

CITY OF GALLATIN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by the City of Gallatin Finance Director

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INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE
DIRECTORY
June 30, 2013

ELECTED OFFICIALS

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

MANAGEMENT TEAM

Rachel Nichols, Director of Finance, CMFO
Ronnie Stiles, Director of Public Works
David A. Gregory, Superintendent of Public Utilities
Donald Bandy, Chief of Police
William L. Crook, Fire Chief
Katherine Schoch, Interim Director of Codes and Planning
David Brown, Director of Leisure Services
Amy Summers, Interim Personnel Official
James Fenton, Director of Economic Development
Nick Tuttle, City Engineer
Mark Kimbell, Electric Department Manager

COUNSEL

Joe H. Thompson
City Attorney
Gallatin, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

Members of:

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



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

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Independent Auditor's Report

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division which is both a major fund and represents 24 percent, 22 percent, and 69 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Division, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee, as of June 30, 2013, and respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 57 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013 on our consideration of the City of Gallatin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gallatin's internal control over financial reporting and compliance.

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

Jackson, Tennessee
December 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallatin, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. The analysis focuses on significant financial position, budget changes and specific issues related to funds and economic factors affecting the City. It also focuses on current year activities and the resulting changes.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$188.89 million as compared to \$180.33 million in the prior year. Of these amounts, \$40.35 million (unrestricted net position) as compared to \$38.66 million in the prior year may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8.56 million in 2013 compared to a decrease of \$1.29 million in 2012.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$11.47 million, an increase of \$700 thousand over the prior year. Approximately \$10.61 million of that total is available for spending at the government's discretion although \$1.91 million is assigned for capital projects, \$9,179 is assigned for police special projects, \$764 is assigned for cemetery use, and \$4.93 million is designated as the minimum fund balance.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8.76 million, or 31% of the total general fund expenditures as compared to \$7.99 million the prior year.
- The City's total debt obligations decreased by \$2.49 million during the current fiscal year. The increase was the result of a new water and sewer revenue and refunding and improvement bond.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains 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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and cultural and recreation. The business-type activities of the City are made up of Water and Sewer, Natural Gas, and Electric Power services. The government-wide financial statements can be found on pages 11 to 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 17 of this report.

The City maintains eight governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 59.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. Budgetary comparison statements have been provided on pages 23 to 36 and pages 61 to 63 of this report.

Proprietary funds - There are two different types of proprietary funds.

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Board of Public Utilities Electric, Water and Sewer, and Gas Divisions.
- *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City currently has no internal service funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 to 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's ability to meet its projected budget and the City's and Utility's schedules of funding progress for their respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$188.89 million at the close of the most recent fiscal year, as compared to \$180.33 million at the close of the previous year.

By far the largest portion of the City's net position (78.33%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets 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.

An additional portion of the City's net position \$575 thousand (0.30%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net assets \$40.35 million (21.37%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its total governmental and total business-type activities.

Comparisons with the prior year data are presented below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 24,065,042	\$ 21,971,324	\$ 43,347,501	\$ 43,428,265	\$ 67,412,543	\$ 65,399,589
Capital assets	54,344,934	52,917,155	138,873,382	136,348,577	193,218,316	189,265,732
Total assets	<u>\$ 78,409,976</u>	<u>\$ 74,888,479</u>	<u>\$ 182,220,883</u>	<u>\$ 179,776,842</u>	<u>\$ 260,630,859</u>	<u>\$ 254,665,321</u>
Long-term liabilities	\$ 11,083,141	\$ 11,904,128	\$ 36,524,053	\$ 38,151,834	\$ 47,607,194	\$ 50,055,962
Other liabilities	10,660,810	10,272,060	13,469,475	14,003,193	24,130,285	24,275,253
Total liabilities	<u>\$ 21,743,951</u>	<u>\$ 22,176,188</u>	<u>\$ 49,993,528</u>	<u>\$ 52,155,027</u>	<u>\$ 71,737,479</u>	<u>\$ 74,331,215</u>
Net position:						
Invested in capital assets, net of related debt	\$ 44,409,934	\$ 42,147,155	\$ 103,558,594	\$ 99,420,067	\$ 147,968,528	\$ 141,567,222
Restricted	568,020	100,024	7,473	7,425	575,493	107,449
Unrestricted	11,688,071	10,465,112	28,661,288	28,194,323	40,349,359	38,659,435
Total net position	<u>\$ 56,666,025</u>	<u>\$ 52,712,291</u>	<u>\$ 132,227,355</u>	<u>\$ 127,621,815</u>	<u>\$ 188,893,380</u>	<u>\$ 180,334,106</u>

The government's total assets increased due to additional capital assets purchased during the year and a significant increase in grants receivable at year end.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$18.67 million. In the business-type activities program revenues exceeded expenses by \$5.86 million. General government revenues and transfers of \$22.38 million offset the governmental activities deficit resulting in a positive change of net assets of \$3.72 million prior to the \$238 thousand prior period adjustment. Other business-type revenues of \$124 thousand and transfers out of \$1.38 million reduced income in the business type activities leaving a positive change in net assets of \$4.61 million.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,075,988	\$ 4,813,637	\$ 91,501,059	\$ 87,971,678	\$ 95,577,047	\$ 92,785,315
Operating grants and contributions	1,109,040	948,083	-	-	1,109,040	948,083
Capital grants and contributions	3,975,532	1,465,557	1,152,932	675,644	5,128,464	2,141,201
General revenues:						
Property taxes	9,999,751	10,711,682	-	-	9,999,751	10,711,682
Other taxes	10,653,049	10,674,899	-	-	10,653,049	10,674,899
Other sources	347,917	193,908	123,705	155,459	471,622	349,367
Total revenues	<u>30,161,277</u>	<u>28,807,766</u>	<u>92,777,696</u>	<u>88,802,781</u>	<u>122,938,973</u>	<u>117,610,547</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses:

General government	\$ 5,070,240	\$ 4,753,776	\$ -	\$ -	\$ 5,070,240	\$ 4,753,776
Public safety	11,626,014	11,090,606	-	-	11,626,014	11,090,606
Engineering	1,112,112	1,978,103	-	-	1,112,112	1,978,103
Environmental services	1,637,569	1,744,131	-	-	1,637,569	1,744,131
Animal control	108,023	119,396	-	-	108,023	119,396
Public works	1,658,029	1,215,578	-	-	1,658,029	1,215,578
Highway and streets	1,208,364	1,234,568	-	-	1,208,364	1,234,568
Vehicle maintenances	403,696	404,846	-	-	403,696	404,846
Parks and recreation	4,290,038	4,074,264	-	-	4,290,038	4,074,264
Economic Development	280,227	254,355	-	-	280,227	254,355
Interest on debt	433,883	472,734	-	-	433,883	472,734
Electric	-	-	63,093,670	61,686,993	63,093,670	61,686,993
Water and Sewer	-	-	10,846,942	11,256,106	10,846,942	11,256,106
Gas	-	-	12,848,397	13,002,653	12,848,397	13,002,653
Total expenses	<u>27,828,195</u>	<u>27,342,357</u>	<u>86,789,009</u>	<u>85,945,752</u>	<u>114,617,204</u>	<u>113,288,109</u>
Revenues over/under expenses	2,333,082	1,465,409	5,988,687	2,857,029	8,321,769	4,322,438
In lieu of taxes in (out)	<u>1,383,147</u>	<u>987,430</u>	<u>(1,383,147)</u>	<u>(987,430)</u>	-	-
Increase in net position	3,716,229	2,452,839	4,605,540	1,869,599	8,321,769	4,322,438
Net position - beginning	52,712,291	55,909,121	127,621,815	125,716,775	180,334,106	181,625,896
Prior period adjustment	<u>237,505</u>	<u>(5,649,669)</u>	-	35,441	<u>237,505</u>	<u>(5,614,228)</u>
Net position - beginning - restated	<u>52,949,796</u>	<u>50,259,452</u>	<u>127,621,815</u>	<u>125,752,216</u>	<u>180,571,611</u>	<u>176,011,668</u>
Net position - ending	<u>\$ 56,666,025</u>	<u>\$ 52,712,291</u>	<u>\$ 132,227,355</u>	<u>\$ 127,621,815</u>	<u>\$ 188,893,380</u>	<u>\$ 180,334,106</u>

In governmental activities, charges for services decreased \$738 thousand in 2013. Property taxes and in lieu of taxes decreased \$722 thousand. Capital grants and contributions increased \$2.51 million from 2012 to 2013. Other revenues remained relatively stable.

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 2013 were more than expenses in 2012 in the governmental activities by \$486 thousand. For departments with increases, the increases were mainly due to capital projects and grant activities. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The general fund is the chief operation fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$8.76 million while total fund balance was \$9.04 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31% of total general fund expenditures in 2013 as compared to 30% in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fund balance of the City's general fund increased by \$633 thousand during the current fiscal year. A key factor in this increase was additional revenues received due to ongoing grant funded projects.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net position of the proprietary funds increased by \$4.61 million in 2013 as compared to \$1.91 million in 2012.

Unrestricted net assets of the proprietary funds amounted to \$28.66 million as compared to \$28.19 million in the prior year. The change in net position (not including prior period adjustments) of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$1.41 million in 2013 compared to \$548 thousand in 2012.
- Natural Gas Fund - \$3.11 million in 2013 compared to \$1.49 million in 2012.
- Electric Fund - \$88,278 thousand in 2013 compared to \$(172) thousand in 2012.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$2.38 million increase in budgeted expenditures from the original budget. The increase of approximately 7.6% was mainly for projects/grants by Engineering.

Actual revenues fell short of budgeted amounts by \$870 thousand. As noted earlier, the largest increase was from grant funded projects.

Actual expenditures were under budget by \$5.16 million, which was partially due to department heads holding spending but mostly was due to large projects that were budgeted for this year that will continue into next year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2013, the City had invested \$193.22 million net of accumulated depreciation in land, buildings, improvements, machinery and equipment, park facilities, roads, highways, bridges, and utility systems. The total increase in the City's investment in capital assets for the current fiscal year was 2.09%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 47 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$45.26 million as compared to \$47.75 million at the end of the prior fiscal year. Of this amount, \$9.94 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds. Information on the City's long-term debt can be found in Note 4.E. beginning on page 50 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund Revenue – As the nation's economy continued to slowly recover, the City began to feel the effects of the housing market bubble. Property tax revenues fell slightly as a result. Additionally, charges for services revenues fell, mainly due to fewer park and recreation activities. Other categories remained stable.

General Fund Expenditures and Capital Outlay – All departments were encouraged to cut costs wherever possible and continue frugal spending practices. Similar to the prior year, the only new capital approved was for necessities or for grant-funded projects. Other capital funding was to complete existing projects.

General Fund Balance – At the end of the current fiscal year, unassigned fund balance in the general fund was \$8.76 million. The slight increase from the previous year was mainly due to ongoing capital projects which were not completed by the end of the fiscal year.

Next Year's Budget and Rates – The City continues to encourage conservative spending habits by departments and continues to keep a close watch on the national and world economic influences. The City will make and necessary mid-year adjustments to operate within available revenues. Once again, the City has no plans to increase the property tax rate paid by citizens.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Gallatin's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, City of Gallatin, 132 West Main Street, Gallatin, TN, 37066.

BASIC FINANCIAL STATEMENTS

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,228,919	\$ 26,472,000	\$ 32,700,919
Certificates of deposit	2,365,000	5,027,544	7,392,544
Investments	21,025	-	21,025
Receivables			
Interest	313,234	-	313,234
Taxes (net of allowance)	10,065,862	-	10,065,862
Accounts (net of allowance)	434,862	8,644,117	9,078,979
Fines (net of allowance)	-	-	-
Grant	2,115,494	-	2,115,494
Intergovernmental	2,152,981	-	2,152,981
Other	208,403	12,770	221,173
Prepayments and other current assets	-	422,220	422,220
Materials and supplies	69,443	1,678,274	1,747,717
Restricted assets:			
Cash and cash equivalents	-	7,473	7,473
Other receivables	-	46,363	46,363
Unamortized debt expense	89,819	548,633	638,452
Contracts receivable - for			
home weatherization program	-	488,107	488,107
Capital assets, not being depreciated			
Land	12,002,726	2,413,035	14,415,761
Construction in progress	59,351	421,019	480,370
Capital assets, net of accumulated depreciation			
Transmission plant	-	239,621	239,621
Distribution plant	-	97,694,130	97,694,130
General plant	-	779,516	779,516
Buildings	8,750,054	34,896,354	43,646,408
Improvements other than buildings	31,126,037	-	31,126,037
Equipment	968,543	521,573	1,490,116
Rolling stock	1,438,223	732,420	2,170,643
Office furniture and equipment	-	67,870	67,870
Acquisition adjustments	-	1,107,844	1,107,844
Total assets	\$ 78,409,976	\$ 182,220,883	\$ 260,630,859

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Checks written against future deposits	\$ 129,776	\$ -	\$ 129,776
Accounts payable	450,007	11,037,284	11,487,291
Accrued expenses	233,153	217,551	450,704
Accrued interest	5,298	21,480	26,778
Customer deposits	-	2,193,160	2,193,160
Deferred revenue	9,571,576	-	9,571,576
Performance deposits	271,000	-	271,000
Long-term liabilities			
Due within one year	868,417	1,607,042	2,475,459
Due in excess of one year	10,214,724	34,917,011	45,131,735
Total liabilities	<u>21,743,951</u>	<u>49,993,528</u>	<u>71,737,479</u>
Net Position			
Net investment in capital assets,	44,409,934	103,558,594	147,968,528
Restricted for			
Workman's compensation adjustment	-	7,473	7,473
Funds held in trust	399,126	-	399,126
Police special projects	20,744	-	20,744
Drug enforcement	148,150	-	148,150
Unrestricted	11,688,071	28,661,288	40,349,359
Total net position	<u>\$ 56,666,025</u>	<u>\$ 132,227,355</u>	<u>\$ 188,893,380</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 5,070,240	\$ 598,078	\$ 62,105	\$ 733,958	\$ (3,676,099)	\$ -	\$ (3,676,099)
Public safety	11,626,014	824,212	109,504	914,597	(9,777,701)	-	(9,777,701)
Engineering	1,112,112	-	-	2,079,299	967,187	-	967,187
Environmental services	1,637,569	1,157,926	-	-	(479,643)	-	(479,643)
Animal control	108,023	-	-	-	(108,023)	-	(108,023)
Public works	1,658,029	-	-	147,178	(1,510,851)	-	(1,510,851)
Highways and streets	1,208,364	-	841,342	-	(367,022)	-	(367,022)
Vehicle maintenance	403,696	120,556	-	-	(283,140)	-	(283,140)
Parks and recreation	4,290,038	1,375,216	-	-	(2,914,822)	-	(2,914,822)
Economic development	280,227	-	96,089	100,500	(83,638)	-	(83,638)
Debt service	433,883	-	-	-	(433,883)	-	(433,883)
Total governmental activities	<u>27,828,195</u>	<u>4,075,988</u>	<u>1,109,040</u>	<u>3,975,532</u>	<u>(18,667,635)</u>	<u>-</u>	<u>(18,667,635)</u>
Business-type activities							
Electric	63,093,670	63,507,935	-	155,880	-	570,145	570,145
Water & Sewer	10,846,942	11,802,082	-	997,052	-	1,952,192	1,952,192
Gas	12,848,397	16,191,042	-	-	-	3,342,645	3,342,645
Total business-type activities	<u>\$ 86,789,009</u>	<u>\$ 91,501,059</u>	<u>\$ -</u>	<u>\$ 1,152,932</u>	<u>-</u>	<u>5,864,982</u>	<u>5,864,982</u>
General revenues							
Property taxes - levied for general government					9,651,162	-	9,651,162
In lieu of taxes - other governments					348,589	-	348,589
Sales taxes					8,014,658	-	8,014,658
Franchise taxes					360,650	-	360,650
Alcoholic beverage taxes					1,117,556	-	1,117,556
Business taxes					639,646	-	639,646
Income taxes					520,539	-	520,539
Other sources					277,243	-	277,243
Sale of capital assets					42,257	2,603	44,860
Unrestricted interest income					28,417	121,102	149,519
Total general revenues					<u>21,000,717</u>	<u>123,705</u>	<u>21,124,422</u>
Transfers							
In lieu of taxes in (out)					1,383,147	(1,383,147)	-
Total general revenues and transfers					<u>22,383,864</u>	<u>(1,259,442)</u>	<u>21,124,422</u>
Changes in net position					3,716,229	4,605,540	8,321,769
Net assets - beginning					52,712,291	127,621,815	180,334,106
Prior period adjustment					237,505	-	237,505
Net position, beginning - restated					<u>52,949,796</u>	<u>127,621,815</u>	<u>180,571,611</u>
Net position - ending					<u>\$ 56,666,025</u>	<u>\$ 132,227,355</u>	<u>\$ 188,893,380</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 3,600,070	\$ 2,628,849	\$ 6,228,919
Certificates of deposit	2,365,000	-	2,365,000
Investments	-	21,025	21,025
Receivables			
Interest	310,973	2,261	313,234
Taxes (net of allowance of \$165,683)	10,065,862	-	10,065,862
Accounts (net of allowance of \$20,898)	378,858	56,004	434,862
Fines (net of allowance of \$1,733,608)	-	-	-
Grants	2,041,411	74,083	2,115,494
Intergovernmental	2,152,981	-	2,152,981
Other	257	208,146	208,403
Inventories	47,202	22,241	69,443
Total assets	<u>\$ 20,962,614</u>	<u>\$ 3,012,609</u>	<u>\$ 23,975,223</u>
Liabilities and Fund Balances			
Liabilities			
Checks written against future deposits	-	129,776	129,776
Accounts payable	342,943	107,064	450,007
Accrued expenses	233,153	-	233,153
Deferred revenue	11,348,205	73,034	11,421,239
Performance deposits	-	271,000	271,000
Total liabilities	<u>11,924,301</u>	<u>580,874</u>	<u>12,505,175</u>
Fund balances			
Nonspendable			
Funds held in trust	-	36,025	36,025
Inventory	47,202	22,241	69,443
Restricted for:			
Funds held in trust		363,101	363,101
Police special projects	-	20,744	20,744
Drug enforcement	-	148,150	148,150
Committed for:			
Economic development	226,979		226,979
Assigned for			
Capital projects	-	1,906,031	1,906,031
Police special projects	-	9,179	9,179
Cemetery	-	764	764
Unassigned	8,764,132	(74,500)	8,689,632
Total fund balances	<u>9,038,313</u>	<u>2,431,735</u>	<u>11,470,048</u>
Total liabilities and fund balances	<u>\$ 20,962,614</u>	<u>\$ 3,012,609</u>	<u>\$ 23,975,223</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

