

**CITY OF GALLATIN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Prepared by the City of Gallatin Finance Director**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**

**CITY OF GALLATIN, TENNESSEE**

**DIRECTORY**

June 30, 2015

**ELECTED OFFICIALS**

Paige Brown, Mayor  
E. Anne Kemp, Council Member  
William C. Hayes, Council Member, Vice Mayor  
Ronald E. Mayberry, Council Member  
John D. Alexander, Council Member  
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  
Tom Dale, Interim Fire Chief  
Charles Stuart, Director of Codes  
William McCord, Director of Planning  
David Brown, Director of Leisure Services  
Debbie Johnson, Director of Human Resources  
James Fenton, Director of Economic Development  
Nick Tuttle, City Engineer  
Mark Kimbell, Electric Department Manager

**COUNSEL**

Susan High-McAuley  
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

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Division which is both a major fund and represents 23 percent, 21 percent, and 68 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric 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, 2015, 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.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2015 the city adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

### **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 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), the supplementary schedules as noted in the supplementary and other information section in the Table of Contents, the 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* and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules (budgetary comparisons), 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 and schedules (budgetary comparisons), schedule of expenditures of federal awards, and the supplementary schedules, except that which have been marked "unaudited" are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016 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  
January 5, 2016

## 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, 2015. 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. The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during 2015 causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$215.94 million as compared to \$202.91 million in the prior year. Of these amounts, \$48.91 million (unrestricted net position) as compared to \$46.47 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 \$13.03 million in 2015 compared to an increase of \$14.02 million in 2014.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$22.15 million, an increase of \$6.68 million over the prior year. Approximately \$14.52 million of that total is available for spending at the government's discretion and \$6.71 million is assigned for capital projects.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14.65 million, or 51.57% of the total general fund expenditures as compared to \$11.73 million the prior year.
- The City's total debt obligations increased by \$12.90 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.
4. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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.).

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 seven governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 65.

The City adopts an annual appropriated budget for the General Fund and the special revenue funds. Budgetary comparison statements have been provided on pages 23 to 36 and pages 67 to 69 of this report.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 to 61 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's and Utility's schedules of funding progress for their respective pension plans and other post-employment benefits.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Statement of Net Position** - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$215.94 million at the close of the most recent fiscal year, as compared to \$202.91 million at the close of the previous year.

By far the largest portion of the City's net position (77.10%) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$543 thousand (0.25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$48.91 million (22.65%) 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 38,769,451	\$ 28,189,778	\$ 56,550,838	\$ 49,179,501	\$ 95,320,289	\$ 77,369,279
Capital assets	63,780,121	57,841,530	146,815,199	140,587,618	210,595,320	198,429,148
Total assets	<u>102,549,572</u>	<u>86,031,308</u>	<u>203,366,037</u>	<u>189,767,119</u>	<u>305,915,609</u>	<u>275,798,427</u>
Deferred outflows of resources	482,516	-	3,443,671	111,328	3,926,187	111,328
Long-term liabilities	18,681,963	10,681,675	47,146,025	35,217,868	65,827,988	45,899,543
Other liabilities	5,327,520	2,606,880	12,448,527	14,913,205	17,776,047	17,520,085
Total liabilities	<u>24,009,483</u>	<u>13,288,555</u>	<u>59,594,552</u>	<u>50,131,073</u>	<u>83,604,035</u>	<u>63,419,628</u>
Deferred inflows of resources	10,120,958	9,576,842	172,274	-	10,293,232	9,576,842
Net position:						
Net investment in capital assets	54,468,094	48,317,805	112,025,506	107,506,931	166,493,600	155,824,736
Restricted	535,180	615,631	7,572	7,522	542,752	623,153
Unrestricted	13,898,373	14,232,475	35,009,804	32,232,921	48,908,177	46,465,396
<b>Total net position</b>	<b><u>\$ 68,901,647</u></b>	<b><u>\$ 63,165,911</u></b>	<b><u>\$ 147,042,882</u></b>	<b><u>\$ 139,747,374</u></b>	<b><u>\$ 215,944,529</u></b>	<b><u>\$ 202,913,285</u></b>

The government's total assets and long-term liabilities increased significantly due to the issuance of refunding bonds and significant capital projects that were completed and in progress during the current fiscal year.

**Statement of Activities** - Expenses in the governmental activities exceeded program revenues by \$18.86 million. In the business-type activities program revenues exceeded expenses by \$8.81 million. General government revenues and transfers of \$23.25 million offset the governmental activities deficit resulting in a positive change of net position of \$5.93 million prior to the \$(196) thousand prior period adjustment. Other business-type revenues of \$109 thousand and transfers out of \$1.55 million reduced income in the business type activities leaving a positive change in net position of \$7.38 million prior to the \$(80) thousand prior period adjustment/restatement.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 5,538,642	\$ 6,526,770	\$ 98,670,740	\$ 100,225,082	\$ 104,209,382	\$ 106,751,852
Operating grants and contributions	1,234,427	1,527,429	-	-	1,234,427	1,527,429
Capital grants and contributions	10,285,239	3,533,738	1,485,205	2,317,854	11,770,444	5,851,592
General revenues:						
Property taxes	10,273,533	9,930,089	-	-	10,273,533	9,930,089
Other taxes	12,673,636	11,686,352	-	-	12,673,636	11,686,352
Other sources	299,313	320,174	108,911	96,026	408,224	416,200
Total revenues	<u>40,304,790</u>	<u>33,524,552</u>	<u>100,264,856</u>	<u>102,638,962</u>	<u>140,569,646</u>	<u>136,163,514</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Expenses:						
General government	\$ 6,432,191	\$ 5,147,411	\$ -	\$ -	\$ 6,432,191	\$ 5,147,411
Public safety	12,139,618	11,778,255	-	-	12,139,618	11,778,255
Engineering	1,611,956	1,412,832	-	-	1,611,956	1,412,832
Environmental services	1,682,507	1,779,918	-	-	1,682,507	1,779,918
Animal control	123,665	113,487	-	-	123,665	113,487
Public works	362,748	1,163,412	-	-	362,748	1,163,412
Highway and streets	1,457,922	1,403,207	-	-	1,457,922	1,403,207
Vehicle maintenances	418,068	420,964	-	-	418,068	420,964
Parks and recreation	4,265,685	4,043,815	-	-	4,265,685	4,043,815
Economic Development	6,770,860	444,972	-	-	6,770,860	444,972
Interest on debt	653,094	481,455	-	-	653,094	481,455
Electric	-	-	65,953,465	65,344,259	65,953,465	65,344,259
Water and Sewer	-	-	10,769,977	11,170,248	10,769,977	11,170,248
Gas	-	-	14,620,277	16,443,781	14,620,277	16,443,781
Total expenses	<u>35,918,314</u>	<u>28,189,728</u>	<u>91,343,719</u>	<u>92,958,288</u>	<u>127,262,033</u>	<u>121,148,016</u>
Revenues over/under						
expenses	4,386,476	5,334,824	8,921,137	9,680,674	13,307,613	15,015,498
In lieu of taxes in (out)	1,545,670	1,448,787	(1,545,670)	(1,448,787)	-	-
<b>Increase in net position</b>	<b>5,932,146</b>	<b>6,783,611</b>	<b>7,375,467</b>	<b>8,231,887</b>	<b>13,307,613</b>	<b>15,015,498</b>
Net position - beginning	63,165,911	56,666,025	139,747,374	132,227,355	202,913,285	188,893,380
Prior period adjustment	(196,410)	(283,725)	(79,959)	(711,868)	(276,369)	(995,593)
Net position - beginning - restated	<u>62,969,501</u>	<u>56,382,300</u>	<u>139,667,415</u>	<u>131,515,487</u>	<u>202,636,916</u>	<u>187,897,787</u>
Net position - ending	<u>\$ 68,901,647</u>	<u>\$ 63,165,911</u>	<u>\$ 147,042,882</u>	<u>\$ 139,747,374</u>	<u>\$ 215,944,529</u>	<u>\$ 202,913,285</u>

In governmental activities, charges for services decreased \$988 thousand in 2015. Capital grants and contributions increased by \$6.75 million. Operating grants and contributions decreased \$293 thousand. Other taxes increased by \$987 thousand. Other revenues remained relatively stable. In the business type activities charges for services decreased by \$1.55 million and costs of sales and service decreased by \$1.91 million due to decreased sales during the year.

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

Overall expenses for 2015 were more than expenses in 2014 in the governmental activities by \$7.69 million. For departments with increases, the increases were mainly due to capital projects and grant activities. All departments worked diligently to keep operational spending to a minimum in continued tight economic times.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

The General Fund is the chief operation fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$13.36 million while total fund balance was \$14.98

## MANAGEMENT'S DISCUSSION AND ANALYSIS

million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47.02% of total general fund expenditures in 2015 as compared to 44.96% in 2014.

The fund balance of the City's general fund increased by \$2.60 million during the current fiscal year. A key factor in this increase was additional revenues received due to ongoing grant funded projects.

**Proprietary funds** - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net position of the proprietary funds increased by \$7.30 million in 2015 as compared to \$7.52 million in 2014.

Unrestricted net position of the proprietary funds amounted to \$35.01 million as compared to \$32.23 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 - \$2.78 million in 2015 compared to \$3.25 million in 2014.
- Natural Gas Fund - \$3.25 million in 2015 compared to \$4.15 million in 2014.
- Electric Fund - \$1.35 million in 2015 compared to \$830 thousand in 2014.

**General Fund budgetary highlights** - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$4.16 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 14.53% was mainly for noncapital expenditures.

Actual revenues and other financing sources exceeded budgeted amounts by \$3.38 million. As noted earlier, the largest increase was from grant funded projects and sales tax.

Actual expenditures and transfers out were under budget by \$4.40 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 2015, the City had invested \$210.60 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 6.13%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 49 of this report.

**Long-term debt** - At the end of the current fiscal year, the City had total long-term debt outstanding of \$56.32 million as compared to \$43.42 million at the end of the prior fiscal year. Of this amount, \$16.64 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds, except for notes payable in the amount of \$372,451 and TVA weatherization contracts in the amount of \$413,951. Information on the City's long-term debt can be found in Note 4.E. beginning on page 51 of this report.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

**General Fund Revenue** –Property tax revenues grew moderately as did most general revenue sources. Sales tax revenues continued to show solid growth. Charges for services decreased mainly due to decreased Public Safety and Parks and Recreation revenues. Operating grant revenues decreased but Capital grant revenues increased.

**General Fund Expenditures and Capital Outlay** – Departments were encouraged to be prudent and frugal with spending. Most capital funding was to complete existing, ongoing projects or for grant-funded projects. Debt was issued for new capital projects.

**General Fund Balance** – At the end of the current fiscal year, unassigned fund balance in the general fund was \$14.6 million. The increase from the previous year was a combination of better than anticipated revenue collections and ongoing capital projects that carried over into the next fiscal year.

**Next Year's Budget and Rates** – The City has no plans to increase the property tax rate paid by citizens in the next fiscal year. The City will continue to watch the national and world economic factors that could influence the local economy and will make any necessary mid-year adjustments to operate within available revenues.

### REQUESTS FOR INFORMATION

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,476,143	\$ 30,015,565	\$ 38,491,708
Certificates of deposit	2,865,000	5,053,367	7,918,367
Investments	21,025	-	21,025
Receivables			
Interest	289,438	-	289,438
Taxes (net of allowance)	10,399,076	-	10,399,076
Accounts (net of allowance)	564,029	10,193,844	10,757,873
Fines (net of allowance)	8,677	-	8,677
Grant	5,715,028	-	5,715,028
Intergovernmental	2,816,555	-	2,816,555
Other	150,283	12,845	163,128
Prepayments and other current assets	82,527	59,654	142,181
Materials and supplies	54,717	2,279,600	2,334,317
Restricted assets:			
Cash and cash equivalents	7,326,953	7,711,838	15,038,791
Other receivables	-	74,227	74,227
Contracts receivable - for home weatherization program	-	402,488	402,488
Capital assets, not being depreciated			
Land	13,755,292	2,546,341	16,301,633
Construction in progress	816,199	467,464	1,283,663
Capital assets, net of accumulated depreciation			
Transmission plant	-	389,976	389,976
Distribution plant	-	104,260,631	104,260,631
General plant	-	1,172,237	1,172,237
Buildings	8,808,625	35,934,188	44,742,813
Improvements other than buildings	35,894,162	-	35,894,162
Equipment	815,707	673,882	1,489,589
Rolling stock	3,111,451	1,247,874	4,359,325
Office furniture and equipment	578,685	122,606	701,291
Acquisition adjustments	-	747,410	747,410
<b>Total assets</b>	<b><u>102,549,572</u></b>	<b><u>203,366,037</u></b>	<b><u>305,915,609</u></b>
<b>Deferred outflows of resources</b>			
Contributions to pension funds subsequent to the measurement date	-	385,256	385,256
Unamortized pension charges	-	926,376	926,376
Loss on bond refunding	482,516	2,132,039	2,614,555
<b>Total deferred outflows of resources</b>	<b><u>\$ 482,516</u></b>	<b><u>\$ 3,443,671</u></b>	<b><u>\$ 3,926,187</u></b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Checks written against future deposits	\$ 529,333	\$ -	\$ 529,333
Accounts payable	3,912,131	9,085,581	12,997,712
Accrued expenses	340,199	331,473	671,672
Accrued interest	263,628	365,033	628,661
Customer deposits	-	2,666,440	2,666,440
Unearned revenue	37,741	-	37,741
Performance deposits	244,488	-	244,488
Long-term liabilities			
Due within one year	1,348,048	1,842,173	3,190,221
Due in excess of one year	17,333,915	45,303,852	62,637,767
<b>Total liabilities</b>	<b>24,009,483</b>	<b>59,594,552</b>	<b>83,604,035</b>
<b>Deferred inflows of resources</b>			
Unavailable property taxes	10,089,959	-	10,089,959
Pension earnings above expected	-	172,274	172,274
Unavailable evidence funds	30,999	-	30,999
<b>Total deferred inflows of resources</b>	<b>10,120,958</b>	<b>172,274</b>	<b>10,293,232</b>
<b>Net Position</b>			
Net investment in capital assets	54,468,094	112,025,506	166,493,600
Restricted for			
Workman's compensation adjustment	-	7,572	7,572
Funds held in trust	408,286	-	408,286
Police special projects	14,724	-	14,724
Drug enforcement	112,170	-	112,170
Unrestricted	13,898,373	35,009,804	48,908,177
<b>Total net position</b>	<b>\$ 68,901,647</b>	<b>\$ 147,042,882</b>	<b>\$ 215,944,529</b>

*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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 6,432,191	\$ 1,120,060	\$ 100	\$ 9,887,262	\$ 4,575,231	\$ -	\$ 4,575,231
Public safety	12,139,618	1,038,747	124,653	-	(10,976,218)	-	(10,976,218)
Engineering	1,611,956	-	-	368,680	(1,243,276)	-	(1,243,276)
Environmental services	1,682,507	1,820,429	-	-	137,922	-	137,922
Animal control	123,665	-	-	-	(123,665)	-	(123,665)
Public works	362,748	-	-	29,297	(333,451)	-	(333,451)
Highways and streets	1,457,922	-	861,161	-	(596,761)	-	(596,761)
Vehicle maintenance	418,068	116,885	-	-	(301,183)	-	(301,183)
Parks and recreation	4,265,685	1,442,521	-	-	(2,823,164)	-	(2,823,164)
Economic development	6,770,860	-	248,513	-	(6,522,347)	-	(6,522,347)
Debt service	653,094	-	-	-	(653,094)	-	(653,094)
Total governmental activities	<u>35,918,314</u>	<u>5,538,642</u>	<u>1,234,427</u>	<u>10,285,239</u>	<u>(18,860,006)</u>	<u>-</u>	<u>(18,860,006)</u>
<b>Business-type activities</b>							
Electric	65,953,465	67,759,165	-	127,749	-	1,933,449	1,933,449
Water & Sewer	10,769,977	12,710,491	-	1,357,456	-	3,297,970	3,297,970
Gas	14,620,277	18,201,084	-	-	-	3,580,807	3,580,807
Total business-type activities	<u>\$ 91,343,719</u>	<u>\$ 98,670,740</u>	<u>\$ -</u>	<u>\$ 1,485,205</u>	<u>-</u>	<u>8,812,226</u>	<u>8,812,226</u>
General revenues							
Property taxes - levied for general government					9,825,918	-	9,825,918
In lieu of taxes - other governments					447,615	-	447,615
Sales taxes					9,330,486	-	9,330,486
Franchise taxes					421,534	-	421,534
Alcoholic beverage taxes					1,251,420	-	1,251,420
Business taxes					756,560	-	756,560
Income taxes					913,636	-	913,636
Other sources					111,402	-	111,402
Sale of capital assets					118,917	-	118,917
Unrestricted interest income					68,994	108,911	177,905
Total general revenues					<u>23,246,482</u>	<u>108,911</u>	<u>23,355,393</u>
Transfers							
In lieu of taxes in (out)					1,545,670	(1,545,670)	-
Total general revenues and transfers					<u>24,792,152</u>	<u>(1,436,759)</u>	<u>23,355,393</u>
<b>Changes in net position</b>					<b>5,932,146</b>	<b>7,375,467</b>	<b>13,307,613</b>
Net position - beginning					63,165,911	139,747,374	202,913,285
Prior period adjustment/restatement					(196,410)	(79,959)	(276,369)
Net position, beginning - restated					62,969,501	139,667,415	202,636,916
<b>Net position - ending</b>					<u>\$ 68,901,647</u>	<u>\$ 147,042,882</u>	<u>\$ 215,944,529</u>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 7,804,645	\$ -	\$ 671,498	\$ 8,476,143
Restricted cash and cash equivalents	-	7,326,953	-	7,326,953
Certificates of deposit	2,865,000	-	-	2,865,000
Investments	-	-	21,025	21,025
Receivables				
Interest	283,462	-	5,976	289,438
Taxes (net of allowance of \$333,792)	10,399,076	-	-	10,399,076
Accounts (net of allowance of \$26,485)	486,786	-	77,243	564,029
Fines (net of allowance of \$2,041,428)	8,677	-	-	8,677
Grants	1,308,894	1,077,980	3,328,154	5,715,028
Intergovernmental	2,816,555	-	-	2,816,555
Other	310	-	149,973	150,283
Inventories	42,643	-	12,074	54,717
Prepaid expense	82,527	-	-	82,527
<b>Total assets</b>	<b>\$ 26,098,575</b>	<b>\$ 8,404,933</b>	<b>\$ 4,265,943</b>	<b>\$ 38,769,451</b>
<b>Liabilities</b>				
Checks written against future deposits	\$ -	\$ 324,027	\$ 205,306	\$ 529,333
Accounts payable	138,228	444,037	3,329,866	3,912,131
Accrued expenses	340,199	-	-	340,199
Unearned revenue	37,741	-	-	37,741
Performance deposits	-	-	244,488	244,488
<b>Total liabilities</b>	<b>516,168</b>	<b>768,064</b>	<b>3,779,660</b>	<b>5,063,892</b>
<b>Deferred inflows of resources</b>				
Unavailable property taxes	10,336,900	-	-	10,336,900
Unavailable evidence funds	-	-	30,999	30,999
Unavailable court fines	8,677	-	-	8,677
Unavailable grant revenue	252,880	921,919	-	1,174,799
<b>Total deferred inflows of resources</b>	<b>10,598,457</b>	<b>921,919</b>	<b>30,999</b>	<b>11,551,375</b>
<b>Fund balances</b>				
Nonspendable				
Prepays	82,527	-	-	82,527
Funds held in trust	-	-	36,025	36,025
Inventory	42,643	-	12,074	54,717
Restricted for:				
Funds held in trust	-	-	372,261	372,261
Police special projects	-	-	14,724	14,724
Drug enforcement	-	-	112,170	112,170
Economic development	-	-	32,752	32,752
Committed for:				
Economic development	205,085	-	-	205,085
Assigned for				
Capital projects	1,290,960	6,714,950	-	8,005,910
Cemetery	-	-	5,093	5,093
Unassigned	13,362,735	-	(129,815)	13,232,920
<b>Total fund balances</b>	<b>14,983,950</b>	<b>6,714,950</b>	<b>455,284</b>	<b>22,154,184</b>
<b>Total liabilities deferred inflows of resources, and fund balances</b>	<b>\$ 26,098,575</b>	<b>\$ 8,404,933</b>	<b>\$ 4,265,943</b>	<b>\$ 38,769,451</b>

