



PRELIMINARY OFFICIAL STATEMENT DATED JUNE 13, 2025
SERIES 2025 BONDS TO BE SOLD JUNE 24, 2025, AT 10:00 A.M. CENTRAL TIME

New Issue
Book-Entry Only

Rating: S&P "AA"

This Official Statement has been prepared by the City of Gallatin, Tennessee and provides information on the Series 2025 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

\$30,200,000*
CITY OF GALLATIN, TENNESSEE
WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025

Dated: Date of Delivery Due: January 1, as shown below*

Tax Exemption: In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Series 2025 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax except for certain corporations, as more fully described herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2025 Bonds, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the Series 2025 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. See "TAX MATTERS."

Interest Payment Dates: January 1 and July 1, beginning January 1, 2026*

Denominations: Multiples of \$5,000

Redemption: Series 2025 Bonds maturing on or after January 1, 2036 are callable at par at any time in any amount on or after January 1, 2035*. See "DESCRIPTION OF THE SERIES 2025 BONDS – Optional Redemption."

Security: The Series 2025 Bonds are payable solely from and secured by a first and senior lien on the revenues of the City's water and sewer system (the "System"), after payment of operating expenses, on a parity of lien with the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2021A, its Water and Sewer Revenue Refunding Bonds, Series 2021B (Federally Taxable), and any obligations hereafter issued on parity therewith. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2025 BONDS."

Purpose: Series 2025 Bond proceeds are being used for (i) financing extensions and improvements to the System (as more fully described herein), and (ii) paying costs of issuance. See "PLAN OF FINANCING."

Bond Counsel: Bass, Berry & Sims PLC, Nashville, Tennessee

Registration and Paying Agent: US Bank Trust Company National Association, Nashville, Tennessee

Municipal Advisor: Oakdale Municipal Advisors, LLC, Portland, Tennessee. Contact: Julianne Graham (615) 351-4409.

Issuer Contact: Rachel Nichols, Director of Finance (615) 451-5963

Book-Entry Only Form: The Depository Trust Company

Delivery Date: Expected July 8, 2025

Maturity (January 1)*	Principal*	Interest Rate	Yield	CUSIP No.*	Maturity (January 1)*	Principal*	Interest Rate	Yield	CUSIP No.*
2026	\$515,000				2039	\$1,205,000			
2027	710,000				2040	1,260,000			
2028	745,000				2041	1,320,000			
2029	780,000				2042	1,380,000			
2030	815,000				2043	1,440,000			
2031	850,000				2044	1,505,000			
2032	885,000				2045	1,570,000			
2033	925,000				2046	1,645,000			
2034	970,000				2047	1,715,000			
2035	1,015,000				2048	1,795,000			
2036	1,060,000				2049	1,875,000			
2037	1,105,000				2050	1,960,000			
2038	1,155,000								



June __, 2025
* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the Issuer from time to time, is an Official Statement with respect to the Series 2025 Bonds described herein that is deemed final by the Issuer as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2025 Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Issuer or by Oakdale Municipal Advisors, LLC, to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Issuer or the Series 2025 Bonds must not be relied upon as having been authorized by the Issuer or Oakdale Municipal Advisors, LLC. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date as of which information is given in this Official Statement.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2025 Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2025 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the City of Gallatin, Tennessee Water and Sewer Revenue Improvement Bonds, Series 2025.

All CUSIP data set forth herein is subject to copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed herein are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2025 Bonds, and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2025 Bonds.

THE CITY OF GALLATIN, TENNESSEE

MAYOR

Paige Brown

VICE-MAYOR

Craig Hayes

CITY COUNCIL

Todd Alexander
Shawn Fennell

Steven Carter
Paul Jones

Steve Fann
Pascal Jouvence

ADMINISTRATION

Finance Director
City Recorder/City Judge
Superintendent of Public Utilities
Director of Human Resources
Director of Planning
City Engineer
CBO, Building Official
Executive Director, Economic Development Agency
Chief of Police
Fire Chief
Director of Leisure Services
Superintendent of Public Works
CIO, Information Technology

Rachel Nichols
Connie W. Kittrell
David Kellogg
Courtney Cangemi
Brian Rose
Nick Tuttle
Chuck Stuart
Rosemary Bates
Don Bandy
Jeff Beaman
David F. Brown
Richard Depriest
Jennifer Lefevre

CITY ATTORNEY

Susan High-McAuley, Esq.
Gallatin, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

REGISTRATION AND PAYING AGENT

U.S. Bank Trust Company, National Association
Nashville, Tennessee

MUNICIPAL ADVISOR

Oakdale Municipal Advisors, LLC
Portland, Tennessee

UNDERWRITER

_____, _____

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NOTICE OF SALE
\$30,200,000*
CITY OF GALLATIN, TENNESSEE
WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025

Notice is hereby given that the City of Gallatin, Tennessee (the "City") will accept a written bid or electronic bid for the purchase of all, but not less than all, of the City's \$30,200,000* Water and Sewer Revenue Improvement Bonds, Series 2025 (the "Series 2025 Bonds") until:

10:00 A.M. Central Time on Tuesday, June 24, 2025.

Written bids must be addressed and delivered to the City to the attention of the Mayor, c/o the Office of the Finance Director, 132 West Main Street, Gallatin, Tennessee 37066. Electronic bids must be submitted to PARITY® via BiDCOMP Competitive Bidding System. No other form of electronic bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened and read at such time and place on said day. For purposes of both written and electronic bidding processes, the time as maintained by BiDCOMP/PARITY® shall constitute the official time with respect to all bids submitted. **The sale on June 24, 2025 may be postponed prior to the time bids are received as published on www.I-dealProspectus.com. If such postponement occurs, a later public sale may be held at the hour and place and on such date as communicated via www.I-dealProspectus.com upon forty-eight hours' notice.** If any provisions of this Notice of Sale conflict with information provided by BiDCOMP/PARITY® as the provider of electronic bidding services, this Notice of Sale shall control.

The Series 2025 Bonds will be dated the date of delivery (assume July 8, 2025) and will mature on January 1 in the years 2026 through 2050*, inclusive, with term bonds optional. The interest rate or rates on the Series 2025 Bonds shall not exceed five percent (5.00%) per annum and shall be payable semi-annually on January 1 and July 1, commencing January 1, 2026. No bid for the Series 2025 Bonds will be considered for less than one hundred percent (100%) of par or for more than one hundred fifteen (115.00%) of par. The Series 2025 Bonds maturing January 1, 2036 and thereafter are callable on January 1, 2035 and thereafter as provided in the Detailed Notice of Sale. The Series 2025 Bonds will be awarded to the bidder whose bid results in the lowest true interest cost on the Series 2025 Bonds. The Series 2025 Bonds are payable solely from and secured by a first and senior lien on the revenues of the City's water and sewer system, after payment of operating expenses.

After opening the bids, the City reserves the right to increase or decrease the principal amount of each maturity as described in the Detailed Notice of Sale.

In the event the competitive sale requirements of applicable Treasury Regulations are not met, the City will require bidders to comply with the "hold-the-offering-price rule" for purposes of determining the issue price of the Series 2025 Bonds.

The book-entry only Series 2025 Bonds (except that the Series 2025 Bonds shall not be required to be book-entry if purchased by a bidder who does not intend to reoffer the Series 2025 Bonds) and approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, will be furnished at the expense of the City. Additional information, including the Official Statement and Detailed Notice of Sale, may be obtained from the Office of the Finance Director, 132 West Main Street, Gallatin, Tennessee 37066, or from the City's Municipal Advisor, Oakdale Municipal Advisors, LLC, Telephone: 615.351.4409; Electronic Mail: julianne@oakdale-ma.com; Attention: Julianne Graham.

Paige Brown
Mayor

*Preliminary, subject to change as provided in the Detailed Notice of Sale.

DETAILED NOTICE OF SALE

\$30,200,000*

CITY OF GALLATIN, TENNESSEE

WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025

Time and Place of Sale

Notice is hereby given that the Mayor of the City of Gallatin, Tennessee (the "City") will accept a written bid or electronic bid for the purchase of all, but not less than all, of the City's \$30,200,000* Water and Sewer Revenue Improvement Bonds, Series 2025 (the "Series 2025 Bonds") until:

10:00 A.M. Central Time on June 24, 2025.

Written bids must be addressed and delivered to the City to the attention of the Mayor, c/o the Office of the Finance Director, 132 West Main Street, Gallatin, Tennessee 37066. Electronic bids must be submitted to PARITY® via the BiDCOMP Competitive Bidding System. No other form of electronic bid or provider of electronic bidding services will be accepted. Such bids are to be publicly opened and read at such time and place on said day. For purposes of both written and electronic bidding processes, the time as maintained by BiDCOMP/PARITY® shall constitute the official time with respect to all bids submitted. If any provisions of this Notice of Sale conflict with information provided by BiDCOMP/PARITY® as the approved provider of electronic bidding services, this Notice of Sale shall control. ***The sale of all the Series 2025 Bonds on June 24, 2025 may be postponed prior to the time bids are to be received and as published on I-dealProspectus.com. If such postponement occurs, a later public sale may be held at the hour and place and on such date as communicated via I-dealProspectus.com upon forty-eight hours' notice.*** Unless all bids for the Series 2025 Bonds are rejected as set forth in this Detailed Notice of Sale under the heading "Basis of Award", the Series 2025 Bonds will be awarded on such date by the Mayor of the City.

Description of Series 2025 Bonds

The Series 2025 Bonds will be issued in fully registered, book-entry form (except as otherwise provided herein), without coupons, be dated the date of delivery, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or transferor thereof, as appropriate, and will mature and be payable on January 1 of each year as follows:

<u>Year*</u>	<u>Maturity Amount*</u>	<u>Year*</u>	<u>Maturity Amount*</u>
2026	\$515,000	2039	\$1,205,000
2027	710,000	2040	1,260,000
2028	745,000	2041	1,320,000
2029	780,000	2042	1,380,000
2030	815,000	2043	1,440,000
2031	850,000	2044	1,505,000
2032	885,000	2045	1,570,000
2033	925,000	2046	1,645,000
2034	970,000	2047	1,715,000
2035	1,015,000	2048	1,795,000
2036	1,060,000	2049	1,875,000
2037	1,105,000	2050	1,960,000
2038	1,155,000		

*Preliminary, subject to change as provided herein.

Registration and Depository Participation

Except as otherwise set forth herein, the Series 2025 Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. The book-entry system will evidence beneficial ownership interests of the Series 2025 Bonds in the principal amount of \$5,000 and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Series 2025 Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the Series 2025 Bonds will be payable semiannually on January 1 and July 1, beginning January 1, 2026, and principal of the Series 2025 Bonds will be payable, at maturity or upon redemption, to DTC or its nominee as registered owner of the Series 2025 Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Series 2025 Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that the book-entry only system for the Series 2025 Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 or integral multiples thereof. In addition, if the successful bidder for the Series 2025 Bonds certifies that it has no present intent to reoffer the Series 2025 Bonds, the Series 2025 Bonds may be issued in fully registered form only. The ownership of Series 2025 Bonds so delivered shall be registered in registration books to be kept by U.S. Bank Trust Company, National Association, Nashville, Tennessee, as registration and paying agent (the "Registration Agent"), at its designated corporate office, and the City and the Registration Agent shall be entitled to treat the registered owners of the Series 2025 Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the resolution authorizing the Series 2025 Bonds.

Optional Redemption

Series 2025 Bonds maturing on January 1, 2036 and thereafter shall be subject to redemption prior to maturity at the option of the City on or after January 1, 2035 as a whole, or in part, at any time, at the redemption price of par, plus interest accrued to the redemption date.

If less than all the Series 2025 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the City Council of the City in its discretion. If less than all the Series 2025 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Series 2025 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2025 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Series 2025 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2025 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Mandatory Redemption

The successful bidder shall have the option to designate certain consecutive serial maturities of the Series 2025 Bonds as one or more Term Bonds, each Term Bond bearing a single interest rate. If a successful bidder designates certain consecutive serial maturities to be combined into one or more Term Bonds, each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to 100% of the principal

amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed above for such principal payment date. Term Bonds to be redeemed within a single maturity shall be determined by DTC, or its successor, by lot or such other manner as DTC, or successor, shall determine; or if the Term Bonds are not being held under a Book-Entry System, the Term Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Purpose and Authority of Bonds

The Series 2025 Bonds are being issued for the purpose of financing capital improvements to the City's water and sewer system (the "System"), consisting primarily of constructing a raw water intake and related improvements (the "Project"); and paying the costs of issuing the Series 2025 Bonds. Pursuant to the Resolution, the proceeds of the Series 2025 Bonds (excluding proceeds applied to the payment of costs of issuance and underwriter's discount) will be deposited in a construction fund (the "Construction Fund") to be held and invested by the City and used to pay costs of the Project. Monies in the Construction Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project. The Series 2025 Bonds are being issued under and in full compliance with the constitution and statutes of the State of Tennessee, including Section 7-34-101 et seq., Tennessee Code Annotated, and pursuant to a resolution adopted by the City Council of the City on February 18, 2025 (the "Resolution").

Security and Sources of Payment

The Series 2025 Bonds are limited obligations of the City, payable solely from, and secured solely by a pledge of, the Net Revenues (as defined in the Resolution) of the System, on parity with the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015, its Water and Sewer Revenue Improvement Bonds, Series 2021A, and its Water and Sewer Revenue Refunding Bonds Series 2021B (Federally Taxable) and any obligations hereafter issued on parity therewith. **The Series 2025 Bonds do not constitute a debt, liability, general or moral obligation, or pledge of the faith and credit or taxing power of the City. No governmental entity, including the City, is obligated to levy any tax for the payment of the Series 2025 Bonds. The pledge of and lien on Net Revenues securing the Series 2025 Bonds does not create a legal or equitable pledge, charge, lien, or encumbrance upon any of the City's property or income, receipts, or revenues, except the Net Revenues and the amounts on deposit in the funds held under the Resolution.**

Submission of Bid

All bids must be submitted as set forth under the heading "**Time and Place of Sale,**" set forth above.

Written bids must be enclosed in a sealed envelope bearing the name and address of the bidder, clearly and legibly marked on the outside "Bid for Bonds" and addressed and delivered to the following address:

Office of the Mayor
c/o Office of the Finance Director
132 West Main Street
Gallatin, Tennessee 37066

Written bids must be submitted on the Bid Form included with the Preliminary Official Statement or on a reasonable facsimile thereof. Electronic bids must be submitted to PARITY® via the BiDCOMP Competitive Bidding System. An electronic bid made through the facilities of BiDCOMP/PARITY® shall be deemed an offer to purchase in response to the Notice of Sale and shall be binding upon the bidder as if made by a signed sealed written bid made to the City. To the extent any instructions or directions set forth in BiDCOMP/PARITY® conflict with the terms of the Detailed Notice of Sale, the Detailed Notice of Sale shall prevail. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of electronic bidding facilities. The use of such

facilities is at the sole risk of the bidders. Subscription to I-Deal's BiDCOMP/PARITY® Competitive Bidding System by a bidder is required in order to submit an electronic bid. The City will not confirm any subscription or be responsible for the failure of any prospective bidder to subscribe. Bids must be unconditional and received by BiDCOMP/PARITY® before the time stated above. Bidders shall be required to comply with the provisions regarding a Good Faith Deposit as described below in the section entitled "Good Faith Deposit". The City is not liable for any costs incurred in the preparation, delivery, acceptance or rejection of any bid, including, without limitation, the providing of a bid security deposit.

Form of Bids

All bids for the Series 2025 Bonds must be for not less than all the Series 2025 Bonds. Bidders must bid not less than 100% of par nor greater than 115% of par (the "Purchase Price") for all the Series 2025 Bonds. Bidders must specify the interest rate or rates the Series 2025 Bonds are to bear in multiples of one-eighth (1/8th) or one-one hundredth (1/100th) of one percent (1%), but no rate specified for the Series 2025 Bonds shall be in excess of 5% per annum. There will be no limitation on the number of rates of interest which may be specified for the Series 2025 Bonds, but one rate of interest shall apply to all the Series 2025 Bonds of a maturity. Bidders may designate two or more consecutive serial maturities as one or more Term Bond maturities equal in aggregate principal amount to, and with mandatory redemption requirements corresponding to, such designated serial maturities. Bidders must specify the reoffering prices or yields of each maturity. Each maturity of the Series 2025 Bonds must be reoffered at a price of not less than 98% of the par amount of such maturity.

Revised Maturity Schedule

The aggregate principal amount of the Series 2025 Bonds (the "Preliminary Aggregate Principal Amount") and the annual principal amounts of Series 2025 Bonds (the "Preliminary Annual Principal Amounts" and collectively, with reference to the Preliminary Aggregate Principal Amounts, the "Preliminary Amounts") set forth in this Detailed Notice of Sale may be revised before the viewing of bids for the purchase of the Series 2025 Bonds. Any such revisions (the "Revised Aggregate Principal Amount", the "Revised Annual Principal Amounts" and the "Revised Amounts") WILL BE GIVEN BY NOTIFICATION PUBLISHED ON www.i-dealProspectus.com NOT LATER THAN 4:00 P.M., CENTRAL TIME ON THE DAY PRECEDING THE RECEIPT OF BIDS. In the event no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated in this Detailed Notice of Sale. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Prospective bidders may request notification by electronic mail of any revisions in the Preliminary Amounts by so advising and sending their electronic mail address to Oakdale Municipal Advisors, LLC, Municipal Advisor to the City, at julianne@oakdale-ma.com or by calling 615.351.4409 by Noon Central Time, at least one day prior to the date for receipt of the bids.

Changes to Maturity Schedule

The City reserves the right to change the Revised Aggregate Principal Amount of the Series 2025 Bonds and the Revised Annual Principal Amounts of the Series 2025 Bonds after determination of the winning bidder, by increasing or decreasing the Revised Annual Principal Amount of each maturity of the Series 2025 Bonds (which could result in the elimination of certain maturities) provided that the principal amount of the Series 2025 Bonds may not exceed \$30,200,000. Such changes, if any, will determine the final annual principal amounts of the Series 2025 Bonds (the "Final Annual Principal Amounts") and the final aggregate principal amount of Series 2025 Bonds (the "Final Aggregate Principal Amount"). The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Final Aggregate Principal Amount of the Series 2025 Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The City anticipates that the Final Annual Principal Amounts of the Series 2025 Bonds and the Final Aggregate Principal Amount of Series 2025 Bonds will be communicated to the successful bidder prior to the award of the Series 2025 Bonds. THE DOLLAR AMOUNT BID BY THE SUCCESSFUL BIDDER FOR THE PURCHASE OF THE Series 2025 BONDS WILL BE ADJUSTED TO REFLECT ANY CHANGE IN THE ANNUAL PRINCIPAL AMOUNTS BASED UPON THE ASSUMPTION THAT THE COUPON RATES, REOFFERING PRICES, AND THE UNDERWRITER'S DISCOUNT (EXCLUDING ORIGINAL ISSUE DISCOUNT/PREMIUM) STATED AS A PERCENTAGE OF THE AGGREGATE PRINCIPAL AMOUNT, AS SPECIFIED BY THE SUCCESSFUL BIDDER WILL NOT CHANGE.