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

Fund balance - total governmental funds (Page 14)	\$ 11,470,048
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	54,344,934
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	1,849,663
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.	<u>(10,993,322)</u>
Net position - governmental activities (Page 12)	<u>\$ 56,666,025</u>

The accompanying notes are an integral part of these financial statements

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

For the Fiscal Year Ended June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 17,768,774	\$ -	\$ 17,768,774
Licenses and permits	402,533	-	402,533
Intergovernmental	6,382,934	313,279	6,696,213
Charges for services	1,691,317	1,157,926	2,849,243
Fines	674,901	209,977	884,878
Other	446,451	97,764	544,215
Total revenues	<u>27,366,910</u>	<u>1,778,946</u>	<u>29,145,856</u>
Expenditures			
Current			
General government	4,407,402	150,921	4,558,323
Public safety	10,567,586	203,043	10,770,629
Engineering	982,542	24,227	1,006,769
Environmental services	-	1,525,929	1,525,929
Animal control	108,023	-	108,023
Public works	264,185	-	264,185
Highways and streets	1,005,302	95,659	1,100,961
Vehicle maintenance	399,019	-	399,019
Parks and recreation	3,597,451	-	3,597,451
Economic development	280,227	-	280,227
Capital outlay	2,791,469	2,396,675	5,188,144
Debt service			
Principal	835,000	-	835,000
Interest	431,901	-	431,901
Total expenditures	<u>25,670,107</u>	<u>4,396,454</u>	<u>30,066,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,696,803</u>	<u>(2,617,508)</u>	<u>(920,705)</u>
Other financing sources (uses)			
Transfers in - in lieu of taxes	1,383,147	-	1,383,147
Transfers in	59,066	2,807,596	2,866,662
Transfers out	<u>(2,743,143)</u>	<u>(64,453)</u>	<u>(2,807,596)</u>
Total other financing sources (uses)	<u>(1,300,930)</u>	<u>2,743,143</u>	<u>1,442,213</u>
Net changes in fund balances	395,873	125,635	521,508
Fund balances - beginning	8,404,935	2,306,100	10,711,035
Prior period adjustment	<u>237,505</u>	<u>-</u>	<u>237,505</u>
Fund balance - beginning - restated	<u>8,642,440</u>	<u>2,306,100</u>	<u>10,948,540</u>
Fund balances - ending	<u>\$ 9,038,313</u>	<u>\$ 2,431,735</u>	<u>\$ 11,470,048</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Page 16)	\$ 521,508
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlays in the current period.	1,427,779
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,015,420
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.	835,000
Some expenses reported in the statement of activities, such as accrued leave do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(24,412)</u>
Change in net position of governmental activities (Page 13)	<u>\$ 3,775,295</u>

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Assets	Electric Division	Water & Sewer Division	Gas Division	Totals
Current assets				
Cash on hand	\$ -	\$ 1,670	\$ 280	\$ 1,950
Cash and cash equivalents - general	6,182,199	8,285,155	12,002,696	26,470,050
Cash and cash equivalents - restricted	7,473	-	-	7,473
Certificates of deposit	5,027,544	-	-	5,027,544
Accounts receivable - trade (net of allowance for uncollectibles)	6,423,410	1,259,457	961,250	8,644,117
Accounts receivable - other	-	5,154	7,616	12,770
Due from other funds	-	-	-	-
Prepayments and other current assets	361,192	-	61,028	422,220
Materials and supplies	739,850	290,418	648,006	1,678,274
Portion of non-current receivables due within one year	58,197	-	-	58,197
Total current assets	18,799,865	9,841,854	13,680,876	42,322,595
Noncurrent assets				
Other assets				
Other receivables	46,363	-	-	46,363
Unamortized debt expense	-	548,633	-	548,633
Contracts receivable - for home weatherization	429,910	-	-	429,910
Total other assets	476,273	548,633	-	1,024,906
Capital assets, not being depreciated				
Land	1,139,141	1,080,861	193,033	2,413,035
Construction in progress	15,819	405,200	-	421,019
Capital assets, net of accumulated depreciation				
Transmission plant	239,621	-	-	239,621
Distribution plant	20,315,952	60,461,661	16,916,517	97,694,130
General plant	779,516	-	-	779,516
Buildings	-	34,059,239	837,115	34,896,354
Operating equipment	-	290,551	231,022	521,573
Rolling stock	-	465,569	266,851	732,420
Office furniture and equipment	-	23,894	43,976	67,870
Acquisition adjustments	1,107,844	-	-	1,107,844
Total capital assets	23,597,893	96,786,975	18,488,514	138,873,382
Total noncurrent assets	24,074,166	97,335,608	18,488,514	139,898,288
Total assets	\$ 42,874,031	\$ 107,177,462	\$ 32,169,390	\$ 182,220,883

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Liabilities	Electric Division	Water & Sewer Division	Gas Division	Totals
Current liabilities				
Accounts payable	\$ 10,143,848	\$ 165,089	\$ 728,347	\$ 11,037,284
Other accrued expense	217,551	-	-	217,551
Due to other funds	-	-	-	-
Accrued interest	6,728	14,752	-	21,480
Customers' deposits	1,989,780	67,425	135,955	2,193,160
Accrued leave	120,124	-	-	120,124
Current maturities of long-term debt	182,347	1,304,571	-	1,486,918
Total current liabilities	<u>12,660,378</u>	<u>1,551,837</u>	<u>864,302</u>	<u>15,076,517</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	33,389,466	-	33,389,466
Accrued leave	174,732	227,162	139,386	541,280
Other post employment benefits	55,020	-	-	55,020
Contracts payable	496,601	-	-	496,601
Advances from Tennessee Valley Authority - Home Insulation Program	434,644	-	-	434,644
Total noncurrent liabilities	<u>1,160,997</u>	<u>33,616,628</u>	<u>139,386</u>	<u>34,917,011</u>
Total liabilities	<u>13,821,375</u>	<u>35,168,465</u>	<u>1,003,688</u>	<u>49,993,528</u>
Net position				
Net investment in capital assets	22,977,142	62,092,938	18,488,514	103,558,594
Restricted	7,473	-	-	7,473
Unrestricted	6,068,041	9,916,059	12,677,188	28,661,288
Total net position	<u>29,052,656</u>	<u>72,008,997</u>	<u>31,165,702</u>	<u>132,227,355</u>
Total liabilities and net position	<u>\$ 42,874,031</u>	<u>\$ 107,177,462</u>	<u>\$ 32,169,390</u>	<u>\$ 182,220,883</u>

The accompanying notes are an integral part of these financial statements

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

For the Fiscal Year Ended June 30, 2013

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Operating revenues				
Charges for sales and service	\$ 62,777,978	\$ 11,293,065	\$ 15,775,248	\$ 89,846,291
Forfeited discounts	223,592	130,157	-	353,749
Other operating revenue	506,365	378,860	415,794	1,301,019
Total operating revenues	<u>63,507,935</u>	<u>11,802,082</u>	<u>16,191,042</u>	<u>91,501,059</u>
Operating expenses				
Cost of sales and service	58,285,821	-	10,797,492	69,083,313
Water treatment and pumping	-	1,284,372	-	1,284,372
Transmission and distribution	907,782	953,582	704,320	2,565,684
Customer service and collection	653,252	556,611	278,518	1,488,381
General administration	1,003,170	659,934	295,532	1,958,636
Sewer collection	-	1,113,133	-	1,113,133
Sewer system rehab	-	302,702	-	302,702
Sewer treatment and disposal	-	989,267	-	989,267
Sewer pretreatment	-	75,179	-	75,179
Maintenance	772,714	-	-	772,714
Customer deposit interest	7,682	-	-	7,682
Amortization - acquisition adjustments	191,136	-	-	191,136
Provision for depreciation	1,272,113	3,441,491	772,535	5,486,139
Total operating expenses	<u>63,093,670</u>	<u>9,376,271</u>	<u>12,848,397</u>	<u>85,318,338</u>
Operating income (loss)	<u>414,265</u>	<u>2,425,811</u>	<u>3,342,645</u>	<u>6,182,721</u>
Nonoperating revenues (expenses)				
Interest and other income	103,797	11,273	6,032	121,102
Tap fees	-	355,286	-	355,286
Gain (loss) on sale of fixed assets	-	2,603	-	2,603
Amortization expense	-	(5,763)	-	(5,763)
Interest and other expense	-	(1,464,908)	-	(1,464,908)
Total nonoperating revenues (expenses)	<u>103,797</u>	<u>(1,101,509)</u>	<u>6,032</u>	<u>(991,680)</u>
Income (loss) before transfers and contributions	<u>518,062</u>	<u>1,324,302</u>	<u>3,348,677</u>	<u>5,191,041</u>
Transfers and capital contributions				
Transfers out - in lieu of taxes	(585,664)	(554,916)	(242,567)	(1,383,147)
Capital contributions	155,880	641,766	-	797,646
Total transfers and capital contributions	<u>(429,784)</u>	<u>86,850</u>	<u>(242,567)</u>	<u>(585,501)</u>
Change in net position	88,278	1,411,152	3,106,110	4,605,540
Total net position - beginning	<u>28,964,378</u>	<u>70,597,845</u>	<u>28,059,592</u>	<u>127,621,815</u>
Total net position - ending	<u>\$ 29,052,656</u>	<u>\$ 72,008,997</u>	<u>\$ 31,165,702</u>	<u>\$ 132,227,355</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from consumers	\$ 64,131,858	\$ 12,068,609	\$ 15,970,959	\$ 92,171,426
Cash paid to suppliers of goods and services	(60,112,984)	(2,466,802)	(11,020,985)	(73,600,771)
Cash paid to employees for services	(2,244,056)	(3,354,899)	(938,325)	(6,537,280)
Interest paid on customer deposits	(7,682)	-	-	(7,682)
Net increase in TVA loan funds receivable	(42,904)	-	-	(42,904)
Net increase in TVA loan funds payable	41,372	-	-	41,372
Net change in customer deposits	-	13,525	7,525	21,050
Net change in due to / due from other funds	-	(201,149)	385,162	184,013
Payments in lieu of tax	(585,664)	(554,916)	(242,567)	(1,383,147)
Net cash provided (used) by operating activities	<u>1,179,940</u>	<u>5,504,368</u>	<u>4,161,769</u>	<u>10,846,077</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	155,880	641,766	-	797,646
Principal paid on debt	-	(1,465,000)	-	(1,465,000)
Proceeds from the issuance of debt	-	-	-	-
Interest paid on bonds, notes and leases	-	(1,467,853)	-	(1,467,853)
Construction and acquisition of plant	(1,632,318)	(4,260,366)	(2,269,158)	(8,161,842)
Received on sale of assets	75,862	2,603	-	78,465
Plant removal cost	(149,298)	-	-	(149,298)
Payments on contracts	(124,150)	-	-	(124,150)
Net cash provided (used) by capital and related financing activities	<u>(1,674,024)</u>	<u>(6,548,850)</u>	<u>(2,269,158)</u>	<u>(10,492,032)</u>
Cash flows from investing activities:				
Proceeds from sale and maturities of investments	(8,130)	-	-	(8,130)
Interest and other income	103,797	11,273	6,032	121,102
Net cash provided (used) by investing activities	<u>95,667</u>	<u>11,273</u>	<u>6,032</u>	<u>112,972</u>
Net increase (decrease) in cash and cash equivalents	(398,417)	(1,033,209)	1,898,643	467,017
Cash and cash equivalents - beginning of year	<u>6,588,089</u>	<u>9,320,034</u>	<u>10,104,333</u>	<u>26,012,456</u>
Cash and cash equivalents - end of year	<u>\$ 6,189,672</u>	<u>\$ 8,286,825</u>	<u>\$ 12,002,976</u>	<u>\$ 26,479,473</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	1,670	280	1,950
Unrestricted cash and cash equivalents on deposit	6,182,199	8,285,155	12,002,696	26,470,050
Restricted cash and cash equivalents on deposit	7,473	-	-	7,473
Total cash and cash equivalents	<u>\$ 6,189,672</u>	<u>\$ 8,286,825</u>	<u>\$ 12,002,976</u>	<u>\$ 26,479,473</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 414,265	\$ 2,425,811	\$ 3,342,645	\$ 6,182,721
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,547,146	3,441,491	772,535	5,761,172
Payments in lieu of tax	(585,664)	(554,916)	(242,567)	(1,383,147)
Tap Fees	-	355,286	-	355,286
Changes in assets and liabilities:				
Accounts receivable	623,924	(88,759)	(220,083)	315,082
Due from other funds	-	322,254	523,403	845,657
Materials and supplies	(60,087)	3,805	120,617	64,335
Prepayments and other current assets	(4,937)	-	(40,712)	(45,649)
TVA contracts receivable - home weatherization	(42,904)	-	-	(42,904)
Accounts payable and accrued expenses	(786,422)	111,296	24,985	(650,141)
Other accrued expense	(32,551)	-	-	(32,551)
Accrued interest	(4,655)	-	-	(4,655)
Due to other funds	-	(523,403)	(138,241)	(661,644)
Customers' deposits	135,525	13,525	7,525	156,575
Accrued leave	(79,525)	(2,022)	11,662	(69,885)
TVA contracts payable - home weatherization	41,372	-	-	41,372
Accrued post employment benefits other than pensions	14,453	-	-	14,453
Net cash provided (used) by operating activities	<u>\$ 1,179,940</u>	<u>\$ 5,504,368</u>	<u>\$ 4,161,769</u>	<u>\$ 10,846,077</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Revenues:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Taxes:				
Property tax current	\$ 9,275,000	\$ 9,275,000	\$ 9,310,829	\$ 35,829
Property taxes delinquent	285,000	285,000	377,995	92,995
Property tax penalty and interest	100,000	100,000	112,749	12,749
Local sales tax	5,500,000	5,500,000	5,919,076	419,076
Local beer tax	715,000	715,000	798,318	83,318
Local liquor tax	200,000	200,000	221,550	21,550
Business tax	490,000	490,000	615,688	125,688
Privilege tax	25,000	25,000	23,958	(1,042)
Cable TV franchise fee	370,000	370,000	360,650	(9,350)
Special assessments	7,500	7,500	27,961	20,461
	<u>16,967,500</u>	<u>16,967,500</u>	<u>17,768,774</u>	<u>801,274</u>
Licenses and permits:				
Beer licenses	5,500	5,500	3,400	(2,100)
Building permits	200,000	200,000	304,253	104,253
Plumbing permits	30,000	30,000	47,655	17,655
Zoning	15,000	15,000	12,893	(2,107)
Other mechanical permits	30,000	30,000	34,152	4,152
Other permits	-	-	180	180
	<u>280,500</u>	<u>280,500</u>	<u>402,533</u>	<u>122,033</u>
Intergovernmental:				
In lieu of tax - Housing authority	6,120	6,120	3,305	(2,815)
In lieu of tax - industry	41,000	41,000	61,715	20,715
State - sales tax	1,950,000	1,950,000	2,092,876	142,876
State - income tax	600,000	600,000	492,223	(107,777)
State - beer tax	15,000	15,000	14,970	(30)
State - mixed drink tax	75,000	75,000	82,718	7,718
State - gas and motor fuel tax	700,000	700,000	533,885	(166,115)
State - gas - 1989	-	-	85,929	85,929
State - gas - 3 cent	-	-	159,489	159,489
State - city streets	61,000	61,000	62,039	1,039
State - telecomm	2,000	2,000	2,706	706
State - TVA in lieu of tax	340,000	340,000	345,284	5,284
State - excise tax	25,000	25,000	28,316	3,316
State salary supplements	-	71,400	71,400	-
Other federal grants	950,000	967,602	894,662	(72,940)
FEMA 500 Steam Plant Mitigation grant	875,000	875,000	722,079	(152,921)