*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, 2015

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

<b>Fund balance - total governmental funds (Page 14)</b>	<b>\$</b>	<b>22,154,184</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.		63,780,121
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		1,430,417
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.		
Bonds outstanding		(14,570,000)
Notes outstanding		(2,068,980)
Bond premiums		(924,902)
Compensated absences		(1,118,081)
Deferred inflows of resources, specifically deferred loss on refunding, are not due in the current period and, therefore, are not reported in the funds		482,516
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(263,628)</u>
<b>Net position - governmental activities (Page 12)</b>	<b>\$</b>	<b><u>68,901,647</u></b>

*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, 2015

	<b>General</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 18,988,744	\$ -	\$ -	\$ 18,988,744
Licenses and permits	760,459	-	-	760,459
Intergovernmental	6,647,312	899,243	6,461,398	14,007,953
Charges for services	1,919,007	-	1,820,429	3,739,436
Fines	875,534	-	175,608	1,051,142
Other	485,650	9,027	80,631	575,308
Total revenues	<u>29,676,706</u>	<u>908,270</u>	<u>8,538,066</u>	<u>39,123,042</u>
<b>Expenditures</b>				
Current				
General government	5,471,142	-	-	5,471,142
Public safety	11,576,726	35	130,967	11,707,728
Engineering	1,611,956	-	-	1,611,956
Environmental services	-	-	1,704,725	1,704,725
Animal control	123,665	-	-	123,665
Public works	360,112	-	-	360,112
Highways and streets	1,261,891	(6,949)	-	1,254,942
Vehicle maintenance	418,068	-	-	418,068
Parks and recreation	3,933,191	3,532	-	3,936,723
Economic development	304,587	-	6,465,273	6,769,860
Capital outlay	1,725,064	5,726,959	158,684	7,610,707
Debt service				
Principal	1,385,000	-	-	1,385,000
Interest	244,823	-	-	244,823
Other debt service expense	550	-	-	550
Total expenditures	<u>28,416,775</u>	<u>5,723,577</u>	<u>8,459,649</u>	<u>42,600,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,259,931</u>	<u>(4,815,307)</u>	<u>78,417</u>	<u>(3,476,959)</u>
<b>Other financing sources (uses)</b>				
Transfers in - in lieu of taxes	1,545,670	-	-	1,545,670
Transfers (to)/from other funds	(30,000)	-	30,000	-
Issuance of refunding bonds	-	14,185,000	-	14,185,000
Premiums on bonds issued	-	884,045	-	884,045
Bond issuance costs	-	(155,986)	-	(155,986)
Payment to refunded bond escrow agent	-	(6,098,495)	-	(6,098,495)
Total other financing sources (uses)	<u>1,515,670</u>	<u>8,814,564</u>	<u>30,000</u>	<u>10,360,234</u>
<b>Net changes in fund balances</b>	<b><u>2,775,601</u></b>	<b><u>3,999,257</u></b>	<b><u>108,417</u></b>	<b><u>6,883,275</u></b>
Fund balances - beginning	12,387,378	2,715,693	364,248	15,467,319
Prior period adjustment/restatement	(179,029)	-	(17,381)	(196,410)
Fund balance - beginning - restated	<u>12,208,349</u>	<u>2,715,693</u>	<u>346,867</u>	<u>15,270,909</u>
Fund balances - ending	<u>\$ 14,983,950</u>	<u>\$ 6,714,950</u>	<u>\$ 455,284</u>	<u>\$ 22,154,184</u>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2015

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

<b>Net change in fund balances - total governmental funds (Page 16)</b>	<b>\$ 6,883,275</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which capital outlays exceeded depreciation in the current period.	5,646,733
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	291,858
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	889,892
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	7,573,240
Some expenses reported in the statement of activities, such as amortization expense, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Amortization of loss on refunding	(20,979)
Amortization of bond premium	31,085
The issuance of long-term debt provides current financial resources to governmental funds. These transactions do not have any effect on net position.	
Sale of bonds	(14,185,000)
Premium on bonds	(884,045)
Some expenses reported in the statement of activities, such as accrued leave and accrued interest, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(293,913)</u>
<b>Change in net position of governmental activities (Page 13)</b>	<b><u>\$ 5,932,146</u></b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2015

<b>Assets and deferred outflows of resources</b>	<b>Electric Division</b>	<b>Water &amp; Sewer Division</b>	<b>Gas Division</b>	<b>Totals</b>
<b>Current assets</b>				
Cash on hand	\$ -	\$ 1,670	\$ 280	\$ 1,950
Cash and cash equivalents - general	7,770,182	8,221,117	14,022,316	30,013,615
Cash and cash equivalents - restricted	7,572	7,704,266	-	7,711,838
Certificates of deposit	5,053,367	-	-	5,053,367
Accounts receivable - trade (net of allowance for uncollectibles)	7,408,696	1,017,073	1,768,075	10,193,844
Accounts receivable - other	-	5,229	7,616	12,845
Prepayments and other current assets	11,905	-	47,749	59,654
Materials and supplies	821,074	416,862	1,041,664	2,279,600
Portion of non-current receivables due within one year	<u>60,922</u>	<u>-</u>	<u>-</u>	<u>60,922</u>
Total current assets	<u>21,133,718</u>	<u>17,366,217</u>	<u>16,887,700</u>	<u>55,387,635</u>
<b>Noncurrent assets</b>				
Other assets				
Other receivables	74,227	-	-	74,227
Contracts receivable - for home weatherization	341,566	-	-	341,566
Total other assets	<u>415,793</u>	<u>-</u>	<u>-</u>	<u>415,793</u>
Capital assets, not being depreciated				
Land	1,265,672	1,087,636	193,033	2,546,341
Construction in progress	188,500	278,964	-	467,464
Capital assets, net of accumulated depreciation				
Transmission plant	389,976	-	-	389,976
Distribution plant	20,498,229	63,541,071	20,221,331	104,260,631
General plant	1,172,237	-	-	1,172,237
Buildings	-	35,155,606	778,582	35,934,188
Operating equipment	-	411,420	262,462	673,882
Rolling stock	-	795,949	451,925	1,247,874
Office furniture and equipment	-	48,628	73,978	122,606
Acquisition adjustments	747,410	-	-	747,410
Total capital assets	<u>24,262,024</u>	<u>101,319,274</u>	<u>21,981,311</u>	<u>147,562,609</u>
Total noncurrent assets	<u>24,677,817</u>	<u>101,319,274</u>	<u>21,981,311</u>	<u>147,978,402</u>
<b>Total assets</b>	<b><u>45,811,535</u></b>	<b><u>118,685,491</u></b>	<b><u>38,869,011</u></b>	<b><u>203,366,037</u></b>
<b>Deferred outflows of resources</b>				
Loss on bond refunding	-	2,132,039	-	2,132,039
Unamortized pension charges	926,376	-	-	926,376
Contributions to pension fund	385,256	-	-	385,256
<b>Total deferred outflows of resources</b>	<b><u>\$ 1,311,632</u></b>	<b><u>\$ 2,132,039</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,443,671</u></b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
JUNE 30, 2015

<b>Liabilities</b>	<b>Electric Division</b>	<b>Water &amp; Sewer Division</b>	<b>Gas Division</b>	<b>Totals</b>
<b>Current liabilities</b>				
Accounts payable	\$ 9,020,061	\$ 64,385	\$ 1,135	\$ 9,085,581
Other accrued expense	328,696	-	2,777	331,473
Accrued interest	13,116	351,917	-	365,033
Customers' deposits	2,423,520	86,475	156,445	2,666,440
Accrued leave	153,475	-	-	153,475
Current maturities of long-term debt	<u>185,072</u>	<u>1,503,626</u>	<u>-</u>	<u>1,688,698</u>
<b>Total current liabilities</b>	<u>12,123,940</u>	<u>2,006,403</u>	<u>160,357</u>	<u>14,290,700</u>
<b>Noncurrent liabilities</b>				
Bonds payable (less current maturities)	-	41,090,258	-	41,090,258
Accrued leave	183,781	236,629	135,645	556,055
Other post employment benefits	91,579	-	-	91,579
Net pension liability	2,964,630	-	-	2,964,630
Contracts payable	372,451	-	-	372,451
Advances from Tennessee Valley Authority - Home Insulation Program	<u>228,879</u>	<u>-</u>	<u>-</u>	<u>228,879</u>
<b>Total noncurrent liabilities</b>	<u>3,841,320</u>	<u>41,326,887</u>	<u>135,645</u>	<u>45,303,852</u>
<b>Total liabilities</b>	<u>15,965,260</u>	<u>43,333,290</u>	<u>296,002</u>	<u>59,594,552</u>
<b>Deferred inflows of resources</b>				
Pension earnings above expected	<u>172,274</u>	<u>-</u>	<u>-</u>	<u>172,274</u>
<b>Total deferred inflows of resources</b>	<u>172,274</u>	<u>-</u>	<u>-</u>	<u>172,274</u>
<b>Net position</b>				
Net investment in capital assets	23,889,573	66,154,622	21,981,311	112,025,506
Restricted	7,572	-	-	7,572
Unrestricted	<u>7,088,488</u>	<u>11,329,618</u>	<u>16,591,698</u>	<u>35,009,804</u>
<b>Total net position</b>	<u>\$ 30,985,633</u>	<u>\$ 77,484,240</u>	<u>\$ 38,573,009</u>	<u>\$ 147,042,882</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, 2015

	<u>Electric Division</u>	<u>Water &amp; Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
<b>Operating revenues</b>				
Charges for sales and service	\$ 66,919,909	\$ 12,112,544	\$ 17,753,651	\$ 96,786,104
Forfeited discounts	257,244	150,844	-	408,088
Other operating revenue	<u>582,012</u>	<u>447,103</u>	<u>447,433</u>	<u>1,476,548</u>
Total operating revenues	<u>67,759,165</u>	<u>12,710,491</u>	<u>18,201,084</u>	<u>98,670,740</u>
<b>Operating expenses</b>				
Cost of sales and service	60,433,431	-	12,292,394	72,725,825
Water treatment and pumping	-	1,206,339	-	1,206,339
Transmission and distribution	1,238,119	975,512	918,654	3,132,285
Customer service and collection	734,924	516,065	401,572	1,652,561
General administration	1,296,898	973,319	432,167	2,702,384
Sewer collection	-	1,031,368	-	1,031,368
Sewer system rehab	-	472,338	-	472,338
Sewer treatment and disposal	-	1,398,941	-	1,398,941
Sewer pretreatment	-	77,497	-	77,497
Maintenance	651,584	-	-	651,584
Customer deposit interest	14,093	-	-	14,093
Amortization - acquisition adjustments	212,974	-	-	212,974
Provision for depreciation	<u>1,371,442</u>	<u>2,200,983</u>	<u>575,490</u>	<u>4,147,915</u>
Total operating expenses	<u>65,953,465</u>	<u>8,852,362</u>	<u>14,620,277</u>	<u>89,426,104</u>
Operating income (loss)	<u>1,805,700</u>	<u>3,858,129</u>	<u>3,580,807</u>	<u>9,244,636</u>
<b>Nonoperating revenues (expenses)</b>				
Interest and other income	87,178	14,804	6,929	108,911
Tap fees	-	618,300	-	618,300
Amortization of bond premiums	-	76,516	-	76,516
Bond issuance cost	-	(295,383)	-	(295,383)
Interest and other expense	<u>-</u>	<u>(1,698,748)</u>	<u>-</u>	<u>(1,698,748)</u>
Total nonoperating revenues (expenses)	<u>87,178</u>	<u>(1,284,511)</u>	<u>6,929</u>	<u>(1,190,404)</u>
Income (loss) before transfers and contributions	<u>1,892,878</u>	<u>2,573,618</u>	<u>3,587,736</u>	<u>8,054,232</u>
<b>Transfers and capital contributions</b>				
Transfers out - in lieu of taxes	(673,998)	(536,754)	(334,918)	(1,545,670)
Capital contributions	<u>127,749</u>	<u>739,156</u>	<u>-</u>	<u>866,905</u>
Total transfers and capital contributions	<u>(546,249)</u>	<u>202,402</u>	<u>(334,918)</u>	<u>(678,765)</u>
<b>Change in net position</b>	<b>1,346,629</b>	<b>2,776,020</b>	<b>3,252,818</b>	<b>7,375,467</b>
Total net position - beginning	<u>29,718,963</u>	<u>74,708,220</u>	<u>35,320,191</u>	<u>139,747,374</u>
Prior period adjustment/restatement	<u>(79,959)</u>	<u>-</u>	<u>-</u>	<u>(79,959)</u>
Total net position - beginning - restated	<u>29,639,004</u>	<u>74,708,220</u>	<u>35,320,191</u>	<u>139,667,415</u>
Total net position - ending	<u>\$ 30,985,633</u>	<u>\$ 77,484,240</u>	<u>\$ 38,573,009</u>	<u>\$ 147,042,882</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, 2015

	<u>Electric Division</u>	<u>Water &amp; Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>				
Cash received from consumers	\$ 67,349,191	\$ 13,928,424	\$ 18,416,999	\$ 99,694,614
Cash paid to suppliers of goods and services	(62,214,809)	(3,333,270)	(14,120,979)	(79,669,058)
Cash paid to employees for services	(2,185,415)	(3,401,671)	(1,082,542)	(6,669,628)
Interest paid on customer deposits	(14,093)	-	-	(14,093)
Net decrease in TVA loan funds receivable	51,305	-	-	51,305
Net decrease in TVA loan funds payable	(47,552)	-	-	(47,552)
Net change in customer deposits	257,355	1,150	550	259,055
Payments in lieu of tax	(673,998)	(536,754)	(334,918)	(1,545,670)
Net cash provided (used) by operating activities	<u>2,521,984</u>	<u>6,657,879</u>	<u>2,879,110</u>	<u>12,058,973</u>
<b>Cash flows from capital and related financing activities:</b>				
Capital contributed by customers and grants	127,749	739,156	-	866,905
Principal paid on debt	-	(1,330,000)	-	(1,330,000)
Proceeds from the issuance of debt	-	10,042,146	-	10,042,146
Deposits to escrow from debt service funds	-	(1,880,000)	-	(1,880,000)
Interest paid on bonds, notes and leases	-	(1,337,092)	-	(1,337,092)
Construction and acquisition of plant	(1,887,515)	(5,305,052)	(3,218,873)	(10,411,440)
Plant removal cost	(68,226)	-	-	(68,226)
Payments on notes payable	(124,150)	-	-	(124,150)
Net cash provided (used) by capital and related financing activities	<u>(1,952,142)</u>	<u>929,158</u>	<u>(3,218,873)</u>	<u>(4,241,857)</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(10,854)	-	-	(10,854)
Interest and other income	72,766	14,804	6,929	94,499
Net cash provided (used) by investing activities	<u>61,912</u>	<u>14,804</u>	<u>6,929</u>	<u>83,645</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>631,754</b>	<b>7,601,841</b>	<b>(332,834)</b>	<b>7,900,761</b>
Cash and cash equivalents - beginning of year	7,146,000	8,325,212	14,355,430	29,826,642
Cash and cash equivalents - end of year	<u>\$ 7,777,754</u>	<u>\$ 15,927,053</u>	<u>\$ 14,022,596</u>	<u>\$ 37,727,403</u>
<b>Cash and cash equivalents</b>				
Unrestricted cash on hand	-	1,670	280	1,950
Unrestricted cash and cash equivalents on deposit	7,770,182	8,221,117	14,022,316	30,013,615
Restricted cash and cash equivalents on deposit	7,572	7,704,266	-	7,711,838
<b>Total cash and cash equivalents</b>	<b><u>\$ 7,777,754</u></b>	<b><u>\$ 15,927,053</u></b>	<b><u>\$ 14,022,596</u></b>	<b><u>\$ 37,727,403</u></b>

*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, 2015

	<u>Electric Division</u>	<u>Water &amp; Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,805,700	\$ 3,858,129	\$ 3,580,807	\$ 9,244,636
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	1,681,042	2,200,983	575,490	4,457,515
Payments in lieu of tax	(673,998)	(536,754)	(334,918)	(1,545,670)
Tap Fees	-	618,300	-	618,300
Changes in assets and liabilities:				
Accounts receivable	(152,619)	599,633	215,915	662,929
Materials and supplies	6,731	(54,733)	(405,026)	(453,028)
Prepayments and other current assets	83,986	-	39,598	123,584
TVA contracts receivable - home weatherization	51,305	-	-	51,305
Accounts payable	(2,282,100)	(947)	(811,717)	(3,094,764)
Other accrued expense	21,945	-	2,777	24,722
Accrued interest	6,019	-	-	6,019
Customers' deposits	257,355	1,150	550	259,055
Accrued leave	31,117	(27,882)	15,634	18,869
TVA contracts payable - home weatherization	(47,552)	-	-	(47,552)
Accrued post employment benefits other than pensions	<u>1,733,053</u>	<u>-</u>	<u>-</u>	<u>1,733,053</u>
Net cash provided (used) by operating activities	<u>\$ 2,521,984</u>	<u>\$ 6,657,879</u>	<u>\$ 2,879,110</u>	<u>\$ 12,058,973</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, 2015

Revenues:	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Taxes:				
Property tax current	\$ 9,450,000	\$ 9,450,000	\$ 9,427,841	\$ (22,159)
Property taxes delinquent	355,000	355,000	153,694	(201,306)
Property tax penalty and interest	100,000	100,000	66,266	(33,734)
Local sales tax	6,300,000	6,442,050	7,034,366	592,316
Local beer tax	775,000	775,000	867,447	92,447
Local liquor tax	235,000	235,000	250,640	15,640
Business tax	615,000	615,000	733,916	118,916
Privilege tax	26,000	26,000	22,644	(3,356)
Cable TV franchise fee	375,000	375,000	421,534	46,534
Special assessments	15,000	15,000	10,396	(4,604)
	<u>18,246,000</u>	<u>18,388,050</u>	<u>18,988,744</u>	<u>600,694</u>
Licenses and permits:				
Beer licenses	2,500	2,500	4,350	1,850
Building permits	561,000	579,500	484,847	(94,653)
Plumbing permits	50,000	50,000	91,298	41,298
Planning fees	19,000	19,000	25,257	6,257
Other mechanical permits	50,000	50,000	71,737	21,737
Other permits	-	-	82,970	82,970
	<u>682,500</u>	<u>701,000</u>	<u>760,459</u>	<u>59,459</u>
Intergovernmental:				
In lieu of tax - Housing authority	3,300	3,300	3,305	5
In lieu of tax - industry	60,500	60,500	57,583	(2,917)
State - sales tax	2,185,000	2,185,000	2,293,156	108,156
State - income tax	375,000	375,000	869,060	494,060
State - beer tax	15,000	15,000	14,481	(519)
State - mixed drink tax	85,000	85,000	118,852	33,852
State - gas and motor fuel tax	800,000	800,000	548,071	(251,929)
State - gas - 1989	-	-	87,998	87,998
State - gas - 3 cent	-	-	163,325	163,325
State - petroleum special	62,000	62,000	61,767	(233)
State - telecomm	2,500	2,500	2,964	464
State - TVA in lieu of tax	334,000	334,000	444,310	110,310
State - excise tax	40,000	40,000	44,576	4,576
State salary supplements	-	72,600	72,600	-
Other federal grants	-	-	29,867	29,867