Basis of Award

If an award is made, the Series 2025 Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the City for the Series 2025 Bonds as determined by reference to the Revised Aggregate Principal Amounts as discussed in the paragraph above. The lowest true interest cost on the Series 2025 Bonds will be calculated as that rate which when used in computing the present worth of all payments of principal and interest on the Series 2025 Bonds (compounded semi-annually from the dated date of such Series 2025 Bonds) produces a yield equal to the purchase price of the Series 2025 Bonds. For the purpose of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of a Term Bond shall be treated as a serial maturity in each year. Each bidder is required to specify its calculation of the true interest cost resulting from its bid, but such information shall not be treated as part of its proposal.

In the event two or more of the bidders offer to purchase the Series 2025 Bonds thereof at the same lowest true interest cost, the Mayor shall determine, in her sole discretion, which of the bidders shall be awarded the Series 2025 Bonds.

The Mayor reserves the right to waive any irregularity or informality in any bid, and to reject any or all bids, and notice of rejection of any bid will be made promptly. Unless all bids are rejected, award of Series 2025 Bonds will be made by the Mayor on the sale date.

Good Faith Deposit

The successful bidder will be required to submit a good faith deposit (the "Deposit") in the amount of \$604,000 for the Series 2025 Bonds. The Deposit shall be provided in the form of a federal funds wire transfer submitted to the City by the successful bidder by 3:00 p.m. Central Time on the date of the sale, provided the City awards the bid by 1:00 p.m. Central Time; otherwise the wire shall be received not later than 12:00 noon Central Time on the next business day following the award. The Mayor reserves the right to adjust the time the deposit is to be received if there are problems with electronic transfers of funds or other acceptable reasons.

Wire transfer instructions shall be submitted to the successful bidder. In the event the successful bidder fails to timely submit the Deposit, the award may be terminated by the Mayor, and the Mayor, in her discretion, may award the Series 2025 Bonds to the bidder whose bid results in the next lowest true interest cost to the City as the lowest complying bidder or hold a subsequent sale of the Series 2025 Bonds. The City shall have no liability to any bidder who fails to properly submit a Deposit.

The Deposit of the successful bidder will be deposited by the City and the proceeds thereof credited with no interest allowed thereon against the total purchase price to be paid for the Series 2025 Bonds upon their delivery or retained as and for full liquidated damages if the successful bidder fails to accept delivery of and pay for the Series 2025 Bonds. If a successful bidder fails to timely make the Deposit for the Series 2025 Bonds, the award may be terminated in the discretion of the Mayor and the City shall be entitled to an amount equal to the Deposit as liquidated damages for failure of the successful bidder to comply with the terms of the award of the Series 2025 Bonds.

CUSIP

A CUSIP number may be printed on each of the Series 2025 Bonds, but neither failure to print such number on any Series 2025 Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2025 Bond. The policies of the CUSIP Service Bureau will govern the assignment of the specific numbers to the Series 2025 Bonds. The City's Municipal Advisor will request the assignment of CUSIP numbers no later than one (1) business day after dissemination of the Notice of Sale, in accordance with MSRB Rule G-34. All expenses in relation to the printing of CUSIP numbers on the Series 2025 Bonds will be paid for by the City.

Establishment of Issue Price

General. The winning bidder shall assist the City in establishing the issue price of the Series 2025 Bonds as more fully described herein. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

Anticipated Compliance with Competitive Sale Requirements. The City anticipates that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series 2025 Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the City expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- the City anticipates awarding the sale of the Series 2025 Bonds to the bidder who submits a firm offer to purchase the Series 2025 Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Series 2025 Bonds, as specified in the bid.

Intention to Apply the Hold-the-Offering-Price Rule if Competitive Sale Requirements are Not Met. In the event that the competitive sale requirements are not satisfied with respect to the Series 2025 Bonds, the City intends to treat the initial offering prices of the Series 2025 Bonds to the public as the issue price of such Series 2025 Bonds (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity).

Application of the Hold-the-Offering-Price Rule. If the competitive sale requirements are not satisfied, then the successful bidder shall, on behalf of the underwriters participating in the purchase of the Series 2025 Bonds (i) confirm that the underwriters have offered or will offer each maturity of the Series 2025 Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Series 2025 Bonds, that the underwriters will neither offer nor sell unsold Series 2025 Bonds of any maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- the close of the fifth (5th) business day after the sale date; or
- the date on which the underwriters have sold at least 10% of that maturity of the Series 2025 Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Series 2025 Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that, in making the agreements and representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2025 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2025 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that

each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2025 Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2025 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Series 2025 Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Series 2025 Bonds of that maturity or all Series 2025 Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Series 2025 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2025 Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Series 2025 Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Series 2025 Bonds of that maturity or all Series 2025 Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Definitions. Sales of any Series 2025 Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- “public” means any person other than an underwriter or a related party,
- “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2025 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2025 Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2025 Bonds to the public),
- a purchaser of any of the Series 2025 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- “sale date” means the date that the Series 2025 Bonds are awarded by the City to the winning bidder.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing, together with any supporting documentation such as pricing wires or equivalent communications. In the event the winning bidder will not reoffer any maturity of the Series 2025 Bonds for sale to the Public (as defined herein) by the delivery date of the Series 2025 Bonds, the issue price certificate may be modified in a manner approved by the City.

Provision of Information for the Official Statement

The successful bidder must furnish the following information to the City to complete the *Official Statement* in final form within 2 hours after receipt and award of the bids for the Series 2025 Bonds:

1. The initial offering prices or yields for the Series 2025 Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidders are part of a group or syndicate; and
4. Any other material information necessary to complete the Official Statement in final form but not known to the City.

Official Statement

The City will provide or cause to be provided, to the successful bidder, either in electronic format or printed copies, the final official statement sufficient in quantity to enable the successful bidder to comply with SEC Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board. Said final official statements will be provided to the successful bidder not later than seven (7) business days after the sale, or, if the City, or its Municipal Advisor, is notified that any confirmation requesting payment from any customer will be sent before the expiration of such period and specifying the date such confirmation will be sent, the final official statements will be provided in sufficient time to accompany such confirmation.

Continuing Disclosure

The City will, at the time the Series 2025 are delivered, execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Series 2025 Bonds to provide certain financial information and operating data relating to the City not later than twelve months after each of the City's fiscal years (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the City. The Annual Report (and audited financial statements, if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.com and with any State Information Depository established in the State of Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the City's official statement to be prepared and distributed in connection with the sale of the Series 2025 Bonds.

Legal Opinion and Transcript

The book-entry Series 2025 Bonds and the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel (which will be delivered with the Series 2025 Bonds), together with the Series 2025 Bond transcript, including a certificate as to no litigation from the City dated as of the date of the delivery of the Bonds, will be furnished to the purchaser at the expense of the City. As set forth in the Official Statement and subject to the limitations set forth therein, Bond Counsel's opinion will include an opinion that interest on the Series 2025 Bonds (i) will be excluded from gross income for federal income tax purposes; and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except for certain corporations, as more fully described in the official statement. Owners of the Series 2025 Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. For a discussion thereof, reference is made to the Official Statement and the form of bond counsel opinion contained in the Official Statement.

Delivery and Payment

The Series 2025 Bonds are expected to be ready for delivery on or about July 8, 2025 in book-entry form (except as otherwise provided herein). At least five (5) days' notice will be given to the bidder. Delivery will be made through The Depository Trust Company, New York, New York at the expense of the purchaser. Payment for the Series 2025 Bonds must be made in federal funds or other immediately available funds.

Further Information

Copies of the Preliminary Official Statement may be obtained from the undersigned at the Office of the Finance Director, 132 West Main Street, Gallatin, Tennessee 37066, or from Oakdale Municipal Advisors, LLC, Attention: Julianne Graham; Telephone: 615.351.4409; Electronic Mail: julianne@oakdale-ma.com.

Paige Brown
Mayor

\$30,200,000*
CITY OF GALLATIN, TENNESSEE
WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025
OFFICIAL BID FORM

Honorable Paige Brown, Mayor
c/o Office of Finance Director
132 West Main Street
Gallatin, Tennessee 37066

June 24, 2025

For your legally issued, properly executed City of Gallatin, Tennessee (the "City") \$30,200,000* Water and Sewer Revenue Improvement Bonds, Series 2025 (the "Series 2025 Bonds") and in all respects to be as more fully outlined in your Detailed Notice of Sale, which by reference is made a part hereof, we will pay you a sum of \$_____.

The Series 2025 Bonds will be dated the date of delivery (assume July 8, 2025), will mature on January 1 as shown below, and shall bear interest at the following rates:

<u>Maturity</u> <u>(January 1)*</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>Maturity</u> <u>(January 1)*</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>
2026	\$515,000	_____	_____	2039	\$1,205,000	_____	_____
2027	710,000	_____	_____	2040	1,260,000	_____	_____
2028	745,000	_____	_____	2041	1,320,000	_____	_____
2029	780,000	_____	_____	2042	1,380,000	_____	_____
2030	815,000	_____	_____	2043	1,440,000	_____	_____
2031	850,000	_____	_____	2044	1,505,000	_____	_____
2032	885,000	_____	_____	2045	1,570,000	_____	_____
2033	925,000	_____	_____	2046	1,645,000	_____	_____
2034	970,000	_____	_____	2047	1,715,000	_____	_____
2035	1,015,000	_____	_____	2048	1,795,000	_____	_____
2036	1,060,000	_____	_____	2049	1,875,000	_____	_____
2037	1,105,000	_____	_____	2050	1,960,000	_____	_____
2038	1,155,000	_____	_____				

Principal of and interest on the Series 2025 Bonds will be payable at the principal corporate trust office of U.S. Bank Trust Company, National Association, Nashville, Tennessee.

This bid is made with the understanding that the City will furnish without cost to the successful bidder the unqualified approving opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee, and the executed Series 2025 Bonds.

We have exercised the option to designate two or more consecutive serial maturities as Term Bonds as set forth below:

Term Bond 1: Maturities from January 1, 20____ through January 1, 20____ @ _____.
Term Bond 2: Maturities from January 1, 20____ through January 1, 20____ @ _____.
Term Bond 3: Maturities from January 1, 20____ through January 1, 20____ @ _____.
Term Bond 4: Maturities from January 1, 20____ through January 1, 20____ @ _____.
Term Bond 5: Maturities from January 1, 20____ through January 1, 20____ @ _____.

* Preliminary, subject to change as set forth in the Detailed Notice of Sale.

In accordance with the terms of the Detailed Notice of Sale, we will wire a good faith deposit in the amount of \$604,000 to the City as set forth in the Detailed Notice of Sale, which is to be applied in accordance with the Detailed Notice of Sale. The good faith deposit shall be provided in the form of:

Federal Funds Wire Transfer. A federal funds wire transfer submitted to the City by the successful bidder by 3:00 p.m. Central Time on the day of the sale provided the City awards the bid by 1:00 p.m. Central Time otherwise the wire shall be received not later than 12:00 noon Central Time on the next business day following the award. The Mayor reserves the right to adjust the time the deposit is to be received if there are problems with electronic transfers of funds or other acceptable reasons.

Wire transfer instructions are available from Oakdale Municipal Advisors, LLC, Attn: Julianne Graham, Telephone (615) 351-4409; Email: julianne@oakdale-ma.com. In the event the successful bidder fails to timely submit the Deposit, the award may be terminated by the Mayor, and the Mayor, in her discretion, may award the Series 2025 Bonds to the bidder whose bid results in the next lowest true interest cost to the Issuer as the lowest complying bidder or hold a subsequent sale of the Bonds. The City shall have no liability to any bidder who fails to properly submit a Deposit.

In the event this bid is accepted and should for any reason we fail to comply with the terms of this bid, said deposit will be forfeited by us as full liquidated damages; otherwise, said deposit will be credited against the purchase price of the Series 2025 Bonds at closing. In the event the Mayor fails to deliver the Bonds to us as described in the Detailed Notice of Sale, said deposit will be returned to us.

Accepted this 24^h day of June, 2025

Respectfully submitted,

Mayor

Firm Name

Signature

Title

Telephone Number of Person to Submit Bid

The following is for information purposes only.

Total Interest Cost	
Plus discount or less premium, if any	
Net Interest Cost	
True Interest Rate (TIC)	

(The calculations of Net Interest Costs and True Interest Rate and the Reoffering Prices are for information purposes only and do not constitute a part of this bid.)

OFFICIAL STATEMENT

\$30,200,000*

THE CITY OF GALLATIN, TENNESSEE WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by the City of Gallatin, Tennessee (the "City") of \$30,200,000* in aggregate principal amount of its Water and Sewer Revenue Improvement Bonds, Series 2025 (the "Series 2025 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A – Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2025 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The City is a municipal corporation of the State of Tennessee incorporated pursuant to Chapter 67 of the 1953 Private Acts of the State of Tennessee, as amended. The City owns and operates a water and wastewater system (the "System"), serving residents and businesses within its corporate limits and certain adjacent areas. See Appendix D.

The Series 2025 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to Sections 7-34-101 et seq., Tennessee Code Annotated (the "Act") and pursuant to a Resolution adopted by the City Council (the "Governing Body") on July 1, 2008, as supplemented by a Supplemental Resolution adopted by the Governing Body on February 18, 2025 (collectively, the "Resolution").

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the City, the System, the Series 2025 Bonds, and the security and sources of payment for the Series 2025 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2025 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to the City of a charge for copying, mailing and handling, from Rachel Nichols, Director of Finance, City of Gallatin, 132 West Main Street, Gallatin, TN 37066; telephone 615.451.5963.

PLAN OF FINANCING

The Series 2025 Bonds are being issued for the purpose of financing capital improvements to the System, consisting primarily of a raw water intake and related improvements throughout the service area of the System (the "Project"); and paying the costs of issuing the Series 2025 Bonds. Pursuant to the Resolution, the proceeds of the Series 2025 Bonds (excluding proceeds applied to the payment of costs of issuance and underwriter's discount) will be deposited in a construction fund (the "Construction Fund") to be held and invested by the City and used to pay costs of the Project. Monies in the Construction Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project.

*Items marked with an asterisk throughout this Preliminary Official Statement are preliminary and subject to change.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2025 Bonds are estimated below.

Sources of Funds:

Par Amount of Series 2025 Bonds	_____
[Less: Original Issue Discount]	_____
[Plus: Original Issue Premium]	_____
 Total Sources of Funds	 _____

Uses of Funds:

Deposit to Construction Fund	_____
Costs of Issuance ⁽¹⁾	_____
 Total Uses of Funds	 _____

⁽¹⁾ Includes legal and accounting fees, municipal advisory fees, underwriter's discount, rating agency fees, and other costs of issuance.

DESCRIPTION OF THE SERIES 2025 BONDS

General

The Series 2025 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2025 Bonds is payable on each January 1 and July 1, commencing January 1, 2026*.

Payment of the principal of and interest on the Series 2025 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2025 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2025 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the City maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2025 Bonds will be paid upon the presentation and surrender of the Series 2025 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2025 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the City to the persons in whose names the Series 2025 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which date will be fixed in the following manner: the City will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2025 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the City of such Special Record Date, and in the manner and at the expense of the City, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed,

first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2025 Bonds will be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof. The Series 2025 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2025 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2025 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent, will cause to be authenticated and delivered a new Series 2025 Bond or Series 2025 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2025 Bonds surrendered for such transfer. When not in book-entry form, the Series 2025 Bonds may be exchanged for a like principal amount of Series 2025 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2025 Bonds.

Optional Redemption

The Series 2025 Bonds maturing on or after January 1, 2036 are subject to redemption prior to maturity at the option of the City on or after January 1, 2035, in whole or in part (with less than all such Series 2025 Bonds of a single maturity to be selected by lot within a maturity in such manner as may be designated by the Registration Agent) at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 2025 Bonds maturing on _____ are subject to scheduled mandatory redemption prior to maturity in part (by lot in such manner as may be designated by the Registration Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below:

Date	Principal
(_____)	<u>Amount</u>

At its option, to be exercised on or before the 45th day next preceding such scheduled mandatory redemption date, the City, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2025 Bonds of the same maturity subject to scheduled mandatory redemption which are delivered to the Paying Agent for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2025 Bonds of the same maturity which prior to said date have been redeemed (otherwise than through scheduled

mandatory redemption) and canceled by the Paying Agent and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2025 Bond so delivered or previously redeemed shall be credited by the Registration Agent, at the principal amount thereof to the obligation of the City on such scheduled mandatory redemption date and the principal amount of the Series 2025 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.

Notice of Redemption

Notice of redemption, whether optional or mandatory, will be given by first class mail not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption, to all registered owners of Series 2025 Bonds to be redeemed at their addresses of record as they appear on the books of the Registration Agent. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2025 Bond. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2025 Bond. Interest shall cease to accrue on any Series 2025 Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for.

Book-Entry Only Bonds

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2025 Bonds. The Series 2025 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2025 Bond certificate will be issued for each maturity of the Series 2025 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will

not receive certificates representing their ownership interests in Series 2025 Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Series 2025 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2025 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2025 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2025 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Registration Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registration Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the City or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2025 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE STATE, NOR THE REGISTRATION AGENT HAS ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2025 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE

GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2025 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2025 BONDS

General

The Series 2025 Bonds are limited obligations of the City, payable solely from the Net Revenues of the System, on parity and equality of lien with the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015, Water and Series Revenue Improvement Bonds, Series 2021A, and Water and Sewer Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the "Outstanding Bonds"). Except for the Outstanding Bonds and the Series 2025 Bonds, there is no other debt payable from the Net Revenues of the System.

The Series 2025 Bonds do not constitute a debt, liability, general or moral obligation, or pledge of the faith and credit or taxing power of the City. No governmental entity, including the City, is obligated to levy any tax for the payment of the Series 2025 Bonds. The pledge of and lien on Net Revenues securing the Series 2025 Bonds does not create a legal or equitable pledge, charge, lien, or encumbrance upon any of the City's property or income, receipts, or revenues, except the Net Revenues and the amounts on deposit in the funds held under the hereinafter described Resolution.

Pledge of Net Revenues

Under the terms of the Resolution, the Series 2025 Bonds, the Series 2021A Bonds, the Series 2021B Bonds (Federally Taxable), the Series 2015 Bonds, the Series 2014 Bonds, the Series 2011 Bonds, and any Parity Bonds (as described below) are secured by a senior lien on the Net Revenues of the System. See Appendix D for information regarding the City, the City's service area and the System, and "DEBT SERVICE SCHEDULE" for information regarding the City's debt service obligations with respect to the Series 2025 Bonds, the Series 2021 Bonds, Series 2015 Bonds, the Series 2014 Bonds and the Series 2011 Bonds.

Funds and Accounts; Flow of Funds

The Resolution requires the City to deposit all Revenues of the System to the Revenue Fund. From the Revenue Fund, the City is to make the following payments:

- (1) Pay Operating Expenses.
- (2) Deposit to a Sinking Fund amounts necessary for payment of debt service on Senior Lien Revenue Obligations, including the Series 2025 Bonds. The Sinking Fund is reserved solely for the payment of debt service on Senior Lien Revenue Obligations. The Resolution requires that deposits for the Senior Lien Revenue Obligations to be made to the Sinking Fund in equal monthly installments sufficient to accrue for the semiannual payment of interest and the annual payment of principal of the Senior Lien Revenue Obligations.
- (3) Deposit to a Debt Service Reserve Account for Senior Lien Revenue Obligations, if established by the City. **The City has not established a Debt Service Reserve Account for the Series 2025 Bonds.**
- (4) Pay debt service on Subordinate Lien Debt Obligations and other System indebtedness and contractual obligations.
- (5) Make any other lawful payments.