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Revenues:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Intergovernmental (cont.):				
ARRA #6 Coles Ferry Mitigation	\$ -	\$ 131,454	\$ 59,589	\$ (71,865)
TDOT Greenway Phase I	-	-	455,597	455,597
Other state grants	1,988,000	2,224,710	214,152	(2,010,558)
	<u>7,628,120</u>	<u>8,085,286</u>	<u>6,382,934</u>	<u>(1,702,352)</u>
Charges for services:				
Admin and management services	1,000	1,000	1,272	272
Accounting and management services	79,000	79,000	83,670	4,670
Personnel services	24,000	24,000	26,000	2,000
Other legal services	44,000	44,000	44,670	670
Miscellaneous	6,500	7,355	8,309	954
Vehicle maintenance charges	126,000	126,000	120,556	(5,444)
Rent	28,300	28,300	31,624	3,324
Golf course revenue	760,000	760,000	642,649	(117,351)
Civic center revenue	680,000	680,000	732,567	52,567
	<u>1,748,800</u>	<u>1,749,655</u>	<u>1,691,317</u>	<u>(58,338)</u>
Fines and forfeitures:				
Fines and forfeitures:	573,000	573,000	422,352	(150,648)
A.C.E.S red light revenue	250,000	250,000	220,939	(29,061)
Drug fines	30,000	30,000	26,585	(3,415)
Drivers education fees	7,500	7,500	5,025	(2,475)
	<u>860,500</u>	<u>860,500</u>	<u>674,901</u>	<u>(185,599)</u>
Other:				
Miscellaneous	5,000	5,000	14,292	9,292
Sale of cemetery lots	11,000	11,000	12,425	1,425
Sale of materials	-	1,975	4,021	2,046
Sale of equipment	5,000	41,106	42,257	1,151
Donations	-	-	62,105	96,089
Donations - Economic development	-	94,021	96,089	2,068
Insurance recoveries	-	161,786	186,845	25,059
Interest	10,000	10,000	28,417	18,417
	<u>31,000</u>	<u>324,888</u>	<u>446,451</u>	<u>153,479</u>
Total revenues	<u>\$ 27,516,420</u>	<u>\$ 28,268,329</u>	<u>\$ 27,366,910</u>	<u>\$ (869,503)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
General government:				
Mayor's office:				
Current:				
Salaries	\$ 209,268	\$ 209,268	\$ 208,551	\$ (717)
Employee benefits and taxes	55,237	55,237	53,010	(2,227)
Officials fees	48,650	48,650	38,400	(10,250)
Printing & publications	3,300	3,300	3,458	158
Membership fees	24,200	24,200	18,449	(5,751)
Utilities	3,050	3,050	7,830	4,780
Other professional services	75,000	77,000	79,700	2,700
Travel and meals	8,450	8,450	3,190	(5,260)
Mayor's expenses	3,600	3,600	3,896	296
Council expenses	16,800	16,800	1,226	(15,574)
Office supplies	1,800	1,800	3,169	1,369
Payments in lieu of tax	150,000	150,000	117,158	(32,842)
County portion of liquor tax	-	35,442	60,858	25,416
Discounts on taxes	12,000	12,000	8,480	(3,520)
Grants, donations	1,300	1,300	2,473	1,173
RTA program	30,000	30,000	14,447	(15,553)
Prizes and awards	5,500	5,500	5,158	(342)
Downtown landscape and streetscape	6,586	6,586	3,734	(2,852)
Miscellaneous	995	995	(397)	(1,392)
Noncapital expenditures	-	-	4,182	4,182
	<u>655,736</u>	<u>693,178</u>	<u>636,972</u>	<u>(56,206)</u>
Finance department:				
Current:				
Salaries	265,422	265,422	272,599	7,177
Employee benefits and taxes	68,439	68,439	72,137	3,698
Postage	4,000	4,000	3,979	(21)
Printing & publications	3,500	3,500	2,552	(948)
Membership fees	1,500	1,500	937	(563)
Utilities	2,000	2,000	2,652	652
Accounting services	42,000	52,000	50,000	(2,000)
Data processing services	35,000	39,100	28,258	(10,842)
Operating supplies	6,000	6,000	3,664	(2,336)
Miscellaneous	850	670	762	92
Noncapital expenditures	5,000	5,000	3,705	(1,295)
	<u>\$ 433,711</u>	<u>\$ 447,631</u>	<u>\$ 441,245</u>	<u>\$ (6,386)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
City recorder:				
Current:				
Salaries	\$ 293,502	\$ 293,502	\$ 279,900	\$ (13,602)
Employee benefits and taxes	94,531	94,531	80,376	(14,155)
Postage	9,000	9,000	9,019	19
Printing & publications	2,300	2,300	1,863	(437)
Membership fees	1,500	1,500	565	(935)
Utilities	4,800	4,800	4,932	132
Professional services	750	750	-	(750)
Data processing services	45,000	45,000	31,395	(13,605)
Other professional services	5,000	5,000	597	(4,403)
Travel	2,000	2,000	872	(1,128)
Other contractual services	1,500	1,500	1,445	(55)
Office supplies	4,200	4,200	2,648	(1,552)
Court software	-	9,290	-	(9,290)
Miscellaneous	520	520	84	(436)
Noncapital expenditures	4,000	4,000	3,640	(360)
	<u>468,603</u>	<u>477,893</u>	<u>417,336</u>	<u>(60,557)</u>
Risk management:				
Current:				
HRA expense	-	60,000	93,981	33,981
Workers compensation	250,000	250,000	240,857	(9,143)
Building insurance	50,000	50,000	23,919	(26,081)
General liability	230,000	156,000	127,603	(28,397)
Equipment insurance	2,500	2,500	-	(2,500)
	<u>532,500</u>	<u>518,500</u>	<u>486,360</u>	<u>(32,140)</u>
Attorney:				
Current:				
Salaries	212,074	212,074	211,767	(307)
Employee benefits and taxes	58,484	58,484	58,539	55
Printing & publications	3,500	3,500	3,025	(475)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	13,000	13,000	11,579	(1,421)
Membership fees	2,260	2,260	1,985	(275)

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				(Under)
General government:				
Attorney:				
Current:				
Utilities	\$ 2,050	\$ 2,050	\$ 1,906	\$ (144)
Legal services	14,000	46,000	48,784	2,784
Other professional services	10,000	10,000	1,843	(8,157)
Travel and meals	2,000	2,000	1,614	(386)
Office supplies	500	500	744	244
Records preservation	10,943	10,943	1,032	(9,911)
Miscellaneous	3,210	10,604	3,428	(7,176)
	<u>333,321</u>	<u>372,715</u>	<u>346,246</u>	<u>(26,469)</u>
Information technology:				
Current:				
Salaries	130,432	135,432	131,882	(3,550)
Employee benefits and taxes	40,521	40,521	34,785	(5,736)
Copier expense	700	700	680	(20)
Membership fees	3,300	3,300	-	(3,300)
Utilities	34,000	34,000	42,340	8,340
Other professional services	72,100	72,900	70,287	(2,613)
Other contractual services	57,250	57,250	51,064	(6,186)
Office supplies	5,500	5,500	5,048	(452)
Miscellaneous	800	800	25	(775)
Noncapital expenditures	300	300	7,607	7,307
Capital outlay	166,000	216,000	205,782	(10,218)
	<u>510,903</u>	<u>566,703</u>	<u>549,500</u>	<u>(17,203)</u>
Personnel:				
Current:				
Salaries	116,936	138,936	123,903	(15,033)
Employee benefits and taxes	34,758	34,758	32,939	(1,819)
Printing & publications	5,265	5,265	4,239	(1,026)
Utilities	2,034	2,034	2,059	25
Physicals	19,028	19,028	13,067	(5,961)
Data processing services	2,370	2,370	2,489	119
Office supplies	700	700	508	(192)
Miscellaneous	2,610	2,610	287	(2,323)
	<u>\$ 183,701</u>	<u>\$ 205,701</u>	<u>\$ 179,491</u>	<u>\$ (26,210)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

Expenditures:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				(Under)
General government:				
City Planner:				
Current:				
Salaries	\$ 703,626	\$ 693,496	\$ 657,229	\$ (36,267)
Employee benefits and taxes	217,174	213,562	184,130	(29,432)
Planning commission	21,768	21,768	20,588	(1,180)
Postage	1,100	1,100	918	(182)
Printing & publications	2,150	2,150	2,263	113
Membership fees	5,500	5,500	4,266	(1,234)
Utilities	7,500	7,500	8,484	984
Data processing services	7,440	7,440	7,440	-
Repairs and maintenance	4,000	4,000	2,125	(1,875)
Office supplies	4,000	4,000	6,420	2,420
Gas, oil, diesel, etc.	8,800	8,800	9,244	444
Credit card fees	-	-	2,522	2,522
Miscellaneous	220	220	230	10
	<u>983,278</u>	<u>969,536</u>	<u>905,859</u>	<u>(63,677)</u>
General government buildings:				
Current:				
Salaries	189,843	238,027	184,412	(53,615)
Employee benefits and taxes	69,363	73,349	67,054	(6,295)
Utilities	78,150	78,150	77,972	(178)
Repairs and maintenance	15,500	16,186	18,000	1,814
Other contractual services	24,000	24,000	25,900	1,900
Inmate crew expense	10,800	10,800	8,930	(1,870)
Small equipment	750	750	721	(29)
Operating supplies	2,000	2,000	1,975	(25)
Janitorial supplies	7,000	7,000	7,433	433
Gas, oil, diesel, etc.	7,000	7,000	7,373	373
Litter grant	-	31,900	-	(31,900)
Miscellaneous	1,250	1,250	1,010	(240)
Noncapital expenditures	13,500	13,500	20,518	7,018
Capital outlay	10,000	24,653	16,341	(8,312)
	<u>\$ 429,156</u>	<u>\$ 528,565</u>	<u>\$ 437,639</u>	<u>\$ (90,926)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
Community services:				
Current:				
Grants and donations	\$ 122,000	\$ 122,000	\$ 121,000	\$ (1,000)
July 4th celebration	16,000	16,000	15,891	(109)
Appropriations to non profits	92,000	92,000	91,986	(14)
	<u>230,000</u>	<u>230,000</u>	<u>228,877</u>	<u>(1,123)</u>
Total general government	<u>4,760,909</u>	<u>5,010,422</u>	<u>4,629,525</u>	<u>(380,897)</u>
Public safety:				
Police:				
Current:				
Salaries	4,063,270	4,110,600	4,053,462	(57,138)
Employee benefits and taxes	1,263,573	1,267,185	1,206,381	(60,804)
Postage	2,500	2,500	2,034	(466)
Printing & publications	27,200	27,200	24,276	(2,924)
Membership fees	32,000	32,000	34,563	2,563
Public relations	1,500	1,500	918	(582)
Utilities	66,400	66,400	72,095	5,695
Physicals	10,000	10,000	9,772	(228)
Data processing services	31,000	31,000	29,758	(1,242)
Repairs and maintenances	74,000	80,106	86,665	6,559
Travel	6,600	6,600	6,685	85
Other contractual services	34,000	34,000	34,953	953
Inmate crew expense	1,500	1,500	1,887	387
Reserve officers expense	10,000	10,000	9,389	(611)
Office supplies	8,000	8,000	7,956	(44)
Small office equipment	3,000	3,000	2,543	(457)
Operating supplies	33,000	34,860	35,308	448
Janitorial supplies	4,000	4,000	4,979	979
Clothing and uniforms	38,000	38,000	34,504	(3,496)
Fire arm supplies	16,000	16,000	10,258	(5,742)
Other operating supplies	3,000	3,000	2,774	(226)
Gas, oil, diesel, etc.	160,500	160,500	175,560	15,060
Other supplies	8,000	8,000	13,000	5,000
Insurance	-	-	3,616	3,616
Traffic light camera expense	200,000	200,000	138,103	(61,897)
Noncapital expenditures	28,500	28,500	41,282	12,782
Capital outlay	-	53,729	41,753	(11,976)
	<u>\$ 6,125,543</u>	<u>\$ 6,238,180</u>	<u>\$ 6,084,474</u>	<u>\$ (153,706)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Public safety:				
Fire department:				
Current:				
Salaries	\$ 3,228,490	\$ 3,262,690	\$ 3,158,938	\$ (103,752)
Employee benefits and taxes	1,058,313	1,059,168	1,000,440	(58,728)
Radio and television services	5,000	5,000	4,110	(890)
Printing & publications	3,550	3,550	2,320	(1,230)
Membership fees	31,500	31,500	28,181	(3,319)
Utilities	44,500	44,500	45,813	1,313
Physicals	6,000	6,000	4,649	(1,351)
Repairs and maintenance	70,500	83,852	97,661	13,809
Travel	12,000	12,000	4,067	(7,933)
Other contractual services	15,000	15,000	9,410	(5,590)
Office supplies	2,000	2,000	1,230	(770)
Small office equipment	750	750	306	(444)
Operating supplies	20,000	20,000	14,207	(5,793)
Janitorial supplies	8,000	8,000	6,668	(1,332)
Clothing and uniforms	30,000	51,983	25,118	(26,865)
Fire prevention supplies	7,500	7,500	7,621	121
Gas, oil, diesel, etc.	60,000	60,000	60,857	857
Miscellaneous	300	7,300	181	(7,119)
Noncapital expenditures	217,375	218,375	53,088	(165,287)
Capital outlay	260,000	268,800	270,463	1,663
	<u>5,080,778</u>	<u>5,167,968</u>	<u>4,795,328</u>	<u>(372,640)</u>
Total public safety	<u>11,206,321</u>	<u>11,406,148</u>	<u>10,879,802</u>	<u>(526,346)</u>
Engineering:				
Current:				
Salaries	322,806	322,806	303,773	(19,033)
Employee benefits and taxes	100,872	100,872	89,256	(11,616)
Printing	2,000	2,000	1,574	(426)
Licenses	3,600	3,600	3,619	19
Membership fees	4,000	4,000	1,930	(2,070)
Utilities	6,500	6,500	6,041	(459)
Street lights	275,000	275,000	284,796	9,796
Professional services	35,000	35,000	27,395	(7,605)
Repairs and maintenance	2,200	2,200	2,733	533