*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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>Revenues:</b>				<u>Over</u>
				<u>(Under)</u>
Intergovernmental (cont.):				
ARRA #6 Coles Ferry Mitigation	\$ -	\$ -	\$ 61,552	\$ 61,552
TDOT Greenway Phase I	-	-	1,179,180	1,179,180
Streetscape grant	-	-	210,229	210,229
Greenlea Blvd grant	-	-	323,285	323,285
Other state grants	500	40,500	61,151	20,651
	<u>3,962,800</u>	<u>4,075,400</u>	<u>6,647,312</u>	<u>2,571,912</u>
Charges for services:				
Admin and management services	60,755	60,755	83,050	22,295
Accounting and management services	122,065	122,065	111,117	(10,948)
Personnel services	36,780	36,780	36,803	23
Other legal services	85,716	85,716	86,073	357
Miscellaneous	5,600	5,600	11,629	6,029
Vehicle maintenance charges	120,000	120,000	116,885	(3,115)
Rent	30,800	30,800	30,929	129
Golf course revenue	711,500	711,500	658,991	(52,509)
Civic center revenue	765,500	765,500	783,530	18,030
	<u>1,938,716</u>	<u>1,938,716</u>	<u>1,919,007</u>	<u>(19,709)</u>
Fines and forfeitures:				
Fines and forfeitures:	447,000	447,000	564,426	117,426
A.C.E.S red light revenue	200,000	200,000	272,657	72,657
Drug fines	22,000	22,000	22,951	951
Drivers education fees	8,000	8,000	15,500	7,500
	<u>677,000</u>	<u>677,000</u>	<u>875,534</u>	<u>198,534</u>
Other:				
Miscellaneous	2,000	2,000	6,597	4,597
Sale of land	-	-	44,078	44,078
Sale of cemetery lots	10,000	10,000	8,750	(1,250)
Sale of buildings	200,000	200,000	-	(200,000)
Sale of materials	-	11,383	3,409	(7,974)
Sale of equipment	5,000	62,503	74,839	12,336
Donations	-	100	100	-
Donations - Economic development	-	250,721	248,513	(2,208)
Insurance recoveries	-	29,213	30,370	1,157
Interest	50,000	50,000	68,994	18,994
	<u>267,000</u>	<u>615,920</u>	<u>485,650</u>	<u>(130,270)</u>
<b>Total revenues</b>	<b><u>\$ 25,774,016</u></b>	<b><u>\$ 26,396,086</u></b>	<b><u>\$ 29,676,706</u></b>	<b><u>\$ 3,280,620</u></b>

*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, 2015**

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
Mayor's office:				
Current:				
Salaries	\$ 208,972	\$ 209,344	\$ 213,891	\$ 4,547
Employee benefits and taxes	51,761	51,823	50,868	(955)
Officials fees	48,650	48,650	43,000	(5,650)
Printing & publications	3,700	3,700	4,613	913
Membership fees	25,500	25,500	25,401	(99)
Utilities	3,550	3,550	3,301	(249)
Other professional services	81,500	119,550	113,823	(5,727)
Travel and meals	8,450	8,450	2,760	(5,690)
Mayor's expenses	3,600	3,600	2,818	(782)
Council expenses	16,800	16,800	2,205	(14,595)
Office supplies	1,900	1,900	2,226	326
Rainy Day Fund increase	217,382	217,382	-	(217,382)
Payments in lieu of tax	120,000	120,000	134,800	14,800
County portion of liquor tax	134,745	134,745	163,581	28,836
Discounts on taxes	13,000	13,000	12,330	(670)
Grants, donations	1,300	1,300	2,846	1,546
RTA program	30,000	30,000	21,271	(8,729)
Prizes and awards	5,500	5,500	4,475	(1,025)
Downtown landscape and streetscape	6,586	7,739	4,562	(3,177)
Miscellaneous	1,043	1,043	635	(408)
Noncapital expenditures	500	500	713	213
	<u>984,439</u>	<u>1,024,076</u>	<u>810,119</u>	<u>(213,957)</u>
Finance department:				
Current:				
Salaries	289,185	289,857	287,330	(2,527)
Employee benefits and taxes	84,656	84,767	81,270	(3,497)
Postage	4,000	4,000	3,452	(548)
Printing & publications	3,500	3,500	3,349	(151)
Membership fees	1,500	1,500	1,182	(318)
Utilities	2,500	2,500	1,798	(702)
Accounting services	55,000	55,000	51,600	(3,400)
Data processing services	42,500	42,500	27,009	(15,491)
Operating supplies	6,000	6,000	4,054	(1,946)
Miscellaneous	100	100	878	778
Noncapital expenditures	2,500	2,500	12,062	9,562
Capital outlay	225,000	225,526	138,140	(87,386)
	<u>\$ 716,441</u>	<u>\$ 717,750</u>	<u>\$ 612,124</u>	<u>\$ (105,626)</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, 2015**

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>(Under)</b>
General government:				
City recorder:				
Current:				
Salaries	\$ 309,928	\$ 310,236	\$ 258,764	\$ (51,472)
Employee benefits and taxes	98,988	99,040	74,616	(24,424)
Postage	9,975	9,975	11,849	1,874
Printing & publications	2,775	2,775	2,742	(33)
Membership fees	2,000	2,000	935	(1,065)
Utilities	4,200	4,200	3,765	(435)
Data processing services	30,000	30,000	33,988	3,988
Other professional services	5,000	5,000	1,580	(3,420)
Travel	2,000	2,000	1,027	(973)
Other contractual services	1,575	1,575	3,379	1,804
Office supplies	4,200	4,200	2,501	(1,699)
Court software	-	5,290	406	(4,884)
Seatbelt fines to State	-	83,427	-	(83,427)
Miscellaneous	3,000	17,850	1,385	(16,465)
Noncapital expenditures	8,500	8,500	2,530	(5,970)
	<u>482,141</u>	<u>586,068</u>	<u>399,467</u>	<u>(186,601)</u>
Risk management:				
Current:				
HRA expense	140,000	140,000	122,035	(17,965)
Workers compensation	250,000	264,000	260,758	(3,242)
Building insurance	60,000	60,000	58,137	(1,863)
General liability	270,000	309,000	308,731	(269)
Equipment insurance	2,500	2,500	-	(2,500)
	<u>722,500</u>	<u>775,500</u>	<u>749,661</u>	<u>(25,839)</u>
Attorney:				
Current:				
Salaries	220,258	221,546	206,827	(14,719)
Employee benefits and taxes	66,304	67,519	43,923	(23,596)
Printing & publications	3,500	3,500	2,393	(1,107)
Licenses	1,300	1,300	-	(1,300)
Tax law or other publications	12,650	12,650	6,706	(5,944)
Membership fees	2,800	2,800	2,364	(436)

*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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>(Under)</b>
General government:				
Attorney:				
Current:				
Utilities	\$ 2,050	\$ 2,050	\$ 1,416	\$ (634)
Legal services	14,000	14,000	24,183	10,183
Other professional services	10,810	10,810	2,649	(8,161)
Travel and meals	2,250	2,250	399	(1,851)
Office supplies	500	500	472	(28)
Records preservation	10,810	6,770	6,770	-
Educational supplies	11,000	27,000	12,766	(14,234)
Miscellaneous	2,650	2,650	212	(2,438)
Noncapital expenditures	2,500	2,500	5,536	3,036
Capital outlay	-	46,428	22,994	(23,434)
	<u>363,382</u>	<u>424,273</u>	<u>339,610</u>	<u>(84,663)</u>
Information technology:				
Current:				
Salaries	225,268	229,754	211,754	(18,000)
Employee benefits and taxes	37,981	38,728	51,444	12,716
Copier expense	800	800	703	(97)
Membership fees	12,000	12,000	12,000	-
Utilities	44,000	44,000	39,333	(4,667)
Other professional services	73,500	73,500	40,400	(33,100)
Other contractual services	71,300	71,300	66,947	(4,353)
Office supplies	4,000	4,000	3,538	(462)
Operating supplies	2,000	2,000	8,581	6,581
Miscellaneous	625	625	964	339
Noncapital expenditures	-	-	152,579	152,579
Capital outlay	445,500	445,500	246,326	(199,174)
	<u>916,974</u>	<u>922,207</u>	<u>834,569</u>	<u>(87,638)</u>
Personnel:				
Current:				
Salaries	136,963	137,316	138,168	852
Employee benefits and taxes	29,167	29,967	26,748	(3,219)
Printing & publications	5,570	5,570	9,136	3,566
Utilities	1,580	1,580	2,004	424
Physicals	24,000	24,000	17,966	(6,034)
Data processing services	2,750	2,750	2,744	(6)
Professional services	1,700	31,933	30,232	(1,701)
Office supplies	700	700	693	(7)
Operating supplies	5,000	10,000	1,903	(8,097)
Miscellaneous	1,550	1,550	1,055	(495)
	<u>\$ 208,980</u>	<u>\$ 245,366</u>	<u>\$ 230,649</u>	<u>\$ (14,717)</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, 2015

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>(Under)</b>
General government:				
City Planner:				
Current:				
Salaries	\$ 338,703	\$ 346,750	\$ 346,512	\$ (238)
Employee benefits and taxes	91,863	92,037	87,683	(4,354)
Planning commission	21,268	25,268	24,387	(881)
Postage	800	800	553	(247)
Printing & publications	1,600	1,600	1,458	(142)
Membership fees	7,500	7,500	3,346	(4,154)
Utilities	5,000	5,000	3,526	(1,474)
Data processing services	5,920	5,920	6,999	1,079
Repairs and maintenance	2,500	2,500	199	(2,301)
Other Professional Services	1,500	1,500	-	(1,500)
Office supplies	2,700	2,700	2,181	(519)
Gas, oil, diesel, etc.	2,500	2,500	1,013	(1,487)
Miscellaneous	1,850	1,850	219	(1,631)
Noncapital expenditures	2,500	46,946	39,486	(7,460)
Capital outlay	-	-	5,289	5,289
	<u>486,204</u>	<u>542,871</u>	<u>522,851</u>	<u>(20,020)</u>
General government buildings:				
Current:				
Salaries	190,959	235,257	219,182	(16,075)
Employee benefits and taxes	71,886	75,635	60,577	(15,058)
Utilities	78,150	78,150	70,826	(7,324)
Repairs and maintenance	25,350	27,719	21,949	(5,770)
Other contractual services	24,000	24,000	17,632	(6,368)
Inmate crew expense	10,000	10,000	9,262	(738)
Small equipment	1,000	1,000	200	(800)
Operating supplies	4,700	4,700	3,758	(942)
Janitorial supplies	8,000	8,000	8,339	339
Gas, oil, diesel, etc.	7,500	7,500	5,445	(2,055)
Litter grant	-	24,557	5,225	(19,332)
Miscellaneous	900	900	168	(732)
Noncapital expenditures	11,000	20,788	13,800	(6,988)
	<u>\$ 433,445</u>	<u>\$ 518,206</u>	<u>\$ 436,363</u>	<u>\$ (81,843)</u>

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**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, 2015**

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
General government:				
Codes:				
Current:				
Salaries	\$ 395,738	\$ 399,031	\$ 422,163	\$ 23,132
Employee benefits and taxes	139,940	140,488	123,913	(16,575)
Postage	500	500	175	(325)
Printing & publications	2,350	2,350	4,301	1,951
Membership fees	3,000	3,000	2,968	(32)
Utilities	7,500	7,500	5,863	(1,637)
Data processing services	5,920	5,920	6,999	1,079
Repairs and maintenance	4,000	4,000	1,532	(2,468)
Other Professional Services	5,000	12,481	632	(11,849)
Office supplies	3,000	3,000	3,140	140
Gas, oil, diesel, etc.	10,800	10,800	6,069	(4,731)
Miscellaneous	700	700	455	(245)
Noncapital expenditures	19,900	19,900	19,037	(863)
Capital outlay	-	18,500	18,500	-
	<u>598,348</u>	<u>628,170</u>	<u>615,747</u>	<u>(12,423)</u>
Community services:				
Current:				
Grants and donations	115,500	115,500	115,500	-
July 4th celebration	16,800	16,800	18,273	1,473
Appropriations to non profits	<u>177,458</u>	<u>227,458</u>	<u>217,458</u>	<u>(10,000)</u>
	<u>309,758</u>	<u>359,758</u>	<u>351,231</u>	<u>(8,527)</u>
Total general government	<u>6,222,612</u>	<u>6,744,245</u>	<u>5,902,391</u>	<u>(841,854)</u>
Public safety:				
Police:				
Current:				
Salaries	4,414,400	4,473,806	4,478,799	4,993
Employee benefits and taxes	1,555,359	1,558,757	1,411,425	(147,332)
Postage	3,000	3,000	4,234	1,234
Printing & publications	28,200	28,952	28,243	(709)
Membership fees	32,000	33,124	35,599	2,475
Public relations	1,500	1,736	1,668	(68)
Utilities	74,400	74,400	66,616	(7,784)
Physicals	8,000	8,000	6,721	(1,279)
Data processing services	32,000	32,000	21,822	(10,178)
Repairs and maintenances	84,500	102,485	107,453	4,968

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**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, 2015

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>(Under)</b>
Public safety:				
Police:				
Current:				
Travel	\$ 5,000	\$ 5,000	\$ 3,940	\$ (1,060)
Other contractual services	40,000	40,000	45,635	5,635
Inmate crew expense	1,500	1,500	1,177	(323)
Reserve officers expense	10,000	10,000	8,047	(1,953)
Office supplies	7,000	7,000	4,454	(2,546)
Small office equipment	3,000	3,000	3,551	551
Operating supplies	40,000	40,269	37,885	(2,384)
Janitorial supplies	4,000	4,000	4,490	490
Clothing and uniforms	38,000	42,400	42,145	(255)
Fire arm supplies	20,000	24,731	24,728	(3)
Other operating supplies	3,000	3,000	2,963	(37)
Gas, oil, diesel, etc.	170,000	170,000	145,767	(24,233)
Other supplies	4,000	4,000	3,080	(920)
Other grants and donations	30,000	30,000	-	(30,000)
Traffic light camera expense	200,000	200,000	185,039	(14,961)
Noncapital expenditures	33,000	33,000	147,651	114,651
Capital outlay	205,000	587,796	356,222	(231,574)
	<u>7,046,859</u>	<u>7,521,956</u>	<u>7,179,354</u>	<u>(342,602)</u>
Fire department:				
Current:				
Salaries	3,374,521	3,428,673	3,343,379	(85,294)
Employee benefits and taxes	1,188,613	1,192,035	1,082,429	(109,606)
Radio and television services	5,000	5,000	4,591	(409)
Printing & publications	3,550	3,550	1,999	(1,551)
Membership fees	30,000	30,000	29,276	(724)
Utilities	62,500	62,500	52,966	(9,534)
Physicals	6,000	6,000	5,402	(598)
Repairs and maintenance	86,500	86,500	63,249	(23,251)
Travel	10,000	10,000	9,826	(174)
Other contractual services	15,000	15,000	13,200	(1,800)
Office supplies	2,000	2,000	2,102	102
Small office equipment	4,500	11,205	10,968	(237)
Operating supplies	20,000	20,000	17,810	(2,190)
Janitorial supplies	8,000	8,000	7,170	(830)
Clothing and uniforms	36,500	61,238	34,786	(26,452)
Fire prevention supplies	8,500	10,090	9,528	(562)

*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, 2015**

<b>Expenditures:</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Fire department:				
Current:				
Gas, oil, diesel, etc.	\$ 74,000	\$ 74,000	\$ 45,654	\$ (28,346)
Miscellaneous	300	300	212	(88)
Noncapital expenditures	<u>46,000</u>	<u>48,038</u>	<u>19,047</u>	<u>(28,991)</u>
	<u>4,981,484</u>	<u>5,074,129</u>	<u>4,753,594</u>	<u>(320,535)</u>
Total public safety	<u>12,028,343</u>	<u>12,596,085</u>	<u>11,932,948</u>	<u>(663,137)</u>
Engineering:				
Current:				
Salaries	345,791	348,406	331,991	(16,415)
Employee benefits and taxes	107,547	107,982	100,024	(7,958)
Printing	2,000	2,000	1,098	(902)
Licenses	3,500	3,500	2,538	(962)
Membership fees	2,500	2,500	1,715	(785)
Utilities	6,500	6,500	3,357	(3,143)
Street lights	275,000	275,000	294,516	19,516
Professional services	35,000	35,000	46,175	11,175
Repairs and maintenance	2,200	5,427	3,428	(1,999)
Other contractual services	20,000	20,516	22,535	2,019
Office supplies	1,500	1,500	880	(620)
Operating supplies	20,000	36,329	17,564	(18,765)
Gas, oil, diesel, etc.	5,000	5,000	3,561	(1,439)
Permit fees	3,460	3,460	3,460	-
Miscellaneous	1,920	1,920	1,105	(815)
Noncapital expenditures	712,000	3,230,281	778,009	(2,452,272)
Capital outlay	-	-	691,362	691,362
Total engineering	<u>1,543,918</u>	<u>4,085,321</u>	<u>2,303,318</u>	<u>(1,782,003)</u>
Animal control:				
Current:				
Salaries	80,465	80,538	87,401	6,863
Employee benefits and taxes	26,077	26,090	27,782	1,692
Utilities	1,250	1,250	1,119	(131)
Repairs and maintenance	3,050	3,050	1,151	(1,899)
Gas, oil, diesel, etc.	10,500	10,500	4,909	(5,591)
Miscellaneous	1,500	1,500	1,303	(197)
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>22,382</u>	<u>(2,618)</u>
Total animal control	<u>\$ 147,842</u>	<u>\$ 147,928</u>	<u>\$ 146,047</u>	<u>\$ (1,881)</u>

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**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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>(Under)</b>
Public works:				
Current:				
Salaries	\$ 127,930	\$ 128,507	\$ 165,447	\$ 36,940
Employee benefits and taxes	38,547	38,643	43,481	4,838
Utilities	1,500	1,500	1,102	(398)
Repairs and maintenance	2,000	2,000	2,616	616
Gas, oil, diesel, etc.	3,500	3,500	2,589	(911)
Miscellaneous	1,800	1,800	990	(810)
Noncapital expenditures	151,200	289,973	143,887	(146,086)
Capital outlay	-	-	5,006	5,006
Total public works	326,477	465,923	365,118	(100,805)
Highways and streets:				
Current:				
Salaries	718,061	720,788	654,990	(65,798)
Employee benefits and taxes	318,184	318,638	244,814	(73,824)
Utilities	13,700	13,700	12,739	(961)
Physicals	1,000	1,000	1,566	566
Repairs and maintenance	118,000	135,884	113,224	(22,660)
Travel	800	800	975	175
Other contractual services	1,250	1,250	1,021	(229)
Operating supplies	5,400	5,400	2,698	(2,702)
Agricultural and horticultural supplies	4,000	4,000	3,892	(108)
Janitorial supplies	1,000	1,000	960	(40)
Clothing and uniforms	6,500	6,500	5,524	(976)
Other operating supplies	1,500	1,500	1,522	22
Gas, oil, diesel, etc.	80,000	80,000	74,856	(5,144)
Consumable tools	3,500	3,500	3,813	313
Sign parts and supplies	36,000	45,384	13,512	(31,872)
Demolition and mowing	6,000	6,000	2,031	(3,969)
Other supplies	1,500	1,500	1,588	88
Crushed stone	10,000	10,000	1,321	(8,679)
Salt	24,000	24,000	26,342	2,342
Drainage material	62,000	75,535	46,014	(29,521)
Miscellaneous	1,450	1,450	737	(713)
Noncapital expenditures	1,200	86,200	47,752	(38,448)
Capital outlay	25,000	25,000	25,274	274
Total highways and streets	\$ 1,440,045	\$ 1,569,029	\$ 1,287,165	\$ (281,864)