Rate Covenant

The Resolution requires the City to maintain rates, fees, and other charges for the services and facilities furnished by the System such that Net Revenues in each Fiscal Year:

- (1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the City; and
- (2) will equal at least 120% of the Debt Service Requirement on the Senior Lien Revenue Obligations, plus 100% of the Debt Service Requirement on all other Revenue Obligations then Outstanding for such Fiscal Year; and
- (3) will enable the City to make all required payments, if any, into any fund or account established by the Resolution and on any Contract or Other System Obligation;
- (4) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years; and
- (5) will permit the City to comply with the terms of any agreement that the City has entered into to purchase or sell water.

Parity Bonds

The Resolution does not permit the City to issue additional bonds with a lien on Net Revenues senior to that of the Series 2025 Bonds. The Resolution permits the issuance of additional Senior Lien Revenue Obligations on parity with the Series 2011 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2021 Bonds, and the Series 2025 Bonds ("Parity Bonds") if:

- (1) the additional Senior Lien Revenue Obligations are refunding obligations, and the refunding will reduce the total debt service payments on Outstanding Senior Lien Revenue Obligations, including payments on related Contracts, which are secured on parity with the revenue Obligations to be refunded, on a present value basis.
- (2) The additional Senior Lien Revenue Obligations are either refunding and/or improvement bonds, and the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Additional Obligations or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the maximum annual Debt Service Requirement on all Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith, in the then current and each succeeding Fiscal Year, provided, however, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Additional Obligations and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the City has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the City has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

Additional Borrowing Plans

The City has authorized no additional borrowing for System improvements at this time; however, the capital improvement plan for the System indicates near term projects, a portion of which are expected to be funded with bonds in the next three years. It is not possible to foresee all capital needs, and circumstances may change.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements during each fiscal year on the Outstanding Bonds and the Series 2025 Bonds. The City has no other indebtedness payable from System revenues.

CITY OF GALLATIN, TENNESSEE Water and Sewer Debt Service Requirements As of June 30, 2024

Fiscal Year	Series 2011 Refunding and Improvement Bonds			Series 2014 Refunding and Improvement Bonds			Series 2015 Refunding and Improvement Bonds			Series 2018 Water and Sewer Revenue Refunding Bonds (Federally Taxable)			Series 2021A Water and Sewer Revenue Improvement Bonds			Series 2025 Water and Sewer Revenue Improvement Bonds*			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	490,000	155,598	645,598	325,000	64,375	389,375	1,305,000	120,838	1,425,838	225,000	258,567	483,567	355,000	434,200	789,200	-	-	-	2,700,000	1,033,577	3,733,577
2026	505,000	141,304	646,304	330,000	49,650	379,650	1,350,000	68,638	1,418,638	225,000	255,900	480,900	370,000	419,700	789,700	515,000	1,019,250	1,534,250	3,295,000	1,954,442	5,249,442
2027	520,000	126,560	646,560	340,000	37,950	377,950		21,388	21,388	1,640,000	242,082	1,882,082	385,000	404,600	789,600	710,000	1,335,825	2,045,825	3,595,000	2,168,404	5,763,404
2028	535,000	110,401	645,401	355,000	27,525	382,525		21,388	21,388	1,670,000	215,587	1,885,587	400,000	388,900	788,900	745,000	1,303,875	2,048,875	3,705,000	2,067,675	5,772,675
2029	555,000	93,023	648,023	365,000	16,725	381,725		21,388	21,388	1,700,000	186,092	1,886,092	415,000	372,600	787,600	780,000	1,270,350	2,050,350	3,815,000	1,960,177	5,775,177
2030	570,000	74,599	644,599	375,000	5,625	380,625		21,388	21,388	1,730,000	154,357	1,884,357	430,000	355,700	785,700	815,000	1,235,250	2,050,250	3,920,000	1,846,918	5,766,918
2031	590,000	54,869	644,869					21,388	21,388	1,765,000	120,272	1,885,272	450,000	338,100	788,100	850,000	1,198,575	2,048,575	3,655,000	1,733,203	5,388,203
2032	615,000	33,781	648,781					21,388	21,388	1,800,000	83,902	1,883,902	470,000	319,700	789,700	885,000	1,160,325	2,045,325	3,770,000	1,619,095	5,389,095
2033	635,000	11,509	646,509					21,388	21,388	1,840,000	45,310	1,885,310	490,000	300,500	790,500	925,000	1,120,500	2,045,500	3,890,000	1,499,206	5,389,206
2034								21,388	21,388	175,000	23,031	198,031	510,000	280,500	790,500	970,000	1,078,875	2,048,875	1,655,000	1,403,794	3,058,794
2035								21,388	21,388	180,000	18,150	198,150	530,000	259,700	789,700	1,015,000	1,035,225	2,050,225	1,725,000	1,334,463	3,059,463
2036								21,388	21,388	185,000	13,131	198,131	550,000	238,100	788,100	1,060,000	989,550	2,049,550	1,795,000	1,262,169	3,057,169
2037								21,388	21,388	190,000	7,975	197,975	570,000	215,700	785,700	1,105,000	941,850	2,046,850	1,865,000	1,186,913	3,051,913
2038								21,388	21,388	195,000	2,681	197,681	590,000	195,450	785,450	1,155,000	892,125	2,047,125	1,940,000	1,111,644	3,051,644
2039							290,000	21,387	311,387	610,000	177,450	787,450	610,000	177,450	787,450	1,205,000	840,150	2,045,150	2,105,000	1,038,987	3,143,987
2040							300,000	10,875	310,875	630,000	158,850	788,850	630,000	158,850	788,850	1,260,000	785,925	2,045,925	2,190,000	955,650	3,145,650
2041										650,000	139,650	789,650	650,000	139,650	789,650	1,320,000	729,225	2,049,225	1,970,000	868,875	2,838,875
2042										670,000	119,850	789,850	670,000	119,850	789,850	1,380,000	669,825	2,049,825	2,050,000	789,675	2,839,675
2043										690,000	99,450	789,450	690,000	99,450	789,450	1,440,000	607,725	2,047,725	2,130,000	707,175	2,837,175
2044										710,000	78,450	788,450	710,000	78,450	788,450	1,505,000	542,925	2,047,925	2,215,000	621,375	2,836,375
2045										730,000	56,850	786,850	730,000	56,850	786,850	1,570,000	475,200	2,045,200	2,300,000	532,050	2,832,050
2046										755,000	34,575	789,575	755,000	34,575	789,575	1,645,000	404,550	2,049,550	2,400,000	439,125	2,839,125
2047										775,000	11,625	786,625	775,000	11,625	786,625	1,715,000	330,525	2,045,525	2,490,000	342,150	2,832,150
2048																1,795,000	253,350	2,048,350	1,795,000	253,350	2,048,350
2049																1,875,000	172,575	2,047,575	1,875,000	172,575	2,047,575
2050															-	1,960,000	88,200	2,048,200	1,960,000	88,200	2,048,200
Total	<u>\$5,015,000</u>	<u>\$801,644</u>	<u>\$5,816,644</u>	<u>\$2,090,000</u>	<u>\$201,850</u>	<u>\$2,291,850</u>	<u>\$3,245,000</u>	<u>\$478,387</u>	<u>\$3,723,387</u>	<u>\$13,520,000</u>	<u>\$1,627,034</u>	<u>\$15,147,034</u>	<u>\$12,735,000</u>	<u>\$5,400,200</u>	<u>\$18,135,200</u>	<u>\$30,200,000</u>	<u>\$20,481,750</u>	<u>\$50,681,750</u>	<u>\$66,805,000</u>	<u>\$28,990,865</u>	<u>\$95,795,865</u>

*Preliminary. Estimated.

LEGAL MATTERS

Pending Litigation

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the City or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the City.

There is no litigation now pending or, to the knowledge of the City, threatened which restrains or enjoins the issuance or delivery of the Series 2025 Bonds, the use of Net Revenues for the payment of the Series 2025 Bonds, or the use of the proceeds of the Series 2025 Bonds or which questions or contests the validity of the Series 2025 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor existence of the City, nor the title of the present members or other officials of the City to their respective offices, is being contested or questioned.

Approval of Legal Proceedings

Legal matters incident to the authorization, validity, and issuance of the Series 2025 Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix E. Copies of the opinion will be available at the time of the initial delivery of the Series 2025 Bonds. Certain legal matters will be passed upon for the City by Susan High-McAuley, Esq., Counsel to the City.

TAX MATTERS

Federal Taxes

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2025 Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Series 2025 Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2023.

The "Code" imposes requirements on the Series 2025 Bonds that the City must continue to meet after the Series 2025 Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2025 Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2025 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,

- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit
- a borrower of money to purchase or carry the Bonds, or
- an “applicable corporation” as defined in Section 59(k) of the Code.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2025 Bonds or affect the market price of the Series 2025 Bonds. See also “Miscellaneous” below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2025 Bonds, or under State, local or foreign tax law.

Original Issue Discount. A Bond will have “original issue discount” if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel’s opinion is that any original issue discount on these Series 2025 Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2025 Bonds will be increased. If a bondholder owns one of these Series 2025 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2025 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2025 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2025 Bonds under Federal or state law and could affect the market price or marketability of the Series 2025 Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

State Taxes

Under existing law, the Series 2025 Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2025 Bonds during the period the Series 2025 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2025 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2025 Bonds or otherwise prevent holders of the Series 2025 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2021 Bonds. Further, such proposals may impact the marketability or market value of the Series 2025 Bonds

simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2021 Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2025 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2025 Bonds would be impacted thereby. Purchasers of the Series 2025 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2025 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation. Prospective purchasers of the Series 2025 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The City will at the time the Series 2025 Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Series 2025 Bonds to provide certain financial information and operating data relating to the City and the System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2025 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the City to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org. If the City is unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix B. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule"). The form of the Continuing Disclosure Certificate is attached hereto as Appendix B.

The City believes that it has not failed to comply in any material respect with the previous undertakings in the past five years. The City's Director of Finance (Rachel Nichols) has been assigned responsibility for monitoring the continuing disclosure undertakings and filing or causing to be filed all Annual Reports as and when required. In the event of a failure of the City to comply with any provision of the Disclosure Agreement, any Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Agreement in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

MISCELLANEOUS

Rating

The Series 2025 Bonds have been assigned a rating of "AA" by S&P Global Ratings (the "Rating Agency") based on documents and other information provided by the City. The rating reflects only the view of the Rating Agency, and neither the City, the Municipal Advisor, nor the Underwriter make any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period or that it will not be lowered or withdrawn entirely by the Rating Agency, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2025 Bonds. Any explanation of the significance of the rating may be obtained from the Rating Agency. The above-described rating

is not a recommendation to buy, sell or hold the Series 2025 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies.

Closing Certificates

The City will deliver to the Underwriter a certificate that no litigation is pending or threatened against it which would have a material effect on the issuance or validity of the Series 2025 Bonds or the use of the Net Revenues to pay the Series 2025 Bonds or on the financial condition of the City. In addition, the City will represent to the Underwriter in the Bond Purchase Agreement that the information contained in this Official Statement does not contain any misrepresentation of a material fact and does not omit or state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

Municipal Advisor

Oakdale Municipal Advisors, LLC is serving as Municipal Advisor to the City in connection with the issuance of the Series 2025 Bonds. Oakdale Municipal Advisors, LLC in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Series 2025 Bonds. The information set forth herein has been obtained by the City and other sources believed to be reliable. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information. The Municipal Advisor's fees for services rendered with respect to the sale of the Series 2025 Bonds are contingent upon the issuance and delivery of the Series 2025 Bonds.

Underwriting

_____, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2025 Bonds for and aggregate purchase price of \$_____, which is par, plus/less original issue premium/discount of \$_____, less Underwriter's Discount of \$_____.

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Series 2025 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

Independent Auditors

The financial statements of the City as of June 30, 2024 and for the year then ended, attached hereto as Appendix C, have been audited by ATA, PC, independent certified public accountants, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors. The auditors have not been engaged to perform and have not performed, since the date of their report included herein, any procedure on the financial statements addressed in that report and have not performed any procedures relating to their Official Statement.

Additional Information

Use of the words "shall" or "will" in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any

of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2025 Bonds.

{Signature page follows.}

**AUTHORIZATION OF AND CERTIFICATION
CONCERNING OFFICIAL STATEMENT**

The Official Statement has been authorized by the City Council of the City. Concurrently with the delivery of the Series 2025 Bonds, the undersigned will furnish a certificate to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2025 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

_____/s/_____
Paige Brown, Mayor

ATTEST:

_____/s/_____
Connie W. Kittrell, City Recorder

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

On July 1, 2008, the City Council of the City of Gallatin, Tennessee adopted a resolution authorizing the issuance of revenue bonds, notes, loan agreements or other obligations payable from revenues derived from its water and sewer system (the "Resolution"). The following summarizes certain terms and provisions of the Resolution, as supplemented and amended. This summary is not a complete explanation of the Resolution and reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof.

DEFINITIONS

The following terms shall have the meanings specified below, unless the context clearly requires otherwise:

"Accreted Value" means, with respect to each Compound Interest Bond, the principal amount of such Compound Interest Bond, plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Compound Interest Bond, and, with respect to any calculation on a date other than a compounding date, the Accreted Value means the Accreted Value as of the preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Compound Interest Bond.

"Acquired System" means any other water or sewer system or facility, including any distribution, collection, treatment or general or transmission facility, acquired by the City pursuant to State law.

"Act" means Tennessee Code Annotated Sections 7-34-101 et seq., as amended.

"Additional Interest" means, for any period during which any Pledged Bonds are owned by a Credit Issuer pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal principal amount of Bonds at the Bond Rate.

"Additional Obligations" means Revenue Obligations issued pursuant to Section 5.02, 5.03 or 5.04 of the Resolution.

"Annual Budget" means the annual budget of the City relating to the System (which shall specify all costs, obligations, and expenses properly allocable to the System), as amended or supplemented in accordance with established procedures of the City, adopted or in effect for a particular Fiscal Year.

"Balloon Date" means any Principal Maturity Date or Put Date for Balloon Obligations in a Balloon Year.

"Balloon Obligations" means any Revenue Obligations 25% or more of the original principal amount of which (i) is due in any 12-month period or (ii) may, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid in any 12-month period; provided that, in calculating the principal amount of such Revenue Obligations due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

"Balloon Year" means any 12-month period in which more than 25% of the original principal amount of related Balloon Obligations mature or are subject to mandatory redemption or could, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

"Beneficial Owner" shall have the meaning specified in Section 2.10 of the Resolution.

"Beneficiaries" means the holders of any Revenue Obligations and the parties to Contracts.

“Bond Counsel” means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing retained by the City.

“Bondholder” or “holder” means the registered owner or the holder of one or more Revenue Obligations.

“Bond Rate” means the rate of interest per annum payable on specified Revenue Obligations other than Pledged Bonds.

“Bond Register” means the registration books maintained and to be maintained by the Bond Registrar.

“Bond Registrar” means any bank or trust company designated as such by the City with respect to any of the Bonds. Such Bond Registrar shall perform the duties required of the Bond Registrar in the Resolution.

“Bonds” means any revenue bonds or notes authorized by and authenticated and delivered pursuant to the Resolution.

“Book Value” means the value of the real property and the personal property comprising the System, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of the System which have been prepared in accordance with generally accepted accounting principles.

The term “category” or “category of Revenues” means an objectively definable portion of Revenues related to a particular type of service, activity or facility, including the categories of General Revenues, Released Revenues and Special Purpose Revenues and subcategories within such categories. A “category of Revenues,” unless otherwise determined by the City, includes Investment Earnings or other moneys in funds or amounts derived from such portion of Revenues.

“City” means the City of Gallatin, Tennessee, a Tennessee governmental entity and public corporation.

“Code” means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

“Commitment,” when used with respect to Balloon Obligations, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Balloon Obligations on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Balloon Obligations.

“Compound Interest Bonds” means Bonds that bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

“Conditional Redemption” means an optional redemption described in Section 3.05 of the Resolution.

“Conduit Bonds” means bonds, notes or other obligations issued by a Conduit Issuer to provide proceeds to be loaned by the Conduit Issuer to the City pursuant to a Loan Agreement.

“Conduit Issuer” means a governmental entity or instrumentality of any governmental entity that issues Conduit Bonds at the request of the City.

“Consulting Engineer” means (i) an engineering firm or individual engineer employed by the City with substantial experience in advising utilities similar to the System operated by the City as to the construction and maintenance of the System and in the projection of relative costs of expansion in the System or (ii) an engineer or engineers who are employees of the City whose reports or projections are certified by a Financial Adviser.

“Contracts” means all Credit Facility Agreements, including any related Reimbursement Obligations, all agreements with respect to Reserve Account Credit Facilities, including any related Reimbursement Obligations and all Qualified Hedge Agreements.

“Contract Payments Account” means the Contract Payments Account within the Sinking Fund established in Article IV of the Resolution.

“Costs,” with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, install or otherwise implement the Project, including improvements to another Project, and shall include, but shall not be limited to, the following costs and expenses relating to such Project and the reimbursement to the City for any such items previously paid by the City:

- (i) the cost of all lands, real or personal properties, rights, easements and franchises acquired;
- (ii) the cost of all financing charges and interest prior to, during construction and after;
- (iii) the cost of the acquisition, construction, reconstruction, implementation or installation of any Project;
- (iv) the cost of engineering, architectural, planning, development, and supervisory services, fiscal agents' and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of any Project, administrative expenses, and such other expenses as may be necessary or incident to any financing with proceeds of Revenue Obligations;
- (v) the cost of placing any Project in operation;
- (vi) the cost of condemnation of property necessary for construction implementation and operation;
- (vii) the costs of issuing any Revenue Obligations to finance or to refinance any Project;
- (viii) any other costs which may be incident to any Project prior to completion and implementation; and
- (ix) interest on the Revenue Obligations during the construction and installation of any Project and for up to six (6) months thereafter; and
- (x) any other costs permitted by the Act.

“Credit Facility” means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or any entity that is used by the City to perform one or more of the following tasks: (i) enhancing the City's credit by assuring owners of any of the Revenue Obligations that principal of and interest on such Revenue Obligations will be paid promptly when due; (ii) providing liquidity for the owners of Revenue Obligations through undertaking to cause Revenue Obligations to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Resolution; or (iii) remarketing any Revenue Obligations so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Revenue Obligations). The term Credit Facility shall not include a Reserve Account Credit Facility.

“Credit Facility Agreement” means an agreement between the City and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility and may include a related Reimbursement Obligation. The term Credit Facility Agreement shall not include an agreement with respect to a Reserve Account Credit Facility.

“Credit Issuer” means any issuer of a Credit Facility then in effect for all or part of the Revenue Obligations. The term Credit Issuer shall not include any Reserve Account Credit Facility Provider. Whenever in the Resolution the consent of the Credit Issuer is required, such consent shall only be required from the Credit Issuer whose Credit Facility is issued with respect to the Revenue Obligations for which the consent is required.

“Current Interest Bonds” means those Bonds which are not Compound Interest Bonds.