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>			Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Engineering:				
Current:				
Other contractual services	\$ 20,000	\$ 20,000	\$ 20,104	\$ 104
Office supplies	1,500	1,500	1,489	(11)
Operating supplies	20,000	24,565	22,540	(2,025)
Gas, oil, diesel, etc.	5,000	5,000	4,471	(529)
Permit fees	3,460	3,460	3,460	-
Miscellaneous	1,900	1,900	989	(911)
Noncapital expenditures	176,100	547,934	208,372	(339,562)
Capital outlay	<u>3,504,500</u>	<u>4,252,212</u>	<u>1,520,680</u>	<u>(2,731,532)</u>
Total engineering	<u>4,484,438</u>	<u>5,608,549</u>	<u>2,503,222</u>	<u>(3,105,327)</u>
Animal control:				
Current:				
Salaries	75,162	75,162	74,756	(406)
Employee benefits and taxes	22,737	22,737	22,624	(113)
Utilities	1,250	1,250	1,272	22
Repairs and maintenance	3,050	3,050	1,062	(1,988)
Gas, oil, diesel, etc.	10,500	10,500	7,112	(3,388)
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>1,197</u>	<u>(303)</u>
Total animal control	<u>114,199</u>	<u>114,199</u>	<u>108,023</u>	<u>(6,176)</u>
Public works:				
Current:				
Salaries	120,461	120,461	120,071	(390)
Employee benefits and taxes	33,896	33,896	33,796	(100)
Utilities	1,500	1,500	1,058	(442)
Repairs and maintenance	1,000	1,000	534	(466)
Gas, oil, diesel, etc.	3,500	3,500	3,306	(194)
Miscellaneous	1,593	1,593	758	(835)
Noncapital expenditures	50,000	95,937	104,662	8,725
Capital outlay	<u>325,000</u>	<u>505,679</u>	<u>193,317</u>	<u>(312,362)</u>
Total public works	<u>\$ 536,950</u>	<u>\$ 763,566</u>	<u>\$ 457,502</u>	<u>\$ (306,064)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Highways and streets:				
Current:				
Salaries	\$ 722,442	\$ 723,193	\$ 617,143	\$ (106,050)
Employee benefits and taxes	263,101	263,101	238,610	(24,491)
Utilities	15,700	15,700	11,899	(3,801)
Physicals	1,000	1,000	1,177	177
Repairs and maintenance	117,500	127,593	15,246	(112,347)
Travel	800	800	874	74
Other contractual services	1,250	1,250	1,003	(247)
Operating supplies	3,000	3,140	2,404	(736)
Agricultural and horticultural supplies	4,000	4,000	2,648	(1,352)
Janitorial supplies	1,000	1,000	704	(296)
Clothing and uniforms	6,500	6,500	6,720	220
Other operating supplies	1,500	1,500	1,014	(486)
Gas, oil, diesel, etc.	77,500	77,500	57,439	(20,061)
Consumable tools	3,500	3,500	3,093	(407)
Sign parts and supplies	24,000	24,000	27,650	3,650
Demolition and mowing	5,000	5,000	4,717	(283)
Other supplies	1,500	1,500	1,580	80
Crushed stone	10,000	10,000	1,290	(8,710)
Salt	24,000	27,752	30,385	2,633
Drainage material	60,000	60,000	928	(59,072)
Miscellaneous	4,650	4,650	(21,222)	(25,872)
Total highways and streets	<u>1,347,943</u>	<u>1,362,679</u>	<u>1,005,302</u>	<u>(357,377)</u>
Vehicle maintenance:				
Current:				
Salaries	206,538	206,850	206,156	(694)
Employee benefits and taxes	64,604	64,604	61,569	(3,035)
Utilities	18,000	18,000	11,348	(6,652)
Repairs and maintenance	126,500	126,547	111,426	(15,121)
Operating supplies	1,500	1,500	1,768	268
Clothing and uniforms	1,200	1,200	1,070	(130)
Maintenance supplies	1,500	1,500	123	(1,377)
Gas, oil, diesel, etc.	6,000	6,000	5,150	(850)
Miscellaneous	2,350	2,350	409	(1,941)
Capital outlay	5,500	5,500	4,803	(697)
	<u>\$ 433,692</u>	<u>\$ 434,051</u>	<u>\$ 403,822</u>	<u>\$ (30,229)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Parks and recreation				
Leisure services:				
Current:				
Salaries	\$ 360,859	\$ 360,859	\$ 334,474	\$ (26,385)
Employee benefits and taxes	80,849	80,849	76,468	(4,381)
Printing and publications	3,250	3,250	957	(2,293)
Utilities	1,800	1,800	1,084	(716)
Repairs and maintenance	-	-	2,000	2,000
Other contractual services	10,000	10,000	3,133	(6,867)
Small equipment	2,500	2,500	807	(1,693)
Operating supplies	50,000	50,000	25,417	(24,583)
Food	40,000	40,000	55,151	15,151
Clothing and uniforms	1,000	1,000	-	(1,000)
Miscellaneous	4,050	4,050	(21)	(4,071)
	<u>554,308</u>	<u>554,308</u>	<u>499,470</u>	<u>(54,838)</u>
 Civic Center:				
Current:				
Salaries	385,004	385,004	438,503	53,499
Employee benefits and taxes	87,707	87,707	85,173	(2,534)
Postage	2,500	2,500	1,909	(591)
Printing and publications	5,000	5,000	4,902	(98)
Utilities	224,250	224,250	204,552	(19,698)
Professional services	16,000	16,000	4,000	(12,000)
Employee physicals	300	300	1,899	1,599
Repairs and maintenance	72,000	83,844	50,253	(33,591)
Other contractual services	130,000	130,000	109,419	(20,581)
Operating supplies	55,000	55,000	46,424	(8,576)
Food	30,000	30,000	27,133	(2,867)
Janitorial supplies	15,000	15,000	10,323	(4,677)
Miscellaneous	2,100	2,100	967	(1,133)
Noncapital expenditures	6,500	6,500	6,828	328
Capital outlay	41,000	256,100	233,958	(22,142)
	<u>\$ 1,072,361</u>	<u>\$ 1,299,305</u>	<u>\$ 1,226,243</u>	<u>\$ (73,062)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Parks and recreation				
Golf course:				
Current:				
Salaries	\$ 391,356	\$ 391,356	\$ 378,566	\$ (12,790)
Employee benefits and taxes	115,262	115,262	110,986	(4,276)
Printing and publications	5,500	5,500	2,215	(3,285)
Membership fees	1,250	1,250	1,610	360
Utilities	37,000	37,000	31,696	(5,304)
Physicals	400	400	524	124
Repairs and maintenance	9,000	9,000	944	(8,056)
Other contractual services	50,000	71,706	62,187	(9,519)
Items for resale	25,000	25,000	23,240	(1,760)
Operating supplies	20,000	20,000	23,758	3,758
Agricultural and horticultural supplies	55,000	57,191	47,501	(9,690)
Food	40,000	40,000	35,781	(4,219)
Recreational supplies	500	500	1,600	1,100
Clothing and uniforms	3,000	3,000	3,169	169
Gas, oil, diesel, etc.	25,000	25,000	20,532	(4,468)
Other equipment parts	25,000	25,000	30,113	5,113
Repair parts for water/sewer lines	1,000	1,000	1,614	614
Other repair supplies	3,000	3,000	1,857	(1,143)
Beer for resale	20,000	20,000	12,376	(7,624)
Discount credit card	10,000	10,000	11,178	1,178
Miscellaneous	1,300	1,300	101	(1,199)
Noncapital expenditures	-	-	205	205
Capital outlay	115,000	115,000	72,754	(42,246)
	<u>953,568</u>	<u>977,465</u>	<u>874,507</u>	<u>(102,958)</u>
Parks:				
Current:				
Salaries	687,729	687,729	690,353	2,624
Employee benefits and taxes	204,787	204,787	198,245	(6,542)
Utilities	113,500	113,500	111,094	(2,406)
Physicals	500	500	423	(77)
Repairs and maintenance	93,000	93,000	63,383	(29,617)
Travel	500	500	1,078	578
Other contractual services	13,000	13,000	5,164	(7,836)

The accompanying notes are an integral part of these financial statements

**CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

Expenditures:	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Parks and recreation				
Parks (Cont.):				
Current:				
Inmate crew meals	\$ 12,000	\$ 12,000	\$ 7,826	\$ (4,174)
Small equipment	4,500	4,500	5,715	1,215
Operating supplies	100,000	120,000	88,221	(31,779)
Agricultural and horticultural supplies	25,000	25,000	24,735	(265)
Food	4,000	4,000	4,410	410
Clothing and uniforms	2,000	2,000	3,792	1,792
Gas, oil, diesel, etc.	74,000	74,000	78,667	4,667
Miscellaneous	250	250	-	(250)
Noncapital expenditures	16,000	16,000	20,837	4,837
Capital outlay	<u>30,000</u>	<u>104,523</u>	<u>94,338</u>	<u>(10,185)</u>
	<u>1,380,766</u>	<u>1,475,289</u>	<u>1,398,281</u>	<u>(77,008)</u>
 Total parks and recreation	 <u>3,961,003</u>	 <u>4,306,367</u>	 <u>3,998,501</u>	 <u>(307,866)</u>
 Economic development agency:				
Current:				
Salaries	133,724	133,724	122,255	(11,469)
Employee benefits and taxes	38,688	38,688	23,015	(15,673)
Printing & publications	27,750	28,550	27,765	(785)
Membership fees	18,000	18,000	11,897	(6,103)
Public relations	28,000	28,000	11,269	(16,731)
Utilities	3,450	3,450	2,446	(1,004)
Repairs and maintenance	1,500	1,500	181	(1,319)
Professional services	1,800	1,800	4,146	2,346
Travel	10,000	10,000	2,631	(7,369)
Sundry	-	-	35,189	35,189
Office supplies	2,000	2,000	1,967	(33)
Gas, oil, diesel, etc.	5,625	5,625	1,195	(4,430)
Grants and donations	54,000	54,000	34,000	(20,000)
Miscellaneous	850	850	(9,890)	(10,740)
Noncapital expenditures	-	5,000	12,161	7,161
Capital outlay	<u>-</u>	<u>213,731</u>	<u>137,280</u>	<u>(76,451)</u>
	<u>\$ 325,387</u>	<u>\$ 544,918</u>	<u>\$ 417,507</u>	<u>\$ (127,411)</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

Expenditures:	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	(Under)
Debt service:				
Principal	\$ 835,000	\$ 835,000	\$ 835,000	\$ -
Interest	441,158	441,158	431,901	(9,257)
	1,276,158	1,276,158	1,266,901	(9,257)
 Total expenditures	 28,447,000	 30,827,057	 25,670,107	 (5,156,950)
 Excess (deficiency) of revenues over (under) expenditures	 (930,580)	 (2,558,728)	 1,696,803	 4,287,447
 Other financing sources (uses)				
Industrial park closing to general fund	-	-	59,066	59,066
In lieu of tax payments - utility	1,425,000	1,425,000	1,383,147	(41,853)
Transfers out	(2,756,647)	(2,760,853)	(2,743,143)	17,710
Total other financing sources (uses)	(1,331,647)	(1,335,853)	(1,300,930)	34,923
 Net changes in fund balances	 <u>\$ (2,262,227)</u>	 <u>\$ (3,894,581)</u>	 395,873	 <u>\$ 4,322,370</u>
 Fund balance - beginning			8,404,935	
 Prior period adjustment			237,505	
 Fund balance - beginning - restated			8,642,440	
 Fund balance - ending			 <u>\$ 9,038,313</u>	

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallatin, Tennessee (City), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, library, water and sewer, electricity, gas, education, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

Related organizations

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

Joint venture

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund also includes the accounting for all solid waste revenues and expenditures.

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. The electric, water and sewer, and gas divisions use a threshold of \$500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings and improvements	25 - 50 years
Distribution systems	10 - 50 years
Machinery, equipment, and vehicles	3 - 10 years
Furniture and fixtures	3 - 10 years
Infrastructure	50 years

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2013, but were not available to finance expenditures for the year ended June 30, 2013. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the City adopted the provisions of GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category as of June 30, 2013.

Net position flow assumption

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

Nonspendable fund balance

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

Restricted fund balance

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

CITY OF GALLATIN, TENNESSEE
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Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

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

Fund balance flow assumptions

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

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Impact of other recently issued accounting pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the City's financial statements.

Net Position

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

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

Estimates

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

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,993,322 difference are as follows:

Bonds payable	\$ 7,480,000
Notes payable	2,455,000
Unamortized debt expenses	(9,459)
Compensated absences payable	<u>1,067,781</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 10,993,322</u>

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

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as

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reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$1,427,779 difference are as follows:

Capital outlay	\$ 5,188,143
Depreciation expense	<u>(3,760,364)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 1,427,779</u>

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$1,015,420 difference are as follows:

Change in deferred property taxes	\$ (240,088)
Change in deferred court fines	(60,666)
Change in deferred grant revenue	<u>1,316,174</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 1,015,420</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

CITY OF GALLATIN, TENNESSEE
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NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2013, the City of Gallatin, Tennessee's Electric Department had \$5,027,544 invested in certificates of deposit with local financial institutions. As of June 30, 2013, the cemetery trust fund had unrated stock investments with no maturity.

Interest Rate Risk

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

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, all bank deposits were fully collateralized or insured.

B. Receivables

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

	<u>General</u>	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 10,231,545	\$ -	\$ -	\$ -	\$ -	\$ 10,231,545
Interest	310,973	-	-	-	2,261	313,234
Accounts	378,858	6,423,410	1,397,498	1,023,185	76,902	9,299,853
Fines	1,733,607	-	-	-	-	1,733,607
Grants	2,041,411	-	-	-	74,083	2,115,494
Intergovernmental	2,152,981	-	-	-	-	2,152,981
Other	<u>257</u>	<u>-</u>	<u>5,154</u>	<u>7,616</u>	<u>208,146</u>	<u>221,173</u>
Gross receivables	16,849,632	6,423,410	1,402,652	1,030,801	361,392	26,067,887
Less: Allowance for uncollectibles	<u>(1,899,290)</u>	<u>-</u>	<u>(138,041)</u>	<u>(61,935)</u>	<u>(20,898)</u>	<u>(2,120,164)</u>
Net total receivables	<u>\$ 14,950,342</u>	<u>\$ 6,423,410</u>	<u>\$ 1,264,611</u>	<u>\$ 968,866</u>	<u>\$ 340,494</u>	<u>\$ 23,947,723</u>

CITY OF GALLATIN, TENNESSEE
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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 482,541	\$ -
2012 property tax assessment	-	9,524,588
Grants	1,367,122	-
Court fines receivable	-	-
Drug fund revenue held	-	13,718
Other receipts	-	33,270
Total deferred revenue for fund financial statements	<u>\$ 1,849,663</u>	<u>\$ 9,571,576</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 10,989,991	\$ 1,012,735	\$ -	\$ -	\$ 12,002,726
Construction in progress	-	59,351	-	-	59,351
Total capital assets, not being depreciated	<u>10,989,991</u>	<u>1,072,086</u>	<u>-</u>	<u>-</u>	<u>12,062,077</u>
Capital assets being depreciated:					
Buildings	13,337,915	726,301	-	-	14,064,216
Improvements other than buildings	38,264,711	2,755,661	-	-	41,020,372
Vehicles	8,897,946	89,266	-	-	8,987,212
Equipment	3,998,497	544,829	-	-	4,543,326
Total capital assets being depreciated	<u>64,499,069</u>	<u>4,116,057</u>	<u>-</u>	<u>-</u>	<u>68,615,126</u>
Less accumulated depreciation for:					
Buildings and improvements	4,480,251	833,911	-	-	5,314,162
Improvements other than buildings	8,334,363	1,559,972	-	-	9,894,335
Vehicles	6,894,730	654,259	-	-	7,548,989
Equipment	2,862,561	712,222	-	-	3,574,783
Total accumulated depreciation	<u>22,571,905</u>	<u>3,760,364</u>	<u>-</u>	<u>-</u>	<u>26,332,269</u>
Total capital assets being depreciated, net	<u>41,927,164</u>	<u>355,693</u>	<u>-</u>	<u>-</u>	<u>42,282,857</u>
Governmental activities capital assets, net	<u>\$ 52,917,155</u>	<u>\$ 1,427,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,344,934</u>

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposal</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,413,035	\$ -	\$ -	\$ -	\$ 2,413,035
Construction in progress	<u>176,389</u>	<u>405,200</u>	<u>160,570</u>	<u>-</u>	<u>421,019</u>
Total capital assets, not being depreciated	<u>2,589,424</u>	<u>405,200</u>	<u>160,570</u>	<u>-</u>	<u>2,834,054</u>
Capital assets being depreciated:					
General plant	-	-	-	-	-
Transmission plant	582,890	80,252	38,313	-	624,822
Distribution plant	156,665,816	5,985,563	100,649	-	162,550,739
General plant	2,283,767	367,760	229,756	-	2,421,773
Buildings	36,940,398	996,486	-	-	37,936,884
Operating equipment	2,076,859	324,555	-	(55,307)	2,346,107
Rolling stock	1,833,697	153,566	-	55,307	2,042,570
Office furniture and equipment	<u>586,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,002</u>
Total capital assets being depreciated	<u>200,969,429</u>	<u>7,908,182</u>	<u>368,718</u>	<u>-</u>	<u>208,508,899</u>
Less accumulated depreciation for:					
General plant	-	-	-	-	-
Transmission plant	474,528	15,805	105,125	-	385,208
Distribution plant	60,764,737	4,316,375	224,512	-	64,856,609
General plant	1,689,204	182,808	229,757	-	1,642,259
Buildings	2,262,406	778,124	-	-	3,040,530
Operating equipment	1,717,681	106,853	-	-	1,824,534
Rolling stock	1,091,959	218,191	-	-	1,310,150
Office furniture and equipment	<u>470,713</u>	<u>47,419</u>	<u>-</u>	<u>-</u>	<u>518,132</u>
Total accumulated depreciation	<u>68,471,228</u>	<u>5,665,575</u>	<u>559,394</u>	<u>-</u>	<u>73,577,409</u>
Total capital assets being depreciated, net	<u>132,498,201</u>	<u>2,242,607</u>	<u>(190,676)</u>	<u>-</u>	<u>134,931,484</u>
Business-type activities capital assets, net	<u>\$ 135,087,625</u>	<u>\$ 2,647,807</u>	<u>\$ (30,106)</u>	<u>\$ -</u>	<u>\$ 137,765,536</u>
Total capital assets, net	<u>\$ 188,004,780</u>	<u>\$ 4,075,586</u>	<u>\$ (30,106)</u>	<u>\$ -</u>	<u>\$ 192,110,472</u>

Acquisition adjustments – Acquisition adjustments represent the excess of purchase prices over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority. The total cost was \$2,311,858 with current year amortization of \$191,136 and total accumulated amortization of \$1,204,014.

CITY OF GALLATIN, TENNESSEE
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 511,915
Public safety	855,385
Engineering	105,343
Environmental services	107,783
Public works	1,393,844
Highways and streets	107,403
Vehicle maintenance	4,677
Parks and recreation	674,014
Total depreciation expense - governmental activities	<u>\$ 3,760,364</u>
Business-type activities:	
Electric	\$ 1,272,113
Water and sewer	3,441,491
Gas	772,535
Electric charged to other accounts	179,436
Total depreciation expense - business-type activities	<u>\$ 5,665,575</u>

D. Interfund Receivables, Payables, and Transfers

All interfund balances were repaid at year end. The following is a summary of transfers during the year ended June 30, 2013:

Transfers From	Transfers To	Amount
General Fund	Capital Projects Fund	\$2,315,485
Capital Projects Fund	Capital Projects 2007 G.O. Bond Fund	64,453
Water and Sewer Fund	General Fund	554,916
Gas Fund	General Fund	242,567
Electric Fund	General Fund	585,664
General Fund	Environmental Services Fund	427,658
Industrial Park Fund	General Fund	59,066
Total		4,249,809
Governmental fund activities eliminated		<u>(2,866,662)</u>
Total government-wide		<u>\$1,383,147</u>

The purposes of the transfers are noted below:

- The transfers between the general fund and the capital projects fund are for the purpose of covering capital expenses that were made out of the capital projects fund from revenue streams recognized in the general fund.
- The transfers between the capital projects fund and the capital projects 2007 G.O. bond fund was for the purpose of closing out the 2007 G.O. bond fund.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments
- The transfers between the general fund and the environment services fund are to transfer tax collections that are used to fund sanitation pick up services.
- The transfers between the industrial park fund and the general fund was for the purpose of closing out the industrial park fund.