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**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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>(Under)</b>
Vehicle maintenance:				
Current:				
Salaries	\$ 217,398	\$ 217,622	\$ 215,984	\$ (1,638)
Employee benefits and taxes	73,412	73,449	68,789	(4,660)
Utilities	15,200	15,200	11,341	(3,859)
Repairs and maintenance	128,000	128,000	115,439	(12,561)
Operating supplies	1,500	1,500	1,550	50
Clothing and uniforms	1,400	1,400	1,203	(197)
Maintenance supplies	1,500	1,500	-	(1,500)
Gas, oil, diesel, etc.	9,500	9,500	3,411	(6,089)
Miscellaneous	2,350	2,350	351	(1,999)
Capital outlay	30,000	30,000	25,274	(4,726)
	480,260	480,521	443,342	(37,179)
Parks and recreation				
Leisure services:				
Current:				
Salaries	425,086	426,128	345,890	(80,238)
Employee benefits and taxes	105,471	106,064	81,747	(24,317)
Printing and publications	5,000	5,000	2,844	(2,156)
Marketing	25,000	27,685	13,943	(13,742)
Utilities	2,400	2,400	2,492	92
Other contractual services	5,000	5,000	2,723	(2,277)
Small equipment	2,500	2,500	1,138	(1,362)
Operating supplies	41,500	41,500	18,800	(22,700)
Food	70,000	70,000	55,222	(14,778)
Clothing and uniforms	1,000	1,000	1,322	322
Gas, oil, diesel, etc.	1,200	1,200	-	(1,200)
Miscellaneous	3,800	3,800	1,122	(2,678)
Noncapital expenditures	2,400	3,571	1,636	(1,935)
Capital outlay	25,000	25,000	26,042	1,042
	\$ 715,357	\$ 720,848	\$ 554,921	\$ (165,927)

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**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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>(Under)</b>
Parks and recreation				
Civic Center:				
Current:				
Salaries	\$ 445,172	\$ 446,650	\$ 490,720	\$ 44,070
Employee benefits and taxes	104,338	104,584	99,533	(5,051)
Postage	2,500	2,500	343	(2,157)
Printing and publications	5,000	5,000	7,161	2,161
Utilities	218,750	218,750	186,596	(32,154)
Professional services	6,000	6,000	-	(6,000)
Employee physicals	1,000	1,000	908	(92)
Repairs and maintenance	92,166	92,166	21,500	(70,666)
Other contractual services	80,000	80,000	129,065	49,065
Operating supplies	55,000	55,000	51,005	(3,995)
Food	30,000	30,000	22,078	(7,922)
Janitorial supplies	15,000	15,000	6,668	(8,332)
Miscellaneous	2,100	2,100	2,116	16
Noncapital expenditures	6,000	106,140	78,449	(27,691)
	1,063,026	1,164,890	1,096,142	(68,748)
Golf course:				
Current:				
Salaries	406,274	406,638	394,182	(12,456)
Employee benefits and taxes	124,114	124,175	120,144	(4,031)
Printing and publications	3,000	3,000	634	(2,366)
Membership fees	1,250	1,250	2,086	836
Utilities	37,000	37,000	29,187	(7,813)
Physicals	400	400	114	(286)
Repairs and maintenance	8,000	8,000	859	(7,141)
Other contractual services	50,000	50,000	49,980	(20)
Items for resale	25,000	25,000	21,943	(3,057)
Operating supplies	21,000	21,000	24,228	3,228
Agricultural and horticultural supplies	75,000	139,000	105,216	(33,784)
Food	40,000	40,000	32,936	(7,064)
Recreational supplies	500	500	-	(500)
Clothing and uniforms	3,000	3,000	2,826	(174)
Gas, oil, diesel, etc.	27,000	27,000	14,723	(12,277)
Other equipment parts	25,000	25,000	31,310	6,310
Repair parts for water/sewer lines	2,000	2,000	2,123	123
Other repair supplies	2,000	2,000	248	(1,752)
Beer for resale	20,000	20,000	13,742	(6,258)

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**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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>(Under)</b>
Parks and recreation				
Golf course:				
Current:				
Discount credit card	\$ 10,000	\$ 10,000	\$ 14,134	\$ 4,134
Miscellaneous	300	300	-	(300)
Capital outlay	76,000	76,000	70,808	(5,192)
	956,838	1,021,263	931,423	(89,840)
Parks:				
Current:				
Salaries	736,854	737,918	793,729	55,811
Employee benefits and taxes	232,350	232,527	233,622	1,095
Miscellaneous	250	250	36	(214)
Utilities	114,500	114,500	125,236	10,736
Physicals	500	500	582	82
Repairs and maintenance	93,000	93,000	58,440	(34,560)
Travel	500	500	-	(500)
Other contractual services	10,000	10,000	8,034	(1,966)
Inmate crew meals	12,000	12,000	5,871	(6,129)
Small equipment	4,000	14,379	11,214	(3,165)
Operating supplies	100,000	100,000	113,103	13,103
Agricultural and horticultural supplies	25,000	25,000	21,102	(3,898)
Food	4,000	4,000	6,995	2,995
Clothing and uniforms	2,000	2,349	3,296	947
Gas, oil, diesel, etc.	78,000	78,000	65,296	(12,704)
Noncapital expenditures	-	-	999	999
Capital outlay	68,400	68,400	71,445	3,045
	1,481,354	1,493,323	1,519,000	25,677
Total parks and recreation	4,216,575	4,400,324	4,101,486	(298,838)
Economic development agency:				
Current:				
Salaries	135,701	136,054	139,944	3,890
Employee benefits and taxes	35,535	35,594	29,086	(6,508)
Printing & publications	22,250	28,175	35,716	7,541
Membership fees	15,000	15,000	20,315	5,315
Public relations	31,000	31,000	20,048	(10,952)
Utilities	2,000	2,000	2,460	460
Repairs and maintenance	1,200	1,200	46	(1,154)

*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, 2015

<b>Expenditures:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		<b>(Under)</b>
Economic development agency:				
Current:				
Professional services	\$ 12,000	\$ 12,000	\$ 16,510	\$ 4,510
Travel	10,000	10,000	7,134	(2,866)
Sundry	-	75,000	24,091	(50,909)
Office supplies	2,000	2,000	4,478	2,478
Gas, oil, diesel, etc.	5,000	5,000	503	(4,497)
Grants and donations	12,500	12,500	-	(12,500)
Miscellaneous	850	850	4,256	3,406
	285,036	366,373	304,587	(61,786)
Debt service:				
Principal	895,000	895,000	1,385,000	490,000
Interest	385,000	385,000	244,823	(140,177)
Bond costs	701,000	701,000	550	(700,450)
	1,981,000	1,981,000	1,630,373	(350,627)
 Total expenditures	 28,672,108	 32,836,749	 28,416,775	 (4,419,974)
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 (2,898,092)	 (6,440,663)	 1,259,931	 7,700,594
 <b>Other financing sources (uses)</b>				
In lieu of tax payments - utility	1,442,277	1,442,277	1,545,670	103,393
Transfers out	(10,000)	(10,000)	(30,000)	(20,000)
Total other financing sources (uses)	1,432,277	1,432,277	1,515,670	83,393
 <b>Net changes in fund balances</b>	 <b>\$ (1,465,815)</b>	 <b>\$ (5,008,386)</b>	 2,775,601	 <b>\$ 7,783,987</b>
 Fund balance - beginning			12,387,378	
 Prior period adjustment			(179,029)	
 Fund balance - beginning - restated			12,208,349	
 Fund balance - ending			<b>\$ 14,983,950</b>	

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUND - ELECTRIC DEPT.**  
For the Fiscal Year Ended June 30, 2015

<b>Assets</b>		
Cash and cash equivalents	\$	175,886
Receivables:		
Employer contributions		73,006
Investment income		38,041
Investments:		
Mutual funds		514,659
US government and municipal obligations		1,318,957
Corporate bonds and debentures		3,078,949
Common stocks		<u>1,500,150</u>
<b>Total assets</b>		<b><u>6,699,648</u></b>
<b>Liabilities</b>		
Payables:		
Trustee/Custody fees		165
Investment management fees		<u>7,747</u>
<b>Total liabilities</b>		<b><u>7,912</u></b>
<b>Net position restricted for pensions</b>	<b>\$</b>	<b><u>6,691,736</u></b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUND - ELECTRIC DEPT.**  
For the Fiscal Year Ended June 30, 2015

<b>Additions</b>	
Contributions:	
Employees	\$ 61,065
Employer	<u>385,256</u>
Total contributions	<u>446,321</u>
Investment income:	
Net depreciation in fair value of investments	(70,526)
Interest and dividends	<u>189,024</u>
	118,498
Less: investment fees	<u>(32,684)</u>
Net investment gain	<u>85,814</u>
<b>Total additions</b>	<b><u>532,135</u></b>
<b>Deductions</b>	
Benefit payments	<u>403,705</u>
<b>Total deductions</b>	<b><u>403,705</u></b>
<b>Change in net position</b>	<b>128,430</b>
Total net position - beginning	<u>6,563,306</u>
<b>Total net position - ending</b>	<b><u>\$ 6,691,736</u></b>

*The accompanying notes are an integral part of these financial statements*

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**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 the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

**Related organizations**

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

**Joint venture**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**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, 2015

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

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

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments**

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

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

**Receivables and Payables**

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

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

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

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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**Inventories and Prepaid Items**

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

**Restricted Assets**

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

**Capital Assets**

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

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

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

Buildings and improvements	25 - 50 years
Transmission and distribution systems	10 - 50 years
General plant	10 - 50 years
Machinery, equipment, and rolling stock	3 - 10 years
Office furniture and equipment	3 - 10 years
Improvements other than buildings	50 years

**Compensated Absences**

Vacation pay is accumulated 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, 2015

**Long-term Obligations**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as a deferred outflows or resources are unavailable and are disclosed on pages 11 and 18.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflows or resources are unavailable and are disclosed on pages 12, 14 and 19.

The City reports unavailable property taxes, gain on refunding, pension earnings above expected, and public safety revenues as deferred inflows of resources in the governmental fund balance sheet. In the statement of net position, unavailable property taxes related to the subsequent tax year and held evidence funds are reported. The City reports loss on bond refunding as a deferred inflow of resources in the statement of net position as well.

**Impact of other recently issued accounting pronouncements**

In June 2012 the GASB issued Statement No. 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

include significant changes to how governmental employers will report liabilities related to pension obligations. Management has adopted GASB Statement No.68 in the current year and has reported all of the required disclosures and financial statement amounts for the current fiscal year.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to the amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if its practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The implementation of this statement resulted in deferred outflows being reported on the statement of net position.

**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.

***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 30<sup>th</sup>, the ordinance must state the process of formula necessary to calculate the actual amount as soon as information is available.

***Assigned fund balance***

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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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. At year end the Environmental Services Fund reported a deficit ending unassigned fund balance of \$129,775 and the Police Services Fund reported a deficit ending unassigned fund balance of \$40.

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

**Fund balance flow assumptions**

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

**Net Position**

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

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

**Estimates**

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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**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 Position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$18,861,963 difference are as follows:

Bonds payable	\$ 14,570,000
Notes payable	2,068,980
Unamortized bond premium	924,902
Compensated absences payable	<u>1,118,081</u>
<b>Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position- governmental activities</b>	<b><u>\$ 18,681,963</u></b>

**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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.” The details of this \$5,646,733 difference are as follows:

Capital outlay	\$ 7,633,699
Depreciation expense	<u>(1,986,966)</u>
<b>Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities</b>	<b><u>\$ 5,646,733</u></b>

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 \$889,892 difference are as follows:

Change in deferred property taxes	\$ 110,138
Change in deferred red light revenue	(12,395)
Change in deferred grant revenue	<u>792,149</u>
<b>Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities</b>	<b><u>\$ 889,892</u></b>

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**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 1<sup>st</sup>. 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. During the year, the City exceeded its legally adopted budget in the Special Services fund by \$1,543.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of June 30, 2015, the City of Gallatin, Tennessee's Electric Department had \$5,053,367 and the General fund had \$2,865,000 invested in certificates of deposit with local financial institutions. As of June 30, 2015, 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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, 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>Capital Projects</u>	<u>Electric Division</u>	<u>Water &amp; Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Property taxes	\$ 10,732,868	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,732,868
Interest	283,462	-	-	-	-	5,976	289,438
Accounts	486,786	-	7,408,696	1,164,950	1,837,163	103,728	11,001,323
Fines	2,050,105	-	-	-	-	-	2,050,105
Grants	1,308,894	1,077,980	-	-	-	3,328,154	5,715,028
Intergovernmental	2,816,555	-	-	-	-	-	2,816,555
Other	310	-	-	5,645	7,616	149,973	163,544
Gross receivables	17,678,980	1,077,980	7,408,696	1,170,595	1,844,779	3,587,831	32,768,861
Less: Allowance for uncollectibles	(2,375,220)	-	-	(148,293)	(69,088)	(26,485)	(2,619,086)
<b>Net total receivables</b>	<b><u>\$ 15,303,760</u></b>	<b><u>\$ 1,077,980</u></b>	<b><u>\$ 7,408,696</u></b>	<b><u>\$ 1,022,302</u></b>	<b><u>\$ 1,775,691</u></b>	<b><u>\$ 3,561,346</u></b>	<b><u>\$ 30,149,775</u></b>

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

	<u>Unavailable</u>
Delinquent property taxes receivable	\$ 246,941
2015 property tax assessment	10,089,959
Grants	1,174,799
Court fines receivable	8,677
Drug fund revenue held	30,999
<b>Total unavailable revenue for fund financial statements</b>	<b><u>\$ 11,551,375</u></b>

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2015, 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	\$ 11,730,984	\$ 2,024,308	\$ -	\$ -	\$ 13,755,292
Construction in progress	<u>444,556</u>	<u>816,199</u>	-	<u>(444,556)</u>	<u>816,199</u>
Total capital assets, not being depreciated	<u>12,175,540</u>	<u>2,840,507</u>	-	<u>(444,556)</u>	<u>14,571,491</u>
Capital assets being depreciated:					
Buildings	14,101,411	749,866	-	-	14,851,277
Improvements other than buildings	44,145,139	2,824,377	-	444,556	47,414,072
Vehicles	10,777,579	905,439	-	-	11,683,018
Equipment	<u>4,822,939</u>	<u>605,368</u>	-	-	<u>5,428,307</u>
Total capital assets being depreciated	<u>73,847,068</u>	<u>5,085,050</u>	-	<u>444,556</u>	<u>79,376,674</u>
Less accumulated depreciation for:					
Buildings and improvements	5,681,797	360,855	-	-	6,042,652
Improvements other than buildings	10,680,107	839,803	-	-	11,519,910
Vehicles	8,015,834	555,733	-	-	8,571,567
Equipment	<u>3,803,340</u>	<u>230,575</u>	-	-	<u>4,033,915</u>
Total accumulated depreciation	<u>28,181,078</u>	<u>1,986,966</u>	-	-	<u>30,168,044</u>
Total capital assets being depreciated, net	<u>45,665,990</u>	<u>3,098,084</u>	-	<u>444,556</u>	<u>49,208,630</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 57,841,530</u></b>	<b><u>\$ 5,938,591</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 63,780,121</u></b>

**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	\$ 133,306	\$ -	\$ -	\$ 2,546,341
Construction in progress	<u>757,001</u>	<u>278,964</u>	<u>-</u>	<u>(568,501)</u>	<u>467,464</u>
Total capital assets, not being depreciated	<u>3,170,036</u>	<u>412,270</u>	<u>-</u>	<u>(568,501)</u>	<u>3,013,805</u>
Capital assets being depreciated:					
Transmission plant	744,228	-	-	-	744,228
Distribution plant	169,343,376	6,413,626	162,247	568,501	176,163,256
General plant	2,664,082	455,718	-	-	3,119,800
Buildings	37,936,884	2,663,994	-	-	40,600,878
Operating equipment	2,426,049	109,061	-	-	2,535,110
Rolling stock	2,331,429	304,027	-	-	2,635,456
Office furniture and equipment	<u>601,502</u>	<u>52,744</u>	<u>-</u>	<u>-</u>	<u>654,246</u>
Total capital assets being depreciated	<u>216,047,550</u>	<u>9,999,170</u>	<u>162,247</u>	<u>568,501</u>	<u>226,452,974</u>
Less accumulated depreciation for:					
Transmission plant	333,652	20,600	-	-	354,252
Distribution plant	68,796,752	3,354,432	248,559	-	71,902,625
General plant	1,773,450	174,113	-	-	1,947,563
Buildings	3,989,122	677,568	-	-	4,666,690
Operating equipment	1,846,057	15,171	-	-	1,861,228
Rolling stock	1,359,295	28,287	-	-	1,387,582
Office furniture and equipment	<u>531,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,640</u>
Total accumulated depreciation	<u>78,629,968</u>	<u>4,270,171</u>	<u>248,559</u>	<u>-</u>	<u>82,651,580</u>
Total capital assets being depreciated, net	<u>137,417,582</u>	<u>5,728,999</u>	<u>(86,312)</u>	<u>568,501</u>	<u>143,801,394</u>
Business-type activities capital assets, net	<u>\$ 140,587,618</u>	<u>\$ 6,141,269</u>	<u>\$ (86,312)</u>	<u>\$ -</u>	<u>\$ 146,815,199</u>
<b>Total capital assets, net</b>	<b><u>\$ 198,429,148</u></b>	<b><u>\$ 12,079,860</u></b>	<b><u>\$ (86,312)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 210,595,320</u></b>

Included in the additions for the governmental activities are \$291,858 in donated infrastructure from developers.

Acquisition adjustments – Acquisition adjustments represent the excess of purchase prices over depreciated cost of additions to the electric plant acquired from others. The acquisition adjustments are being amortized against income on a straight line basis as determined by the Tennessee Valley Authority. The total cost was \$2,355,534 with current year amortization of \$212,974 and total accumulated amortization of \$1,608,124.