“Debt Service Requirement” means the total principal and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the City or the Trustee), in any specified period, provided:

(i) If any Revenue Obligations Outstanding or proposed to be issued shall bear interest at a Variable Rate, including Hedged Obligations if the interest thereon calculated as set forth below is expected to vary and Revenue Obligations secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the City either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Adviser.

(ii) If any Compound Interest Bonds are Outstanding or proposed to be issued, the total principal and interest coming due in any specified period shall be determined in accordance with the Supplemental Resolution of the City authorizing such Compound Interest Bonds.

(iii) With respect to any Revenue Obligations secured by a Credit Facility, the Debt Service Requirement therefor shall include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding amount of any Reimbursement Obligation and interest thereon, (3) any Additional Interest owed on Pledged Bonds, and (4) any remarketing agent fees; provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Revenue Obligations, (b) the Reimbursement Obligation provides for payments by the City or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer, upon the execution of the Credit Facility Agreement, would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Revenue Obligations as Hedged Obligations, then interest on such Revenue Obligations shall be calculated by adding (x) the amount of interest payable on such Revenue Obligations pursuant to their terms and (y) the amount of payments for interest to be made by the City under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the City or as interest on such Revenue Obligations as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Revenue Obligations shall be calculated as if there were no Credit Facility. In determining the amounts described in this paragraph for any future period, the City (A) may assume that any Credit Facility presently in effect will remain in effect even if such Credit Facility has an expiration date prior to the maturity of the related Revenue Obligations and (B) may assume that the current payments relating to the Credit Facility will remain in effect or may estimate such payments in the future provided that the City obtains a certificate from a Financial Adviser that such estimates are reasonable.

(iv) With respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the City on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable

by the City under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the City on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(v) For the purpose of calculating the Debt Service Requirement on Balloon Obligations (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation or (3) which are issued in anticipation of the issuance of Bonds that are not Balloon Obligations, at the option of the City, the actual principal and interest on such Balloon Obligations shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the City could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Obligations and with a 20-year term); provided, however, that if the maturity of such Balloon Obligations (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Obligations to maturity (including the Commitment) and at the interest rate applicable to such Balloon Obligations. For the purpose of calculating the Debt Service Requirement on Balloon Obligations not described in the preceding sentence, the principal payable on such Bonds during the Balloon Year shall be calculated as if paid on the Balloon Date.

(vi) The principal of and interest on Revenue Obligations, amounts for interest under a Credit Facility and Hedge Payments shall be excluded from the determination of Debt Service Requirement to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or proceeds of Revenue Obligations to be deposited on the date of issuance of proposed Revenue Obligations) in a fund under the Resolution.

(vii) With respect to a Revenue Obligation that is a Loan Agreement, the Debt Service Requirement shall be calculated in a manner consistent with the calculation of the Debt Service Requirement on other Revenue Obligations and shall include payments under the Loan Agreement which consist of principal, interest, payments made in connection with a Hedge Agreement entered into by a Conduit Issuer in connection with the Conduit Bonds, fees and expenses of any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, remarketing agreement, legal fees and expenses, trustee fees, fees and expenses of the Conduit Issuer, fees and expenses of any administration, rating agency fees, rebate and similar obligations of the Conduit Issuer with respect to the Conduit Bonds, but excluding any Termination Payments to be made in connection with a Hedge Agreement entered into by a Conduit Issuer.

"Debt Service Reserve Account" means the Debt Service Reserve Account within the Sinking Fund established in Article IV of the Resolution.

“Debt Service Reserve Requirement” means an amount determined from time to time by the City as a reasonable reserve, if any, for the payment of principal of and interest on Revenue Obligations for which a subaccount in the Debt Service Reserve Account is created or added to pursuant to a Supplemental Resolution.

“Defeasance Obligations” means Government Obligations and such other investments that are from time to time permitted by applicable law to be used by the City to provide for the payment of Revenue Obligations in connection with the refunding of such Revenue Obligations.

“Depository” means any depository of a fund established under the Resolution selected in the discretion of the City.

“DTC” means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Resolution.

“Event of Default” means any of the events defined as such in Article VII of the Resolution.

“Financial Adviser” means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the City for the purpose of passing on questions relating to the availability and terms of specified types of Revenue Obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the City, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

“Finance Officer” means the Chief Financial Officer of the City or such other official that serves as the chief financial officer of the City.

“Fiscal Year” means the 12-month period used by the City for its general accounting purposes, as it may be changed from time to time. The Fiscal Year at the time this Master Resolution was adopted began on July 1 and ended on June 30 of the following year.

“Fitch” means Fitch Ratings, a subsidiary, or, if entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“General Revenue Account” means the General Revenue Account within the Revenue Fund established in Article IV of the Resolution.

“General Revenue Obligations” means Revenue Obligations secured by a Senior Lien on General Revenues.

“General Revenue Facilities” means the System, but not including all Special Purpose Facilities and Released Revenue Facilities.

“General Revenues” means all Revenues other than Released Revenues and Special Purpose Revenues.

“Governing Body” means the City Council of the City.

“Government Obligations” means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged or (ii) obligations issued by a person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and the interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of

America), which obligations, in either case, (y) are not subject to redemption or prepayment prior to maturity except at the option of the holder of such obligations and (z) may include U.S. Treasury Trust Receipts.

“Hedge Agreement” means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the City determines is to be used, or is intended to be used, to manage or reduce the cost of any Revenue Obligations, to convert any element of any Revenue Obligations from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

“Hedged Obligations” means any Revenue Obligations for which the City shall have entered into a Qualified Hedge Agreement.

“Hedge Payments” means amounts payable by the City pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

“Hedge Payments Account” means the Hedge Payments Account within the Sinking Fund established in Article IV of the Resolution.

“Hedge Period” means the period during which a Hedge Agreement is in effect.

“Hedge Receipts” means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

“Independent Certified Public Accountant” means a certified public accountant, or a firm of certified public accountants, who or which are “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote their full time to the City (but who or which may be regularly retained by the City).

“Interest Payment Date” means each date on which interest is to become due on any Revenue Obligations, as established in the Supplemental Resolution for such Revenue Obligations.

“Interest Account” means the Interest Account within the Sinking Fund established in Article IV of the Resolution.

“Investment Earnings” means all interest received on and profits derived from investments made with Revenues or any other moneys in the funds and accounts established under Article IV or Article XII of the Resolution.

“Letter of Representations” means a Blanket Issuer Letter of Representations, between the City and DTC.

“Loan Agreement” means any agreement or contract entered into by the City whereby another governmental entity or instrumentality of a governmental entity agrees to advance funds to the City and the City agrees to repay those funds with interest and all costs associated with the Loan Agreement and any bonds, notes or other obligations issued to fund the Loan Agreement.

“Master Resolution” means this Master Resolution adopted on July 1, 2008 by the City.

“Mayor” means the Mayor of the City.

“Moody's” means Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“Net General Revenues” means Net Revenues that are General Revenues.

“Net Revenues” means, for each category of Revenues, Revenues net of related Operating Expenses.

“Operating Expenses” means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of Revenue Obligations), the cost of producing potable water and the cost of obtaining treatment of sewage collected and transported by the System, insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the City, any payments made by the City during any fiscal year to purchase water for distribution and sale during or after the end of that fiscal year, and other payments made under any water supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by the City during any fiscal year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of water, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on Revenue Obligations or Contracts of the City, on behalf of the City, payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of the City or expenses of an Acquired System if revenues of the Acquired System are not included in Revenues at the election of the City.

“Other System Obligations” means obligations of any kind, including but not limited to, revenue bonds, capital leases, Hedge Agreements which are not Qualified Hedge Agreements, installment purchase agreements, or notes (but excluding Revenue Obligations and Contracts), incurred or issued by the City to finance or refinance the cost of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the System or any other cost relating to the System, which do not have a lien on any category of Revenues.

“Outstanding” means, when used in reference to the Revenue Obligations, all Revenue Obligations that have been duly authenticated and/or delivered under the Resolution, with the exception of (a) Revenue Obligations in lieu of which other Revenue Obligations have been issued under agreement to replace lost, mutilated, stolen, or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under Section 2.09 or Section 3.04 of the Resolution, and (c) Revenue Obligations for the payment of which provision has been made in accordance with Article IX of the Resolution. In determining the amount of Compound Interest Bonds Outstanding under the Resolution, the Accreted Value of such Compound Interest Bonds at the time of determination shall be used.

The term “parity” or “parity secured” when applied to two or more series of Revenue Obligations means each such Revenue Obligation has a lien of equal rank on the same category of Revenues.

“Paying Agent” shall mean the paying agent with respect to any Revenue Obligations issued hereunder.

“Permitted Investments” means obligations selected by the City in which the City is permitted to invest moneys pursuant to applicable law.

“Person” or “person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, government, or agency or political subdivision thereof.

“Pledged Bond” means any Revenue Obligation purchased and held by a Credit Issuer pursuant to a Credit Facility Agreement. A Revenue Obligation shall be deemed a Pledged Bond only for the actual period during which such Revenue Obligation is owned by a Credit Issuer pursuant to a Credit Facility Agreement.

“Pledged Bond Rate” means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

“Pledged Revenues” means all Net Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the funds and accounts specified in Section 4.02 of the Resolution, but excluding (i) amounts in the Revenue Fund required to be used to pay Operating Expenses and (ii) any amounts required in the Resolution to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Fund.

The term “principal” means the principal amount of any Revenue Obligations and includes the Accreted Value of any Compound Interest Bonds. All references to principal shall be construed as if they were also references to Accreted Value with respect to Compound Interest Bonds.

“Principal Maturity Date” means each date on which principal is to become due on any Revenue Obligations, by maturity or mandatory sinking fund redemption, as established in the Supplemental Resolution for such Revenue Obligations.

“Principal Account” means the Principal Account within the Sinking Fund established in Article IV of the Resolution.

“Project” means the construction of improvements and extensions to and the equipping of improvements to the System, in whole or in part, and the acquisition of all property, real and personal, related thereto, with the proceeds of any Revenue Obligations.

“Project Fund” means the City's Water and Sewer Project Fund established in Article IV of the Resolution.

“Put Date” means any date on which a holder may elect to have Balloon Obligations redeemed, prepaid, purchased directly or indirectly by the City, or otherwise paid.

“Qualified Hedge Agreement” means any Hedge Agreement with a Qualified Hedge Provider.

“Qualified Hedge Provider” means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the second highest Rating category of each Rating Agency (ignoring any gradations within a Rating category), but, if there is no Credit Facility with respect to the related Hedged Obligations, in no event lower than any Rating on the related Hedged Obligations at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating categories which each Rating Agency indicates in writing to the City will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Obligations that is in effect prior to entering into the Hedge Agreement. An entity's status as a “Qualified Hedge Provider” is

determined only at the time the City enters into a Hedge Agreement with such entity and will not be redetermined with respect to that Hedge Agreement.

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

“Rating Agencies” or “Rating Agency” means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Revenue Obligations at the request of the City. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Revenue Obligations, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

“Rebate Fund” means the Rebate Fund, established in Article IV of the Resolution.

“Record Date” means any record date designated in a Supplemental Resolution for any Revenue Obligations.

“Reimbursement Obligation” means the obligation of the City to directly reimburse any Credit Issuer for amounts paid by such Credit Issuer under a Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer's fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer's payments based on such variables.

The term “related” means, when used to refer to Revenue Obligations, subaccounts, category of Revenues or liens, the item modified by such term has a definite relationship to the subject as described in the Resolution. The term “related” means, when used to refer to Operating Expenses, (i) for Released Revenue Obligations or Released Revenues, Operating Expenses with respect to Released Revenue Facilities, (ii) for Special Purpose Revenue Obligations or Special Purpose Revenues, Operating Expenses with respect to Special Purpose Facilities, and (iii) for General Revenue Obligations or General Revenues, all Operating Expenses of the System less Operating Expenses with respect to Related Revenue Facilities and Special Purpose Facilities.

“Released Revenue Account” means the Released Revenue Account within the Revenue Fund established in Article IV of the Resolution.

“Released Revenue Facilities” means the portion of the System with respect to which Released Revenues arise or from which they are generated.

“Released Revenue Obligations” means Revenue Obligations secured by a Senior Lien on one or more categories of Released Revenues.

“Released Revenues” means particular categories of Revenues which would otherwise be General Revenues but have been identified in accordance with Section 5.05 of the Resolution and therefore do not constitute a part of General Revenues, until the City has acted to include such categories of Revenues within General Revenues.

“Renewal and Extension Fund” means any System Renewal and Extension Fund established pursuant to Article IV of the Resolution.

“Reserve Account Credit Facility” means any letter of credit, insurance policy, line of credit, surety bond, or similar obligation, arrangement or instrument issued by a bank, insurance company, or other financial

institution, together with any substitute or replacement therefor, if any, complying with the provisions of the Resolution, thereby fulfilling all or a portion of a Debt Service Reserve Requirement, if any.

“Reserve Account Credit Facility Provider” means any provider of a Reserve Account Credit Facility.

“Resolution” means this Master Resolution as it may from time to time be modified, supplemented, or amended by Supplemental Resolutions.

“Revenue Fund” means the Revenue Fund established in Article IV of the Resolution.

“Revenue Obligations” means any revenue bonds, notes or other obligations authorized by and authenticated and delivered or any loan agreement executed and delivered pursuant to the Resolution.

“Revenues” means (i) all revenues, rentals, income, receipts, accounts receivable and money derived from the ownership and operation of the System, received by the City, Investment Earnings and all other income earned and accreted from, and deferred gain from, securities and other investments and amounts earned on amounts deposited in funds and accounts under the Resolution or otherwise maintained with respect to the System, computed in accordance with generally accepted accounting principles (excluding any investment earnings from construction or improvement funds created for the deposit of Revenue Obligation proceeds pending use, to the extent such income is applied to the purposes for which the Revenue Obligations were issued, and funds created to refund any outstanding obligations payable from Revenues of the System), and (ii) all gifts, grants, reimbursements or payments received from governmental units or public agencies for the benefit of the System which are (y) not restricted by law or the payor to application for a particular purpose and (z) otherwise lawfully available for payment of Revenue Obligations or Contracts. The term “Revenues” also does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the City, in respect of a liability or are to be used to repair or replace portions of the System and extraordinary gains from the sale of assets or similar one-time sources of income.

“Senior Lien” means a lien on one or more categories of Revenues that entitles the Beneficiaries of such lien to have a claim on such Revenues prior to any other Person and ahead of the use of such Revenues for any purpose other than payment of Operating Expenses; provided one or more series of Revenue Obligations, Contracts and related Beneficiaries may have parity Senior Liens on the same categories of Revenues pursuant to the terms of the Resolution.

“Senior Lien Revenue Obligations” means General Revenue Obligations, Released Revenue Obligations and Special Purpose Revenue Obligations other than Subordinate Lien Obligations; provided “Senior Lien Revenue Obligations” also includes Additional Senior Lien Obligations issued in compliance with Section 5.02 of the Resolution and obligations secured by a Senior Lien pursuant to Section 5.02(c) of the Resolution. The Senior Lien Revenue Obligations currently outstanding are the City's Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015, Water and Sewer Revenue Improvement Bonds, Series 2021A, Water and Sewer Revenue Refunding Bonds, Series 2021B (Federally Taxable) and Water and Sewer Revenue Improvement Bonds, Series 2025.

“Sinking Fund” means the Sinking Fund established in Article IV of the Resolution.

“Special Purpose Facilities” means facilities which (i) will not result, upon completion or acquisition, in a material reduction in Net General Revenues in the judgment of the Board of the City, (ii) will not be of such a type or design that the subsequent closing thereof will materially impair the general operations of the System and (iii) the City has designated in a Supplemental Resolution, as “Special Purpose Facilities” and may include an Acquired System.

“Special Purpose Revenue Account” means the Special Purpose Revenue Account within the Revenue Fund established in Article IV of the Resolution.

“Special Purpose Revenue Obligations” means Obligations secured by a Senior Lien on Special Purpose Revenues.

“Special Purpose Revenues” means Revenues arising from or generated by one or more Special Purpose Facilities. At the election of the City, Special Purpose Revenues shall include all fees, notes, rates, charges and income received from an Acquired System.

“Standard and Poor's” or “S&P” means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“State” means the State of Tennessee.

“Subordinate Lien” means a lien on one or more categories of Revenues which is not a Senior Lien.

“Subordinate Lien Obligations” means Revenue Obligations which only have a Subordinate Lien and obligations secured by a Subordinate Lien pursuant to Section 5.03(g) of the Resolution.

“Supplemental Resolution” means a resolution supplemental to this Master Resolution (which itself may be supplemented by one or more resolutions) to be adopted prior to and authorizing the issuance and delivery of any series of Revenue Obligations. Such a resolution as supplemented shall establish or shall establish a method or procedure for establishing the date or dates of the pertinent series of Revenue Obligations, the schedule of maturities of such Revenue Obligations, whether any such Revenue Obligations will be Compound Interest Bonds, the rate or rates of interest to be borne thereby (or a range thereof), whether fixed or variable, the interest payment dates for such Revenue Obligations, the terms and conditions, if any, under which such Revenue Obligations may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Revenue Obligations, the liens relating to such Revenue Obligations, the Contracts, if any, relating to such Revenue Obligations, and such other details as the City may determine.

“System” means the complete water and sewer system and facilities of the City including, without limitation, all water and sewer treatment plants, pumping stations, tanks and distribution facilities of the City, together with all water and sewer system property of every nature owned by the City, including all improvements and extensions made by the City while the Revenue Obligations remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the water and sewer system, all administrative and operational support facilities, and including all appurtenances, contracts, leases, franchises and other intangibles; provided however, at the election of the City, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the City, not become a part of the System but be operated as a separate and independent system by the City with the continuing right, upon the election of the City, to incorporate such separately Acquired System within the System.

“Tax-Exempt Bonds” means any Revenue Obligations the interest on which has been determined, in an unqualified opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

“Termination Payments” means an amount payable by the City or a Qualified Hedge Provider upon termination of a Hedge Agreement and similar payments made by a Conduit Issuer under a Loan Agreement.

“Trustee” means a bank or trust company designated as such by the City with respect to the Revenue Obligations issued hereunder. Such Trustee shall perform the duties required of the Trustee in the Resolution and any Supplemental Resolution authorizing Revenue Obligations.

“U.S. Treasury Trust Receipts” means receipts or certificates which evidence an undivided ownership interest in the right to the payment of portions of the principal of or interest on obligations described in clauses (i) or (ii) of the term Government Obligations, provided that such obligations are held by a bank or trust company organized under the laws of the United States acting as custodian of such obligations, in a special account separate from the general assets of such custodian.

“Variable Rate” means a rate of interest applicable to the Revenue Obligations, other than a fixed rate of interest which applies to a particular maturity of Revenue Obligations so long as that maturity of Revenue Obligations remains Outstanding.

PLEDGED REVENUES AND FLOW OF FUNDS

Pledge of Revenues; Limited Obligations; Contract Liens.