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E. Long-term Debt

General long-term debt at June 30, 2013, is comprised of the following:

Bonds Payable

General Obligation Refunding Bonds, Series 2004, due in annual installments from \$335,000 to \$350,000 through August 2014, interest at 2.75% to 3.20%	\$ 680,000
General Obligation Improvement Bonds, Series 2007, due in annual installments from \$130,000 to \$665,000 through January 2027, interest at 4.00% to 5.00%	<u>6,800,000</u>
Total Bonds Payable	<u>7,480,000</u>

Notes Payable

Capital Outlay Note, Series 2008, due in annual installments From \$355,000 to \$460,000, through January 2019 plus interest at 3.75% to 4.625%	<u>2,455,000</u>
Total general long-term debt	<u>\$ 9,935,000</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2013, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2012, is comprised of the following:

Notes Payable

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 620,751
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TVA Winterization Contracts

Loans from TVA for home weatherization loans made by the Electric Department to customers, paid annually over a 10 year period, at interest of 6.0% to 8.0%	492,841
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Bonds Payable

Water and Sewer Revenue and Tax Bonds, Series 2004, due in annual installments from \$285,000 to \$310,000 through August 2017, interest at 2.75% to 3.50%	1,475,000
Water and Sewer Revenue Bonds, Series 2008, due in annual installments from \$675,000 to \$1,830,000 through August 2033, interest at 3.50% to 5.00%	24,060,000

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Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011,
due in annual installments from \$25,000 to \$635,000 through
July 2032, interest at 2.00% to 3.625%

8,680,000

Total proprietary long-term debt

\$ 35,328,592

The aforementioned notes are secured by the full faith and credit of the City. During 2013, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at June 30, 2013, are as follows:

Year Ending June 30,	Electric Department		Notes		Bonds		Total	
	Notes and Contracts							
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 182,347	\$ 27,900	\$ 365,000	\$ 95,950	\$ 1,775,000	\$ 1,730,432	\$ 2,322,347	\$ 1,854,282
2015	184,112	26,039	380,000	81,506	1,850,000	1,671,771	2,414,112	1,779,316
2016	185,593	22,194	400,000	65,406	1,795,000	1,603,721	2,380,593	1,691,321
2017	186,490	16,389	415,000	48,606	1,865,000	1,531,693	2,466,490	1,596,688
2018	186,952	12,841	435,000	30,791	2,055,000	1,455,481	2,676,952	1,499,113
2019-2023	188,098	18,699	460,000	10,638	9,995,000	6,122,406	10,643,098	6,151,743
2024-2028	-	-	-	-	11,635,000	3,802,588	11,635,000	3,802,588
2029-2033	-	-	-	-	10,725,000	1,296,635	10,725,000	1,296,635
	<u>\$ 1,113,592</u>	<u>\$ 124,062</u>	<u>\$ 2,455,000</u>	<u>\$ 332,897</u>	<u>\$ 41,695,000</u>	<u>\$ 19,214,727</u>	<u>\$ 45,263,592</u>	<u>\$ 19,671,686</u>

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

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

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 2,810,000	\$ -	\$ 355,000	\$ 2,455,000	\$ 365,000
Revenue and tax bonds	7,960,000	-	480,000	7,480,000	495,000
Premium on bond issue	88,778	-	8,417	80,361	8,417
Compensated absences	1,045,350	22,430	-	1,067,780	-
	<u>\$ 11,904,128</u>	<u>\$ 22,430</u>	<u>\$ 843,417</u>	<u>\$ 11,083,141</u>	<u>\$ 868,417</u>
Business-type activities:					
Notes payable	\$ 744,902	\$ -	\$ 124,151	\$ 620,751	\$ 124,150
TVA winterization contrac	451,468	99,570	58,197	492,841	58,197
Revenue and tax bonds	35,680,000	-	1,465,000	34,215,000	1,280,000
Premium on bond issue	503,608	-	24,571	479,037	24,571
OPEB liability	40,567	14,453	-	55,020	-
Compensated absences	731,289	-	69,885	661,404	120,124
	<u>\$ 38,151,834</u>	<u>\$ 114,023</u>	<u>\$ 1,741,804</u>	<u>\$ 36,524,053</u>	<u>\$ 1,607,042</u>

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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 has defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirement on the retired bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2013, outstanding bonds considered as defeased were as follows:

Sewer and Water Revenue and Tax Bonds – Series 1997 (2004)	\$ 2,425,000
General Obligation Bonds – Series 1997 (2004)	\$ 1,655,000
Water and Sewer Revenue and Tax Bonds (2012)	\$ 3,190,000

NOTE 5 - OTHER INFORMATION

A. Risk Management

City of Gallatin

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

Gallatin Department of Electricity

Gallatin Electric Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

B. Commitments

The City purchases natural gas under various contracts requiring the purchase of minimum quantities of natural gas from suppliers at costs based upon national index prices. Natural gas purchases exceeding the specified minimum quantities are made at the going market value. City management believes any risk associated with the minimum purchase quantities as specified in the

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

aforementioned contracts to be minimal. Further, the City is committed under various natural gas transportation agreements requiring specified minimum transmission capacities.

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

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

The Authority as of June 30, 2013, has net assets invested in capital assets (net of related debt) in the amount of \$2,126,930 and an unrestricted net deficit of (\$571,069) as compared to \$2,194,229 and (\$585,424) for the year 2012. During 2013, the City provided deficit funding in the amount of \$0 and paid the Resource Authority \$507,834 in tipping fees. Deficit funding and tipping fees amounted to \$0 and \$518,038, respectively for 2012.

C. Contingent Liabilities

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

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

During the fiscal year, it came to the attention of the City personnel that the City along with most other municipalities in the State of Tennessee had not been following TCA 57-4-306(a)(2)(A) regarding the split of liquor tax collections from the State with the local school system. The City is negotiating with Sumner County Board of Education on a settlement at this time and does not have an estimate of what the liability will be as of the date of this report.

D. Power Contract

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

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

E. Employee Retirement Systems and Pension Plans

City of Gallatin

Plan description

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

Funding policy

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

Annual pension cost

The City's maximum contribution to the Plan is defined as up to 9% of an eligible employee's annual compensation. The City contributed \$1,238,220 on behalf of the employees during calendar year 2013.

Gallatin Department of Electricity

Plan description

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

Funding policy

The contribution requirements of the Electric Plan members and the department are established and may be amended by the Gallatin Electric Power Board. Electric Plan members are required to contribute 3% of their annual covered salary. The Department is required to contribute at an actuarially determined rate. The current rate is 13.82% of annual covered payroll.

Annual pension cost

The Electric Department's annual pension cost for the year ending June 30, 2013, was \$272,060, which was equal to the Department's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the entry age normal cost method amortizing the initial unfunded actuarial accrued liability over 30 years. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7 percent a year compounded annually, (b) projected salary increases of 4 percent

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

(graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation of salaries), and (c) projected 1.5 percent cost of living adjustments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at July 1, 2011 was 30 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 272,060	100.00%	\$ -
6/30/2012	276,205	100.00%	-
6/30/2011	269,919	100.00%	-

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.5% percent funded. The actuarial accrued liability for benefits was \$6.35 million, and the actuarial value of assets was \$5.56 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$791 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.99 million, and the ratio of the UAAL to the covered payroll was 39.7 percent.

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

F. Other Post Employment Benefits

Gallatin Department of Electricity

Plan Description

The Electric Fund Post Retirement Medical Plan ("PRMP is a single employer defined benefit plan administered by the department). The Plan provides supplemental health insurance premium reimbursements to eligible retirees. The criteria to determine eligibility includes years of services and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. Authority to establish and amend this benefit provision is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Acuff & Associates, 210 Westwood Place, Suite 100, Brentwood, TN 37027 or by calling 1-615-726-2410.

Funding Policy

The PRMP funds the benefits on a pay-as-you-go basis. The contribution requirements of the Department are established and may be amended by the Gallatin Electric Power Board. The actuarial required contribution for the year was \$25,412 and the actual amount contributed was \$10,959.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

Annual Cost

For 2012, the Electric Department's annual cost of \$10,959 was less than the Department's actuarial required contribution of \$25,412. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 3.0% interest per year, compounded annually, net of expenses (b) all employees will retire at age 65. The current ARC rate is 1.27 percent of annual covered payroll.

Trend Information

<u>Year End</u>	<u>Annual Pension Cost</u>	<u>% of Annual APC Cost Contributed</u>	<u>net Pension Obligation at Year End</u>
6/30/2013	\$ 25,412	43.10%	\$ 55,020
6/30/2012	25,412	71.80%	40,567
6/30/2011	23,663	47.10%	33,396

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$323 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$323 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.99 million, and the ratio of the UAAL to the covered payroll was 16.2 percent.

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

G. Closing of the Industrial Park Fund

In order to comply with the GASB 54 requirements, as of July 1, 2012, the City closed the Industrial Park fund into the General fund. The Industrial Park fund maintained a fund balance of \$59,066 which was transferred to the General fund. Due to the City reporting the Industrial Park fund as a reconciling item within the General fund as of June 30, 2012, the transfer in will be shown on the General funds' Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 36, and will net out on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

H. Prior Period Adjustment

As of June 30, 2013, a prior period adjustment was made in the General Fund for \$237,505. Of this amount \$198,304 was made to reverse a prior year payable for workers compensation that was for the current year. The remaining amount of \$39,201 was made to reverse additional prior year payables that were recorded improperly.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 June 30, 2013

Electric Department - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ 5,556,361	\$ 6,346,976	\$ 790,615	88.00%	\$ 1,989,357	40.00%
7/1/2009	4,725,035	5,310,592	585,557	89.00%	1,807,742	32.00%
7/1/2007	4,468,165	4,634,483	166,318	96.00%	1,272,267	13.00%
7/1/2005	3,908,037	3,819,632	(88,405)	102.00%	1,201,722	-7.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; and, therefore only the most current year is presented.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
 June 30, 2013

Electric Department - Schedule of Funding Progress

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

CAPITAL PROJECT FUNDS:

Capital Project Funds account for capital projects within the City. The Capital Projects Funds are:

Capital Projects 2007 G.O. Bond Fund - To account for specific grant revenue and related capital projects.

Capital Projects - To account for large capital projects that are funded with bond proceeds.

PERMANENT FUNDS:

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

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

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

**CITY OF GALLATIN, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2013**

	<u>Special</u>							<u>Totals</u>
	<u>Revenue Funds</u>							
	<u>Special Services</u>	<u>Drug</u>	<u>Environmental Services</u>	<u>Capital Projects 2007 G.O. Bond</u>	<u>Capital Projects</u>	<u>Thomas Witherspoon</u>	<u>Cemetery Trust</u>	
Assets								
Cash and cash equivalents	\$ 343,045	\$ 148,150	\$ -	\$ -	\$ 1,969,196	\$ 167,804	\$ 654	\$ 2,628,849
Investments	-	-	-	-	-	-	21,025	21,025
Accounts receivable	-	-	56,004	-	-	-	-	56,004
Interest receivable	-	-	-	-	-	2,151	110	2,261
Intergovernmental receivables - grants	-	-	-	-	74,083	-	-	74,083
Other receivables	-	-	-	-	-	208,146	-	208,146
Inventory	-	-	22,241	-	-	-	-	22,241
Total assets	\$ 343,045	\$ 148,150	\$ 78,245	\$ -	\$ 2,043,279	\$ 378,101	\$ 21,789	\$ 3,012,609
Liabilities and fund balances								
Liabilities								
Checks written against future deposits	\$ -	\$ -	\$ 129,776	\$ -	\$ -	\$ -	\$ -	\$ 129,776
Accounts payable	28,404	-	728	-	77,932	-	-	107,064
Deferred revenue - evidence funds	13,718	-	-	-	-	-	-	13,718
Deferred revenue - grants	-	-	-	-	59,316	-	-	59,316
Performance deposits	271,000	-	-	-	-	-	-	271,000
Total liabilities	313,122	-	130,504	-	137,248	-	-	580,874
Fund balances								
Nonspendable:								
Funds held in trust	-	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	22,241	-	-	-	-	22,241
Restricted:								
Funds held in trust	-	-	-	-	-	363,101	-	363,101
Police special projects	20,744	-	-	-	-	-	-	20,744
Drug enforcement	-	148,150	-	-	-	-	-	148,150
Assigned for:								
Capital projects	-	-	-	-	1,906,031	-	-	1,906,031
Police special projects	9,179	-	-	-	-	-	-	9,179
Cemetery use	-	-	-	-	-	-	764	764
Unassigned	-	-	(74,500)	-	-	-	-	(74,500)
Total fund balances	29,923	148,150	(52,259)	-	1,906,031	378,101	21,789	2,431,735
Total liabilities and fund balances	\$ 343,045	\$ 148,150	\$ 78,245	\$ -	\$ 2,043,279	\$ 378,101	\$ 21,789	\$ 3,012,609

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	<u>Special</u>							<u>Totals</u>
	<u>Revenue Funds</u>							
	<u>Special Services</u>	<u>Drug</u>	<u>Environmental Services</u>	<u>Capital Projects 2007 G.O. Bond</u>	<u>Capital Projects</u>	<u>Thomas Witherspoon</u>	<u>Cemetery Trust</u>	
Revenues								
Charges for services	\$ -	\$ -	\$ 1,157,926	\$ -	\$ -	\$ -	\$ -	\$ 1,157,926
Fines and forfeitures	4,200	205,777	-	-	-	-	-	209,977
Grant	-	-	-	-	313,279	-	-	313,279
Other	38,124	-	51,950	-	-	7,403	287	97,764
Total revenues	42,324	205,777	1,209,876	-	313,279	7,403	287	1,778,946
Expenditures								
Current								
General government	-	-	-	-	150,921	-	-	150,921
Public safety	53,140	131,024	-	-	18,879	-	-	203,043
Engineering	-	-	-	-	24,227	-	-	24,227
Environmental services	-	-	1,525,929	-	-	-	-	1,525,929
Highways and streets	-	-	-	-	95,659	-	-	95,659
Capital outlay	-	-	-	-	2,396,675	-	-	2,396,675
Total expenditures	53,140	131,024	1,525,929	-	2,686,361	-	-	4,396,454
Excess (deficiency) of revenues over (under) expenditures	(10,816)	74,753	(316,053)	-	(2,373,082)	7,403	287	(2,617,508)
Other financing sources (uses)								
Transfers in	-	-	427,658	64,453	2,315,485	-	-	2,807,596
Transfers out	-	-	-	-	(64,453)	-	-	(64,453)
Total other financing sources (uses)	-	-	427,658	64,453	2,251,032	-	-	2,743,143
Net changes in fund balances	(10,816)	74,753	111,605	64,453	(122,050)	7,403	287	125,635
Fund balance - beginning	40,739	73,397	(163,864)	(64,453)	2,028,081	370,698	21,502	2,306,100
Fund balance - ending	\$ 29,923	\$ 148,150	\$ (52,259)	\$ -	\$ 1,906,031	\$ 378,101	\$ 21,789	\$ 2,431,735

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SPECIAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 5,100	\$ 5,100	\$ 4,200	\$ (900)
Other:				
Donations	20,000	20,000	38,104	18,104
Interest	-	-	20	20
Total revenues	<u>25,100</u>	<u>25,100</u>	<u>42,324</u>	<u>17,224</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	5,100	13,731	10,083	(3,648)
Grants and donations	20,000	20,000	43,057	23,057
Total expenditures	<u>25,100</u>	<u>33,731</u>	<u>53,140</u>	<u>19,409</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (8,631)</u>	<u>(10,816)</u>	<u>\$ (2,185)</u>
Fund balance - beginning			<u>40,739</u>	
Fund balance - ending			<u>\$ 29,923</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 205,777	\$ 105,777
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>205,777</u>	<u>105,777</u>
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	<u>100,000</u>	<u>160,000</u>	<u>131,024</u>	<u>(28,976)</u>
Total expenditures	<u>100,000</u>	<u>160,000</u>	<u>131,024</u>	<u>(28,976)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (60,000)</u>	<u>74,753</u>	<u>\$ 134,753</u>
Fund balance - beginning			<u>73,397</u>	
Fund balance - ending			<u>\$ 148,150</u>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
ENVIRONMENTAL SERVICES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Charges for services	\$ 1,120,000	\$ 1,120,000	\$ 1,157,926	\$ 37,926
Other:				
Sale of supplies	25,000	25,000	28,736	3,736
Miscellaneous	2,000	19,343	23,214	3,871
Total revenues	<u>1,147,000</u>	<u>1,164,343</u>	<u>1,209,876</u>	<u>45,533</u>
Expenditures				
Environmental services:				
Current:				
Salaries	529,665	529,665	535,716	6,051
Employee benefits and taxes	201,312	201,312	180,048	(21,264)
Insurance	19,000	19,000	8,594	(10,406)
Utilities	14,600	14,600	11,097	(3,503)
Repairs and maintenance	46,000	46,000	50,445	4,445
Other contractual services	567,000	567,000	511,899	(55,101)
Supplies	7,800	7,800	6,450	(1,350)
Gas, oil, diesel, etc.	135,020	135,020	138,807	3,787
Supplies for resale	24,250	24,250	7,597	(16,653)
Natural materials	55,000	55,000	60,200	5,200
Recycling program	-	33,911	6,103	(27,808)
Miscellaneous	2,000	2,000	627	(1,373)
Noncapital expenditures	12,000	12,000	8,346	(3,654)
Capital outlay	225,000	225,000	-	(225,000)
Total expenditures	<u>1,838,647</u>	<u>1,872,558</u>	<u>1,525,929</u>	<u>(346,629)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(691,647)</u>	<u>(708,215)</u>	<u>(316,053)</u>	<u>392,162</u>
Other financing sources (uses)				
Transfers in	691,647	691,647	427,658	(263,989)
Transfers out	-	(5,694)	-	5,694
Total other financing sources (uses)	<u>691,647</u>	<u>685,953</u>	<u>427,658</u>	<u>(258,295)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (22,262)</u>	<u>111,605</u>	<u>\$ 133,867</u>
Fund balance - beginning			<u>(163,864)</u>	
Fund balance - ending			<u>\$ (52,259)</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2013