**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		\$ 1,042,279
Public safety		433,728
Environmental services		1,000
Highways and streets		199,589
Parks and recreation		<u>310,370</u>
<b>Total depreciation expense - governmental activities</b>		<b><u>\$ 1,986,966</u></b>
Business-type activities:		
Electric		\$ 1,397,073
Water and sewer		2,200,982
Gas		575,490
Electric charged to other accounts		<u>96,626</u>
<b>Total depreciation expense - business-type activities</b>		<b><u>\$ 4,270,171</u></b>

**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, 2015:

Transfers From	Transfers To	Amount
General Fund	Industrial Development Board	\$ 30,000
Water and Sewer Fund	General Fund	536,754
Gas Fund	General Fund	334,918
Electric Fund	General Fund	<u>673,998</u>
Total		1,575,670
Governmental fund activities eliminated		<u>(30,000)</u>
<b>Total government-wide</b>		<b><u>\$ 1,545,670</u></b>

The purposes of the transfers are noted below:

- The transfer between the general fund and the industrial development board are for the purpose of helping fund the expenses related to mowing since the IDB does not have a consistent revenue source.
- The transfers between the proprietary funds and the general fund are for the purpose of transferring in lieu of tax payments

**E. Long-term Debt**

General long-term debt at June 30, 2015, is comprised of the following:

**Bonds Payable**

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%	\$ 875,000
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**CITY OF GALLATIN, TENNESSEE**  
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General Obligation Improvement Bonds, Series 2014, due in annual installments from \$375,000 to \$1,090,000 through January 2034, interest at 2.00% to 5.00%	<u>13,695,000</u>
Total bonds payable	<u>14,570,000</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%	1,710,000
Note with Sumner County Board of Education to pay liquor tax collections that should have been transferred as collected in prior years	<u>358,980</u>
Total notes payable	<u>2,068,980</u>
Total general long-term debt	<u>\$ 16,638,980</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2015, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2015, is comprised of the following:

**Notes Payable**

Note with Cumberland Electric Membership Coop for additions to electric plant	\$ 372,451
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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%	413,951
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**Bonds Payable**

Water and Sewer Revenue Bonds, Series 2015, due in annual installments from \$500,000 to \$1,825,000 through January 2040, interest at 3.00% to 5.00%	25,000,000
Water and Sewer Revenue Bonds, Series 2014, due in annual installments from \$265,000 to \$570,000 through August 2030, interest at 2.00% to 5.00%	5,460,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, due in annual installments from \$25,000 to \$635,000 through July 2032, interest at 2.00% to 3.625%	<u>8,430,000</u>
Total proprietary long-term debt	<u>\$ 38,890,000</u>

**CITY OF GALLATIN, TENNESSEE**  
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The aforementioned notes are secured by the full faith and credit of the City. During 2015, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave, OPEB, and Net Pension Liability at June 30, 2015, are as follows:

Year Ending June 30,	Electric Department Notes and Contracts		Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 185,072	\$ 23,374	\$ 489,745	\$ 73,906	\$ 2,135,000	\$ 1,598,420	\$ 2,809,817	\$ 1,695,700
2017	186,177	19,499	504,745	56,906	2,595,000	1,928,161	3,285,922	2,004,566
2018	187,616	15,938	524,745	40,306	2,675,000	1,838,535	3,387,361	1,894,779
2019	57,028	11,810	549,745	21,275	2,590,000	1,735,586	3,196,773	1,768,671
2020	52,698	8,511	-	-	2,650,000	1,643,760	2,702,698	1,652,271
2021-2025	117,811	10,422	-	-	14,560,000	6,800,228	14,677,811	6,810,650
2026-2030	-	-	-	-	15,275,000	3,979,499	15,275,000	3,979,499
2031-2035	-	-	-	-	9,590,000	1,209,429	9,590,000	1,209,429
2036-2040	-	-	-	-	1,390,000	177,675	1,390,000	177,675
	<u>\$ 786,402</u>	<u>\$ 89,554</u>	<u>\$ 2,068,980</u>	<u>\$ 192,393</u>	<u>\$ 53,460,000</u>	<u>\$ 20,911,293</u>	<u>\$ 56,315,382</u>	<u>\$ 21,193,240</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, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 2,538,725	\$ -	\$ 469,745	\$ 2,068,980	\$ 489,745
Revenue and tax bonds	6,985,000	14,185,000	6,600,000	14,570,000	805,000
Premium on bond issue	71,943	884,045	31,086	924,902	31,086
Compensated absences	1,086,006	54,292	22,217	1,118,081	22,217
	<u>\$ 10,681,674</u>	<u>\$ 15,123,337</u>	<u>\$ 7,123,048</u>	<u>\$ 18,681,963</u>	<u>\$ 1,348,048</u>
<b>Business-type activities:</b>					
Notes payable	\$ 496,601	\$ -	\$ 124,150	\$ 372,451	\$ 124,150
TVA winterization contracts	461,503	-	47,552	413,951	60,922
Revenue and tax bonds	32,935,000	30,460,000	24,505,000	38,890,000	1,330,000
Premium on bond issue	565,794	3,214,607	76,517	3,703,884	23,386
Net Pension liability	-	2,964,630	-	2,964,630	-
OPEB liability	68,309	23,270	-	91,579	-
Compensated absences	690,661	169,109	150,240	709,530	150,240
	<u>\$ 35,217,868</u>	<u>\$ 36,831,616</u>	<u>\$ 24,903,459</u>	<u>\$ 47,146,025</u>	<u>\$ 1,688,698</u>

**Industrial Development Bonds**

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage

**CITY OF GALLATIN, TENNESSEE**  
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loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Advance Refunding of Bonds**

In August 2014 the City issued \$5.46 million in Water and Sewer Revenue Refunding and Improvement Bonds with interest rates ranging from 2.00% to 5.00%. A portion of the proceeds, including a \$44,654 premium and \$12,704 in issuance costs were used to advance refund \$870 thousand of outstanding Water and Sewer Revenue and Tax bonds Series 2004 with an interest rates ranging from 3.375% to 3.50%. \$874,336 of the net proceeds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 3 years by an estimated \$33 thousand resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$32 thousand.

In August 2014 the City issued \$14.185 million in General Obligation Refunding and Improvement Bond with interest rates ranging from 2.00% to 5.00%. A portion of the proceeds, including an \$884,045 premium and \$157,253 in issuance costs were used to advance refund \$5.595 of the \$6.47 million of outstanding General Obligation Public Improvement bonds Series 2007 with interest rates ranging from 3.57% to 5.00%. \$6,098,495 of the net proceeds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by an estimated \$284 thousand resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$249 thousand.

In May 2015 the City issued \$25.00 million in Water and Sewer Revenue Refunding Bonds with interest rates ranging from 3.00% to 5.00%. A portion of the proceeds, including a \$2,216,189 premium and \$175,930 in issuance costs were used to advance refund \$22.56 million of outstanding Water and Sewer Revenue and Tax bonds Series 2008 with interest rates ranging from 3.50% to 5.00%. \$22.48 million of the net proceeds plus \$2.68 million of debt service reserve funds were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding decreases total debt service payments over the next 12 years by an estimated \$2.15 million resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.28 million.

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, 2015, outstanding bonds considered as defeased were as follows:

General Obligation Bonds – Series 2011	\$ 2,710,000
General Obligation Public Improvement Bonds – Series 2007	\$ 5,595,000
Water and Sewer Revenue and Tax Bonds – Series 2004	\$ 870,000
Water and Sewer Revenue and Tax Bonds – Series 2008	\$22,560,000

**CITY OF GALLATIN, TENNESSEE**  
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**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, 2015, the Utility purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage.

**B. Commitments**

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

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

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, 2014, which is the latest available financial statement date, has net position invested in capital assets (net of related debt) in the amount of \$1,978,065 and an unrestricted net deficit of (\$379,458) as compared to \$2,126,930 and (\$571,069) for the year 2013. During 2014, the City provided deficit funding in the amount of \$0 and paid the Resource Authority

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\$502,948 in tipping fees. Deficit funding and tipping fees amounted to \$0 and \$507,834, respectively for 2014 and 2013.

**C. Contingent Liabilities**

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

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

**D. Power Contract**

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

**E. Employee Retirement Systems and Pension Plans**

**City of Gallatin**

***Plan description***

The City (exclusive of the electric utility) 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 \$1,272,800 on behalf of the employees during calendar year 2015.

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**Gallatin Department of Electricity**

***Plan description***

The Gallatin Department of Electricity Employee's Pension Plan is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. The Electric Plan covers substantially all Department employees. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Gallatin Department of Electricity, P.O. Box 1555, Gallatin, TN 37066 or by calling 615-452-5152.

***Plan membership***

At June 30, 2014 the plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>28</u>
	<u>46</u>

***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 13.11% of annual covered payroll. The Department contributed \$257,050 applicable to FY 2014, of which \$187,350 was contributed by end of the fiscal year and \$69,700 was recognized as a liability to be paid within sixty days. The pension plan recognized the same \$187,350 in actual contributions and a receivable of \$69,700.

***Net Pension Liability***

The Electric Department's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions***

The actuarial assumptions used to determine the net pension liability as of June 30, 2014 were as follows:

Inflation	2.00 percent
Salary Increases	4.00 percent per year
Investment rate of return	7.00 percent, compounded annually
Cost of Living	1.50 percent per year of orig. benefit amount

Mortality rates were based on the SOA RP-2014 Total Data Set with projection MP-2014.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
B/C Intrm US Govt/Cr Index	Up to 70%	5.64%
S&P 500 Index	Up to 30%	10.32%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that GDE contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<u>Changes in Net Pension Liability</u>		
	Total Pension Liability (TPL)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a) - (b)
<b>Balances of 6/30/13</b>	\$ 8,315,324	\$ 6,131,853	\$ 2,183,471
Changes for the year:			
Service Cost	136,831	-	136,831
Interest	559,812	-	559,812
Difference in expected & actual experience	22,888	-	22,888
Contributions - Employer	-	257,050	(257,050)
Contributions - Employee	-	57,685	(57,685)
Net Investment Income	-	644,572	(644,572)
Benefit payments	(496,184)	(496,184)	-
Change of assumptions	989,264	-	989,264
Administrative expense	-	(31,671)	31,671
<b>Net Changes</b>	<u>1,212,611</u>	<u>431,452</u>	<u>781,159</u>
<b>Balances as of 6/30/14</b>	<u>\$ 9,527,935</u>	<u>\$ 6,563,305</u>	<u>\$ 2,964,630</u>

The change of assumptions is the result of a change in the mortality tables used subsequent to the previous actuarial valuation that was completed at June 30, 2013.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of GDE, calculated using the discount rate of 7.0 percent, as well as what GDE's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Interest Rate	6.00%	7.00%	8.00%
Total Pension Liability	\$ 10,801,165	\$ 9,527,935	\$ 8,459,051
Plan Fiduciary Net Position	\$ 6,563,305	\$ 6,563,305	\$ 6,563,305
Net Pension Liability	\$ 4,304,267	\$ 2,964,630	\$ 1,962,153

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

<u>Pension Expense</u>	<u>2014</u>
<b><u>Components of Pension Expense</u></b>	
Service Cost	136,831
Interest on TPL	559,812
Difference between Expected & Actual Experience	1,940
Change of Assumptions	83,836
Employee Contributions	(57,685)
Projected Earnings on Assets	(429,230)
Difference between Expected & Actual Earnings	(43,068)
Pension Plan administrative expense	31,671
Total Expense	<u>284,107</u>

The total expense represents the amount of pension expense recognized in the FY 2015 financial statements.

***Deferred Outflow of Resources and Deferred Inflow of Resources***

For the year ended June 30, 2015, the Department reported balances in deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 20,948	\$ -
Change of assumptions	905,428	-
Difference between expected and actual earnings on pension plan investments	-	172,274
<b>Totals to be amortized</b>	926,376	172,274
Contributions made subsequent to the measurement date	385,256	-
	\$ 1,311,632	\$ 172,274

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

Year ended June 30:

2016	\$ 42,708
2017	42,708
2018	42,708
2019	42,708
2020	85,776
Thereafter	85,776

**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

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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 \$39,470 and the actual amount contributed was \$16,200.

***Annual Cost***

For 2015, the Electric Department's annual cost of \$16,200 was less than the Departments actuarial required contribution of \$39,470. The required contribution was determined as part of the July 1, 2014 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.

<b>Trend Information</b>				
		<b>% of Annual</b>		<b>Net Pension</b>
<b>Year End</b>	<b>Annual Pension</b>	<b>APC Cost</b>	<b>Contributed</b>	<b>Obligation at</b>
<b>Year End</b>	<b>Cost</b>	<b>Contributed</b>	<b>Contributed</b>	<b>Year End</b>
6/30/2015	\$ 39,470	41.00%	\$ 16,200	\$ 91,579
6/30/2014	25,412	47.70%	12,106	68,309
6/30/2013	25,412	43.10%	11,000	55,020

***Funded Status and Funding Progress***

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0.00% percent funded. The actuarial accrued liability for benefits was \$515 thousand, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$515 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$1.93 million, and the ratio of the UAAL to the covered payroll was 26.6 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. Prior Period Adjustment and Restatement of Beginning Net Position**

As of June 30, 2015, prior period adjustment were made in the following funds for the following reasons:

- A prior period adjustment was made in the General Fund for \$179,029 and in the Special Services fund for \$23,971 due to the fact that performance deposits related to construction projects were misstated by \$203,000 in the prior period and were corrected in the current year.

**CITY OF GALLATIN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

- An adjustment and restatement was made in the Electric Department (Division) for (\$79,959). The prior period adjustment and restatement reflects two different occurrences that established the need for an adjustment. The first occurrence was an error in our wholesale billing from TVA that was discovered in June 2015 and dated back to calendar year 2007. Work was performed in a substation that involved changing out metering equipment that directly effects the Electric Department's wholesale metering from TVA which generates the monthly wholesale invoice. During the installation of new equipment, the wrong ratio was used in programming which resulted in excess demand and energy being invoiced to the Department. Once the necessary corrections were made and the calculations were performed, the Department made the decision to reflect the amount attributable to prior years in an adjustment to FY2015 beginning net position. The amount for this adjustment was determined to be \$1,846,462. The second occurrence, resulting in a restatement of beginning net position, was from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The net pension liability attributable to periods prior to July 1, 2013 was determined to be \$2,183,471. With this implementation, a restatement was also necessary to reflect any employer contributions made to the plan since the beginning of the measurement period which was 7/1/13 – 6/30/14. The contributions made during FY2014 was \$257,050. Therefore, the net adjustment for the GASB 68 and 71 implementation was \$1,926,421. This amount was recorded as a restatement to FY2015 beginning net position. When the two occurrences are netted together, the result was (\$79,959 to the beginning net position for FY2015 which would also reflect a change in net position for FY2014 of (\$79,959).
- A restatement was made in the Industrial Development fund for \$6,590 due to the fact that this was the first year of it being included as a blended component unit of the City of Gallatin and therefore the prior year's fund balance was added by way of restatement.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

June 30, 2015

<b>Total Pension Liability</b>	2014
Service Cost	\$ 136,831
Interest	559,812
Changes of benefit terms	-
Differences between expected & actual experience	22,888
Changes of assumptions	989,264
Benefit payments / refunds	(496,184)
Net change in Total Pension Liability	<u>1,212,611</u>
Total Pension Liability - beginning	<u>8,315,324</u>
Total Pension Liability - ending (a)	<u><u>\$ 9,527,935</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 257,050
Contributions - Member	57,685
Net investment income	644,572
Benefit payments / refunds	(496,184)
Administrative expense	(31,671)
Other	-
Net change in fiduciary net position	<u>431,452</u>
Plan fiduciary net position - beginning	<u>6,131,853</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,563,305</u></u>
Plan's net pension liability - ending (a) - (b)	\$ 2,964,630
Plan's fiduciary net position as a percentage of the total pension liability	68.88%
Covered-employee payroll	\$ 1,934,194
Plan's net pension liability as a percentage of covered-employee payroll	153.27%

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
LAST TEN FISCAL YEARS  
ELECTRIC DEPARTMENT  
June 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contributions	\$ 266,855	\$ 257,050	\$ 272,060	\$ 276,205	\$ 269,919	\$ 265,701	\$ 216,100	\$ 182,885	\$ 181,358	\$ 167,636
Contributions in relation to actuarially determined contribution	312,250	257,050	272,060	276,205	269,919	265,701	216,100	182,885	181,358	167,636
Contribution deficiency (excess)	(45,395)	-	-	-	-	-	-	-	-	-
Covered-employee payroll	2,035,503	1,960,720	1,968,593	1,998,592	1,953,105	1,922,583	1,696,231	1,435,515	1,493,889	1,380,854
Contributions as a percentage of covered payroll	13.11%	13.11%	13.82%	13.82%	13.82%	13.82%	12.74%	12.74%	12.14%	12.14%

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal - (as of July 1, 2013; prior method was Aggregate Cost)
Amortization method	Level dollar
Remaining amortization period	27
Asset valuation method	Fair market value
Inflation	2.00%
Salary increases	4.00%
Investment rate of return	7.00%
Retirement age	Normal retirement age is 65; it is assumed early retirement occurs according to the withdrawal rate table.
Mortality	In the June 30, 2014 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the SOA RP-2014 Total Data Set with projection MP-2014. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Table.

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULES OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS**  
 June 30, 2015

**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)
7/1/2014	\$ -	\$ 514,515	\$ 514,515	0%	\$ 1,934,194	26.60%
7/1/2011	-	323,339	323,339	0%	1,998,592	16.20%
7/1/2008	-	309,700	309,700	0%	1,357,271	22.80%

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS:**

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

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

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

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

### **INDUSTRIAL DEVELOPMENT BOARD**

The Industrial Development Board is used to account for economic development activity in the City.

### **PERMANENT FUNDS:**

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

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

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

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

June 30, 2015

	<u>Special Revenue Funds</u>			<u>Industrial</u>	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Special Services</u>	<u>Drug</u>	<u>Environmental Services</u>	<u>Development Board</u>	<u>Thomas Witherspoon</u>	<u>Cemetery Trust</u>	
<b>Assets</b>							
Cash and cash equivalents	\$ 290,171	\$ 112,170	\$ -	\$ 32,752	\$ 231,312	\$ 5,093	\$ 671,498
Investments	-	-	-	-	-	21,025	21,025
Receivables:							
Accounts	-	-	77,243	-	-	-	77,243
Interest	-	-	-	-	5,976	-	5,976
Intergovernmental - grants	-	-	-	3,328,154	-	-	3,328,154
Other	-	-	-	-	149,973	-	149,973
Inventory	-	-	12,074	-	-	-	12,074
<b>Total assets</b>	<b><u>\$ 290,171</u></b>	<b><u>\$ 112,170</u></b>	<b><u>\$ 89,317</u></b>	<b><u>\$ 3,360,906</u></b>	<b><u>\$ 387,261</u></b>	<b><u>\$ 26,118</u></b>	<b><u>\$ 4,265,943</u></b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>							
Liabilities							
Checks written against future deposits	\$ -	\$ -	\$ 205,306	\$ -	\$ -	\$ -	\$ 205,306
Accounts payable	-	-	1,712	3,328,154	-	-	3,329,866
Performance deposits	244,488	-	-	-	-	-	244,488
Total liabilities	<u>244,488</u>	<u>-</u>	<u>207,018</u>	<u>3,328,154</u>	<u>-</u>	<u>-</u>	<u>3,779,660</u>
Deferred inflows of resources							
Unavailable evidence funds	30,999	-	-	-	-	-	30,999
Total deferred inflows of resources	<u>30,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,999</u>
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	12,074	-	-	-	12,074
Restricted:							
Funds held in trust	-	-	-	-	372,261	-	372,261
Police special projects	14,724	-	-	-	-	-	14,724
Economic development	-	-	-	32,752	-	-	32,752
Drug enforcement	-	112,170	-	-	-	-	112,170
Assigned for:							
Cemetery use	-	-	-	-	-	5,093	5,093
Unassigned	(40)	-	(129,775)	-	-	-	(129,815)
Total fund balances	<u>14,684</u>	<u>112,170</u>	<u>(117,701)</u>	<u>32,752</u>	<u>387,261</u>	<u>26,118</u>	<u>455,284</u>
<b>Total liabilities deferred inflows of resources, and fund balances</b>	<b><u>\$ 290,171</u></b>	<b><u>\$ 112,170</u></b>	<b><u>\$ 89,317</u></b>	<b><u>\$ 3,360,906</u></b>	<b><u>\$ 387,261</u></b>	<b><u>\$ 26,118</u></b>	<b><u>\$ 4,265,943</u></b>