(a) All Pledged Revenues shall be and are hereby pledged to the prompt payment of the principal of, premium, if any, and interest on the Revenue Obligations, obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to Section 5.02(c) or 5.03(g) of the Resolution and the obligations under the Contracts; provided:

(1) General Revenues shall secure only (A) General Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on General Revenues, and (C) any Contracts with respect to such General Revenue Obligations;

(2) Released Revenues shall secure only (A) the related Released Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on any related Released Revenues, (C) any Contracts with respect to such Released Revenue Obligations, and (D) separate agreements pursuant to Section 5.05 of the Resolution;

(3) Special Purpose Revenues shall secure only (A) the related Special Purpose Revenue Obligations, (B) Subordinate Lien Obligations which have a lien on any related Special Purpose Revenues, and (C) any Contracts with respect to such Special Purpose Revenue Obligations;

(4) A Contract may have a Senior Lien or a Subordinate Lien on a related category of Revenues, or no lien at all on Revenues, but (A) no Contract shall have a lien on Revenues that is senior to the lien on the category of Revenues securing the Revenue Obligations related to the Contract, and (B) the lien of the Contract shall be on parity with the lien of the related Revenue Obligations only to the extent of the payment of principal of, premium, if any, and interest on such Revenue Obligations is made through such Contract as evidenced by Reimbursement Obligations or through a Qualified Hedge; provided other amounts due on a Contract may be secured by a lien ranking immediately thereafter with the effect set forth in Section 7.07 of the Resolution. The provisions of this clause (4) shall not apply to Termination Payments; and

(5) A Termination Payment may have a Subordinate Lien on a related category of Revenues or no lien at all on Revenues, but no Termination Payment shall have a lien on Revenues that is senior to the lien on the category of Revenues securing the Revenue Obligations related to the Termination Payment.

Pledged Revenues shall immediately be subject to the lien of this pledge for the benefit of the Beneficiaries without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding against the City and against all other persons having claims against the City, whether such claims shall have arisen in tort, contract, or otherwise, and regardless of whether such persons have notice of the lien of this pledge. This pledge shall rank superior to all other pledges which may hereafter be made of any Pledged Revenues. The lien of this pledge does not secure any obligation of the City other than the Revenue Obligations, obligations treated as Senior

Lien Revenue Obligations or Subordinate Lien Obligations pursuant to Section 5.02(c) or 5.03(g) of the Resolution and the Contracts.

(b) The Revenue Obligations and related Contracts shall be limited obligations of the City as provided therein payable solely from the particular Revenues pledged thereto. The Revenue Obligations and the interest thereon and related Contracts shall not constitute a debt of any municipality, the State, or any political subdivision thereof other than the City and shall not constitute an indebtedness within the meaning of any constitutional or statutory provision whatsoever. The City has no authority to levy any taxes to pay the Revenue Obligations or the Contracts. Neither the members of the Governing Body nor any person executing the Revenue Obligations shall be liable personally on the Revenue Obligations by reason of the issuance thereof or on the Contracts by reason of the execution thereof.

(c) Other System Obligations (other than obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to Section 5.02(c) or 5.03(g) of the Resolution) are not secured by a lien on any category of Revenues, but such obligations, prior to an Event of Default, may be paid from Revenues as described in Section 4.03 of the Resolution.

Funds, Accounts, and Subaccounts.

The following funds, accounts, and subaccounts are hereby established, and the moneys deposited in such funds, accounts, and subaccounts shall be held in trust for the purposes set forth in the Resolution:

(a) Water and Sewer System Revenue Fund, to be held by the City, and within the Revenue Fund:

- (1) General Revenue Account.
- (2) Released Revenue Account.
- (3) Special Purpose Revenue Account.

(b) Water and Sewer System Sinking Fund, to be held by the City, and within the Sinking Fund:

(1) Interest Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues.

(2) Hedge Payments Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series share exactly the same lien status on the same categories of Revenues and are secured in parity by the same or identical Qualified Hedge Agreements with the same provider.

(3) Contract Payments Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues and are secured in parity by the same or identical Contracts with the same provider.

(4) Principal Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same categories of Revenues.

(5) Loan Repayment Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations share exactly the same lien status on the same category of Revenues.

(6) Debt Service Reserve Account, with a subaccount for each series of Revenue Obligations which has a Debt Service Reserve Requirement; provided a subaccount therein may be utilized for more than one series of Revenue Obligations if all such series of Revenue Obligations are specified in the related Supplemental Resolutions to share a pledge of such account and have a combined Debt Service Reserve Requirement.

(7) Termination Payment Account, with further subaccounts therein for each series of Revenue Obligations; provided a subaccount therein may be utilized for more than one Termination Payment if all such Termination Payments share exactly the same lien status on the same category of Revenues and are secured on parity by the same or identical Qualified Hedge Agreements with the same provider.

(c) Water and Sewer System Renewal and Extension Fund, if one is created by the City, to be held by the City.

(d) Water and Sewer System Rebate Fund, to be held by the City.

(e) Water and Sewer System Project Fund, to be held by the City.

Each account listed above shall be held within the fund under which it is created. Each subaccount listed above shall be held within the account under which it is created. All funds, accounts, and subaccounts listed above are further described in this Article, except for (i) the Rebate Fund and (ii) the Project Fund, which are further described in Articles VI and XII of the Resolution respectively. The City reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

Revenue Fund.

All Revenues shall be deposited to the Revenue Fund established hereunder from time to time as and when received. The amounts deposited shall be immediately allocated to the account within the Revenue Fund designated therefor: General Revenues other than Special Purpose Revenues and Released Revenues to the General Revenue Account; Released Revenues to the Released Revenue Account; and Special Purpose Revenues to the Special Purpose Revenue Account. Moneys in the Revenue Fund shall be applied from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City, in its sole discretion: (a) to pay Operating Expenses; (b) to deposit into the Sinking Fund the amounts required by Section 4.04 of the Resolution and to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related Bonds; (c) to deposit into the Debt Service Reserve Account the amounts required by Section 4.04 of the Resolution; (d) to deposit into the Rebate Fund the amounts required by Section 6.11 of the Resolution; (e) to pay any amounts required to be paid with respect to any Other System Obligations; (f) for transfer to the Renewal and Extension Fund, if any; and (g) for any other lawful purpose; provided the following strictures shall be applicable for purposes of such use of funds:

(1) For Operating Expenses, (A) amounts in the Released Revenue Account shall be used only for Operating Expenses of Released Revenue Facilities, (B) amounts in the Special Purpose Revenue Account shall be used for Operating Expenses of Special Purpose Revenue Facilities, and (C) Operating Expenses related to General Revenues shall be paid first from amounts in the General Revenue Account;

(2) For deposits to the Sinking Fund, the Debt Service Reserve Account or the Rebate Fund, (A) amounts in the Released Revenue Account shall be used only for deposits to subaccounts relating to Revenue Obligations which have a lien on any Released Revenues or for other purposes pursuant to Section 5.05 of the Resolution, (B) amounts in the Special Purpose Revenue Account shall be for deposits to subaccounts relating to Revenue Obligations having a lien on Special Purpose Revenues, and (C) deposits to subaccounts relating to Revenue Obligations which have a lien on General Revenues shall be made first from amounts in the General Revenue Account;

(3) For any payments on a Contract, amounts may be drawn only from the account or accounts relating to the revenues securing the Revenue Obligations related to such Contract, only in accordance with the strictures of (2) and, unless otherwise provided in the related Supplemental Resolution because a Credit Facility is intended to be drawn on for payments on Revenue Obligations, only after all payments then due with respect to the related Revenue Obligations have been made;

(4) For any payments with respect to any Other System Obligations, (A) if such Other System Obligations relate to Released Revenue Facilities, then from the Released Revenue Account; (B) if such Other System Obligations relate to Special Purpose Revenue Facilities, from the Special Purpose Revenue Account, and (C) otherwise, from the General Revenue Account;

(5) No payments may be made to a subaccount of the Sinking Fund related to Subordinate Lien Obligations or Termination Payments unless all required payments have been made to other subaccounts with respect to Revenue Obligations, or Contracts related to Revenue Obligations, which have a lien on a category of Revenues ahead of or in parity with the lien of such Subordinate Lien Obligations or Termination Payments and no payments may be made with respect to any Other System Obligations unless all required payments have been made to each subaccount with respect to Revenue Obligations and on all Contracts; provided if required by the terms thereof, obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to Section 5.02(c) or 5.03(g) of the Resolution shall be paid with the other Senior Lien Revenue Obligations or Subordinate Lien Obligations; and

(6) If at any time the amounts in any subaccount of the Sinking Fund are less than the amounts required by the Resolution, and there are not on deposit in any Renewal and Extension Fund available moneys sufficient to cure any such deficiency, then the City shall withdraw from subaccounts related to Subordinate Lien Obligations or Termination Payments (taking such amounts first from subaccounts related to Subordinate Lien Obligations or Termination Payments, pro rata,) and deposit in such subaccount of the Sinking Fund, as the case may be, the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

Sinking Fund.

(a) General. Sufficient moneys shall be paid in periodic installments from the Revenue Fund into the Interest Account, the Hedge Payments Account, the Principal Account, the Loan Repayment Account and the Termination Payment Account for the purpose of paying the Revenue Obligations as they become due and payable and for the purpose of making payments under Contracts.

(b) Interest Account. Unless otherwise provided in a Supplemental Resolution, on or before each Interest Payment Date for a series of Revenue Obligations, the City shall deposit in the related subaccount of the Interest Account an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the interest (excluding Additional Interest) coming due on such Revenue Obligations on such Interest Payment Date. Moneys in the related subaccount of the Interest Account shall be used solely to pay interest (excluding Additional Interest) on the Revenue Obligations when due or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all interest payments on the Revenue Obligations. The City shall also deposit and continue to deposit all Hedge Receipts under related

Qualified Hedge Agreements and any payments from a Credit Issuer under a Credit Facility Agreement in the related subaccount of the Interest Account from time to time as and when received.

(c) Hedge Payments Account and Contract Payments Account. Unless otherwise provided in a Supplemental Resolution or a Hedge Agreement, on or before each payment date for Hedge Payments under Qualified Hedge Agreements, the City shall deposit in the related subaccount of the Hedge Payments Account an amount which, together with any Hedge Receipts on deposit in the Interest Account and other moneys already on deposit therein and available to make such payment, is not less than such Hedge Payments coming due on such payment date. Moneys in the related subaccount of the Hedge Payments Account shall be used solely to pay Hedge Payments under Qualified Hedge Agreements when due. Unless otherwise provided in a Supplemental Resolution or a Contract, on or before each payment date for amounts, other than for Reimbursement Obligations, due on Contracts other than Qualified Hedge Agreements, including Additional Interest, continuing commission or commitment fees and remarketing fees, the City shall deposit in the related subaccount of the Contract Payments Account an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the amount coming due on such payment date. Moneys in the related subaccount of the Contract Payments Account shall be used solely for such payments when due.

(d) Principal Account. Unless otherwise provided in a Supplemental Resolution, on or before each Principal Maturity Date for a series of Revenue Obligations, the City shall deposit in the related subaccount of the Principal Account an amount which, together with any other moneys already on deposit therein and available to make such payment, is not less than the principal coming due on such Revenue Obligations on such Principal Maturity Date. Moneys in the related subaccount of the Principal Account shall be used solely for the payment of principal of the Revenue Obligations as the same shall become due and payable at maturity or upon redemption or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all principal payments on the Revenue Obligations.

(e) Loan Repayment Account. Unless otherwise provided in a Supplemental Resolution, on or before each loan repayment date for a Loan Agreement, the City shall deposit in the related subaccount of the Loan Repayment Account an amount which, together with moneys already on deposit therein and available to make such payments is not less than all payments due under a Loan Agreement other than principal, interest and Termination Payments. Moneys in the Loan Repayment Account shall be used solely for such payments.

(f) Termination Payment Account. Unless otherwise provided in a Supplemental Resolution, on or before each payment date for a Termination Payment, the City shall deposit in the related subaccount of the Termination Payment Account an amount which, together with any Termination Payments received by the City on deposit in the Termination Payment Account and other monies already deposited therein available to make such payment, is not less than such Termination Payment becoming due on such payment date. Monies in the related subaccount of the Termination Payment Account shall be used solely to pay Termination Payments under Qualified Hedge Agreements when due.

(g) Further Payments. No further payments need be made into a subaccount of the Interest Account or the Principal Account whenever the amount available in such subaccount of the Interest Account and the related subaccount of the Principal Account, if added to the amount then in the related subaccount of the Debt Service Reserve Account, if any (without taking into account any amount available to be drawn on any applicable Reserve Account Credit Facility), is sufficient to retire all the Revenue Obligations then Outstanding and Contracts to which such subaccounts relate and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in any subaccount of the Interest Account or the Principal Account shall be used or applied to the optional purchase or redemption of or prepayment of Revenue Obligations prior to maturity unless: (i) provision shall have been made for the payment of all of the Revenue Obligations to which such subaccount relates and all other Revenue Obligations having a parity or higher ranking lien on any category of Revenues securing such Revenue Obligations; or (ii) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are applied to the purchase and cancellation of such Revenue Obligations which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Revenue

Obligations are purchased at a price not more than would be required for mandatory redemption, and such Revenue Obligations are canceled upon purchase and credited against the redemption otherwise to be made on such mandatory redemption date; or (iii) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are applied to the purchase and cancellation of such Revenue Obligations at a price less than the amount of principal which would be payable on such Revenue Obligations, together with interest accrued through the date of purchase, and such Revenue Obligations are canceled upon purchase; or (iv) the Revenue Obligations to which such subaccount relates are Senior Lien Revenue Obligations and such moneys are in excess of the then required balance of the related subaccount in the Interest Account or the Principal Account and are applied to redeem or prepay a part of such Revenue Obligations on the next succeeding redemption date for which the required notice of redemption may be given.

(h) Debt Service Reserve Account. There shall be deposited into the same or separate subaccount of the Debt Service Reserve Account the amounts specified, if any, in Supplemental Resolutions with respect to the first series of Revenue Obligations and any Additional Obligations. The City shall not be required hereby to establish a subaccount of the Debt Service Reserve Account for any Revenue Obligations, and any such subaccount shall only be established if required by the Supplemental Resolution authorizing the issuance of the Revenue Obligations. After the issuance of any Additional Obligations, any increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of Additional Obligations which also are secured by an existing subaccount of the Debt Service Reserve Account shall be accumulated, to the extent not covered by deposits from proceeds of Revenue Obligations or funds on hand or as otherwise provided in the Supplemental Resolution authorizing the issuance of the first series of Revenue Obligations secured by such subaccount, over a period not exceeding 61 months from date of delivery of such Additional Obligations in monthly deposits from the Revenue Fund, none of which is less than 1/60 of the amount to be accumulated. The balance of each subaccount of the Debt Service Reserve Account shall be maintained at an amount equal to the Debt Service Reserve Requirement for the related Revenue Obligations (or such lesser amount that is required to be accumulated in such subaccount of the Debt Service Reserve Account in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Additional Obligations or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events). There shall be transferred from the Revenue Fund on a pro rata basis (1) to each subaccount of the Debt Service Reserve Account the amount necessary to restore the amount of cash and securities in such subaccount of the Debt Service Reserve Account to an amount equal to the difference between (a) the Debt Service Reserve Requirement for the related Revenue Obligations (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Account after the issuance of Additional Obligations or upon the failure of the City to provide a substitute Reserve Account Credit Facility in certain events), and (b) the portion of the required balance of such subaccount of the Debt Service Reserve Account satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down. Notwithstanding anything herein to the contrary, a subaccount in the Debt Service Reserve Account that secures General Revenue Obligations shall only be funded with General Revenues, a subaccount in the Debt Service Reserve Account that secures Special Purpose Revenue Obligations shall only be funded with related Special Purpose Revenues, and a subaccount in the Debt Service Reserve Account that secures Released Revenue Obligations shall only be funded with related Released Revenues. No Revenues shall be used to fund a subaccount in the Debt Service Reserve Account to secure Subordinate Lien Obligations if an Event of Default has occurred hereunder with respect to the related category of Revenue Obligations. Whenever for any reason the amount in the related subaccounts of the Interest Account or the Principal Account is insufficient to pay all interest or principal falling due on any Revenue Obligations, the City shall make up any deficiency by transfers from the Renewal and Extension Fund, if any. Whenever, on the date that such interest or principal is due on any Revenue Obligations, there are insufficient moneys in the related subaccounts of the Interest Account or the Principal Account available to make such payment, the City shall, without further instructions, apply so much as may be needed of the moneys in the related subaccount, if any, of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency shall be remedied by monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are

available in the related account or accounts of the Revenue Fund for such purpose after all required transfers set forth above have been made.

The City may elect to satisfy in whole or in part the Debt Service Reserve Requirement for any Revenue Obligations by means of a Reserve Account Credit Facility, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the greater of the then current Rating on the related series of Revenue Obligations or the second highest long-term Rating of such Rating Agency; (B) no obligation to the Reserve Account Credit Facility Provider shall be secured by a lien equal to or superior to the lien granted to the related series of Revenue Obligations; (C) each Reserve Account Credit Facility shall have a term of at least one (1) year (or, if less, the remaining term of the related series of Revenue Obligations) and shall entitle the City to draw upon or demand payment and receive the amount so requested in immediately available funds the date of such draw or demand; (D) the Reserve Account Credit Facility shall permit a drawing by the City for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Revenue Obligations, and (ii) the City fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Account of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if the Rating issued by the Rating Agency to the Reserve Account Credit Facility Provider is withdrawn or reduced below the greater of the Rating assigned to the related series of Revenue Obligations immediately prior to such action by the Rating Agency or the second highest long-term Rating of such Rating Agency, the City shall provide a substitute Reserve Account Credit Facility within sixty (60) days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period; and (F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the City shall provide a substitute Reserve Account Credit Facility within sixty (60) days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, shall fund the Debt Service Reserve Requirement in not more than twenty-four (24) equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period. If the events described in either clauses (E) or (F) above occur, the City shall not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amounts received from a Reserve Account Credit Facility for the purpose of paying principal and/or interest on related Revenue Obligations shall be deposited directly into the related subaccounts of the Interest Account and the Principal Account, and such deposit shall constitute the application of amounts in the related subaccount of the Debt Service Reserve Account. Any amounts received from a Reserve Account Credit Facility drawn upon as a result of expiration or termination of such Reserve Account Credit Facility shall be deposited to the related subaccount of the Debt Service Reserve Account. All repayments of any draw-down on the Reserve Account Credit Facility and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility shall be secured by a lien on Revenues subordinate to the lien of the related Revenue Obligations for payments into the related subaccounts of the Sinking Fund, the Rebate Fund and payments on any Credit Facility Agreement securing the related Revenue Obligations.

Any such Reserve Account Credit Facility shall be pledged to the benefit of the owners of all of the Revenue Obligations secured by it. The City reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Resolution without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment shall not, in the written opinion of Bond Counsel filed with the City, impair or reduce the security granted to the owners of Revenue Obligations or any of them.

Renewal and Extension Fund.

The City may deposit, in its sole discretion, funds in a Renewal and Extension Fund created by the City, which may be created by the City in its sole discretion. All sums accumulated and retained in the Renewal and Extension Fund

shall be used first to prevent default in the payment of interest on or principal of any General Revenue Obligations when due and then shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under Section 4.03 of the Resolution, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including fees, expenses, and indemnity payments) and any Termination Payments due under a Hedge Agreement or Loan Agreement, (c) to pay any governmental charges and assessments against the System or any part thereof which may then be due and owing, (d) to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the System deemed necessary by the City (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), and (e) to acquire Revenue Obligations (other than Special Purpose Revenue Obligations) by redemption or by purchase in the open market prior to their respective maturities, and when so used for such purposes the moneys shall be withdrawn from the Renewal and Extension Fund and deposited into the related subaccounts of the Interest Account and the Principal Account for the Revenue Obligations to be so redeemed or purchased.