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Being Collected by Chancery Court</u>
2013	0.99	\$ 9,413,801	\$ -	\$ 9,367,869	\$ 9,078,911	\$ 288,958	\$ -
2012	0.99	9,438,136	371,386	(3,934)	250,414	117,038	117,038
2011	0.99	8,947,608	184,783	662	86,036	99,409	99,409
2010	0.99	8,655,224	46,377	779	-	47,156	47,156
2009	1.12	8,154,892	65,042	-	4,960	60,082	60,082
2008	1.12	7,525,767	31,982	3,156	-	35,138	35,138
2007	1.12	3,505,226	19,614	-	1,982	17,632	17,632
2006	1.12	3,516,944	10,893	-	118	10,775	10,775
2005	1.12	3,404,526	12,071	-	152	11,919	11,919
2004	1.12	3,458,448	19,201	-	350	18,851	18,851
2003	1.12	3,370,884	40,587	(40,587)	-	-	-
			<u>\$ 801,936</u>	<u>\$ 9,327,945</u>	<u>\$ 9,422,923</u>	<u>\$ 706,958</u>	<u>\$ 418,000</u>

Above balances represented as follows:

Considered current revenue	58,733
Allowance for uncollectible accounts	165,683
Deferred revenue	<u>482,542</u>

706,958

2013 property tax assessment

9,524,587

Total taxes receivable

\$ 10,231,545

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2013

Residential Rate Schedule:

Customer charge - per delivery point per month	\$	10.03
Energy charge - cents per kWh		0.08139

General Power Schedule:

GSA (Demand 0-5,000 kW demand)		
Customer charge - per delivery point per month	\$	15.10
1. Less than 50kW demand and not more than 15,000 kWh		
Energy charge - cents per kWh		0.09235
2. Between 51 and 1,000 kW demand with energy usage over 15,000 kWh		
Customer charge - per delivery point per month	\$	30.56
Demand charges - per kW per month		
0-50 kW		-
More than 50 to 1,000 kW, per kW		9.16
Energy charge - cents per kWh		
First 15,000 kWh per month		0.09070
Additional kWh per month		0.06417
3. Between 1,001 and 5,000 kW demand		
Customer charge - per delivery point per month	\$	101.86
Demand charges - per kW per month		
0-1,000 kW, per kW		9.16
More than 1,000 to 5,000 kW, per kW		12.70
Energy charge - cents per kWh		0.06416
SGSB (5,001 - 15,000 kW demand)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW - per kW per month		21.63
Energy charge - cents per kWh		0.04972
SMSB		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
All kW - per kW per month		18.74
Energy charge - cents per kWh		0.04206

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
 June 30, 2013

General Power Schedule (Continued):

TDMSD (Demand over 25,000 kW)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charges - per kW per month	
All kW (on peak)- per kW per month	15.83
All kW (off peak)- per kW per month	3.38
Energy charge - cents per kWh	
All kWh (on peak)	0.08080
All kWh (off peak)	0.04558
OUTDOOR LIGHTING	
100 Watt H.P.S.	\$ 8.59
150 Watt H.P.S.	11.54
175 Watt M.V.	9.00
250 Watt H.P.S.	14.55
400 Watt H.P.S.	18.63
Outdoor lighting kWh	0.06783

Number of customers:

	<u>2013</u>	<u>2012</u>
Residential	13,729	13,166
Commercial and industrial	2,500	2,460
Street and athletic fields	53	55
Individually billed outdoor lighting	31	39
	<u>16,313</u>	<u>15,720</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE
 June 30, 2013

Water Division

Inside City Limits

All customers

\$ 10.30 for first 250 cubic feet
 \$ 2.80 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$15.45 for first 250 cubic feet
 \$ 4.20 per 100 cubic feet in excess of 250 cubic feet

Sewer Division

Inside City Limits

All customers

\$ 10.80 for first 250 cubic feet
 \$ 2.95 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers

\$16.20 for first 250 cubic feet
 \$ 4.43 per 100 cubic feet in excess of 250 cubic feet

Number of customers:

Water and Sewer

	2013	2012
	14,121	13,124

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
 June 30, 2013

Residential and commercial - inside city		
First 200 cubic feet	\$	3.50
All usage over 200 cubic feet, per ccf		0.86
Residential and commercial - outside city		
First 200 cubic feet	\$	3.85
All usage over 200 cubic feet, per ccf		0.95
Industrial		
All usage, per ccf	\$	0.86
Preferred interruptible		
All usage, per ccf	\$	0.61
Interruptible		
First 100,000 cubic feet	\$	0.51
All usage over 100,000 cubic feet, per ccf	\$	0.46

Number of customers:	<u>2013</u>	<u>2012</u>
Residential	11,352	7,668
Commercial	1,320	600
Industrial	37	30
Interruptible	2	2
	<u>12,711</u>	<u>8,300</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
JUNE 30, 2013**

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Water Audit Report for: City of Gallatin
Reporting Year: 2013 7/2012 - 6/2013

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

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	7	2,171.000	Million gallons (MG)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	4		MG/Yr
Water imported:	n/a	0.000	MG/Yr
Water exported:	9	417.310	MG/Yr
WATER SUPPLIED:		1,753.690	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	9	1,332.970	MG/Yr
Billed unmetered:	n/a	0.000	MG/Yr
Unbilled metered:	6	89.189	MG/Yr
Unbilled unmetered:	9	10.520	MG/Yr
AUTHORIZED CONSUMPTION:		1,432.679	MG/Yr

Pcnt: 1.25% Value: 10.520

WATER LOSSES (Water Supplied - Authorized Consumption) 321.011 MG/Yr

Apparent Losses

Unauthorized consumption:	6	10.000	MG/Yr	Pcnt: <u>0.25%</u> Value: <u>10.000</u>
Customer metering inaccuracies:	9	14.365	MG/Yr	<u>1.00%</u>
Systematic data handling errors:	9	0.100	MG/Yr	
Apparent Losses:		24.465		

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 296.546 MG/Yr

WATER LOSSES: 321.011 MG/Yr

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

NON-REVENUE WATER

NON-REVENUE WATER: 420.720 MG/Yr

- Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	9	337.0	miles
Number of active AND inactive service connections:	10	14,080	
Connection density:		42	conn./mile main
Average length of customer service line:	10	0.0	ft
Average operating pressure:	6	80.0	psi

COST DATA

Total annual cost of operating water system:	8	\$5,569,268	\$/Year
Customer retail unit cost (applied to Apparent Losses):	9	\$2.89	\$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	8	\$380.00	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<u>24.0%</u>
Non-revenue water as percent by cost of operating system:	<u>4.4%</u>
Annual cost of Apparent Losses:	<u>\$94,518</u>
Annual cost of Real Losses:	<u>\$112,687</u>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<u>4.76</u> gallons/connection/day
Real Losses per service connection per day*:	<u>57.70</u> gallons/connection/day
Real Losses per length of main per day*:	<u>N/A</u>
Real Losses per service connection per day per psi pressure:	<u>0.72</u> gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	<u>114.91</u> million gallons/year
From Above, Real Losses - Current Annual Real Losses (CARL):	<u>296.55</u> million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	<u>2.58</u>

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 79 out of 100 *****

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

- PRIORITY AREAS FOR ATTENTION:**
- Based on the information provided, audit accuracy can be improved by addressing the following components:
- 1: Volume from own sources
 - 2: Unbilled metered
 - 3: Unauthorized consumption

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - CITY
June 30, 2013

Year Ended June 30,	G.O. Refunding Bonds Series 2004		G.O. Public Improvement Bonds Series 2007		2009 Capital Outlay Note		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	\$ 345,000	\$ 15,895	\$ 150,000	\$ 290,970	\$ 365,000	\$ 95,950	\$ 860,000	\$ 402,815	\$ 1,262,815
2015	335,000	5,360	180,000	283,470	380,000	81,506	895,000	370,336	1,265,336
2016	-	-	430,000	268,220	400,000	65,406	830,000	333,626	1,163,626
2017	-	-	445,000	246,345	415,000	48,606	860,000	294,951	1,154,951
2018	-	-	465,000	223,595	435,000	30,791	900,000	254,386	1,154,386
2019	-	-	485,000	201,663	460,000	10,638	945,000	212,301	1,157,301
2020	-	-	500,000	180,731	-	-	500,000	180,731	680,731
2021	-	-	525,000	158,950	-	-	525,000	158,950	683,950
2022	-	-	545,000	136,213	-	-	545,000	136,213	681,213
2023	-	-	565,000	113,332	-	-	565,000	113,332	678,332
2024	-	-	590,000	90,232	-	-	590,000	90,232	680,232
2025	-	-	615,000	66,132	-	-	615,000	66,132	681,132
2026	-	-	640,000	40,632	-	-	640,000	40,632	680,632
2027	-	-	665,000	13,716	-	-	665,000	13,716	678,716
	<u>\$ 680,000</u>	<u>\$ 21,255</u>	<u>\$ 6,800,000</u>	<u>\$ 2,314,201</u>	<u>\$ 2,455,000</u>	<u>\$ 332,897</u>	<u>\$ 9,935,000</u>	<u>\$ 2,668,353</u>	<u>\$ 12,603,353</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
PROPRIETARY FUNDS - WATER AND SEWER
SCHEDULE OF LONG-TERM DEBT
June 30, 2013

Year Ended June 30,	Water & Sewer Department						Total Requirements		
	Water & Sewer		Water & Sewer		Water & Sewer		Principal	Interest	Total
	Rev & Tax Bond - 2008		Rev & Tax Bond - 2004		Rev & Tax Bond - 2011				
Principal	Interest	Principal	Interest	Principal	Interest				
2014	\$ 725,000	\$ 1,107,613	\$ 305,000	\$ 44,256	\$ 250,000	\$ 271,698	\$ 1,280,000	\$ 1,423,567	\$ 2,703,567
2015	775,000	1,081,363	300,000	34,881	260,000	266,697	1,335,000	1,382,941	2,717,941
2016	800,000	1,052,800	295,000	25,103	270,000	257,598	1,365,000	1,335,501	2,700,501
2017	850,000	1,020,800	290,000	15,050	280,000	249,498	1,420,000	1,285,348	2,705,348
2018	900,000	985,800	285,000	4,988	405,000	241,098	1,590,000	1,231,886	2,821,886
2019	955,000	948,700	-	-	420,000	228,948	1,375,000	1,177,648	2,552,648
2020	990,000	908,563	-	-	430,000	216,348	1,420,000	1,124,911	2,544,911
2021	1,035,000	866,826	-	-	440,000	203,448	1,475,000	1,070,274	2,545,274
2022	1,075,000	821,938	-	-	450,000	190,248	1,525,000	1,012,186	2,537,186
2023	1,120,000	769,750	-	-	460,000	176,748	1,580,000	946,498	2,526,498
2024	1,180,000	712,250	-	-	490,000	162,948	1,670,000	875,198	2,545,198
2025	1,240,000	651,750	-	-	505,000	148,248	1,745,000	799,998	2,544,998
2026	1,300,000	588,250	-	-	520,000	134,378	1,820,000	722,628	2,542,628
2027	1,365,000	521,625	-	-	535,000	118,760	1,900,000	640,385	2,540,385
2028	1,435,000	451,625	-	-	555,000	102,042	1,990,000	553,667	2,543,667
2029	1,505,000	378,125	-	-	570,000	84,004	2,075,000	462,129	2,537,129
2030	1,580,000	301,000	-	-	590,000	65,194	2,170,000	366,194	2,536,194
2031	1,660,000	220,000	-	-	615,000	44,544	2,275,000	264,544	2,539,544
2032	1,740,000	135,000	-	-	635,000	23,018	2,375,000	158,018	2,533,018
2033	1,830,000	45,750	-	-	-	-	1,830,000	45,750	1,875,750
	<u>\$ 24,060,000</u>	<u>\$ 13,569,528</u>	<u>\$ 1,475,000</u>	<u>\$ 124,278</u>	<u>\$ 8,680,000</u>	<u>\$ 3,185,465</u>	<u>\$ 34,215,000</u>	<u>\$ 16,879,271</u>	<u>\$ 51,094,271</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2013

Name	Position	Bond
Jo Ann Graves	Mayor	\$ 250,000
Rachel Nichols	Director of Finance	\$ 250,000
Ronnie Stiles	Director of Public Works	\$ 250,000
David A. Gregory	Superintendent of Public Utilities	\$ 250,000
Donald Bandy	Chief of Police	\$ 250,000
William L. Crook	Fire Chief	\$ 250,000
Katherine Schock	Interim Director of Codes and Planning	\$ 250,000
David Brown	Director of Leisure Services	\$ 250,000
Amy Summers	Interim Personnel Official	\$ 250,000
James Fenton	Director of Economic Development	\$ 250,000
Nick Tuttle	City Engineer	\$ 250,000
E. Anne Kemp	Council Member	\$ 250,000
William C. Hayes	Council Member	\$ 250,000
Ronald E. Mayberry	Council Member	\$ 250,000
John D. Alexander	Council Member	\$ 250,000
Julie Brackenbury	Council Member	\$ 250,000
James W. Overton	Council Member	\$ 250,000
Steve C. Camp	Council Member	\$ 250,000

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

	<u>CFDA Number</u>	<u>Pass Through Agency Grant Number</u>	<u>Beginning Balance 7/1/12</u>	<u>Adjustments</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/13</u>
U.S. Department of Transportation							
Passed Through the Tennessee Department of Transportation:							
Highway Planning and Construction - ARRA	20.205	N/A	\$ (2,519)	\$ -	\$ 2,519	\$ -	\$ -
Highway Planning and Construction - ARRA	20.205	N/A	(152,694)	-	590,395	544,978	(107,277)
Highway Planning and Construction	20.205	N/A	(60,207)	-	185,617	169,423	(44,013)
Highway Planning and Construction - ARRA	20.205	N/A	-	-	-	38,578	(38,578)
Total U.S. Department of Transportation			<u>(215,420)</u>	<u>-</u>	<u>778,531</u>	<u>752,979</u>	<u>(189,868)</u>
U.S. Department of Justice							
Edward Byrne Memorial Justice Assistance Grant	16.738	10-DJ-BX-3229	(3,118)	-	10,024	6,906	-
Bulletproof Vest Partnership Program	16.607	N/A	(6,143)	-	6,143	-	-
Bulletproof Vest Partnership Program	16.607	N/A	-	-	-	5,083	(5,083)
OCDETF Program	16.111	N/A	-	-	5,742	12,934	(7,192)
Law Enforcement Assistance to FBI Police Training	16.300	N/A	(1,434)	-	18,978	18,874	(1,330)
Total U.S. Department of Justice			<u>(10,695)</u>	<u>-</u>	<u>40,887</u>	<u>43,797</u>	<u>(13,605)</u>
U.S. Department of Homeland Security							
Assistance to Firefighters	97.044	N/A	(220,028)	-	818,278	598,250	-
Port Security Grant	97.056	N/A	-	-	249,999	249,999	-
Total U.S. Department of Homeland Security			<u>(220,028)</u>	<u>-</u>	<u>1,068,277</u>	<u>848,249</u>	<u>-</u>
Federal Emergency Management Agency							
Disaster Grants Public Assistance	97.036	N/A	(18,476)	-	-	-	(18,476)
Hazard Mitigation Grant	97.039*	N/A	(9,938)	-	61,014	126,153	(75,077)
Hazard Mitigation Grant	97.039*	N/A	-	-	9,375	738,626	(729,251)
Total Federal Emergency Management Agency			<u>(28,414)</u>	<u>-</u>	<u>70,389</u>	<u>864,779</u>	<u>(822,804)</u>
U.S. Department of HUD							
Passed Through the Tennessee Housing Development Agency:							
Home Investment Partnership Program	14.239	N/A	(1,799)	-	152,202	150,403	-
Disaster Recovery Grant	14.23	N/A	-	-	12,000	43,869	(31,869)
Total U.S. Department of HUD			<u>(1,799)</u>	<u>-</u>	<u>164,202</u>	<u>194,272</u>	<u>(31,869)</u>
Total Federal Awards			<u>\$ (476,356)</u>	<u>\$ -</u>	<u>\$ 2,122,286</u>	<u>\$ 2,704,076</u>	<u>\$ (1,058,146)</u>

* Major fund for single audit testing.

(2,115,494)

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2013

	<u>State Grant Number</u>	<u>Beginning Balance 7/1/12</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/13</u>
Tennessee Department of Transportation					
Gateway Drive SIA	83LPLM-S3-035	\$ (1,638)	\$ -	\$ 912,493	\$ (914,131)
Tennessee Emergency Management Agency					
Flood Mitigation Project	FEMA-1909-0067	(1,656)	10,169	21,026	(12,513)
Acquisition/Demolition Project	FEMA-1909-0057	-	1,563	123,105	(121,542)
Disaster Grants - Public Assistance	FEMA-1909-DR-TN	(2,104)	-	-	(2,104)
		<u>(3,760)</u>	<u>11,732</u>	<u>144,131</u>	<u>(136,159)</u>
Tennessee Department of Agriculture					
Tree Grant	N/A	-	-	680	(680)
Tennessee Department of Library and Archives					
Historical Preservation Grant	N/A	-	500	500	-
Tennessee Department of Conservation					
Railway Improvement Grant		-	107,274	113,652	(6,378)
Town Creek Bank Stabilization	DG1237638	100,000	-	100,000	-
		<u>100,000</u>	<u>107,274</u>	<u>213,652</u>	<u>(6,378)</u>
Total State Financial Assistance		<u>\$ 94,602</u>	<u>\$ 119,506</u>	<u>\$ 1,271,456</u>	<u>\$ (1,057,348)</u>

See independent auditor's report.

