the municipality.

*Corrective Action Plan:* Management immediately repaid the overpayment of in lieu tax for both 2010 and 2011 when the error was identified. Additionally, the city is in the process of annexing the property into the corporate limits and will have the property incorporated prior to June 30, 2012.

*Target Date for Completion:* 6/30/12

**Findings: Financial Statement Audit – Other Matters**

**11-6. CITY HALL KITCHEN CONTRACT**

*Finding:* During 2011, the City in the process of renegotiating a lease of kitchen facilities located at City Hall entered into an initial arrangement that appeared to violate the public purposes of public property provisions of state law.

*Corrective Action Plan:* Management has corrected the error and has amended its existing facility use resolution to include the kitchen and dining rooms.

*Target Date for Completion:* 3/31/12

**Findings and Questioned Costs- Major Federal Award Program Audit – Internal Control for major program - Department of Transportation, Federal Highway Administration ARRA and Non 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 and Non 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