Deposits and Security of Funds and Accounts.

All moneys in the funds and accounts established under the Resolution shall be held by the City in one or more Depositories qualified for use by the City. Uninvested moneys shall, at least to the extent not guaranteed by the Federal Deposit Insurance Corporation, be secured to the fullest extent required by the laws of the State for the security of public funds.

Investment of Funds and Accounts.

Moneys in the funds and accounts established under the Resolution shall be invested and reinvested in Permitted Investments and containing such maturities as are deemed suitable by the City.

Investment Earnings in each fund and account (except the Debt Service Reserve Account) shall be retained therein. Investment Earnings from the investment of moneys in each subaccount of the Debt Service Reserve Account shall be retained in such subaccount of the Debt Service Reserve Account at all times if the balance (taking into account the current market value of the investments held in the Debt Service Reserve Account) is less than the respective Debt Service Reserve Requirement; thereafter and at all times if the balance of such subaccount of the Debt Service Reserve Account is equal to or greater than the respective Debt Service Reserve Requirement (taking into account the current market value of the investments held in the Debt Service Reserve Account), such Investment Earnings shall be deposited in the related subaccount of the Interest Account.

The Supplemental Resolution authorizing the issuance of any Revenue Obligations may specify maturity limitations and different allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Revenue Obligations.

Moneys in each of such funds shall be accounted for as a separate and special fund apart from all other funds, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the City so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

Valuation of Investments.

All investments made for any fund, account or subaccount under the Resolution shall, for purposes of the Resolution, be valued at fair market value on the last day of Fiscal Year.

Application of Excess in Sinking Fund.

Whenever at the end of each Fiscal Year the amount of moneys in any account or subaccount of the Sinking Fund, including the Debt Service Reserve Account, exceeds the amount then currently required to be held therein, the excess shall be transferred to the related account in the Revenue Fund.

Disposition of Moneys After Payment of Revenue Obligations and Contracts.

Any amounts remaining in any fund or account established under the Resolution after payment in full of the principal of, redemption premium, if any, and interest on the Revenue Obligations (or after provision for payment thereof has been made) and obligations treated as Senior Lien Revenue Obligations or Subordinate Lien Obligations pursuant to Section 5.02(c) or 5.03(g) of the Resolution, the fees, charges, and expenses of the Trustee, the Paying Agent and Bond Registrar, all amounts owing to any Credit Issuer, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider or other party to a Contract, and all other amounts required to be paid under the Resolution (including amounts required to be paid into the Rebate Fund), shall be promptly paid to the City.

ADDITIONAL REVENUE OBLIGATIONS

No Revenue Obligations Except as Permitted in the Resolution.

No Revenue Obligations may be issued and no other obligations, except Contracts, which are secured by any interest in or lien on Pledged Revenues may be entered into except pursuant to Sections 5.02, 5.03 or 5.04 of the Resolution; provided, however, the City may issue an initial series of Senior Lien Revenue Obligations pursuant to a Supplemental Resolution without meeting the requirements of Section 5.02 of the Resolution.

Additional Senior Lien Revenue Obligations.

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of Senior Lien Revenue Obligations may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Senior Lien Revenue Obligations, and the refunding Revenue Obligations so issued shall constitute Senior Lien Revenue Obligations secured on a parity with any Revenue Obligations secured on a parity with the refunded Revenue Obligations, if all of the following conditions are satisfied:

(1) the City shall have obtained a report from an Independent Certified Public Accountant or a Financial Adviser demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Lien Revenue Obligations, including payments on related Contracts, which are parity secured with the Revenue Obligations to be refunded on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Outstanding Senior Lien Revenue Obligations which are secured on a parity with the Revenue Obligations to be refunded are being refunded under arrangements which immediately result in making provision for the payment of such Revenue Obligations; and

(3) requirements of (b)(2), (5), and (6) are met with respect to such refunding Revenue Obligations.

(b) Additional Senior Lien Revenue Obligations (including refunding Revenue Obligations which do not meet the requirements of (a)) may also be issued on a parity with Outstanding Senior Lien Revenue Obligations pursuant to a Supplemental Resolution, and the Revenue Obligations so issued shall be secured on a parity with such Outstanding Senior Lien Revenue Obligations, if all of the following conditions are satisfied:

(1) There shall have been procured and filed with the City a report by a Financial Adviser or a certificate by the Mayor of the City, or his designee, to the effect that the historical related Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Additional Obligations or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the maximum annual Debt Service Requirement on all related Senior Lien Revenue Obligations which will be Outstanding immediately after the issuance of the proposed Additional Obligations and secured on a parity therewith, in the then current and each succeeding Fiscal Year, provided, however, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Additional Obligations and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the City has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the City has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(2) The City shall have received, at or before issuance of the Additional Obligations, a report from a Financial Adviser or a certificate of the Mayor of the City, or his designee, to the effect that the payments required to be made into each account or subaccount of the Sinking Fund have been made and the balance in each account or subaccount of the Sinking Fund is not less than the balance required by the Resolution as of the date of issuance of the proposed Additional Obligations.

(3) The Supplemental Resolution authorizing the proposed Additional Obligations must require (i) that the amount to be accumulated and maintained in the subaccount of the Debt Service Reserve Account for Senior Lien Revenue Obligations which are to be secured on a parity with such Additional Obligations, if any, be increased to not less than 100% of the Debt Service Reserve Requirement, if any, computed on a basis which includes all Senior Lien Revenue Obligations which will be Outstanding and secured on a parity with the Additional Obligations immediately after the issuance of the proposed Additional Obligations and (ii) that the amount of such increase be deposited in such subaccount prior to or at the end of the period and at least as fast as the rate specified in Section 4.04(g) of the Resolution.

(4) The Supplemental Resolution authorizing the proposed Additional Obligations must require the proceeds of such proposed Additional Obligations to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Additional Obligations, to refund other obligations issued for such purposes (whether or not such refunding Revenue Obligations satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Additional Obligations.

(5) The City Recorder shall have certified, by written certificate dated as of the date of issuance of the Additional Obligations, that the City is in compliance with all requirements of the Resolution.

(6) The City, shall have received an opinion of Bond Counsel, dated as of the date of issuance of the Additional Obligations, to the effect that the Supplemental Resolution authorizing the issuance of Additional Obligations has been duly adopted by the City.

(c) Obligations which would be Other System Obligations but for the existence of a Senior Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Senior Lien Revenue Obligations, if all of the conditions of (b)(2) through (6) are satisfied treating such obligations as Additional Obligations and the issuance and security documents therefore as Supplemental Resolutions.

Additional Subordinate Lien Obligations.

(a) Revenue Obligations also may be issued on a Subordinate Lien basis pursuant to a Supplemental Resolution or a resolution otherwise adopted by the City payable from moneys which would otherwise be available for any other lawful purpose, and the Revenue Obligations so issued shall constitute Subordinate Lien Obligations, if (1) the Supplemental Resolution authorizing the Subordinate Lien Obligations shall provide that such Subordinate Lien Obligations shall be junior and subordinate in lien and right of payment (A) directly, to any Outstanding Senior Lien Revenue Obligations or Senior Lien Revenue Obligations issued in the future which have a Senior Lien on a category of Revenues as to which such proposed Additional Obligations have a Subordinate Lien; and (2) the City shall have received a report from a Financial Adviser, or a certificate of the Mayor of the City, or his designee, to the effect that the payments required to be made into each account or subaccount of the Sinking Fund have been made and the balance in each account or subaccount of the Sinking Fund is not less than the balance required by the resolution for Senior Lien Revenue Obligations as of the date of issuance of any Subordinate Lien Obligations.

(b) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the City or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the City, whether or not involving insolvency or bankruptcy, the owners of all Series 2003 Bonds and Senior Lien Revenue Obligations then Outstanding and parties to related Contracts shall be entitled to receive payment in full of all principal and interest due on all such Senior Lien Revenue Obligations, all other payments due under Loan Agreements, which Loan Agreements are Senior Lien Obligations and all payments due under related Contracts (other than Termination Payments) in accordance with the provisions of the Resolution before the owners of any Subordinate Lien Obligations or Termination Payments having a Subordinate Lien on a category of Revenues as to which such Senior Lien Revenue Obligations have a Senior Lien or related Contracts are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Resolution on account of principal of, premium, if any, or interest on the Subordinate Lien Obligations or related Contracts or Termination Payments.

(c) If any Event of Default shall have occurred and be continuing (under circumstances when the provisions of paragraph (b) shall not be applicable), the owners of all Series 2003 Bonds and Senior Lien Revenue Obligations then Outstanding and parties to related Contracts shall be entitled to receive payment in full of all principal and interest then due on all such Senior Lien Revenue Obligations, all other payments due under Loan Agreements, which Loan Agreements are Senior Lien Obligations, and all payments due on related Contracts (other than Termination Payments) before the owners of the Subordinate Lien Obligations or parties to Contracts related to Subordinate Lien Obligations or which are subordinate to Senior Lien Revenue Obligations or Termination Payments are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Resolution of principal of, premium, if any, or interest on the Subordinate Lien Obligations or payments under related Contracts or Termination Payments.

(d) No owner of Senior Lien Revenue Obligations or party to any related Contract shall be prejudiced in its right to enforce subordination of the Subordinate Lien Obligations and related Contracts and Termination Payments by any act or failure to act on the part of the City.

(e) The obligations of the City to pay to the owners of the Subordinate Lien Obligations the principal of, premium, if any, and interest thereon in accordance with their terms and to pay parties to related Contracts in accordance with the terms of the related Contracts shall be unconditional and absolute. Nothing in the Resolution shall prevent the owners of the Subordinate Lien Obligations or parties to related Contracts or a party entitled to a Termination Payment having a Subordinate Lien from exercising all remedies otherwise permitted by applicable law or under the Resolution or the related Contracts upon default thereunder, subject to the rights contained in the Resolution of the owners of Senior Lien Revenue Obligations and parties to related Contracts to receive cash, property, or securities otherwise payable or deliverable to the owners of the Subordinate Lien Obligations, parties to related Contracts or a party entitled to a Termination Payment having a Subordinate Lien, and any Supplemental

Resolution authorizing Subordinate Lien Obligations may provide that, insofar as a trustee or paying agent for the Subordinate Lien Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal or premium, if any, and interest on such Subordinate Lien Obligations, payments under related Contracts or a party entitled to a Termination Payment having a Subordinate Lien if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(f) Any series of Subordinate Lien Obligations and related Contracts or any Termination Payment secured by a Subordinate Lien may have such rank or priority with respect to any other series of Subordinate Lien Obligations and related Contracts or any Termination Payment secured by a Subordinate Lien as may be provided in the Supplemental Resolution or other resolution authorizing such series of Subordinate Lien Obligations and may contain such other provisions as are not in conflict with the provisions of the Resolution.

(g) Obligations which would be Other System Obligations but for the existence of a Subordinate Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Subordinate Lien Obligations, if all of the conditions of 503(a) through (c) are satisfied treating such obligations as Subordinate Lien Obligations and the issuance and security documents therefor as Supplemental Resolutions.

Additional Special Purpose Revenue Obligations.

Additional Special Purpose Revenue Obligations may be issued after compliance with any requirements therefor set forth in any Supplemental Resolution related to such Special Purpose Obligations or Outstanding Special Purpose Obligations which will be secured on a parity with such Additional Special Purpose Obligations.

Released Revenues; Securitizations.

(a) A separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the System may be withdrawn from General Revenues and thereafter treated as Released Revenues for all purposes, including the security for Released Revenue Obligations, if the following conditions are met:

(1) Filing of a report of a Financial Adviser or a certificate of the Mayor of the City, or his designee, with the Trustee to the effect that historical Net General Revenues, determined by excluding the category of Revenues proposed to become Released Revenues, for the most recent audited Fiscal Year prior to the date of such report were equal to at least 120% of the maximum annual Debt Service Requirement on all General Revenue Obligations which will be Outstanding after the category of Revenues becomes Released Revenues;

(2) Filing of a resolution of the Board of the City stating the City's intent to release such category of Revenues with the Trustee accompanied by a written certificate of the Mayor of the City, or his designee, certifying the City is in compliance with all requirements of the Resolution; and

(3) The report described in (1) above or a separately filed report of an Independent Certified Public Accountant states that there are sufficient internal accounting and fiscal operations management practices in place at the System to provide an adequate basis for the additional accounting and related procedures required as a result of the release of revenues from General Revenues and the subsequent treatment thereof as Released Revenues.

(b) Upon compliance with subsection (a), Released Revenues may be sold, leased or loaned to a related or unrelated Person in a securitization or other similar transaction.

Accession of Subordinate Lien Obligations and Related Contracts to Senior Lien Status.

By proceedings authorizing Subordinate Lien Obligations or a lien permitted by Section 5.03(g) of the Resolution, the City may provide for the accession of such Subordinate Lien Obligations and related Contracts to the status of complete parity with any Senior Lien Revenue Obligations and related Contracts with a lien on the same category of Revenues if, as of the date of accession, the conditions of Section 5.02(b) of the Resolution are satisfied, on a basis that includes all Outstanding Senior Lien Revenue Obligations with a lien on the same category of Revenues and such Subordinate Lien Obligations, and if on the date of accession:

(a) The subaccount of the Debt Service Reserve Account, if any, relating to the Senior Lien Revenue Obligations secured by such Debt Service Reserve subaccount, if any, contains an amount equal to the Debt Service Reserve Requirement computed on a basis that includes all Outstanding Senior Lien Revenue Obligations with a lien on the same category of Revenues and Debt Service Reserve subaccount, if any, and such Subordinate Lien Obligations; and

(b) The subaccounts of the Interest Account, the Principal Account, the Hedge Payments Account, the Contract Payments Account, the Termination Payment Account and the Loan Repayment Account contain the amounts, if any, which would have been required to be accumulated therein on the date of accession if the Subordinate Lien Obligations had originally been issued as Senior Lien Revenue Obligations with a lien on the same category of Revenues.

Adoption of Proceedings.

The City shall adopt a Supplemental Resolution authorizing the issuance of any Additional Obligations and, except for the first Supplemental Resolution, reciting that the requirements of this Article have been satisfied, and shall set forth in such proceedings, among other things, the security therefor, the date or dates such Additional Obligations shall bear and the rate or rates of interest, interest payment date or dates, maturity date or dates, and redemption provisions with respect to such Additional Obligations and any other matters applicable to such Additional Obligations as the City may deem advisable.

Any such Supplemental Resolution shall restate and reaffirm, by reference, all of the applicable terms, conditions, and provisions of the Resolution not modified by the Supplemental Resolution.

Proceedings Authorizing Additional Obligations.

No Supplemental Resolution authorizing the issuance of Additional Obligations as permitted under this Article shall conflict with the terms and conditions of the Resolution, except to the extent that the Supplemental Resolution is adopted for one of the purposes set forth in Section 10.01 of the Resolution and complies with the provisions thereof for the adoption of Supplemental Resolutions without the consent of holders of the Revenue Obligations.

Applicability to Additional Obligations.

The provisions of the Resolution shall be construed as including and being applicable to any future series of Revenue Obligations, and any such Revenue Obligations shall be treated, unless otherwise specifically stated, just as if they had been issued pursuant to the terms of this Master Resolution and the first Supplemental Resolution.

Credit Facilities and Hedge Agreements.

(a) In connection with the issuance of any Revenue Obligations, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Revenue Obligations, providing for the purchase of such Revenue Obligations by the Credit Issuer, or providing funds for the purchase of such Revenue Obligations by the City. In connection therewith, the City shall enter into Credit Facility Agreements with such Credit Issuers providing for,

among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Revenue Obligations affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The City may secure any Credit Facility by an agreement providing for the purchase of the Revenue Obligations secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the City, in the applicable Supplemental Resolution. The City may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Resolution until amounts are paid under such Credit Facility. Any such Reimbursement Obligation shall be deemed to be a part of the Revenue Obligations to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to principal and interest payments with respect to such Revenue Obligations shall include principal and interest (except for Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Revenue Obligations, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Revenue Obligations with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Revenue Obligations, without acceleration) shall be fully subordinate to the payment of debt service on the related class of Revenue Obligations. Any such Credit Facility shall be for the benefit of and secure such Revenue Obligations or portion thereof as specified in the applicable Supplemental Resolution. Notwithstanding the other provisions hereof, the City's obligations under a Credit Facility which requires the Credit Issuer to make all interest payments due on the Revenue Obligations may be secured to the extent of such amounts by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by Section 4.01 of the Resolution to secure the related Revenue Obligations, or may be wholly or partially subordinate in lien and right of payment to the payment of the Revenue Obligations, as determined by the City.

(b) In connection with the issuance of any Revenue Obligations or at any time thereafter so long as such Revenue Obligations remain Outstanding, the City may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Revenue Obligations. The City shall authorize the execution, delivery, and performance of each Qualified Hedge Agreement in a Supplemental Resolution, in which it shall designate the related Hedged Obligations. The City's obligation to pay Hedge Payments on a Qualified Hedge Agreement may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by Section 4.01 of the Resolution to secure the related Hedged Obligations (other than Termination Payments), or may be wholly or partially subordinate in lien and right of payment to the payment of the Revenue Obligations, as determined by the City; provided, that the City's obligation to pay Termination Payments may be secured by a pledge of, and lien on, the Pledged Revenues to the same extent as Subordinate Lien Obligations.

Other Obligations.

The City expressly reserves the right, at any time, to adopt one or more other bond resolutions and reserves the right, at any time, to issue any other obligations not secured by the amounts pledged under the Resolution.

GENERAL PROVISIONS

Rate Covenant.

The City shall continuously own, and the City shall continuously control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

(a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the City; and

(b) such that Net Revenues in each Fiscal Year:

(1) will equal at least 120% of the Debt Service Requirement on all Senior Lien Revenue Obligations and 100% of the Debt Service Requirement on all other Revenue Obligations then Outstanding for such Fiscal Year and any Termination Payments due during such Fiscal Year which are secured by a lien on the Pledged Revenues;

(2) will enable the City to make all required payments, if any, into the Debt Service Reserve Account and the Rebate Fund and on any Contract or Other System Obligation;

(3) will enable the City to accumulate an amount to be held in the Renewal and Extension Fund, which in the judgment of the City is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

(4) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years; and

(5) will permit the City to comply with the terms of any agreement that the City has entered into to purchase or sell water;

provided for purposes of (a), (b)(1) and (2) each category of Net Revenues shall be compared to the required payments with respect to, or for accounts related to, related Operating Expenses, Revenue Obligations, Contracts and Other System Obligations.

The rates, fees, and other charges shall be classified in a reasonable manner to cover users of the services and facilities furnished by the System so that, as nearly as practicable, such rates, fees, and other charges shall be uniform in application to all users falling within any reasonable class.

Maintenance of the System in Good Condition.