STATISTICAL SECTION

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

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

Contents:

Financial Trends	
These Schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.....	76
Revenue Capacity	
These Schedules contain information to help readers assess the City's most significant local revenue source - its property taxes.	81
Debt Capacity	
These Schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.....	84
Demographic and Economic Information	
These Schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.	87
Operating Information	
These Schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	89

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

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

(Prepared using the accrual basis of accounting)

	<u>2013</u>	<u>2012</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>
Governmental activities:										
Net investment in capital assets	\$ 44,409,934	\$ 42,147,155	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,858,306	\$ 26,282,195	\$ 23,340,840
Restricted	568,020	100,024	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645
Unrestricted	<u>11,688,071</u>	<u>10,465,112</u>	<u>9,546,556</u>	<u>38,464,287</u>	<u>13,160,946</u>	<u>14,348,514</u>	<u>19,876,514</u>	<u>8,339,620</u>	<u>8,957,037</u>	<u>9,628,934</u>
Total net position	<u>\$ 56,666,025</u>	<u>\$ 52,712,291</u>	<u>\$ 55,909,121</u>	<u>\$ 78,972,727</u>	<u>\$ 48,181,532</u>	<u>\$ 44,856,355</u>	<u>\$ 46,093,654</u>	<u>\$ 39,212,926</u>	<u>\$ 36,162,189</u>	<u>\$ 33,508,419</u>
Business-type activities:										
Net investment in capital assets	\$ 103,558,594	\$ 99,420,067	\$ 99,497,736	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174	\$ 78,646,271	\$ 71,055,638	\$ 67,885,890
Restricted for workers compensation adjustmer	7,473	7,425	-	-	-	-	-	-	-	-
Unrestricted	<u>28,661,288</u>	<u>28,194,323</u>	<u>26,219,039</u>	<u>4,919,217</u>	<u>38,074,203</u>	<u>20,291,861</u>	<u>19,344,762</u>	<u>20,545,976</u>	<u>17,055,143</u>	<u>14,082,726</u>
Total net position	<u>\$ 132,227,355</u>	<u>\$ 127,621,815</u>	<u>\$ 125,716,775</u>	<u>\$ 95,863,229</u>	<u>\$ 120,883,159</u>	<u>\$ 117,638,534</u>	<u>\$ 106,266,936</u>	<u>\$ 99,192,247</u>	<u>\$ 88,110,781</u>	<u>\$ 81,968,616</u>
Primary government:										
Net investment in capital assets	\$ 147,968,528	\$ 141,567,222	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577	\$ 97,337,833	\$ 91,226,730
Restricted	575,493	107,449	15,000	(171,346)	(60,463)	315,366	276,859	15,000	922,957	538,645
Unrestricted	<u>40,349,359</u>	<u>38,659,435</u>	<u>35,765,595</u>	<u>43,383,504</u>	<u>51,235,149</u>	<u>34,640,375</u>	<u>39,221,276</u>	<u>28,885,596</u>	<u>26,012,180</u>	<u>23,711,660</u>
Total net position	<u>\$ 188,893,380</u>	<u>\$ 180,334,106</u>	<u>\$ 181,625,896</u>	<u>\$ 174,835,956</u>	<u>\$ 169,064,691</u>	<u>\$ 162,494,889</u>	<u>\$ 152,360,590</u>	<u>\$ 138,405,173</u>	<u>\$ 124,272,970</u>	<u>\$ 115,477,035</u>

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

(Prepared using the accrual basis of accounting)

Governmental activities:	<u>2013</u>	<u>2012</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>
Revenues:										
Program revenues:										
Charges for services	\$ 4,075,988	\$ 4,813,637	\$ 5,342,165	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414	\$ 2,950,614	\$ 2,751,837	\$ 2,225,531
Operating grants & contributions	1,109,040	948,083	854,869	703,346	1,474,369	848,469	3,502,202	636,779	869,005	1,157,765
Capital grants & contributions	3,975,532	1,465,557	4,020,980	2,383,773	4,022,806	590,405	138,751	1,642,282	1,722,591	1,321,300
General revenues:										
Property taxes	9,999,751	10,711,682	9,823,133	9,514,877	9,106,950	8,608,885	7,928,834	6,555,251	5,987,978	5,724,233
Sales taxes	8,014,658	7,700,686	6,874,129	6,422,853	6,390,038	6,863,042	6,752,289	6,154,339	4,154,177	3,876,075
Franchise taxes	360,650	379,020	356,845	341,828	327,853	299,962	276,664	248,792	-	-
Alcoholic beverage taxes	1,117,556	1,067,339	1,039,948	965,092	877,642	953,765	918,743	875,523	-	-
Business taxes	639,646	668,252	556,382	485,461	521,590	520,295	483,682	388,283	-	-
Income taxes	520,539	859,602	688,179	758,315	80,810	506,966	440,512	220,822	1,409,098	1,331,015
Miscellaneous taxes	-	-	1,572	2,075	2,790	142,032	140,403	674,563	1,896,131	1,966,921
Rental and reimbursements	-	-	25,863	29,627	35,521	66,445	58,855	590,320	-	-
Other sources	319,500	188,417	286,687	106,491	207,570	(866,780)	395,355	417,118	132,450	301,162
State and local school revenues	-	-	-	-	-	-	-	-	-	-
Unrestricted interest income	28,417	5,491	28,999	100,415	519,239	682,761	490,238	234,794	151,986	98,936
In lieu of taxes and transfers	1,383,147	987,430	669,414	1,396,522	1,071,242	685,674	887,035	826,908	846,667	830,636
Total revenues	<u>31,544,424</u>	<u>29,795,196</u>	<u>30,569,165</u>	<u>27,672,771</u>	<u>28,765,915</u>	<u>24,839,494</u>	<u>26,779,977</u>	<u>22,416,388</u>	<u>19,921,920</u>	<u>18,833,574</u>
Expenses:										
General government	5,070,240	4,753,776	5,833,977	4,634,869	5,936,304	9,294,335	4,234,693	3,426,964	3,530,485	3,036,343
Public safety	11,626,014	11,090,606	10,522,520	10,583,895	10,217,027	9,312,521	8,926,042	7,710,413	6,756,172	6,246,794
Engineering	1,112,112	1,978,103	1,648,991	395,200	636,589	408,330	703,821	521,482	413,530	447,373
Environmental services	1,637,569	1,744,131	1,483,595	1,504,489	1,433,602	1,404,985	1,677,427	2,132,344	1,918,049	1,808,843
Animal control	108,023	119,396	109,535	99,965	112,082	47,647	47,119	42,050	40,235	29,453
Public works	1,658,029	1,215,578	572,127	351,059	26,564	226,892	153,821	156,392	138,488	146,935
Highways, streets and roadways	1,208,364	1,234,568	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828	1,669,388	1,454,630
Vehicle maintenance	403,696	404,846	393,742	403,148	376,013	352,822	333,463	311,944	302,551	315,462
Parks and recreation	4,290,038	4,074,264	4,182,036	3,845,550	3,238,619	2,449,295	2,768,383	2,579,035	2,404,761	2,402,647
Economic development	280,227	254,355	222,988	269,588	270,456	278,287	230,687	202,705	-	-
Interest on debt	433,883	472,734	484,738	487,066	785,391	320,565	90,045	105,638	94,489	291,139
Total expenses	<u>27,828,195</u>	<u>27,342,357</u>	<u>26,757,796</u>	<u>23,996,159</u>	<u>25,118,119</u>	<u>25,846,954</u>	<u>21,007,484</u>	<u>18,866,795</u>	<u>17,268,148</u>	<u>16,179,619</u>
Change in net position	<u>3,716,229</u>	<u>2,452,839</u>	<u>3,811,369</u>	<u>3,676,612</u>	<u>3,647,796</u>	<u>(1,007,460)</u>	<u>5,772,493</u>	<u>3,549,593</u>	<u>2,653,772</u>	<u>2,653,955</u>

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

(Prepared using the accrual basis of accounting)

Business-Type activities:	<u>2013</u>	<u>2012</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>
Program revenues:										
Charges for services	\$ 91,501,059	\$ 87,971,678	\$ 90,017,001	\$ 84,620,482	\$ 85,400,190	\$ 81,589,078	\$ 75,323,725	\$ 75,920,294	\$ 64,316,071	\$ 60,293,774
Capital grants & contributions	1,152,932	675,644	685,151	253,452	1,252,667	6,918,074	3,526,948	7,931,282	2,800,442	2,992,366
General revenues:										
Other sources	2,603	9,359	536,533	10,467	8,506	10,169	5,485	14,447	-	-
Unrestricted interest income	121,102	146,100	153,210	200,533	437,057	718,092	1,009,368	876,518	455,739	199,264
Total revenues	<u>92,777,696</u>	<u>88,802,781</u>	<u>91,391,895</u>	<u>85,084,934</u>	<u>87,098,420</u>	<u>89,235,413</u>	<u>79,865,526</u>	<u>84,742,541</u>	<u>67,572,252</u>	<u>63,485,404</u>
Expenses:										
Electric	63,093,670	61,686,993	60,976,208	52,252,566	52,075,601	48,441,112	44,556,792	23,127,731	36,874,016	36,623,921
Gas	12,848,397	13,002,653	15,257,278	19,064,230	19,354,295	20,349,492	18,901,303	42,349,573	16,953,730	13,980,974
Golf	-	-	-	-	1,011,561	978,014	947,510	911,903	913,014	896,171
Water & Sewer	10,846,942	11,256,106	11,510,424	10,386,989	10,073,496	7,656,635	7,130,595	6,444,961	5,842,660	5,441,054
In lieu of taxes - transfer	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674	887,035	826,908	846,667	830,636
Total expenses	<u>88,172,156</u>	<u>86,933,182</u>	<u>88,413,324</u>	<u>83,100,307</u>	<u>83,586,194</u>	<u>78,110,927</u>	<u>72,423,235</u>	<u>73,661,076</u>	<u>61,430,087</u>	<u>57,772,756</u>
Change in net position	<u>4,605,540</u>	<u>1,869,599</u>	<u>2,978,571</u>	<u>1,984,627</u>	<u>3,512,226</u>	<u>11,124,486</u>	<u>7,442,291</u>	<u>11,081,465</u>	<u>6,142,165</u>	<u>5,712,648</u>
Total change in net position	<u>\$ 8,321,769</u>	<u>\$ 4,322,438</u>	<u>\$ 6,789,940</u>	<u>\$ 5,661,239</u>	<u>\$ 7,160,022</u>	<u>\$ 10,117,026</u>	<u>\$ 13,214,784</u>	<u>\$ 14,631,058</u>	<u>\$ 8,795,937</u>	<u>\$ 8,366,603</u>

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

(Prepared using the accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental Funds:									
(Pre-GASB 54)									
Unreserved:									
General fund	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025	\$ 11,955,011	\$ 8,291,690	\$ 9,276,034
Special revenue funds	-	-	-	(2,955)	22,272	24,557	-	174,246	192,017
Capital projects funds	-	-	-	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836	457,490
Permanent funds	-	-	-	374,321	353,996	336,050	309,421	297,147	286,970
Total unreserved fund balan	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,536,494</u>	<u>80,114</u>	<u>14,683,469</u>	<u>20,175,263</u>	<u>9,235,919</u>	<u>10,212,511</u>
Reserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,720)</u>	<u>(11,904)</u>	<u>340,885</u>	<u>302,608</u>	<u>31,228</u>	<u>15,000</u>
(Post-GASB 54)									
Nonspendable	105,468	84,581	101,966	-	-	-	-	-	-
Restricted	531,995	455,722	352,817	-	-	-	-	-	-
Committed	226,979	184,395	173,501	-	-	-	-	-	-
Assigned	1,915,974	2,122,761	2,735,185	-	-	-	-	-	-
Unassigned	<u>8,689,632</u>	<u>7,922,642</u>	<u>6,542,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,470,048</u>	<u>\$ 10,770,101</u>	<u>\$ 9,906,312</u>	<u>\$ 39,412,774</u>	<u>\$ 68,210</u>	<u>\$ 15,024,354</u>	<u>\$ 20,477,871</u>	<u>\$ 9,267,147</u>	<u>\$ 10,227,511</u>

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

(Prepared using the accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Taxes	\$ 17,768,774	\$ 17,262,010	\$ 20,056,287	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166	\$ 11,614,584	\$ 10,902,829
Licenses	402,533	315,602	247,346	278,110	615,775	851,142	696,601	529,282	504,675	344,087
Fines and penalties	884,878	1,479,913	2,307,129	1,424,589	1,446,691	1,737,566	1,567,133	966,013	639,128	331,404
Charges for services	2,849,243	2,993,059	2,787,690	2,759,398	2,064,030	2,348,866	2,102,680	1,455,320	1,422,581	947,669
Intergovernmental	6,696,213	5,742,786	3,325,809	2,466,644	791,301	4,092,959	3,691,619	3,136,744	2,768,336	3,260,883
Other	544,215	240,819	173,100	153,771	606,747	1,341,916	901,885	918,555	639,449	451,949
Total revenues	<u>29,145,856</u>	<u>28,034,189</u>	<u>28,897,361</u>	<u>26,259,613</u>	<u>23,514,148</u>	<u>25,571,272</u>	<u>23,294,929</u>	<u>19,478,080</u>	<u>17,588,753</u>	<u>16,238,821</u>
Expenditures										
General government	4,558,323	4,443,691	4,391,895	4,005,982	4,652,977	3,750,244	3,959,253	3,211,107	3,048,931	2,770,699
Public safety	10,770,629	10,760,468	9,960,491	9,841,580	9,688,847	9,295,197	8,259,007	7,113,058	6,167,861	5,732,734
Engineering	1,006,769	1,955,555	746,367	395,200	372,252	407,115	666,725	482,915	306,312	307,489
Environmental services	1,525,929	1,586,909	1,434,591	1,430,341	1,323,296	1,399,275	1,597,138	2,055,365	1,678,479	1,649,266
Animal control	108,023	117,017	108,815	99,965	90,649	47,647	47,119	42,050	39,931	30,308
Public works	264,185	592,211	155,426	152,145	149,677	145,258	139,527	139,229	126,064	119,260
Highways and streets	1,100,961	1,154,834	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775	1,136,618	1,104,654
Vehicle maintenance	399,019	402,507	391,610	403,148	364,901	349,320	329,108	311,705	301,233	313,752
Parks and recreation	3,597,451	3,731,027	3,597,665	3,392,380	2,645,342	2,466,439	2,333,959	2,183,941	1,970,462	1,930,422
Economic Development Agency	280,227	254,355	211,193	234,598	230,201	217,975	224,440	198,999	-	-
Other program cost	-	-	-	(291)	291	-	243,714	125,960	50,339	30,457
Debt service:										
Principal	835,000	800,000	775,000	760,000	425,000	410,000	775,000	760,000	750,000	1,734,712
Interest	431,901	458,795	484,739	487,066	627,829	321,681	90,045	117,245	141,346	279,742
Capital outlay - capital	<u>5,188,144</u>	<u>1,708,556</u>	<u>8,825,328</u>	<u>7,077,681</u>	<u>7,085,559</u>	<u>11,624,680</u>	<u>1,594,163</u>	<u>3,832,929</u>	<u>2,812,563</u>	<u>1,830,114</u>
Total expenditures	<u>30,066,561</u>	<u>27,965,925</u>	<u>32,386,667</u>	<u>29,701,125</u>	<u>29,019,249</u>	<u>31,802,962</u>	<u>21,618,426</u>	<u>21,802,278</u>	<u>18,530,139</u>	<u>17,833,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(920,705)</u>	<u>68,264</u>	<u>(3,489,306)</u>	<u>(3,441,512)</u>	<u>(5,505,101)</u>	<u>(6,231,690)</u>	<u>1,676,503</u>	<u>(2,324,198)</u>	<u>(941,386)</u>	<u>(1,594,788)</u>
Other financing sources (uses):										
Contributions	-	-	19,955	384,662	63,156	42,038	466,113	92,070	-	-
Forgiveness of golf course debt	-	-	-	-	-	-	-	-	-	-
Proceeds of long-term debt	-	-	-	-	3,642,438	-	7,500,000	-	-	41,661
Insurance proceeds	-	-	130,254	74,359	138,900	27,651	26,597	323,677	-	-
Sale of capital assets	-	-	38,194	8,404	16,684	3,661	15,966	-	-	-
In lieu of tax payments from utility*	1,383,147	987,430	-	-	-	-	-	-	-	-
Operating transfers in	2,866,662	1,994,252	669,414	1,396,522	1,071,241	685,674	887,035	826,907	846,667	-
Operating transfers out	<u>(2,807,596)</u>	<u>(1,994,252)</u>	-	-	-	-	-	-	-	<u>(274,229)</u>
Total other financing sources (uses)	<u>1,442,213</u>	<u>987,430</u>	<u>857,817</u>	<u>1,863,947</u>	<u>4,932,419</u>	<u>759,024</u>	<u>8,895,711</u>	<u>1,242,654</u>	<u>846,667</u>	<u>(232,568)</u>
Net changes in fund balances	<u>\$ 521,508</u>	<u>\$ 1,055,694</u>	<u>\$ (2,631,489)</u>	<u>\$ (1,577,565)</u>	<u>\$ (572,682)</u>	<u>\$ (5,472,666)</u>	<u>\$ 10,572,214</u>	<u>\$ (1,081,544)</u>	<u>\$ (94,719)</u>	<u>\$ (1,827,356)</u>
Debt services as a percentage of non-capital expenditures	5.37%	5.04%	5.30%	5.50%	4.80%	3.60%	4.30%	4.90%	5.70%	12.60%