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, 2015

	<u>Special Revenue Funds</u>			<u>Industrial</u>	<u>Permanent Funds</u>		<u>Totals</u>
	<u>Special Services</u>	<u>Drug</u>	<u>Environmental Services</u>	<u>Development Board</u>	<u>Thomas Witherspoon</u>	<u>Cemetery Trust</u>	
<b>Revenues</b>							
Charges for services	\$ -	\$ -	\$ 1,820,429	\$ -	\$ -	\$ -	\$ 1,820,429
Fines and forfeitures	3,600	172,008	-	-	-	-	175,608
Grant	-	-	-	6,461,398	-	-	6,461,398
Other	27,406	-	51,684	37	1,118	386	80,631
Total revenues	<u>31,006</u>	<u>172,008</u>	<u>1,872,113</u>	<u>6,461,435</u>	<u>1,118</u>	<u>386</u>	<u>8,538,066</u>
<b>Expenditures</b>							
Current							
Public safety	23,543	107,424	-	-	-	-	130,967
Environmental services	-	-	1,704,725	-	-	-	1,704,725
Economic development	-	-	-	6,465,273	-	-	6,465,273
Capital outlay	-	143,400	15,284	-	-	-	158,684
Total expenditures	<u>23,543</u>	<u>250,824</u>	<u>1,720,009</u>	<u>6,465,273</u>	<u>-</u>	<u>-</u>	<u>8,459,649</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>7,463</u>	<u>(78,816)</u>	<u>152,104</u>	<u>(3,838)</u>	<u>1,118</u>	<u>386</u>	<u>78,417</u>
<b>Other financing sources (uses)</b>							
Transfers in from other funds	-	-	-	30,000	-	-	30,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<b>Net changes in fund balances</b>	<u>7,463</u>	<u>(78,816)</u>	<u>152,104</u>	<u>26,162</u>	<u>1,118</u>	<u>386</u>	<u>108,417</u>
Fund balance - beginning	31,192	190,986	(269,805)	-	386,143	25,732	364,248
Prior period adjustment/restatement	(23,971)	-	-	6,590	-	-	(17,381)
Fund balance - beginning - restated	7,221	190,986	(269,805)	6,590	386,143	25,732	346,867
<b>Fund balance - ending</b>	<u>\$ 14,684</u>	<u>\$ 112,170</u>	<u>\$ (117,701)</u>	<u>\$ 32,752</u>	<u>\$ 387,261</u>	<u>\$ 26,118</u>	<u>\$ 455,284</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE  
SPECIAL SERVICES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeitures:				
Sex offender registry	\$ 5,000	\$ 5,000	\$ 3,600	\$ (1,400)
Other:				
Donations	20,000	20,000	27,380	7,380
Interest	-	-	26	26
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>31,006</u>	<u>6,006</u>
<b>Expenditures</b>				
Public safety:				
Police:				
Current:				
Office supplies	7,000	7,000	6,353	(647)
Grants and donations	<u>15,000</u>	<u>15,000</u>	<u>17,190</u>	<u>2,190</u>
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>23,543</u>	<u>1,543</u>
<b>Net changes in fund balance</b>	<b><u>\$ 3,000</u></b>	<b><u>\$ 3,000</u></b>	<b><u>7,463</u></b>	<b><u>\$ 4,463</u></b>
Fund balance - beginning			31,192	
Prior period adjustment			<u>(23,971)</u>	
Fund balance - beginning - restated			<u>7,221</u>	
Fund balance - ending			<u>\$ 14,684</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<b>Revenues</b>				
Fines and forfeitures	\$ 190,000	\$ 227,323	\$ 171,962	\$ (55,361)
Interest	-	-	46	46
Total revenues	<u>190,000</u>	<u>227,323</u>	<u>172,008</u>	<u>(55,315)</u>
<b>Expenditures</b>				
Public safety:				
Police:				
Current:				
Supplies	50,000	80,000	86,245	6,245
Noncapital expenditures	-	20,000	21,179	1,179
Capital Outlay	<u>100,000</u>	<u>167,323</u>	<u>143,400</u>	<u>(23,923)</u>
Total expenditures	<u>150,000</u>	<u>267,323</u>	<u>250,824</u>	<u>(16,499)</u>
<b>Net changes in fund balance</b>	<b><u>\$ 40,000</u></b>	<b><u>\$ (40,000)</u></b>	<b><u>(78,816)</u></b>	<b><u>\$ (38,816)</u></b>
Fund balance - beginning			<u>190,986</u>	
Fund balance - ending			<u>\$ 112,170</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues</b>				
Charges for services	\$ 1,776,000	\$ 1,776,000	\$ 1,820,429	\$ 44,429
Other:				
Sale of supplies	25,000	25,000	40,687	15,687
Miscellaneous	20,000	20,000	10,997	(9,003)
Total revenues	<u>1,821,000</u>	<u>1,821,000</u>	<u>1,872,113</u>	<u>51,113</u>
<b>Expenditures</b>				
Environmental services:				
Current:				
Salaries	576,565	579,684	574,733	(4,951)
Employee benefits and taxes	226,665	227,185	208,242	(18,943)
Insurance	29,000	29,000	25,068	(3,932)
Utilities	15,300	15,300	14,720	(580)
Repairs and maintenance	56,000	56,000	51,732	(4,268)
Other contractual services	563,200	563,200	529,569	(33,631)
Supplies	8,000	8,000	7,060	(940)
Gas, oil, diesel, etc.	138,000	138,000	94,752	(43,248)
Supplies for resale	25,000	25,000	41,522	16,522
Natural materials	60,000	60,000	38,196	(21,804)
Recycling program	-	52,604	43,671	(8,933)
Professional services	68,750	68,750	68,750	-
Miscellaneous	3,740	6,825	6,710	(115)
Capital outlay	50,000	50,000	15,284	(34,716)
Total expenditures	<u>1,820,220</u>	<u>1,879,548</u>	<u>1,720,009</u>	<u>(159,539)</u>
<b>Net changes in fund balance</b>	<b><u>\$ 780</u></b>	<b><u>\$ (58,548)</u></b>	<b><u>152,104</u></b>	<b><u>\$ 210,652</u></b>
Fund balance - beginning			<u>(269,805)</u>	
Fund balance - ending			<u>\$ (117,701)</u>	

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
For the Fiscal Year Ended June 30, 2015

<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>
2015	0.99	\$ 9,610,494	\$ -	\$ 9,619,503	\$ 9,347,498	\$ 272,005	\$ -
2014	0.99	9,546,819	206,749	(220)	102,740	103,789	103,789
2013	0.99	9,413,801	60,024	-	8,933	51,091	51,091
2012	0.99	9,438,136	49,522	-	6,901	42,621	42,621
2011	0.99	8,947,608	37,472	-	3,455	34,017	34,017
2010	0.99	8,655,224	42,527	-	4,071	38,456	38,456
2009	1.12	8,154,892	57,620	-	13,464	44,156	44,156
2008	1.12	7,525,767	33,359	-	2,804	30,555	30,555
2007	1.12	3,505,226	16,692	-	218	16,474	16,474
2006	1.12	3,516,944	9,840	-	95	9,745	9,745
2005	1.12	3,404,526	11,687	(11,687)	-	-	-
			<u>\$ 525,492</u>	<u>\$ 9,607,596</u>	<u>\$ 9,490,179</u>	<u>\$ 642,909</u>	<u>\$ 370,904</u>
Above balances represented as follows:							
Considered current revenue						62,176	
Allowance for uncollectible accounts						333,792	
Unavailable revenue						246,941	
						<u>642,909</u>	
2015 property tax assessment						<u>10,089,959</u>	
<b>Total taxes receivable</b>						<b><u>\$ 10,732,868</u></b>	

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF ELECTRIC RATES IN FORCE**  
June 30, 2015

**Residential Rate Schedule:**

Customer charge - per delivery point per month	\$	13.55
Energy charge - cents per kWh		0.08667

**General Power Schedule:**

GSA (Demand 0-5,000 kW demand)

Customer charge - per delivery point per month	\$	16.60
--	----	-------

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

Energy charge - cents per kWh		0.09822
-------------------------------	--	---------

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

Customer charge - per delivery point per month	\$	40.00
--	----	-------

Demand charges - per kW per month

0-50 kW		-
---------	--	---

More than 50 to 1,000 kW, per kW		9.61
----------------------------------	--	------

Energy charge - cents per kWh

First 15,000 kWh per month		0.09138
----------------------------	--	---------

Additional kWh per month		0.06361
--------------------------	--	---------

3. Between 1,001 and 5,000 kW demand

Customer charge - per delivery point per month	\$	150.00
--	----	--------

Demand charges - per kW per month

0-1,000 kW, per kW		9.63
--------------------	--	------

More than 1,000 to 5,000 kW, per kW		13.35
-------------------------------------	--	-------

Energy charge - cents per kWh

		0.06357
--	--	---------

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		22.70
---------------------------	--	-------

Energy charge - cents per kWh

		0.04855
--	--	---------

SMSB

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

Demand charges - per kW per month

All kW - per kW per month		19.65
---------------------------	--	-------

Energy charge - cents per kWh

		0.04047
--	--	---------

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF ELECTRIC RATES IN FORCE**  
 June 30, 2015

**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	16.62
All kW (off peak)- per kW per month	3.52
Energy charge - cents per kWh	
All kWh (on peak)	0.08127
All kWh (off peak)	0.04419
<b>OUTDOOR LIGHTING</b>	
100 Watt H.P.S.	\$ 9.05
150 Watt H.P.S.	11.98
175 Watt M.V.	9.43
250 Watt H.P.S.	14.95
400 Watt H.P.S.	18.96
Outdoor lighting kWh	0.06681

**Number of customers:**

	2015	2014
Residential	14,640	14,325
Commercial and industrial	2,706	2,582
Street and athletic fields	54	53
Individually billed outdoor lighting	39	37
	17,439	16,997

*See independent auditor's report.*



**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF GAS RATES IN FORCE**  
June 30, 2015

**Residential and commercial - inside city**

First 200 cubic feet	\$	3.50
All usage over 200 cubic feet, per ccf		0.84

**Residential and commercial - outside city**

First 200 cubic feet	\$	3.85
All usage over 200 cubic feet, per ccf		0.92

**Industrial**

All usage, per ccf	\$	0.84
--------------------	----	------

**Preferred interruptible**

All usage, per ccf	\$	0.59
--------------------	----	------

**Interruptible**

First 100,000 cubic feet	\$	0.49
All usage over 100,000 cubic feet, per ccf	\$	0.44

**Number of customers:**

	2015	2014
Residential	12,224	11,725
Commercial	1,360	1,349
Industrial	43	46
Interruptible	6	2
	13,633	13,122

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE  
SCHEDULE OF UNACCOUNTED FOR WATER  
JUNE 30, 2015**

AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 American Water Works Association, Copyright © 2014. All Rights Reserved.															
<div style="display: flex; justify-content: space-between;"> <span>Click to access definition</span> <span>Water Audit Report for: <b>City of Gallatin</b></span> </div> <div style="display: flex; justify-content: space-between;"> <span>Click to add a comment</span> <span>Reporting Year: <b>2015</b>    <b>7/2014 - 6/2015</b></span> </div>																	
<p>Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p align="center"><b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b></p>																	
<p>To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.</p>																	
<b>WATER SUPPLIED</b>	<p align="center">----- Enter grading in column 'E' and 'J' -----&gt;</p>	<b>Master Meter and Supply Error Adjustments</b>															
Volume from own sources: + ? 9 2,089,266 MG/Yr Water imported: + ? n/a 0.000 MG/Yr Water exported: + ? 9 0.000 MG/Yr		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>Pcnt:</td> <td>Value:</td> <td>MG/Yr</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table> <p>Enter negative % or value for under-registration Enter positive % or value for over-registration</p>	Pcnt:	Value:	MG/Yr	<input type="text"/>											
Pcnt:	Value:	MG/Yr															
<input type="text"/>	<input type="text"/>	<input type="text"/>															
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<input type="text"/>	<input type="text"/>	<input type="text"/>															
<b>WATER SUPPLIED:</b>	<b>2,089,266</b>	MG/Yr															
<b>AUTHORIZED CONSUMPTION</b>																	
Billed metered: + ? 9 1,725,570 MG/Yr Billed unmetered: + ? n/a 0.000 MG/Yr Unbilled metered: + ? 10 77,825 MG/Yr Unbilled unmetered: + ? 9 12,091 MG/Yr		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>Pcnt:</td> <td>Value:</td> <td>MG/Yr</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table> <p>Click here: ? for help using option buttons below</p> <p>Use buttons to select percentage of water supplied OR value</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>Pcnt:</td> <td>Value:</td> <td>MG/Yr</td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> <tr> <td><input type="text"/></td> <td><input type="text"/></td> <td><input type="text"/></td> </tr> </table>	Pcnt:	Value:	MG/Yr	<input type="text"/>	<input type="text"/>	<input type="text"/>	Pcnt:	Value:	MG/Yr	<input type="text"/>					
Pcnt:	Value:	MG/Yr															
<input type="text"/>	<input type="text"/>	<input type="text"/>															
Pcnt:	Value:	MG/Yr															
<input type="text"/>	<input type="text"/>	<input type="text"/>															
<input type="text"/>	<input type="text"/>	<input type="text"/>															
<b>AUTHORIZED CONSUMPTION:</b>	<b>1,815,486</b>	MG/Yr															
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>	<b>273,780</b>	MG/Yr															
<b>Apparent Losses</b>																	
Unauthorized consumption: + ? 5,223 MG/Yr Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed Customer metering inaccuracies: + ? 7 18,216 MG/Yr Systematic data handling errors: + ? 5 0.100 MG/Yr																	
<b>Apparent Losses:</b>	<b>23,539</b>	MG/Yr															
<b>Real Losses (Current Annual Real Losses or CARL)</b>																	
<b>Real Losses = Water Losses - Apparent Losses:</b>	<b>250,241</b>	MG/Yr															
<b>WATER LOSSES:</b>	<b>273,780</b>	MG/Yr															
<b>NON-REVENUE WATER</b>																	
<b>NON-REVENUE WATER:</b>	<b>363,696</b>	MG/Yr															
= Water Losses + Unbilled Metered + Unbilled Unmetered																	
<b>SYSTEM DATA</b>																	
Length of mains: + ? 7 337.0 miles Number of active AND inactive service connections: + ? 7 14,080 Service connection density: ? 42 conn./mile main																	
Are customer meters typically located at the curbstop or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility) Average length of customer service line: + ? (Average length of customer service line has been set to zero and a data grading score of 10 has been applied)																	
Average operating pressure: + ? 7 95.0 psi																	
<b>COST DATA</b>																	
Total annual cost of operating water system: + ? 9 \$3,605,230 \$/Year Customer retail unit cost (applied to Apparent Losses): + ? 9 \$3.43 \$/100 cubic feet (ccf) Variable production cost (applied to Real Losses): + ? 9 \$610.00 \$/Million gallons <span style="color: red;">Use Customer Retail Unit Cost to value real losses</span>																	
<b>WATER AUDIT DATA VALIDITY SCORE:</b>	<b>*** YOUR SCORE IS: 85 out of 100 ***</b>																
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score																	

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**  
 JUNE 30, 2015

AWWA Free Water Audit Software:		WAS v6.0
System Attributes and Performance Indicators		American Water Works Association Copyright © 2014. All Rights Reserved.
Water Audit Report for: <u>City of Gallatin</u>		
Reporting Year: <u>2015</u>   <u>7/2014 - 6/2015</u>		
<b>*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***</b>		
<b>System Attributes:</b>		
	Apparent Losses:	<u>23.539</u> MG/Yr
	+ Real Losses:	<u>250.241</u> MG/Yr
	= <b>Water Losses:</b>	<u>273.780</u> MG/Yr
	Unavoidable Annual Real Losses (UARL):	<u>136.45</u> MG/Yr
	Annual cost of Apparent Losses:	<u>\$107,933</u>
	Annual cost of Real Losses:	<u>\$152,647</u> Valued at <b>Variable Production Cost</b>
		<small>Return to Reporting Worksheet to change this assumption</small>
<b>Performance Indicators:</b>		
Financial:	Non-revenue water as percent by volume of Water Supplied:	<u>17.4%</u>
	Non-revenue water as percent by cost of operating system:	<u>8.7%</u> Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	<u>4.58</u> gallons/connection/day
	Real Losses per service connection per day:	<u>48.69</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>0.51</u> gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	<u>250.24</u> million gallons/year
	Infrastructure Leakage Index (ILI) [CARL/UARL]:	<u>1.83</u>
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT - CITY**  
June 30, 2015

Year Ended June 30,	G.O. Refunding Bonds Series 2014		G.O. Public Improvement Bonds Series 2007		2009 Capital Outlay Note		Sumner County Note	Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	Total
2016	\$ 375,000	\$ 453,350	\$ 430,000	\$ 43,750	\$ 400,000	\$ 73,906	\$ 89,745	\$ 1,294,745	\$ 571,006	\$ 1,865,751
2017	375,000	445,850	445,000	22,250	415,000	56,906	89,745	1,324,745	525,006	1,849,751
2018	845,000	434,600	-	-	435,000	40,306	89,745	1,369,745	474,906	1,844,651
2019	860,000	409,250	-	-	460,000	21,275	89,745	1,409,745	430,525	1,840,270
2020	875,000	374,850	-	-	-	-	-	875,000	374,850	1,249,850
2021	910,000	339,850	-	-	-	-	-	910,000	339,850	1,249,850
2022	930,000	321,650	-	-	-	-	-	930,000	321,650	1,251,650
2023	950,000	293,750	-	-	-	-	-	950,000	293,750	1,243,750
2024	975,000	270,000	-	-	-	-	-	975,000	270,000	1,245,000
2025	1,010,000	221,250	-	-	-	-	-	1,010,000	221,250	1,231,250
2026	1,050,000	180,850	-	-	-	-	-	1,050,000	180,850	1,230,850
2027	1,090,000	138,850	-	-	-	-	-	1,090,000	138,850	1,228,850
2028	450,000	106,150	-	-	-	-	-	450,000	106,150	556,150
2029	460,000	92,650	-	-	-	-	-	460,000	92,650	552,650
2030	475,000	78,850	-	-	-	-	-	475,000	78,850	553,850
2031	490,000	64,600	-	-	-	-	-	490,000	64,600	554,600
2032	505,000	49,900	-	-	-	-	-	505,000	49,900	554,900
2033	525,000	34,119	-	-	-	-	-	525,000	34,119	559,119
2034	545,000	17,713	-	-	-	-	-	545,000	17,713	562,713
	<u>\$ 13,695,000</u>	<u>\$ 4,328,082</u>	<u>\$ 875,000</u>	<u>\$ 66,000</u>	<u>\$ 1,710,000</u>	<u>\$ 192,393</u>	<u>\$ 358,980</u>	<u>\$ 16,638,980</u>	<u>\$ 4,586,475</u>	<u>\$ 21,225,455</u>

See independent auditor's report.

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

June 30, 2015

<b>Water &amp; Sewer Department</b>									
Year Ended June 30,	Water & Sewer Rev & Tax Bond - 2011		Water & Sewer Refunding - 2014		Water & Sewer Refunding - 2015		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 260,000	\$ 262,148	\$ 570,000	\$ 201,300	\$ 500,000	\$ 637,872	\$ 1,330,000	\$ 1,101,320	\$ 2,431,320
2017	270,000	253,548	565,000	187,125	940,000	1,019,388	1,775,000	1,460,061	3,235,061
2018	280,000	245,298	560,000	167,450	990,000	991,187	1,830,000	1,403,935	3,233,935
2019	405,000	235,023	265,000	149,625	1,060,000	941,688	1,730,000	1,326,336	3,056,336
2020	420,000	222,648	265,000	136,375	1,090,000	909,887	1,775,000	1,268,910	3,043,910
2021	430,000	209,898	270,000	123,000	1,125,000	877,188	1,825,000	1,210,086	3,035,086
2022	440,000	196,848	275,000	109,375	1,160,000	843,437	1,875,000	1,149,660	3,024,660
2023	450,000	183,498	285,000	95,375	1,200,000	797,038	1,935,000	1,075,911	3,010,911
2024	460,000	169,848	315,000	80,375	1,255,000	749,037	2,030,000	999,260	3,029,260
2025	490,000	155,598	325,000	64,375	1,305,000	698,838	2,120,000	918,811	3,038,811
2026	505,000	141,304	330,000	49,650	1,350,000	646,637	2,185,000	837,591	3,022,591
2027	520,000	126,560	340,000	37,950	1,400,000	599,388	2,260,000	763,898	3,023,898
2028	535,000	110,401	355,000	27,525	1,460,000	543,387	2,350,000	681,313	3,031,313
2029	555,000	93,023	365,000	16,725	1,515,000	484,988	2,435,000	594,736	3,029,736
2030	570,000	74,599	375,000	5,625	1,575,000	424,387	2,520,000	504,611	3,024,611
2031	590,000	54,869	-	-	1,655,000	345,638	2,245,000	400,507	2,645,507
2032	615,000	33,781	-	-	1,735,000	262,887	2,350,000	296,668	2,646,668
2033	635,000	11,509	-	-	1,825,000	176,138	2,460,000	187,647	2,647,647
2034	-	-	-	-	230,000	84,887	230,000	84,887	314,887
2035	-	-	-	-	240,000	73,388	240,000	73,388	313,388
2036	-	-	-	-	255,000	61,387	255,000	61,387	316,387
2037	-	-	-	-	265,000	48,638	265,000	48,638	313,638
2038	-	-	-	-	280,000	35,387	280,000	35,387	315,387
2039	-	-	-	-	290,000	21,388	290,000	21,388	311,388
2040	-	-	-	-	300,000	10,875	300,000	10,875	310,875
	<u>\$ 8,430,000</u>	<u>\$ 2,780,401</u>	<u>\$ 5,460,000</u>	<u>\$ 1,451,850</u>	<u>\$ 25,000,000</u>	<u>\$ 12,284,960</u>	<u>\$ 38,890,000</u>	<u>\$ 16,517,211</u>	<u>\$ 55,407,211</u>

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2015

	<u>CFDA Number</u>	<u>Pass Through Agency Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Transportation</b>			
Passed Through the Tennessee Department of Transportation:			
Highway Planning and Construction - ARRA	20.205*	83LPLM-F3-012	\$ 1,195,487
Highway Planning and Construction	20.205*	83LPLM-F3-067	1,790,885
Highway Planning and Construction - ARRA	20.205*	83LPLM-F0-063,F1-064, F3-065	147,638
Passed Through the Tennessee Governor's Highway Safety Office :			
State and Community Highway Safety	20.600		40,000
Total U.S. Department of Transportation			<u>3,174,010</u>
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership Program	16.607	N/A	7,861
OCDETF Program	16.111	N/A	6,021
OCDETF Program	16.111	N/A	6,276
Law Enforcement Assistance to FBI Police Training	16.300	N/A	12,019
Law Enforcement Assistance to FBI Police Training	16.300	N/A	5,551
Total U.S. Department of Justice			<u>37,728</u>
<b>U.S. Department of Homeland Security</b>			
Passed Through the Tennessee Department of Military / Tennessee Emergency Management Agency:			
Hazard Mitigation Grant	97.039	HMGP-1909-0057	7,531
Total U.S. Department of Homeland Security			<u>7,531</u>
Total Federal Awards			<u>\$ 3,219,269</u>

\* Denotes a major fund for single audit testing.