The City covenants that it has and will continue to enforce reasonable rules and regulations governing the System and the operation thereof, that all compensation, salaries, fees, and wages paid by it in connection with the operation, maintenance, and repair of the System will be reasonable, and that no more persons will be employed by it than are necessary, that it will operate the System in an efficient and economical manner and will at all times maintain the System in good repair and in sound operating condition, that it will make all necessary repairs, renewals, and replacements to the System, and that it will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative, or judicial body applicable to the System and the City's operation thereof.

Insurance.

With respect to the System, the City will carry adequate public liability, fidelity, and property insurance, such as is maintained by similar Systems as the System; provided, the City shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, as amended, and provided further, the City may self-insure against any risks that its Governing Body deems appropriate provided the City maintains adequate reserves, in such amounts as the City determines is reasonable, for such self insurance.

The City, without in any way limiting the generality of the following, shall: (a) require each construction contractor and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contracts; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the Project adequate compensation insurance for all of their employees and

adequate public liability and property damage insurance for the full and complete protection of City from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

All such policies shall be for the benefit of and made payable to the City and shall be on deposit with the City.

All moneys received for losses under any such insurance policies, except public liability policies, are hereby pledged by the City, as security for the Revenue Obligations until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by repairing the property damaged or replacing the property destroyed or by depositing the same in the Renewal and Extension Fund. Adequate provision for making good such loss and damage shall be made within 120 days from the date of the loss, insurance proceeds not used in making such provision shall be deposited in the Renewal and Extension Fund on the expiration of such 120-day period. Such insurance proceeds shall be payable to the City by appropriate clause to be attached to or inserted in the policies.

No Sale, Lease, or Encumbrance; Exceptions.

Unless consent is given by the holders of at least a majority of the aggregate principal amount of the Revenue Obligations and by any Credit Issuer, the City will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof except as may be set forth herein; provided, however, the use of any of the System facilities may at any time be permanently abandoned or the System or any portion of the System or of the System facilities sold or otherwise disposed of, provided that:

(a) All covenants and undertakings in connection with all Revenue Obligations then outstanding and payable from the Revenues of the System are in compliance and any required reserve funds have been fully established and contributions thereto are current;

(b) After the abandonment, sale or other disposal of all or a portion of the System, (i) provision is made for the payment of all the outstanding Revenue Obligations or (ii) the remaining Revenues of the System after such sale shall be sufficient to pay principal of, premium, if any, and interest on the remaining Revenue Obligations and sufficient to be in compliance with the covenants set forth herein as certified by a Consulting Engineer or Financial Adviser;

(c) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or it is otherwise in the best interests of the City to dispose of all or a part of the System as determined by the Governing Body of the City; and

(d) The City receives an opinion of nationally recognized bond counsel to the effect that the disposition of the System or any portion thereof and use of the proceeds therefrom will not adversely affect the exclusion of interest on the Revenue Obligations from gross income of the holders thereof for purposes of federal income taxation.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the City is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

In addition to the transfers permitted above, the City shall have the right to sell, lease, transfer or otherwise dispose of the System as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation or governmental agency (each of which shall be included within the term "Transferee" as used herein), provided the transferee thus acquiring the System from the City will assume the performance of and be bound by all of the City's obligations to the holders of the Revenue Obligations to make the

payments into the funds required by the resolutions authorizing the Revenue Obligations and this Resolution and to pay the principal of, premium, if any, and interest on the Revenue Obligations as provided in the covenants and provisions of this Resolution.

Notwithstanding anything elsewhere herein provided, nothing contained herein shall prevent the City from combining any or all of the City's utility systems into a single unified operation (the "Combined System") and commingling the revenues of the systems so combined in the Combined System without keeping separate accounts of the funds of each of such systems, provided payments from the funds of the Combined System are required to be made into the Sinking Fund created hereunder from time to time in amounts sufficient to comply with provisions thereof and in amounts sufficient to pay the principal of and interest on the Revenue Obligations as such principal and interest becomes due. General Revenue Obligations ("Parity Combined System Obligations") payable from General Revenues of the Combined System may be thereafter issued on a parity with Outstanding Revenue Obligations provided at the time of the issuance of any such Parity Combined System Obligations, the terms and conditions of Article V of the Resolution have been met with respect to the issuance of such Parity Combined System Obligations.

No Impairment of Rights.

The City shall not enter into any contract or contracts, nor take any action, the results of which might materially impair the rights of the holders of any Revenue Obligations.

Books and Accounts.

The City shall keep proper books and accounts in compliance with applicable laws and regulations, if any, and shall cause such books and accounts to be audited for each Fiscal Year by an independent certified public accountant or firm of independent certified public accountants. A copy of each annual audit report showing in reasonable detail the financial condition of the System at the close of the Fiscal Year, the income and expenses for such Fiscal Year, including the transactions relating to any and all funds and accounts created pursuant to the Resolution, shall be available to any Bondholder upon request.

Enforcement of Charges and Connections.

The City shall compel the prompt payment of rates, fees, and charges imposed for service connected with the System, and to that end will vigorously enforce all of the provisions of any resolution or ordinance of the City having to do with the same, and all of the rights and remedies permitted the City under law. The City expressly covenant and agree that such charges will be enforced and promptly collected to the full extent permitted by law.

Payments.

All payments falling due on the Revenue Obligations and related Contracts shall be made by the City, from the Pledged Revenues or, at the City's option, other legally available revenues to the owners thereof when due in full, and all reasonable and authorized charges made by the Bond Registrar, the Trustee and the Paying Agent shall be paid by the City, when due.

No Loss of Lien on Revenues.

The City shall not do, or omit to do, or permit to be done or to be omitted any matter or thing whatsoever whereby the lien of the Resolution on the Pledged Revenues or any part thereof might or could be lost or impaired.

Annual Budget.

The City agrees to adopt an Annual Budget for the System for each Fiscal Year in compliance with the rate covenant as stated in Section 6.01 of the Resolution.

Tax Provisions.

The City recognizes that the purchasers and owners of Tax-Exempt Bonds will have accepted the Tax-Exempt Bonds on, and paid for the Tax-Exempt Bonds a price which reflects, the understanding that interest on such Tax-Exempt Bonds is not included in the gross income of the owners for federal income tax purposes under laws in force at the time the Tax-Exempt Bonds shall have been delivered.

The City shall take any and all action which may be required from time to time in order to assure that interest on the Tax-Exempt Bonds shall remain excludable from the gross income of the owners of the Tax-Exempt Bonds for federal income tax purposes and shall refrain from taking any action which would adversely affect such status.

The City will not knowingly use, invest or participate in the investment of any moneys held under the Resolution if such use or investment would cause interest on any Tax-Exempt Bonds to become included in gross income for federal income tax purposes.

The City shall calculate, from time to time, as required in order to comply with the provisions of Section 148(1) of the Code, the amounts required to be rebated (including penalties) to the United States and shall deposit or cause to be deposited into the Rebate Fund any and all of such amounts promptly following a determination of any such amount.

The City shall direct the Depository of the Rebate Fund to keep all moneys held therein invested in Permitted Investments. To the extent and at the times required in order to comply with Section 148(f) of the Code, the City may withdraw funds from the Rebate Fund for the purpose of making rebate payments (including penalties) to the United States as required by Section 148(f) of the Code. Except as otherwise specifically provided in this Section, moneys in the Rebate Fund may not be withdrawn from the Rebate Fund for any other purpose.

All earnings on investments held in the Rebate Fund shall be retained in the Rebate Fund and shall become part of the Rebate Fund. Moneys held in the Rebate Fund, including the investment earnings thereon, if any, shall not be subject to a pledge in favor of the owners of the Revenue Obligations under the Resolution and may not be used to pay amounts due on the Revenue Obligations or under any Credit Facility Agreements or Hedge Agreements or amounts required for the operation, maintenance, enlargement, or extension of the System.

The City shall have the right to create special accounts, from time to time, in the Rebate Fund as it may deem desirable.

If the City shall deliver to the Depository of the Rebate Fund a certificate, signed by an officer of the City certifying that the City has filed all reports required to be filed with the United States pursuant to Section 148(f) of the Code and has made all payments required to be made to the United States pursuant to Section 148(f) of the Code, then the Depository of the Rebate Fund shall transfer to, or upon the order of, the City all moneys or investments remaining in the Rebate Fund, and such moneys and investments may be used by the City for any lawful purpose.

The City may employ any rebate analyst or other expert to perform any of the duties with respect to the Rebate Fund, other than payment of moneys into the Rebate Fund.

The covenants, certifications, representations, and warranties contained in this Section shall survive payment in full or provision for payment in full of the Tax-Exempt Bonds until the end of the statute of limitations following the later of final payment of such Revenue Obligations (without regard to any defeasance or other provision for

the payment thereof) or the last date as of which payments under Section 148(f) of the Code could be due to the United States.

EVENTS OF DEFAULT AND REMEDIES

Definition of Events of Default.

An “Event of Default” shall mean the occurrence of any one or more of the following:

- (a) a failure to pay the principal or redemption price of any Senior Lien Revenue Obligation when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (b) a failure to pay any installment of interest on any Senior Lien Revenue Obligation when and as such installment of interest shall become due and payable; or
- (c) a court of competent jurisdiction shall enter an order, judgment, or decree appointing a receiver of the System or any of the funds or accounts established in Article IV of the Resolution, or approving a petition seeking reorganization of the City under the federal bankruptcy laws or any other applicable law or statute of the United States of America or the State, and such order, judgment, or decree shall not be vacated or set aside or stayed within 60 days from the date of the entry thereof; or
- (d) the City shall fail to perform any of the other covenants, conditions, agreements, and provisions contained in the Senior Lien Revenue Obligations or in the Resolution on the part of the City to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring it to be remedied shall have been given to the City by the Trustee or by the owners of not less than or any Credit Issuer securing not less than twenty-five percent (25%) in aggregate principal amount of the Senior Lien Revenue Obligations; provided, however, if the failure stated in such notice can be corrected, but not within such 90 day period, the City shall have 180 days after such written notice to cure such default if corrective action is instituted by the City within such 90 day period and diligently pursued until the failure is corrected; or
- (e) an Event of Default under any Supplemental Resolution relating to Senior Lien Revenue Obligations shall occur;

provided if the Event of Default relates solely to Revenue Obligations related to a particular category of Revenues and no other event has occurred which, with the lapse of time or the delivery of notice or both, could become an Event of Default with respect to any other Revenue Obligations then Outstanding, such Event of Default shall be deemed to apply solely to the related Revenue Obligations and Contracts and the provisions of the Resolution shall otherwise remain in full force and effect with respect to all other Revenue Obligations and related Contracts.

Remedies.

Upon the occurrence of an Event of Default, the Trustee shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due hereunder and under the Senior Lien Revenue Obligations or the performance of any covenant or agreement contained herein or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law. The rights herein specified are to be cumulative to all other available rights, remedies or powers. Without limiting the foregoing, upon the request of the holders of not less than twenty-five percent (25%) of the Outstanding Senior Lien Revenue Obligations, the Trustee shall, in addition to all other remedies and rights upon or hereunder, have the right, by appropriate proceedings in any court of competent jurisdiction, to obtain the appointment of a receiver for the System, which receiver may enter upon and take possession of the System, operate and maintain the System, fix rates and collect all revenues arising therefrom in as full a manner and to the same extent as the City itself might do. The receiver shall deposit all

moneys collected by him in a separate account or accounts and shall dispose of such revenues in accordance with the terms and conditions of the resolutions authorizing Senior Lien Revenue Obligations and this Resolution and as the court shall direct.

No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right and remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee, any Credit Issuer or by the Bondholders, shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

Rights of Bondholders.

Upon the occurrence of an Event of Default and if requested so to do by the Holders of more than fifty percent (50%) in aggregate principal amount of the Senior Lien Revenue Obligations then Outstanding and if indemnified for its costs and expenses, the Trustee, subject to the provisions of Section 7.04 of the Resolution, shall be obligated to exercise such one or more of the rights and remedies conferred by this Article as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

Right of Bondholders to Direct Proceedings.

Anything herein to the contrary notwithstanding, the Holders of more than fifty percent (50%) in aggregate principal amount of the Senior Lien Revenue Obligations then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct (as between such Bondholders and the Trustee) the time, method and place of conducting all proceedings otherwise permitted to be taken in connection with the enforcement of the terms and conditions hereof, or for the appointment of a receiver or any other proceedings hereunder, provided the Trustee is indemnified as provided above.

Remedies Cumulative.

No remedy conferred upon or reserved to the holders of any Revenue Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity or by statute.

Waiver of Default.

No delay or omission of any holder of any Revenue Obligations to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, and every power and remedy given by the Resolution to the holders of any Revenue Obligations may be exercised from time to time and as often as may be deemed expedient.

Application of Moneys After Default.

If an Event of Default occurs and shall not have been remedied, the City or a receiver appointed for the purpose shall apply all Pledged Revenues as follows and in the following order of priority (subject to the last paragraph of this Section):

(a) Expenses of Receiver and Trustee and Bond Registrar - to the payment of the reasonable and proper charges, expenses, and liabilities of the receiver and the Trustee and Bond Registrar under the Resolution with the amounts payable under this (a), if related to a particular series and therefore to a particular category of Revenues, first from such category and second from other categories of Revenues in amounts as determined by

the receiver or the Trustee, and if not so related to a particular series or category of Revenues, then from all Revenues as determined by the Receiver or the Trustee;

(b) Operating Expenses - then, within each category of Revenues, to the payment of all reasonable and necessary related Operating Expenses;

(c) Then, within each category of Revenues, to the payment of the interest and principal or redemption price then due on the related Senior Lien Revenue Obligations and payments then due under Loan Agreement and payments under related Contracts (other than Termination Payments), as follows:

(1) Unless the principal of all the Senior Lien Revenue Obligations related to such category of Revenues shall have become due and payable due to the maturity thereof, all such moneys shall be applied as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Senior Lien Revenue Obligations, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Lien Revenue Obligations with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference. If some of the Senior Lien Revenue Obligations bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account securing such Revenue Obligations must be used to pay any such interest, the moneys in any subaccount of the Debt Service Reserve Account shall be applied (to the extent necessary) to the payment of all interest falling due on the dates upon which such interest is payable to and including the date six months after the date of application of such moneys. After such period, moneys in any subaccount of the Debt Service Reserve Account securing such Revenue Obligations plus any other moneys available in the Interest Account shall be set aside for the payment of interest on Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to interest on the same dates) pro rata among Senior Lien Revenue Obligations of the various classes on a daily basis so that there shall accrue to each owner of a Senior Lien Revenue Obligation throughout each Fiscal Year the same proportion of the total interest payable to such owner of a Senior Lien Revenue Obligation as shall so accrue to every other owner of a Senior Lien Revenue Obligation during such Fiscal Year. As to any Compound Interest Bond which is a Senior Lien Revenue Obligation, such interest shall accrue on the Accreted Value of such Senior Lien Revenue Obligation and be set aside on a daily basis until the next compounding date for such Senior Lien Revenue Obligations, whereupon it shall be paid to the owner of such Senior Lien Revenue Obligation as interest on a defaulted obligation and only the unpaid portion of such interest (if any) shall be treated as principal of such Senior Lien Revenue Obligation.

Second: to the payment to the persons entitled thereto of the unpaid principal of any of the Senior Lien Revenue Obligations which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Lien Revenue Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of Article IX of the Resolution), in the order of their due dates, with interest upon such Senior Lien Revenue Obligations from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Senior Lien Revenue Obligations due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference. If some of the Senior Lien Revenue Obligations mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates

and if at any time moneys from the Debt Service Reserve Account must be used to pay any such principal falling due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph first above shall be applied to the extent necessary to the payment of all principal falling due prior to the date 12 months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available in the Principal Account shall be set aside for the payment of principal of Senior Lien Revenue Obligations of each class (a class consisting of all Senior Lien Revenue Obligations payable as to principal on the same date) pro rata among Senior Lien Revenue Obligations of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total principal payable on each such Senior Lien Revenue Obligation as shall be equal among all classes of Senior Lien Revenue Obligations maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Compound Interest Bond which is a Senior Lien Revenue Obligation (except for interest which shall have been paid under paragraph first) shall be treated as principal for purposes of this paragraph third.

Third: to the payment of the redemption premium on and the principal of any Senior Lien Revenue Obligations called for optional redemption pursuant to their terms.

Fourth: to interest portions of Reimbursement Obligations that have not been designated as Senior Lien Revenue Obligations, but are related to Senior Lien Revenue Obligations pursuant to the terms of the related Contracts.

Fifth: to the payment of the principal portions of Reimbursement Obligations that have not been designated as Senior Lien Revenue Obligations but are related to Senior Lien Revenue Obligations pursuant to the terms of the related Contracts.

Sixth: to the payment of all other amounts then due on Loan Agreements (excluding Termination Payments) and on Contracts (excluding Termination Payments) related to Senior Lien Revenue Obligations.

Seventh: to the payment of other obligations of the City, including Subordinate Lien Obligations and Termination Payments, as may be provided in a Supplemental Resolution.

(2) If the principal of all the Senior Lien Obligations shall have become due and payable, all such moneys shall be applied as follows:

First, to the payment of the principal and interest then due and unpaid upon the Senior Lien Revenue Obligations, with interest thereon as aforesaid, and due and unpaid payments under related Contracts (excluding Termination Payments) and due and unpaid payments under Loan Agreements other than principal and interest (excluding Termination Payments), without preference or priority of principal over interest or payments on Contracts and other payments on Loan Agreements (excluding Termination Payments) or of interest over principal or payments on Contracts and other payments on Loan Agreements, or of payments on Contracts (excluding Termination Payments) over principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Lien Revenue Obligation over any other Senior Lien Revenue Obligations, or of any such payment under a Contract and other payments on Loan Agreements (excluding Termination Payments) over any other such payment under a Contract and other payments on Loan Agreements (excluding Termination Payments), ratably, according to the amounts due respectively for principal, interest, and payments under Contracts and other payments on Loan Agreements (excluding Termination Payments), to the persons entitled thereto without any discrimination or preference.

Second, to the payment of other obligations of the City, including Subordinate Lien Obligations and Termination Payments, as may be provided in a Supplemental Resolution.

Notwithstanding anything else herein to the contrary, payments made pursuant to (b) and (c) shall be made by category of Revenues to related Revenue Obligations such that:

(i) Amounts traceable to General Revenues are used only for General Revenue Obligations and related Contracts;

(ii) Amounts traceable to Released Revenues are used only for Released Revenue Obligations and related Contracts or otherwise as permitted by Section 5.05 of the Resolution;

(iii) Amounts traceable to Special Purpose Revenues are used only for Special Purpose Revenue Obligations and related Contracts or otherwise as permitted by Section 5.05 of the Resolution;

(iv) Amounts not traceable to particular categories of Revenues shall be used first as General Revenues for purposes of this section, then as other Released Revenues, and then as Special Purpose Revenues;

(v) The Series 2004 Bonds shall be treated as General Revenue Obligations; and

(vi) Amounts traceable to Released Revenues or Special Purpose Revenues shall be used first as General Revenues for purposes of this section relating to the payment of the Series 2004 Bonds, and then as set forth in subsections (ii) and (iii) above.

Rights of Credit Issuer.