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

<u>TAX YEAR</u>	<u>APPRAISED VALUE</u>			<u>ASSESSED VALUE AS A PERCENTAGE OF ACTUAL</u>	<u>TOTAL DIRECT TAX RATE*</u>
	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TAX EXEMPT PROPERTY</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>		
2013	\$ 962,079,513	\$ 17,806,242	\$ 2,982,691,390	32.85%	\$ 0.99
2012	944,739,332	17,321,500	3,148,310,625	30.56%	0.99
2011	921,041,801	16,983,625	3,094,122,921	30.32%	0.99
2010	903,798,781	16,697,225	3,043,499,576	30.24%	0.99
2009	772,787,864	7,559,875	2,634,149,025	29.62%	1.12
2008	728,115,320	6,878,800	2,458,859,601	29.89%	1.12
2007	671,943,489	7,680,475	2,241,616,040	30.32%	1.12
2006	550,729,184	7,060,850	1,850,742,548	30.14%	1.12
2005	509,114,317	9,688,400	1,681,953,966	30.85%	1.12
2004	493,158,842	9,293,025	1,627,650,985	30.87%	1.32

* Per \$100 of assessed valuation

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

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

	<u>2013</u>		<u>2004</u>	
	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION</u>	<u>ASSESSED VALUATION</u>	<u>PERCENT OF TOTAL VALUATION</u>
Sumner Regional Medical Center	\$ 89,172,100	9.44%	\$ 5,877,360	1.46%
Gap, Inc.	76,300,000	8.08%	33,245,692	8.25%
Wellington Farms Apts.	32,661,100	3.46%	-	0.00%
MAA Brik	25,764,200	2.73%	-	0.00%
Stoneridge Farms	25,024,586	2.65%	8,017,640	1.99%
Sumner Regional HC	14,171,857	1.50%	-	0.00%
ABC Group Prop, Inc.	14,145,900	1.50%	-	0.00%
Hoeganaes Corp	14,117,342	1.49%	25,517,925	6.33%
R R Donnelley & Sones	8,597,513	0.91%	10,728,932	2.66%
Gap, Inc. & Subs Ent #99560	5,796,355	0.61%	-	0.00%
Bosch	-	0.00%	7,243,888	1.80%
BellSouth Telecommunication	-	0.00%	4,575,014	1.14%
Walmart Real Estate	-	0.00%	4,478,967	1.11%
Crescent	-	0.00%	4,223,295	1.05%
Insteel	-	0.00%	3,988,598	0.99%
Totals	<u>\$ 305,750,953</u>	<u>32.37%</u>	<u>\$ 107,897,311</u>	<u>26.78%</u>

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

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

FISCAL YEAR	ASSESSED VALUATION	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY
2013	\$ 962,079,513	\$ 9,367,869	\$ 9,078,911	96.92%	\$ -	\$ 9,078,911	96.92%
2012	944,739,332	9,440,679	8,792,522	93.13%	531,120	9,323,642	98.76%
2011	921,041,801	9,118,314	8,756,928	92.60%	261,977	9,018,905	98.91%
2010	903,798,781	8,947,608	8,794,819	98.29%	105,632	8,900,451	99.47%
2009	772,787,864	8,655,224	8,743,629	101.02%	580,356	9,323,985	107.73%
2008	728,115,320	8,154,892	8,284,247	101.59%	175,939	8,460,186	103.74%
2007	671,943,489	7,525,767	7,394,843	98.26%	113,292	7,508,135	99.77%
2006	550,729,184	6,168,167	6,023,784	97.66%	133,608	6,157,392	99.83%
2005	509,114,317	5,702,080	5,732,482	100.53%	215,372	5,947,854	104.31%
2004	493,158,842	6,509,697	5,394,388	82.87%	1,103,390	6,497,778	99.82%

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

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

FISCAL YEAR	POPULATION*	PERSONAL INCOME**	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS	NOTES	TOTAL BUSINESS-TYPE ACTIVITIES			
2013	86	\$ 22,963	\$ 7,480,000	\$ 2,455,000	\$ 9,935,000	\$ 34,215,000	\$ 620,751	\$ 34,835,751	\$ 44,770,751	#####	2267.08%
2012	30,278	23,465	7,960,000	2,810,000	10,770,000	35,680,000	744,902	36,424,902	47,194,902	1,558.72	6.64%
2011	30,278	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%
2010	28,677	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%
2009	28,198	23,465	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,676.84	7.15%
2008	27,569	24,631	9,730,000	-	9,730,000	7,360,000	-	7,360,000	17,090,000	606.07	2.46%
2007	23,917	25,370	10,140,000	-	10,140,000	7,900,000	-	7,900,000	18,040,000	654.36	2.58%
2006	23,917	32,305	3,510,000	-	3,510,000	8,445,000	-	8,445,000	11,955,000	499.85	1.55%
2005	23,917	29,279	4,175,000	-	4,175,000	8,940,000	-	8,940,000	13,115,000	548.35	1.87%
2004	23,230	28,544	4,925,000	-	4,925,000	9,430,000	-	9,430,000	14,355,000	600.20	2.10%

* SOURCE FOR POPULATION: US Census Bureau

** PERSONAL INCOME amounts were obtained from State estimates.

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

<u>GOVERNMENTAL ACTIVITIES</u>									
<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>GENERAL OBLIGATION BONDS</u>	<u>NOTES</u>	<u>TOTAL GOVERNMENTAL</u>	<u>BUSINESS - TYPE ACIVITIES - NOTES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>APPRAISED VALUE</u>	<u>RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED VALUE</u>	<u>NET GENERAL OBLIGATION DEBT PER CAPITA</u>
2013	86	7,480,000	2,455,000	9,935,000	620,751	10,555,751	962,079,513	1.10%	122,741.29
2012	30,278	7,960,000	2,810,000	10,770,000	744,902	11,514,902	944,739,332	1.22%	380.31
2011	30,278	8,420,000	3,150,000	11,570,000	869,052	12,439,052	921,041,801	1.35%	410.83
2010	30,278	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	440.52
2009	28,677	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	495.95
2008	28,198	9,730,000	-	9,730,000	-	9,730,000	728,115,320	1.34%	345.06
2007	27,569	10,140,000	-	10,140,000	-	10,140,000	671,943,489	1.51%	367.80
2006	23,917	3,510,000	-	3,510,000	-	3,510,000	550,729,184	0.64%	146.76
2005	23,917	4,175,000	-	4,175,000	-	4,175,000	509,114,317	0.82%	174.56
2004	23,917	4,925,000	-	4,925,000	-	4,925,000	493,158,842	1.00%	205.92

* SOURCE FOR POPULATION: US Census Bureau

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

<u>FISCAL YEAR</u>	<u>UTILITY SERVICE CHARGES</u>	<u>LESS: OPERATING EXPENSES</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>PERCENT OF COVERAGE</u>
2013	\$ 11,293,065	\$ 5,934,780	\$ 5,358,285	\$ 1,465,000	\$ 1,464,908	\$ 2,929,908	182.88%
2012	10,944,632	6,380,348	4,564,284	1,334,150	1,444,529	2,778,679	164.26%
2011	10,784,113	6,825,971	3,958,142	1,140,000	1,404,543	2,544,543	155.55%
2010	9,822,137	6,127,486	3,694,651	905,000	1,286,094	2,191,094	168.62%
2009	9,371,205	5,955,230	3,415,975	940,000	1,392,100	2,332,100	146.48%
2008	8,529,877	5,387,709	3,142,168	640,000	261,699	901,699	348.47%
2007	7,961,528	4,774,065	3,187,463	545,000	280,828	825,828	385.97%
2006	7,133,277	4,224,096	2,909,181	495,000	295,883	790,883	367.84%
2005	7,218,859	3,719,668	3,499,191	490,000	320,726	810,726	431.61%
2004	6,656,633	3,509,048	3,147,585	328,309	203,193	531,502	592.21%

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

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

CALENDAR YEAR	CITY POPULATION*	COUNTY POPULATION*	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME**	MEDIAN AGE*	COUNTY SCHOOL ENROLLMENT ***	COUNTY UNEMPLOY- MENT RATE****
2013	86	165,950	42,425	\$ 22,963	37.5	28,508	6.70%
2012	30,278	160,645	45,665	23,465	36.6	28,626	8.40%
2011	30,278	160,645	45,858	23,138	36.6	27,333	8.70%
2010	28,677	162,527	45,665	23,465	38.1	27,177	9.78%
2009	28,198	159,013	48,993	24,631	37.9	26,493	7.90%
2008	27,569	156,533	49,379	25,370	37.7	26,528	5.90%
2007	23,917	130,449	34,696	32,305	35.5	26,528	3.80%
2006	23,917	130,449	34,696	29,279	35.5	26,111	3.30%
2005	23,917	130,449	34,696	28,544	36.5	25,528	4.10%
2004	23,230	130,449	34,696	27,410	36.5	24,596	4.70%

* US Census Bureau

** State Estimate

*** Sumner County School Board

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

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

	2013			2004		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Sumner Regional Medical Center	1,012	1	8.95%	1027	2	10.22%
Gap, Inc.	707	2	6.25%	1450	1	14.43%
Sumner County Government	500	3	4.99%		N/A	N/A
Volunteer State Community College	564	4	4.42%		N/A	N/A
City of Gallatin	381	5	4.06%		N/A	N/A
Servpro Industries, Inc.	379	6	3.37%	160	10	1.59%
ABC Group Fuel Systems	459	7	3.35%		N/A	N/A
R.R. Donnelley & Sons	234	8	2.19%	390	4	3.88%
Hoeganaes	248	9	2.07%	181	9	1.80%
ABC Technologies	218	10	1.93%		N/A	N/A
Bosch Automotive	N/A	N/A	N/A	500	3	4.97%
Fleetwood Homes	N/A	N/A	N/A	250	5	2.49%
Crescent Manufacturing	N/A	N/A	N/A	250	6	2.49%
Roger Group	N/A	N/A	N/A	210	7	2.09%
G F Furniture	N/A	N/A	N/A	190	8	1.89%

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

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

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Mayor's Office	3	3	3	3	3	2	2	4	3	2
Planning (Combined in 2010)	0	0	0	0	6	7	7	6	5	5
Finance	8	8	8	5	4	5	5	5	5	5
City Attorney	3	3	3	3	3	3	2	2	2	2
Recorder	7	7	7	7	7	5	5	4	3	4
Personnel	1	2	2	2	2	2	3	3	3	3
Codes	13	13	14	14	8	9	9	7	7	5
Economic Development Agency	2	2	2	2	2	2	2	2	2	2
Information Technology	0	0	0	3	3	3	2.00	-	-	0
Public Safety:										
Police	89	88	88	90	90	81	82	75	73	74
Fire	71	71	73	58	58	55	55	50	50	43
Public Works										
	48	49	48	47	45	45	45	41	41	39
Leisure Services										
	30	30	29	29	29	22	22	20	20	19
Engineering										
	6	6	5	5	5	5	5	4	5	5
Public Utilities										
	85	86	85	84	79	80	80	64	64	63
Golf Course										
	0	0	0	0	0	8	8	8	8	9
Total	366	368	367	352	344	334	334	295	291	280

Sources: PERSONNEL OFFICIAL
*AUDITS PRIOR YEARS

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

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

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

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

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

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

FUNCTION / PROGRAM	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Physical arrests	4,913	4,526	4,911	5,450	6,019	6,277	6,678	7,363	8,154	7,293
Parking violations	634	450	1,087	815	1,216	1,538	1,305	1,124	1,429	1,276
Traffic violations	20,494	19,237	23,657	27,906	28,272	23,022	27,769	32,685	35,499	16,013
Red Light Camera Citations	5,953	7,188	10,986	13,610	10,790	16,021	14,125	N/A	N/A	N/A
Fire										
Emergency responses	2,973	3,016	3,176	2,474	1,901	2,456	2,043	874	756	730
Fires extinguished	105	110	102	95	82	125	97	76	113	83
Inspections	1,194	1,170	731	810	942	1,500	5,602	2,351	1,858	2,035
Animal Control										
Animals Restrained	491	786	765	967	1,187	796	810	939	997	760
Highways and Streets										
Street resurfacing (miles)	5.6	8	3	1	7	14	14	6	2	9
Potholes repaired	122	N/A	N/A	398	273	344	455	N/A	N/A	N/A
Other Public Works										
Utility cuts repaired	142	142	171	122	147	154	130	218	N/A	N/A
Parks and Recreation										
Athletic field permits issued	N/A									
Community center admissions	230,000	230,000	230,000	220,000	220,000	250,000	240,000	235,000	225,000	220,000
Community Service										
Number of organization benefited	16	16	16	16	17	15	15	15	15	12
Number of services benefited	4	4	4	4	4	5	5	6	3	3
Environmental Services										
Tons hauled	11,588	10,145	11,384	11,420	11,376	11,690	11,890	12,278	11,041	10,950
Water										
New connections	238	212	188	183	288	378	470	477	544	335
Water main breaks	32	36	48	50	62	56	48	39	44	31
Average daily consumption (thousands of gallons)	5,948	6,246	6,705	6,794	6,742	7,074	6,054	6,046	6,227	6,400
Peak daily consumption (thousands of gallons)	9,714	10,265	8,309	7,233	8,108	9,616	9,959	8,535	7,879	7,707
Sewer										
Average daily treatment (thousands of gallons)	6,285	5,621	5,835	5,392	5,172	4,550	5,225	4,698	5,183	5,200
Electric										
Average daily consumption (thousands of kilowatt hours)	2,176	2,164	2,146	2,140	1,858	2,161	2,062	2,092	2,024	2,089
Natural Gas										
Average Daily Consumption:										
Summer -April/October (thousands of cubic feet)	4,723	4,319	4,928	4,068	3,746	4,311	3,509	3,572	3,986	3,989
Winter-November/March (thousands of cubic feet)	8,823	6,940	9,102	7,860	7,401	7,664	7,377	6,930	7,520	7,903
Golf										
Rounds Played	45,000	45,000	44,000	46,000	46,000	45,000	45,728	44,091	41,642	46,415

Sources: Various city departments

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

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

FUNCTION / PROGRAM	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	64	77	70	71	67	62	61	59	54	60
Fire										
Stations	4	4	3	3	3	3	3	3	3	2
Fire trucks	7	7	9	9	9	9	9	9	9	7
Animal Control										
Trucks	2	2	2	2	2	2	1	1	1	1
Highways and Streets										
Streets (miles)	194.5	194	193	186	184	182	185	184	182	180
Streetlights	3,602	3,602	3,511	3,562	3,322	3,443	3,266	3,230	3,141	N/A
Traffic signals	352	352	358	330	329	320	251	251	N/A	N/A
Sidewalks (miles)	44	42	41	37	35	33	33	29	28	27
Parks and Recreation										
Acreage	532	532	532	532	532	486	486	486	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	23	23	23	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	6	6	4	4	4
Picnic Shelters	14	14	13	13	13	13	13	13	13	11
Tennis Courts	6	6	6	6	6	6	6	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)	5	5	4	4	4	4	4	3	3	3
Disc Golf (holes)	18	18	18	18	18	18	18	18	18	18
Model Airplane Strip	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Environmental Services										
Refuse Trucks	20	19	18	17	16	15	13	13	N/A	N/A
Water										
Water mains (miles)	340	323	338	336	335	333	325	319	218	213
Fire hydrants	1,893	1,888	1,888	1,850	1,828	1,802	1,760	1,715	1,610	1,460
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	8,000	8,000
Percent of Water Loss in System	15	20	21	23	22	12	7	4	6	9
Sewer										
Sewer mains (miles)	231	220	220	217	217	216	196	327	178	171
Pump Stations	40	40	40	37	37	37	37	32	33	31
Natural Gas										
Gas lines (miles)	363	361	360	359	355	350	338	328	313	305
Golf										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2013.

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs as item 11-01 to be a material weakness.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs during our audit, we and the other auditors did identify a significant deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated December 20, 2013.

City's Response to Findings

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

Purpose of this Report

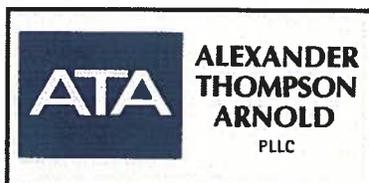
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance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



Jackson, Tennessee
December 20, 2013

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

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct a material effect on each of its major federal programs for the year ended June 30, 2013.

Honorable Jo Ann Graves, Mayor
Members of the City Council
City of Gallatin, Tennessee

Report on Internal Control Over Compliance

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

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

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

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



Jackson, Tennessee
December 20, 2013

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	<u> </u> yes	<u> X </u> no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grants

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

\$ 300,000

Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings Repeated

11-01 Audit Adjustments (Material Weakness)

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 for the proprietary funds. 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 there were numerous entries posted to reclassify items from income statement accounts to the balance sheet including fixed asset purchases in the proprietary funds and taxes and grants receivable in the governmental funds.

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

Effect: Keeping the books on the modified cash basis for the proprietary funds and not reconciling all balance sheet accounts for all funds causes the financial statements to be materially misstated during the year.

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 when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process.

Current Year Findings

There were no additional current year findings.

Prior Year Findings

All prior year findings not repeated above have been resolved.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported.

Prior Year Findings

There were no prior year findings reported.

CITY OF GALLATIN, TENNESSEE
CORRECTIVE ACTION PLAN
June 30, 2013

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2013

The findings from the June 30, 2013 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

11-01 Audit Adjustments (Material Weakness)

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 when necessary. In addition the books for the proprietary funds should be kept on the full accrual basis.

Response: Management will make every effort to post year-end entries prior to the beginning of the audit process