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

*See independent auditor's report.*

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2015

	<b>State Grant Number</b>	<b>Disbursements</b>
<b>Tennessee Department of Transportation</b>		
Greenlea Dr Extension	83950-3561-04	\$ 323,285
Special Litter Grant	40100-04713	25,905
		349,190
 <b>Tennessee Department of Economic and Community Development</b>		
Beretta	170/002-01-2014	6,461,398
		6,461,398
 <b>Tennessee Department of Military / Tennessee Emergency Management Agency:</b>		
Acquisition/Demolition Project	FEMA-1909-0057	1,256
		1,256
Total State Financial Assistance		\$ 6,811,844

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

## **STATISTICAL SECTION**

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

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

Contents:

Financial Trends	
These Schedules contain trend information to help readers understand how the City’s financial performance and well-being have changed over time.....	82
Revenue Capacity	
These Schedules contain information to help readers assess the City’s most significant local revenue source - its property taxes.....	87
Debt Capacity	
These Schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.....	90
Demographic and Economic Information	
These Schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place.....	93
Operating Information	
These Schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.....	95

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

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

(Prepared using the accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 54,468,094	\$ 48,317,805	\$ 44,409,934	\$ 42,147,155	\$ 46,347,565	\$ 40,679,786	\$ 35,081,049	\$ 30,192,475	\$ 25,940,281	\$ 30,858,306
Restricted	535,180	615,631	568,020	100,024	15,000	(171,346)	(60,463)	315,366	276,859	15,000
Unrestricted	<u>13,898,373</u>	<u>14,232,475</u>	<u>11,688,071</u>	<u>10,465,112</u>	<u>9,546,556</u>	<u>38,464,287</u>	<u>13,160,946</u>	<u>14,348,514</u>	<u>19,876,514</u>	<u>8,339,620</u>
Total net position	<u>\$ 68,901,647</u>	<u>\$ 63,165,911</u>	<u>\$ 56,666,025</u>	<u>\$ 52,712,291</u>	<u>\$ 55,909,121</u>	<u>\$ 78,972,727</u>	<u>\$ 48,181,532</u>	<u>\$ 44,856,355</u>	<u>\$ 46,093,654</u>	<u>\$ 39,212,926</u>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 112,025,506	\$ 107,506,931	\$ 103,558,594	\$ 99,420,067	\$ 99,497,736	\$ 90,944,012	\$ 82,808,956	\$ 97,346,673	\$ 86,922,174	\$ 78,646,271
Restricted for workers compensation adjustment	7,572	7,522	7,473	7,425	-	-	-	-	-	-
Unrestricted	<u>35,009,804</u>	<u>32,232,921</u>	<u>28,661,288</u>	<u>28,194,323</u>	<u>26,219,039</u>	<u>4,919,217</u>	<u>38,074,203</u>	<u>20,291,861</u>	<u>19,344,762</u>	<u>20,545,976</u>
Total net position	<u>\$ 147,042,882</u>	<u>\$ 139,747,374</u>	<u>\$ 132,227,355</u>	<u>\$ 127,621,815</u>	<u>\$ 125,716,775</u>	<u>\$ 95,863,229</u>	<u>\$ 120,883,159</u>	<u>\$ 117,638,534</u>	<u>\$ 106,266,936</u>	<u>\$ 99,192,247</u>
<b>Primary government:</b>										
Net investment in capital assets	\$ 166,493,600	\$ 155,824,736	\$ 147,968,528	\$ 141,567,222	\$ 145,845,301	\$ 131,623,798	\$ 117,890,005	\$ 127,539,148	\$ 112,862,455	\$ 109,504,577
Restricted	542,752	623,153	575,493	107,449	15,000	(171,346)	(60,463)	315,366	276,859	15,000
Unrestricted	<u>48,908,177</u>	<u>46,465,396</u>	<u>40,349,359</u>	<u>38,659,435</u>	<u>35,765,595</u>	<u>43,383,504</u>	<u>51,235,149</u>	<u>34,640,375</u>	<u>39,221,276</u>	<u>28,885,596</u>
Total net position	<u>\$ 215,944,529</u>	<u>\$ 202,913,285</u>	<u>\$ 188,893,380</u>	<u>\$ 180,334,106</u>	<u>\$ 181,625,896</u>	<u>\$ 174,835,956</u>	<u>\$ 169,064,691</u>	<u>\$ 162,494,889</u>	<u>\$ 152,360,590</u>	<u>\$ 138,405,173</u>

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

(Prepared using the accrual basis of accounting)

<b>Governmental activities:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Revenues:</b>										
<b>Program revenues:</b>										
Charges for services	\$ 5,538,642	\$ 6,526,770	\$ 4,075,988	\$ 4,813,637	\$ 5,342,165	\$ 4,462,096	\$ 4,127,495	\$ 4,937,573	\$ 4,366,414	\$ 2,950,614
Operating grants & contributions	1,234,427	1,527,429	1,109,040	948,083	854,869	703,346	1,474,369	848,469	3,502,202	636,779
Capital grants & contributions	10,285,239	3,533,738	3,975,532	1,465,557	4,020,980	2,383,773	4,022,806	590,405	138,751	1,642,282
<b>General revenues:</b>										
Property taxes	10,273,533	9,930,089	9,999,751	10,711,682	9,823,133	9,514,877	9,106,950	8,608,885	7,928,834	6,555,251
Sales taxes	9,330,486	8,661,499	8,014,658	7,700,686	6,874,129	6,422,853	6,390,038	6,863,042	6,752,289	6,154,339
Franchise taxes	421,534	385,802	360,650	379,020	356,845	341,828	327,853	299,962	276,664	248,792
Alcoholic beverage taxes	1,251,420	1,165,299	1,117,556	1,067,339	1,039,948	965,092	877,642	953,765	918,743	875,523
Business taxes	756,560	680,446	639,646	668,252	556,382	485,461	521,590	520,295	483,682	388,283
Income taxes	913,636	793,306	520,539	859,602	688,179	758,315	80,810	506,966	440,512	220,822
Miscellaneous taxes	-	-	-	-	1,572	2,075	2,790	142,032	140,403	674,563
Rental and reimbursements	-	-	-	-	25,863	29,627	35,521	66,445	58,855	590,320
Other sources	230,319	240,216	319,500	188,417	286,687	106,491	207,570	(866,780)	395,355	417,118
Unrestricted interest income	68,994	79,958	28,417	5,491	28,999	100,415	519,239	682,761	490,238	234,794
In lieu of taxes and transfers	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,242	685,674	887,035	826,908
<b>Total revenues</b>	<b>41,850,460</b>	<b>34,973,339</b>	<b>31,544,424</b>	<b>29,795,196</b>	<b>30,569,165</b>	<b>27,672,771</b>	<b>28,765,915</b>	<b>24,839,494</b>	<b>26,779,977</b>	<b>22,416,388</b>
<b>Expenses:</b>										
General government	6,432,191	5,147,411	5,070,240	4,753,776	5,833,977	4,634,869	5,936,304	9,294,335	4,234,693	3,426,964
Public safety	12,139,618	11,778,255	11,626,014	11,090,606	10,522,520	10,583,895	10,217,027	9,312,521	8,926,042	7,710,413
Engineering	1,611,956	1,412,832	1,112,112	1,978,103	1,648,991	395,200	636,589	408,330	703,821	521,482
Environmental services	1,682,507	1,779,918	1,637,569	1,744,131	1,483,595	1,504,489	1,433,602	1,404,985	1,677,427	2,132,344
Animal control	123,665	113,487	108,023	119,396	109,535	99,965	112,082	47,647	47,119	42,050
Public works	362,748	1,163,412	1,658,029	1,215,578	572,127	351,059	26,564	226,892	153,821	156,392
Highways, streets and roadways	1,457,922	1,403,207	1,208,364	1,234,568	1,303,547	1,421,330	2,085,472	1,751,275	1,841,983	1,677,828
Vehicle maintenance	418,068	420,964	403,696	404,846	393,742	403,148	376,013	352,822	333,463	311,944
Parks and recreation	4,265,685	4,043,815	4,290,038	4,074,264	4,182,036	3,845,550	3,238,619	2,449,295	2,768,383	2,579,035
Economic development	6,770,860	444,972	280,227	254,355	222,988	269,588	270,456	278,287	230,687	202,705
Interest on debt	653,094	481,455	433,883	472,734	484,738	487,066	785,391	320,565	90,045	105,638
<b>Total expenses</b>	<b>35,918,314</b>	<b>28,189,728</b>	<b>27,828,195</b>	<b>27,342,357</b>	<b>26,757,796</b>	<b>23,996,159</b>	<b>25,118,119</b>	<b>25,846,954</b>	<b>21,007,484</b>	<b>18,866,795</b>
<b>Change in net position</b>	<b>\$ 5,932,146</b>	<b>\$ 6,783,611</b>	<b>\$ 3,716,229</b>	<b>\$ 2,452,839</b>	<b>\$ 3,811,369</b>	<b>\$ 3,676,612</b>	<b>\$ 3,647,796</b>	<b>\$ (1,007,460)</b>	<b>\$ 5,772,493</b>	<b>\$ 3,549,593</b>

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

(Prepared using the accrual basis of accounting)

<b>Business-Type activities:</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Program revenues:</b>										
Charges for services	\$ 98,670,740	\$ 100,225,082	\$ 91,501,059	\$ 87,971,678	\$ 90,017,001	\$ 84,620,482	\$ 85,400,190	\$ 81,589,078	\$ 75,323,725	\$ 75,920,294
Capital grants & contributions	1,485,205	2,317,854	1,152,932	675,644	685,151	253,452	1,252,667	6,918,074	3,526,948	7,931,282
<b>General revenues:</b>										
Other sources	-	487	2,603	9,359	536,533	10,467	8,506	10,169	5,485	14,447
Unrestricted interest income	108,911	95,539	121,102	146,100	153,210	200,533	437,057	718,092	1,009,368	876,518
<b>Total revenues</b>	<u>100,264,856</u>	<u>102,638,962</u>	<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>
<b>Expenses:</b>										
Electric	65,953,465	65,344,259	63,093,670	61,686,993	60,976,208	52,252,566	52,075,601	48,441,112	44,556,792	23,127,731
Gas	14,620,277	16,443,781	12,848,397	13,002,653	15,257,278	19,064,230	19,354,295	20,349,492	18,901,303	42,349,573
Golf	-	-	-	-	-	-	1,011,561	978,014	947,510	911,903
Water & Sewer	10,769,977	11,170,248	10,846,942	11,256,106	11,510,424	10,386,989	10,073,496	7,656,635	7,130,595	6,444,961
In lieu of taxes - transfer	1,545,670	1,448,787	1,383,147	987,430	669,414	1,396,522	1,071,241	685,674	887,035	826,908
<b>Total expenses</b>	<u>92,889,389</u>	<u>94,407,075</u>	<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>
<b>Change in net position</b>	<u>7,375,467</u>	<u>8,231,887</u>	<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>
<b>Total change in net position</b>	<u>\$ 13,307,613</u>	<u>\$ 15,015,498</u>	<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>

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

(Prepared using the accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental Funds:</b>										
<b>(Pre-GASB 54)</b>										
<b>Unreserved:</b>										
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,410,950	\$ 11,213,358	\$ 9,577,025	\$ 11,955,011	\$ 8,291,690
Special revenue funds	-	-	-	-	-	(2,955)	22,272	24,557	-	174,246
Capital projects funds	-	-	-	-	-	28,754,178	(11,509,512)	4,745,837	7,910,831	472,836
Permanent funds	-	-	-	-	-	374,321	353,996	336,050	309,421	297,147
Total unreserved fund balances	<u>-</u>	<u>-</u>	<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>
<b>Reserved</b>	<u>-</u>	<u>-</u>	<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>
<b>(Post-GASB 54)</b>										
<b>Nonspendable</b>	173,269	86,851	105,468	84,581	101,966	-	-	-	-	-
<b>Restricted</b>	531,907	579,606	531,995	455,722	352,817	-	-	-	-	-
<b>Committed</b>	205,085	205,085	226,979	184,395	173,501	-	-	-	-	-
<b>Assigned</b>	8,011,003	2,734,115	1,915,974	2,122,761	2,735,185	-	-	-	-	-
<b>Unassigned</b>	<u>13,232,920</u>	<u>11,455,850</u>	<u>8,689,632</u>	<u>7,922,642</u>	<u>6,542,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 22,154,184</u></b>	<b><u>\$ 15,061,507</u></b>	<b><u>\$ 11,470,048</u></b>	<b><u>\$ 10,770,101</u></b>	<b><u>\$ 9,906,312</u></b>	<b><u>\$ 39,412,774</u></b>	<b><u>\$ 68,210</u></b>	<b><u>\$ 15,024,354</u></b>	<b><u>\$ 20,477,871</u></b>	<b><u>\$ 9,267,147</u></b>

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

(Prepared using the accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>										
Taxes	\$ 18,988,744	\$ 18,393,292	\$ 17,768,774	\$ 17,262,010	\$ 20,056,287	\$ 19,177,101	\$ 17,989,604	\$ 15,198,823	\$ 14,335,011	\$ 12,472,166
Licenses	760,459	467,638	402,533	315,602	247,346	278,110	615,775	851,142	696,601	529,282
Fines and penalties	1,051,142	2,556,501	884,878	1,479,913	2,307,129	1,424,589	1,446,691	1,737,566	1,567,133	966,013
Charges for services	3,739,436	3,481,559	2,849,243	2,993,059	2,787,690	2,759,398	2,064,030	2,348,866	2,102,680	1,455,320
Intergovernmental	14,007,953	8,668,804	6,696,213	5,742,786	3,325,809	2,466,644	791,301	4,092,959	3,691,619	3,136,744
Other	575,308	708,339	544,215	240,819	173,100	153,771	606,747	1,341,916	901,885	918,555
Total revenues	<u>39,123,042</u>	<u>34,276,133</u>	<u>29,145,856</u>	<u>28,034,189</u>	<u>28,897,361</u>	<u>26,259,613</u>	<u>23,514,148</u>	<u>25,571,272</u>	<u>23,294,929</u>	<u>19,478,080</u>
<b>Expenditures</b>										
General government	5,471,142	4,825,287	4,558,323	4,443,691	4,391,895	4,005,982	4,652,977	3,750,244	3,959,253	3,211,107
Public safety	11,707,728	11,452,818	10,770,629	10,760,468	9,960,491	9,841,580	9,688,847	9,295,197	8,259,007	7,113,058
Engineering	1,611,956	1,353,632	1,006,769	1,955,555	746,367	395,200	372,252	407,115	666,725	482,915
Environmental services	1,704,725	1,641,126	1,525,929	1,586,909	1,434,591	1,430,341	1,323,296	1,399,275	1,597,138	2,055,365
Animal control	123,665	113,487	108,023	117,017	108,815	99,965	90,649	47,647	47,119	42,050
Public works	360,112	453,374	264,185	592,211	155,426	152,145	149,677	145,258	139,527	139,229
Highways and streets	1,254,942	1,374,830	1,100,961	1,154,834	1,303,547	1,421,330	1,362,428	1,368,131	1,359,228	1,227,775
Vehicle maintenance	418,068	418,626	399,019	402,507	391,610	403,148	364,901	349,320	329,108	311,705
Parks and recreation	3,936,723	3,763,086	3,597,451	3,731,027	3,597,665	3,392,380	2,645,342	2,466,439	2,333,959	2,183,941
Economic Development Agency	6,769,860	444,972	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
Debt service:										
Principal	1,385,000	860,000	835,000	800,000	775,000	760,000	425,000	410,000	775,000	760,000
Interest	245,373	403,564	431,901	458,795	484,739	487,066	627,829	321,681	90,045	117,245
Capital outlay - capital	7,610,707	4,787,847	5,188,144	1,708,556	8,825,328	7,077,681	7,085,559	11,624,680	1,594,163	3,832,929
Total expenditures	<u>42,600,001</u>	<u>31,892,649</u>	<u>30,066,561</u>	<u>27,965,925</u>	<u>32,386,667</u>	<u>29,701,125</u>	<u>29,019,249</u>	<u>31,802,962</u>	<u>21,618,426</u>	<u>21,802,278</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>(3,476,959)</u></b>	<b><u>2,383,484</u></b>	<b><u>(920,705)</u></b>	<b><u>68,264</u></b>	<b><u>(3,489,306)</u></b>	<b><u>(3,441,512)</u></b>	<b><u>(5,505,101)</u></b>	<b><u>(6,231,690)</u></b>	<b><u>1,676,503</u></b>	<b><u>(2,324,198)</u></b>
<b>Other financing sources (uses):</b>										
Contributions	-	-	-	-	19,955	384,662	63,156	42,038	466,113	92,070
Premiums on bonds issued	884,045	-	-	-	-	-	-	-	-	-
Proceeds of long-term debt	14,185,000	-	-	-	-	-	3,642,438	-	7,500,000	-
Bond issuance costs	(155,986)	-	-	-	-	-	-	-	-	-
Repayment from debt refunding	(6,098,495)	-	-	-	-	-	-	-	-	-
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*	1,545,670	1,448,787	1,383,147	987,430	-	-	-	-	-	-
Operating transfers in	-	2,183,420	2,866,662	1,994,252	669,414	1,396,522	1,071,241	685,674	887,035	826,907
Operating transfers out	-	(2,183,420)	(2,807,596)	(1,994,252)	-	-	-	-	-	-
Total other financing sources (uses)	<u>10,360,234</u>	<u>1,448,787</u>	<u>1,442,213</u>	<u>987,430</u>	<u>857,817</u>	<u>1,863,947</u>	<u>4,932,419</u>	<u>759,024</u>	<u>8,895,711</u>	<u>1,242,654</u>
Net changes in fund balances	<u>\$ 6,883,275</u>	<u>\$ 3,832,271</u>	<u>\$ 521,508</u>	<u>\$ 1,055,694</u>	<u>\$ (2,631,489)</u>	<u>\$ (1,577,565)</u>	<u>\$ (572,682)</u>	<u>\$ (5,472,666)</u>	<u>\$ 10,572,214</u>	<u>\$ (1,081,544)</u>
Debt services as a percentage of non-capital expenditures	4.89%	4.89%	5.37%	5.04%	5.30%	5.50%	4.80%	3.60%	4.30%	4.90%

**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>		
2015	\$ 970,755,281	\$ 18,537,816	\$ 3,050,696,936	32.43%	\$ 0.99
2014	974,737,567	17,806,242	3,032,204,783	30.31%	0.99
2013	962,079,513	17,806,242	2,982,691,390	32.85%	0.99
2012	944,739,332	17,321,500	3,148,310,625	30.56%	0.99
2011	921,041,801	16,983,625	3,094,122,921	30.32%	0.99
2010	903,798,781	16,697,225	3,043,499,576	30.24%	0.99
2009	772,787,864	7,559,875	2,634,149,025	29.62%	1.12
2008	728,115,320	6,878,800	2,458,859,601	29.89%	1.12
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

\* 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**

	2015		2006	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Medical Center	\$ 93,926,200	9.24%	\$ -	0.00%
Gap, Inc.	85,702,900	9.05%	-	0.00%
Wellington Farms Apts.	31,800,000	3.43%	-	0.00%
Stoneridge Farms	30,400,000	3.28%	18,579,706	3.42%
MAA Brik	23,513,500	2.54%	-	0.00%
Isaacson/Steen	17,367,600	1.87%	-	0.00%
Hoeganaes Corp	15,181,627	1.64%	16,778,864	3.09%
Gap Inc & Subs Ent	7,541,448	0.81%	-	0.00%
R R Donnelley & Sons	7,235,336	0.78%	9,269,418	1.70%
ABC Group Fuel System	6,412,882	0.69%	-	0.00%
Donnelley Printing Company	-	0.00%	69,026,400	12.70%
TLP Devco	-	0.00%	10,905,960	2.01%
Gallatin Housing	-	0.00%	9,979,520	1.84%
Crescent	-	0.00%	8,053,917	1.48%
Sumner Medical Plaza	-	0.00%	7,274,364	1.34%
TLP Development Corp	-	0.00%	6,748,075	1.24%
Bosch Corporation	-	0.00%	6,311,864	1.16%
<b>Totals</b>	<b>\$ 319,081,493</b>	<b>33.33%</b>	<b>\$ 162,928,088</b>	<b>29.98%</b>

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**

<b>FISCAL YEAR</b>	<b>ASSESSED VALUATION</b>	<b>TOTAL TAX LEVY</b>	<b>COLLECTED WITHIN TAX YEAR OF LEVY</b>	<b>PERCENT COLLECTED</b>	<b>COLLECTIONS IN SUBSEQUENT YEARS</b>	<b>TOTAL COLLECTIONS</b>	<b>TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY</b>
2015	\$ 970,755,281	\$ 9,610,477	\$ 9,447,813	98.31%	\$ -	\$ 9,447,813	98.31%
2014	974,737,567	9,542,926	9,336,177	97.83%	102,740	9,438,917	98.91%
2013	962,079,513	9,367,869	9,078,911	96.92%	237,866	9,307,844	99.36%
2012	944,739,332	9,440,679	8,792,522	93.13%	605,537	9,391,158	99.48%
2011	921,041,801	9,118,314	8,756,928	92.60%	327,369	9,080,842	99.59%
2010	903,798,781	8,947,608	8,794,819	98.29%	114,332	8,905,080	99.52%
2009	772,787,864	8,655,224	8,743,629	101.02%	593,820	9,323,985	107.73%
2008	728,115,320	8,154,892	8,284,247	101.59%	178,743	8,460,186	103.74%
2007	671,943,489	7,525,767	7,394,843	98.26%	97,783	7,492,408	99.56%
2006	550,729,184	6,168,167	6,023,784	97.66%	127,788	6,151,475	99.73%

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 BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS	NOTES					
2015	33,347	\$ 26,596	\$ 13,695,000	\$ 2,068,980	\$ 15,763,980	\$ 38,890,000	\$ 413,951	\$ 39,303,951	\$ 55,067,931	\$ 1,651.36	6.21%	
2014	32,307	25,534	6,985,000	2,538,725	9,523,725	32,935,000	461,503	33,396,503	42,920,228	1,328.51	5.20%	
2013	31,414	22,963	7,480,000	2,455,000	9,935,000	34,215,000	620,751	34,835,751	44,770,751	1,425.18	6.21%	
2012	30,278	23,465	7,960,000	2,810,000	10,770,000	35,680,000	744,902	36,424,902	47,194,902	1,558.72	6.64%	
2011	30,278	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%	
2010	28,677	23,138	8,865,000	3,480,000	12,345,000	32,666,168	993,202	33,659,370	46,004,370	1,519.40	6.57%	
2009	28,198	23,465	13,105,000	-	13,105,000	33,864,444	1,117,352	34,981,796	48,086,796	1,676.84	7.15%	
2008	27,569	24,631	9,730,000	-	9,730,000	7,360,000	-	7,360,000	17,090,000	606.07	2.46%	
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%	

\* 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>
2015	33,347	\$ 13,695,000	\$ 2,068,980	\$ 15,763,980	\$ 413,951	\$ 16,177,931	\$ 970,755,281	1.67%	\$ 485.14
2014	32,307	6,985,000	2,538,725	9,523,725	461,503	9,985,228	974,737,567	1.02%	\$ 309.07
2013	31,414	7,480,000	2,455,000	9,935,000	620,751	10,555,751	962,079,513	1.10%	336.02
2012	30,278	7,960,000	2,810,000	10,770,000	744,902	11,514,902	944,739,332	1.22%	380.31
2011	30,278	8,420,000	3,150,000	11,570,000	869,052	12,439,052	921,041,801	1.35%	410.83
2010	30,278	8,865,000	3,480,000	12,345,000	993,202	13,338,202	903,798,781	1.48%	440.52
2009	28,677	13,105,000	-	13,105,000	1,117,352	14,222,352	772,787,864	1.84%	495.95
2008	28,198	9,730,000	-	9,730,000	-	9,730,000	728,115,320	1.34%	345.06
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

\* 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>
2015	\$ 12,112,544	\$ 6,651,379	\$ 5,461,165	\$ 1,330,000	\$ 1,101,320	\$ 2,431,320	224.62%
2014	12,259,008	6,548,582	5,710,426	1,280,000	1,420,441	2,700,441	211.46%
2013	11,293,065	5,934,780	5,358,285	1,465,000	1,464,908	2,929,908	182.88%
2012	10,944,632	6,380,348	4,564,284	1,334,150	1,444,529	2,778,679	164.26%
2011	10,784,113	6,825,971	3,958,142	1,140,000	1,404,543	2,544,543	155.55%
2010	9,822,137	6,127,486	3,694,651	905,000	1,286,094	2,191,094	168.62%
2009	9,371,205	5,955,230	3,415,975	940,000	1,392,100	2,332,100	146.48%
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%

**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**

<b>CALENDAR YEAR</b>	<b>CITY POPULATION*</b>	<b>COUNTY POPULATION*</b>	<b>PERSONAL INCOME**</b>	<b>PER CAPITA PERSONAL INCOME**</b>	<b>MEDIAN AGE*</b>	<b>COUNTY SCHOOL ENROLLMENT ***</b>	<b>COUNTY UNEMPLOY- MENT RATE****</b>
2015	33,347	172,706	\$ 46,102	\$ 26,596	37.0	28,715	4.70%
2014	32,307	168,888	45,603	25,534	37.4	28,361	5.60%
2013	31,414	165,950	42,425	22,963	37.5	28,508	6.70%
2012	30,278	160,645	45,665	23,465	36.6	28,626	8.40%
2011	30,278	160,645	45,858	23,138	36.6	27,333	8.70%
2010	28,677	162,527	45,665	23,465	38.1	27,177	9.78%
2009	28,198	159,013	48,993	24,631	37.9	26,493	7.90%
2008	27,569	156,533	49,379	25,370	37.7	26,528	5.90%
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%

\* US Census Bureau

\*\* State Estimate

\*\*\* Sumner County School Board

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

**Note:** Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

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

	2015			2006		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Sumner County Schools	3,623	1	32.03%	N/A	N/A	N/A
Sumner Regional Medical Center	1,084	2	9.58%	725	1	7.21%
Gap, Inc.	750	3	6.63%	600	3	5.97%
Volunteer State CC	750	4	6.63%	N/A	N/A	N/A
Servpro Industries, Inc.	420	5	3.71%	N/A	N/A	N/A
YSF Automotive Systems	400	6	3.54%	N/A	N/A	N/A
ABC Technologies	357	7	3.16%	N/A	N/A	N/A
R.R. Donnelley & Sons	225	8	1.99%	638	2	6.35%
NIC Global	194	9	1.71%	N/A	N/A	N/A
ITW-CIP	150	10	1.33%	N/A	N/A	N/A
ABC Group Fuel Systems	N/A	N/A	N/A	240	8	2.39%
G F Furniture	N/A	N/A	N/A	300	4	2.98%
Gapco	N/A	N/A	N/A	300	5	2.98%
Fleetwood Homes	N/A	N/A	N/A	300	6	2.98%
Crescent Manufacturing Company	N/A	N/A	N/A	250	7	2.49%
Rober Bosch Gallatin	N/A	N/A	N/A	200	9	1.99%
Highland Apparel	N/A	N/A	N/A	150	10	1.49%

**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**

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>General Government:</b>										
Mayor's Office	3	3	3	3	3	3	3	2	2	4
Planning (Combined in 2010)	6	6	0	0	0	0	6	7	7	6
Finance	5	8	8	8	8	5	4	5	5	5
City Attorney	3	3	3	3	3	3	3	3	2	2
Recorder	6	7	7	7	7	7	7	5	5	4
Personnel	2	2	1	2	2	2	2	2	3	3
Codes	10	7	13	13	14	14	8	9	9	7
Economic Development Agency	2	2	2	2	2	2	2	2	2	2
Information Technology	5	0	0	0	0	3	3	3	2	-
<b>Public Safety:</b>										
Police	93	94	89	88	88	90	90	81	82	75
Fire	72	72	71	71	73	58	58	55	55	50
<b>Public Works</b>										
	47	49	48	49	48	47	45	45	45	41
<b>Leisure Services</b>										
	31	31	30	30	29	29	29	22	22	20
<b>Engineering</b>										
	7	6	6	6	5	5	5	5	5	4
<b>Public Utilities</b>										
	87	82	85	86	85	84	79	80	80	64
<b>Golf Course</b>										
	0	0	0	0	0	0	0	8	8	8
<b>Total</b>	<b>379</b>	<b>372</b>	<b>366</b>	<b>368</b>	<b>367</b>	<b>352</b>	<b>344</b>	<b>334</b>	<b>334</b>	<b>295</b>

**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**

<b>FUNCTION / PROGRAM</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Police</b>										
Physical arrests	3,575	3,772	4,913	4,526	4,911	5,450	6,019	6,277	6,678	7,363
Parking violations	722	420	634	450	1,087	815	1,216	1,538	1,305	1,124
Traffic violations	22,643	13,231	20,494	19,237	23,657	27,906	28,272	23,022	27,769	32,685
* Red Light Camera Citations	7,751	7,029	5,953	7,188	10,986	13,610	10,790	16,021	14,125	N/A
<b>Fire</b>										
Emergency responses	3,390	3,120	2,973	3,016	3,176	2,474	1,901	2,456	2,043	874
Fires extinguished	94	120	105	110	102	95	82	125	97	76
Inspections	1,413	829	1,194	1,170	731	810	942	1,500	5,602	2,351
<b>Animal Control</b>										
Animals Restrained	N/A	388	491	786	765	967	1,187	796	810	939
<b>Highways and Streets</b>										
Street resurfacing (miles)	5.8	5.0	6	8	3	1	7	14	14	6
Potholes repaired	324	546	122	N/A	N/A	398	273	344	455	N/A
<b>Other Public Works</b>										
Utility cuts repaired	138	175	142	142	171	122	147	154	130	218
<b>Parks and Recreation</b>										
Athletic field permits issued	N/A									
Community center admissions	240,000	230,000	230,000	230,000	230,000	220,000	220,000	250,000	240,000	235,000
<b>Community Service</b>										
Number of organization benefited	16	16	16	16	16	16	17	15	15	15
Number of services benefited	4	4	4	4	4	4	4	5	5	6
<b>Environmental Services</b>										
Tons hauled	11,413	11,376	11,588	10,145	11,384	11,420	11,376	11,690	11,890	12,278
<b>Water</b>										
New connections	330	272	238	212	188	183	288	378	470	477
Water main breaks	38	40	32	36	48	50	62	56	48	39
Average daily consumption (thousands of gallons)	5,865	5,944	5,948	6,246	6,705	6,794	6,742	7,074	6,054	6,046
Peak daily consumption (thousands of gallons)	7,873	9,277	9,714	10,265	8,309	7,233	8,108	9,616	9,959	8,535
<b>Sewer</b>										
Average daily treatment (thousands of gallons)	6,435	6,992	6,285	5,621	5,835	5,392	5,172	4,550	5,225	4,698
<b>Electric</b>										
Average daily consumption (thousands of kilowatt hours)	2,186	2,184	2,176	2,164	2,146	2,140	1,858	2,161	2,062	2,092
<b>Natural Gas</b>										
Average Daily Consumption: Summer -April/October (thousands of cubic feet)	5,550	5,117	4,723	4,319	4,928	4,068	3,746	4,311	3,509	3,572
Winter-November/March (thousands of cubic feet)	9,078	9,660	8,823	6,940	9,102	7,860	7,401	7,664	7,377	6,930
<b>Golf</b>										
Rounds Played	35,000	45,000	45,000	45,000	44,000	46,000	46,000	45,000	45,728	44,091

**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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	76	73	64	77	70	71	67	62	61	59
<b>Fire</b>										
Stations	4	4	4	4	3	3	3	3	3	3
Fire trucks	8	8	7	7	9	9	9	9	9	9
<b>Animal Control</b>										
Trucks	2	2	2	2	2	2	2	2	1	1
<b>Highways and Streets</b>										
Streets (miles)	195.3	195.0	195	194	193	186	184	182	185	184
Streetlights	3,621	3,678	3,602	3,602	3,511	3,562	3,322	3,443	3,266	3,230
Traffic signals	362	354	352	352	358	330	329	320	251	251
Sidewalks (miles)	46	45	44	42	41	37	35	33	33	29
<b>Parks and Recreation</b>										
Acreage	532	532	532	532	532	532	532	486	486	486
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	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	6	6	4
Picnic Shelters	13	13	14	14	13	13	13	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	6	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)	8	8	5	5	4	4	4	4	4	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	
<b>Environmental Services</b>										
Refuse Trucks	20	21	20	19	18	17	16	15	13	13
<b>Water</b>										
Water mains (miles)	344	343	340	323	338	336	335	333	325	319
Fire hydrants	1,920	1,902	1,893	1,888	1,888	1,850	1,828	1,802	1,760	1,715
Storage capacity (thousands of gallons)	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Percent of Water Loss in System	12	15	15	20	21	23	22	12	7	4
<b>Sewer</b>										
Sewer mains (miles)	234	233	231	220	220	217	217	216	196	327
Pump Stations	41	40	40	40	40	37	37	37	37	32
<b>Natural Gas</b>										
Gas lines (miles)	376	368	363	361	360	359	355	350	338	328
<b>Golf</b>										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

**Sources:** Various city departments

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

## **INTERNAL CONTROL AND COMPLIANCE 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

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2016.

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.

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 did identify deficiencies in internal control that we consider to be material weaknesses.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003 to be material weaknesses.

### **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*.

In addition we noted other matters involving the internal control and its operation that we reported to management of the City in a separate letter dated January 5, 2016.

### **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  
January 5, 2016

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements described in the *(OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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 and material effect on each of its major federal programs for the year ended June 30, 2015.

Honorable Paige Brown, 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 a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

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

Jackson, Tennessee  
January 5, 2016

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 June 30, 2015

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	<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:		Unmodified
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

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction

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

\$           300,000

**Auditee qualified as low-risk auditee?**

           yes                          x     no

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2015-001      Audit Adjustments (Material Weakness)**

Condition:            The City maintains the books of the proprietary funds throughout the year on a modified-cash basis and then adjustments are made during the audit to convert from modified to full accrual. Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a deficiency in internal control even if management subsequently corrects the misstatement. During the audit there were entries posted to reclassify items from income statement accounts to the Statement of Net Position including capital asset purchases and debt activity in the proprietary funds and additionally there were material entries in the governmental funds for property tax receivables, grant receivable, unrecorded accounts payable, and to correct performance deposits 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 Statement of Net Position 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.

**2015-002      Capital Asset Records (Material Weakness)**

Condition:            The City records capital asset purchases as additions to the capital assets records on an ongoing basis. During the audit, while trying to reconcile current year additions, it was determined that there were additions that were not recorded as well as additions that were recorded multiple times to the capital asset records of the City.

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

Effect:                Maintaining inaccurate capital asset records causes the government-wide financial statements to be materially misstated during the year.

Recommendation: We recommend the City put a better process into place to update the capital asset records, track construction in process, and track capital purchases during the year. With the increase in capital expenditures over the last couple of years, we believe the City really should look a hiring a part/full-time person to oversee the capital asset records.

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

Response: Management has made changes in how the process is handled and is working to further improve the process with the current staff available.

**2015-003 Bank Reconciliations (Material Weakness)**

Condition: Bank reconciliations for the City's operating account are performed on a rolling basis rather than reconciling the current month general ledger balance to the current month bank balance using the current month activity. The current method of reconciling, on the rolling basis, is accumulating items from the beginning of the system implementation instead of just the current month's reconciling items. It was also determined that there were checks that should have been voided in May 2015 that were cleared until July 2015 causing the general ledger bank balance to be misstated at year end. We also noted that when we were onsite finalizing the audit in December 2015, the operating account had not been reconciled since June 2015.

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

Effect: Reconciling the bank balance on a monthly basis is a crucial part of the internal control process. The accounts should be reconciled in a timely manner and they should reconcile the month end general ledger balance to the month end bank balance by accounting for the current period activity in the account.

Recommendation: We recommend that the City change the way it is reconciling the operating account. We believe it may require some communication with the software company to determine why balances are carrying forward on the reconciliation. We further recommend that all accounts of the City be reconciled in a timely manner.

Response: Management will contact the software vendor to discuss the problem of inception-to-date versus monthly-activity-only reconciliations. While the current process is cumbersome to staff, the bank accounts are reconciled accurately to the general ledger. Additionally, management will contact the software vendor to discuss the voided check inaccuracy. There appears to be a technical issue with the way the City processed these few checks. Historically, staff has reconciled bank statements timely, usually reconciling within the following month. Management will make every effort to continue to be timely in this process. Beginning in late Spring 2015, there were unusual circumstances involving 2 separate departments and 2 separate functions that resulted in errors on the bank statements. Due to the complexity of the issues, additional time was needed to identify and correct the problems. The problems have been corrected and the resulting backlog is being addressed. Management anticipates having all bank reconciliations completed within the month.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Current Year Findings**

None reported.

**CITY OF GALLATIN, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2015

**Financial Statement Findings**

Finding Number	Finding Title	Status
2015-001	Audit Adjustments (Material Weakness) (previously 2011-001)	Repeated

**Federal Award Findings and Questioned Costs**

There were no prior year findings

**CITY OF GALLATIN, TENNESSEE**  
**CORRECTIVE ACTION PLAN**  
June 30, 2015

The City of Gallatin, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2015

The findings from the June 30, 2015 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**2015-001      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.

**2015-002      Capital Asset Records (Material Weakness)**

Condition: The City records capital asset purchases as additions to the capital assets records on an ongoing basis. During the audit, while trying to reconcile current year additions, it was determined that there were additions that were not recorded as well as additions that were recorded multiple times to the capital asset records of the City.

Response: Management has made changes in how the process is handled and is working to further improve the process with the current staff available.

**2015-003      Bank Reconciliations (Material Weakness)**

Condition: Bank reconciliations for the City's operating account are performed on a rolling basis rather than reconciling the current month general ledger balance to the current month bank balance using the current month activity. The current method of reconciling, on the rolling basis, is accumulating items from the beginning of the system implementation instead of just the current month's reconciling items. It was also determined that there were checks that should have been voided in May 2015 that were cleared until July 2015 causing the general ledger bank balance to be misstated at year end. We also noted that when we were onsite finalizing the audit in December 2015, the operating account had not been reconciled since June 2015.

**CITY OF GALLATIN, TENNESSEE**

**CORRECTIVE ACTION PLAN**

June 30, 2015

Response:

Management will contact the software vendor to discuss the problem of inception-to-date versus monthly-activity-only reconciliations. While the current process is cumbersome to staff, the bank accounts are reconciled accurately to the general ledger. Additionally, management will contact the software vendor to discuss the voided check inaccuracy. There appears to be a technical issue with the way the City processed these few checks. Historically, staff has reconciled bank statements timely, usually reconciling within the following month. Management will make every effort to continue to be timely in this process. Beginning in late Spring 2015, there were unusual circumstances involving 2 separate departments and 2 separate functions that resulted in errors on the bank statements. Due to the complexity of the issues, additional time was needed to identify and correct the problems. The problems have been corrected and the resulting backlog is being addressed. Management anticipates having all bank reconciliations completed within the month.