Notwithstanding any other provision of the Resolution, in the event that the City shall draw under a Credit Facility any amount for the payment of principal of or interest on any Revenue Obligations, then upon such payment the related Credit Issuer shall succeed to and become subrogated to the rights of the recipients of such payments to the extent of such payments and such principal or interest shall be deemed to continue to be unpaid and Outstanding for all purposes and shall continue to be fully secured by the Resolution until the Credit Issuer, as successor and subrogee, has been paid all amounts owing in respect of such subrogated payments of principal and interest. Such rights shall be limited and evidenced by having the City note the Credit Issuer's rights as successor and subrogee on its records, and the City shall, upon request, deliver to the Credit Issuer (i) in the case of interest on the Revenue Obligations, an acknowledgment of the Credit Issuer's ownership of interest to be paid on the Revenue Obligations specifying the amount of interest owed, the period represented by such interest, and the numbers of the Revenue Obligations on which such interest is owed and (ii) in the case of principal of the Revenue Obligations, either the Revenue Obligations themselves duly assigned to the Credit Issuer or new Revenue Obligations registered in the name of the Credit Issuer or in such other name as the Credit Issuer shall specify. Whenever moneys become available for the payment of any interest or principal then overdue, the Credit Issuer shall be treated as to interest or principal owed to it as successor and subrogee as if it had been the holder of the Revenue Obligations on which such interest or principal is payable on any special record date therefor.

Rights and Remedies Vested in Trustee.

All rights of action and remedies hereunder or under any of the Senior Lien Revenue Obligations may be enforced by the Trustee without the possession of any of the Senior Lien Revenue Obligations or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Senior Lien Revenue Obligations or any Credit Issuer, and any recovery of judgment shall, subject to the terms hereof, be for the benefit of the Holders of the Senior Lien Revenue Obligations and any Credit Issuer.

Rights and Remedies of Bondholders.

No Holder of any Senior Lien Revenue Obligation shall have any right to institute any suit, action or proceeding in equity or law for the enforcement hereof, for the execution of any trust hereof or for the appointment of a receiver or to enforce any other right or remedy hereunder, unless (a) a Default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than fifty percent (50%) in aggregate principal amount of Senior Lien Revenue Obligations then outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity to the Trustee either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (c) such Bondholders have offered to the Trustee indemnity as provided herein and the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts hereof, and to any action or cause of action for the enforcement hereof, or for the appointment of a receiver or for any other right or remedy hereunder; it being understood and intended that no one or more Holders of the Senior Lien Revenue Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien hereof by its, his or their action or to enforce any right or remedy hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit, first, of the Holders of all Senior Lien Revenue Obligations and, second, of any Credit Issuer.

Termination of Proceedings.

If the Trustee shall have proceeded to enforce any right or remedy hereunder by any action at law or in equity, by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the City, the Trustee, any Credit Issuer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, with respect to the Pledged Revenues, and all rights, remedies and powers of the Trustee, any Credit Issuer and the Bondholders, respectively, shall continue as if no such proceedings had been taken.

Waivers of Events of Default.

The Trustee shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of more than fifty percent (50%) in aggregate principal amount of all Senior Lien Revenue Obligations then Outstanding, provided, however, there shall not be waived:

(i) any Event of Default pertaining to the payment of the principal or redemption price of any Senior Lien Revenue Obligation at its maturity or Redemption Date; or

(ii) any Event of Default pertaining to the payment when due of the interest on any Senior Lien Revenue Obligation unless prior to such waiver, all arrears of interest and all principal or redemption price payments in respect of which such Event of Default shall have occurred, with interest thereon (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Senior Lien Revenue Obligations from time to time during such period in accordance with the terms of the Senior Lien Revenue Obligations, and all expenses of the Trustee in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or for any reason, or shall have been determined adversely to the Trustee, then and in every such case the City, the Trustee, the Credit Issuer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

DEFEASANCE

Provision for Payment.

Except as otherwise set forth in the Supplemental Resolution authorizing Revenue Obligations, all or any portion of the Revenue Obligations for the payment, prepayment or redemption of which sufficient moneys or sufficient Defeasance Obligations shall have been deposited with the Trustee or an escrow agent selected by the City (whether upon or prior to the maturity or the redemption date of such Revenue Obligations) shall be deemed to be paid and no longer Outstanding under the Resolution; provided, however, that if such Revenue Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given as provided in Article III of the Resolution or firm and irrevocable arrangements shall have been made for the giving of such notice. Defeasance Obligations shall be considered sufficient for purposes of this Article only: (i) if such Defeasance Obligations are not callable by the issuer of the Defeasance Obligations prior to their stated maturity, and (ii) if such Defeasance Obligations fall due and bear interest in such amounts and at such times as will assure sufficient cash (whether or not such Defeasance Obligations are redeemed by the City pursuant to any right of redemption) to pay currently maturing interest and to pay principal and redemption premiums, if any, when due on the Revenue Obligations without rendering the interest on any Tax-Exempt Bonds includable in gross income of any owner thereof for federal income tax purposes.

The City may at any time surrender to the Bond Registrar for cancellation by it any Bonds previously authenticated and delivered under the Resolution which the City may have acquired in any manner whatsoever. All such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Release of Pledge.

If all Revenue Obligations and obligations secured by a lien on a category of Revenues have been paid or provision for payment thereof made pursuant to Section 9.01 of the Resolution and the related Supplemental Resolution, then at the option of the City, the terms and provisions of the Resolution relating solely to such category of Revenues may be determined as void and of no further force or effect; provided the other terms and provisions of the Resolution shall remain in effect until the election of the City, after payment or provision for payment of all Revenue Obligations and obligations secured by a lien created pursuant to the Resolution on any Revenues.

SUPPLEMENTAL RESOLUTIONS

Supplemental Resolutions Not Requiring Consent of Bondholders.

The City, from time to time and at any time, subject to the conditions and restrictions in the Resolution, may adopt one or more Supplemental Resolutions which thereafter shall form a part of the Resolution, for any one or more or all of the following purposes:

- (a) to add to the covenants and agreements in the Resolution other covenants and agreements thereafter to be observed or to surrender, restrict, or limit any right or power reserved in the Resolution to or conferred upon the City (including but not limited to the right to issue Additional Obligations);
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in the Resolution, or in regard to matters or questions arising under the Resolution, as the City may deem necessary or desirable and not inconsistent with the Resolution;
- (c) to subject to the lien and pledge of the Resolution additional revenues, receipts, properties, or other collateral;
- (d) to evidence the appointment of successors to the Trustee, the Paying Agent or the Bond Registrar;

(e) to modify, amend, or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Resolution such other terms, conditions, and provisions as may be permitted or required by such Trust Indenture Act of 1939 or any similar federal statute;

(f) to make any modification or amendment of the Resolution required in order to make any Revenue Obligations eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Revenue Obligations or interests therein in book-entry form;

(g) to modify any of the provisions of the Resolution in any respect if such modification shall not become effective until after all the Outstanding Revenue Obligations immediately prior to the effective date of such Supplemental Resolution shall cease to be Outstanding and if any Revenue Obligations issued contemporaneously with or after the effective date of such Supplemental Resolution shall contain a specific reference to the modifications contained in such subsequent proceedings;

(h) to modify the provisions of the Resolution with respect to the disposition of any moneys remaining in the Project Fund upon the completion of any Project or to revise, enlarge or reduce the definition or description of any particular Project;

(i) to create additional subaccounts or to abolish any subaccounts within any account;

(j) to modify the Resolution to permit the qualification of any Revenue Obligations for offer or sale under the securities laws of any state in the United States of America;

(k) to modify the Resolution in connection with the issuance of Additional Obligations or Subordinate Lien Obligations permitted to be issued under the Resolution prior to such modification, and such modification may deal with any subjects and make any provisions relating to the Additional Obligations or Subordinate Lien Obligations which the City deems necessary or desirable for that purpose; provided that no such modification shall have a material adverse effect upon the security for the Obligations other than that implicit in the authorization of Additional Obligations and shall not affect the restrictions applicable to the issuance of Additional Obligations under Sections 5.02, 5.03 or 5.04 of the Resolution;

(l) to make such modifications in the provisions of the Resolution as may be deemed necessary by the City to accommodate the issuance of Revenue Obligations which (i) are Compound Interest Bonds (including, but not limited to, provisions for determining the Debt Service Requirement for such Compound Interest Bonds and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate;

(m) to make such modifications as are necessary to permit the combination of the System with the other utility systems operated by the City for purposes of collecting and accounting for revenues; or

(n) to modify any of the provisions of the Resolution in any respect (other than a modification of the type described in Section 10.02 of the Resolution requiring the unanimous written consent of the holders); provided that for (i) any Outstanding Revenue Obligations which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency shall have given written notification to the City that such modification will not cause the then applicable Rating on any Revenue Obligations to be reduced or withdrawn, and (ii) any Outstanding Revenue Obligations which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer shall have consented in writing to such modification.

Any Supplemental Resolution authorized by the provisions of this Section may be adopted by the City without the consent of or notice to the owners of any of the Revenue Obligations (except as otherwise set forth in such Supplemental Resolution) at the time Outstanding, notwithstanding any of the provisions of Section 10.02 of the Resolution. Any such Supplemental Resolution may modify the provisions of the Resolution in such a manner, and

to such extent and containing such provisions, as the City may deem necessary or desirable to effect any of the purposes stated above. As used in this Section, the term “modify” shall mean “modify, amend, or supplement” and the term “modification” shall mean “modification, amendment, or supplement.” Modifications to any Loan Agreement shall also be made only in conformance with any additional provisions required by such Loan Agreement. The City may agree in any Supplemental Resolution authorizing Revenue Obligations not to exercise its right to modify the Resolution pursuant to any of the provisions above without the consent of a requisite number of holders of the Revenue Obligations being issued.

The provisions of this Section and Section 10.02 of the Resolution shall be interpreted by category of Revenues such that each provision of any Supplemental Resolution shall be reviewed for compliance with such sections upon its effect on the Revenue Obligations and Loan Agreements secured by the related category of Revenues and whether the consent of any holders, of a majority of holders of a certain category of Revenue Obligations and Loan Agreements or the consent of all such holders shall be determined with respect to each category of Revenues. Supplemental Resolutions may be adopted containing provisions which (1) do not require the consents of any holders, (2) require the consents of some but not all holders of Revenue Obligations and Loan Agreements related to a category of Revenues, (3) require the consents of some but not all holders of Revenue Obligations and Loan Agreements related to several categories of Revenues, (4) require the consents of all holders of Revenue Obligations and Loan Agreements related to a category of Revenues, (5) require the consents of all holders of Revenue Obligations and Loan Agreements, or (6) are covered in a combination of some or all of (1) through (5).

Supplemental Resolutions Requiring Consent of Holders of Revenue Obligations.

Exclusive of Supplemental Resolutions covered by Section 10.01 of the Resolution, with the consent (evidenced as provided in Article VIII of the Resolution) of the owners of not less than a majority in aggregate principal amount of the Outstanding Revenue Obligations of each class (senior and subordinate), voting separately by class, of each series of Revenue Obligations related to an affected category of Revenues or related Revenue Obligations, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Resolution or of any Supplemental Resolution; provided, however, that no such Supplemental Resolution shall: (a) extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Revenue Obligations Outstanding under the Resolution; (b) reduce or extend the time for payment of principal of, redemption premium, or interest on any Revenue Obligations Outstanding under the Resolution; (c) reduce any premium payable upon the redemption of any Revenue Obligations under the Resolution or advance the date upon which any Revenue Obligations may first be called for redemption prior to its stated maturity date; (d) give to any Revenue Obligation or Revenue Obligations (or related Contracts) a preference over any other Revenue Obligation or Revenue Obligations (or related Contracts) not already permitted by the Resolution; (e) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Resolution for the Senior Lien Revenue Obligations; (f) reduce the percentage of owners of Revenue Obligations required to approve any such Supplemental Resolution; or (g) deprive the owners of the Revenue Obligations of the right to payment of the Revenue Obligations or from the Pledged Revenues, without, in each case, the consent of the owners of all the Revenue Obligations then Outstanding of the category of Revenue Obligations affected thereby. No amendment may be made under this Section which affects the rights or duties of any Credit Issuer securing any of the Revenue Obligations or any Qualified Hedge Provider under any Hedge Agreement without its written consent. The provisions of this paragraph shall be strictly construed such that Supplemental Resolutions requiring the consents of owners of Revenue Obligations shall be limited to those clearly falling within one of the enumerated categories. If the City intends to enter into or adopt any Supplemental Resolution as described in this Section, the City shall mail, by registered or certified mail, to the registered owners of the Revenue Obligations at their addresses as shown on the Bond Register and the holders or assignees of such holders of any Loan Agreement, a notice of such intention along with a description of such Supplemental Resolution not less than 30 days prior to the proposed effective date of such Supplemental Resolution. The consents of the registered owners of the Revenue Obligations and the holders or assignees of such holders of any Loan Agreement need not approve the particular form of wording of the proposed Supplemental Resolution, but it shall be sufficient if such consents approve the substance thereof. Failure of the owner of any Bond and the holders or assignees of such holders of

any Loan Agreement to receive the notice required in the Resolution shall not affect the validity of any Supplemental Resolution if the required number of owners of the Bonds and the holders or assignees of such holders of any Loan Agreement of each class shall provide their written consent to such Supplemental Resolution. Modifications to any Loan Agreement shall also be made in conformance with any additional provisions required by such Loan Agreement. In connection with the issuance of any Revenue Obligations, the underwriter of such Revenue Obligations shall be deemed to be the initial holder of such Revenue Obligations for all purposes hereunder, whether or not such Revenue Obligations are delivered in book-entry form through DTC or another securities depository, and the consent of such underwriter to any Supplemental Resolution shall be fully binding on all subsequent holders of such Revenue Obligations.

Notwithstanding any provision of the Resolution to the contrary, upon the issuance of a Credit Facility to secure any Revenue Obligations and for the period in which such Credit Facility is outstanding, the Credit Issuer may have the consent rights of the owners of the Revenue Obligations which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Resolution, to the extent provided in the applicable Supplemental Resolution. Notwithstanding the foregoing, if a Credit Issuer is granted the consent rights of the owners of any Revenue Obligations in a Supplemental Resolution and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Revenue Obligations secured by the related Credit Facility may exercise such consent rights.

Notice of Supplemental Resolutions.

The City shall cause the Bond Registrar to mail a notice by registered or certified mail to the registered owners of all Bonds Outstanding, at their addresses shown on the Bond Register or at such other address as has been furnished in writing by such registered owner to the Bond Registrar, and to the holder or its assignee of any Loan Agreement at the address set forth therein, setting forth in general terms the substance of any Supplemental Resolution which has been: (i) adopted by the City pursuant to Section 10.01 of the Resolution; or (ii) approved by holders or any Credit Issuer and adopted by the City pursuant to Section 10.02 of the Resolution.

Bond Opinion for Supplemental Resolutions.

So long as there are Tax-Exempt Bonds Outstanding, no Supplemental Resolution may become effective prior to the filing by the City of an opinion from Bond Counsel that such Supplemental Resolution will have no adverse effect on the tax status of any Tax-Exempt Bonds and the adoption of such Supplemental Resolution was permitted by the terms of the Resolution.

Resolution Constitutes a Contract.

The Resolution constitutes a contract with the Bondholders binding the City.

APPENDIX B

CONTINUING DISCLOSURE AGREEMENT

CITY OF GALLATIN, TENNESSEE

\$_____ WATER AND SEWER REVENUE IMPROVEMENT BONDS, SERIES 2025

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this ____ day of _____, 2025 by the City of Gallatin, Tennessee (the “Issuer”) in connection with the issuance of its \$_____ Water and Sewer Revenue Improvement Bonds, Series 2025 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Fiscal Year” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the Issuer, dated _____, 2025, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Registered Owner” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“Resolution” shall mean the bond resolution adopted by the City Council of the Issuer on September 17, 2025.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

“System” shall mean the Issuer’s water and wastewater system.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information.* For Fiscal Years ending on or after June 30, 2025, the Issuer shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The audited financial statements of the System, prepared in accordance with generally accepted accounting principles, or, if such audited financial statements are not available, then the unaudited financial statements of the System; and

(ii) Operating data of the type included under the following headings of the Official Statement, which data may be presented in a manner other than as set in the Official Statement:

- Schedule of Water Rates and Charges
- Schedule of Sewer Rates and Charges
- Active Water and Sewer Customers
- Ten Largest Water Customers
- Ten Largest Sewer Customers
- Water and Sewer Consumption and Usage
- Debt Service Coverage
- Revenues and Expenses Statement Comparison (Water and Sewer Fund)
- Total Debt Service Requirements

(b) *Audited Financial Statements.* For Fiscal Years ending on or after June 30, 2025, the Issuer shall provide audited financial statements for the System, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices.* The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;

- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation* of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation* of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB’s Electronic Municipal Market Access System (“EMMA”) or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

(a) This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

CITY OF GALLATIN, TENNESSEE

By: _____
Mayor

APPENDIX C

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CITY OF GALLATIN, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



Prepared by the City of Gallatin Finance Director

CITY OF GALLATIN, TENNESSEE

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF GALLATIN, TENNESSEE

DIRECTORY

June 30, 2024

ELECTED OFFICIALS

Paige Brown, Mayor
Lynda Love, Council Member, Vice Mayor
William C. Hayes, Council Member
Steve Fann, Council Member
Steven Carter, Council Member
Pascal Jouvence, Council Member
Eileen George, Council Member
Shawn Fennell, Council Member
Connie Kittrell, Recorder

MANAGEMENT TEAM

Rachel Nichols, Director of Finance, CMFO
Richard Depriest, Director of Public Works
David Kellogg, Superintendent of Public Utilities
Donald Bandy, Chief of Police
Jeff Beaman, Fire Chief
Charles Stuart, Director of Codes
Brian Rose, Director of Planning
David Brown, Director of Parks and Recreation
Courtney Cangemi, Director of Human Resources
Rosemary Bates, Interim Director of Economic Development
Nick Tuttle, City Engineer
Jeff Hentschel, Communications Director
Mark Kimbell, Electric Department Manager
Jennifer Lefevre, Director of Information Technology

COUNSEL

Susan High-McAuley
City Attorney
Gallatin, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ATA, PC
Jackson, Tennessee



February 28, 2025

Honorable Mayor, City Council, and Citizens of the City of Gallatin,

State law requires that every general-purpose government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2024. This report consists of management's representations concerning the finances of the City of Gallatin. To provide a reasonable basis for making these representations, management of the City of Gallatin has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gallatin's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gallatin's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management assumes full responsibility for the completeness and reliability of all the information presented in this report.

The City of Gallatin's financial statements have been audited by ATA, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gallatin, for the fiscal year ended June 30, 2024, are presented fairly in all material aspects. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Gallatin's financial statements, for the fiscal year ended June 30, 2024, are fairly presented in all material aspects in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Gallatin's MD&A can be found beginning on page 3, immediately following the report of the independent auditors.

PROFILE OF THE CITY OF GALLATIN

The City of Gallatin, estimated population of 52,000, is located in Sumner County, Tennessee and is the county seat for Sumner County. It is approximately 30 miles northeast of downtown Nashville, and is served by numerous major highways including U.S. 31-E, State Route 386, State Route 109, and State Route 25. The City of Gallatin was founded in 1802, incorporated in 1954, and operates under the City Mayor/City Council form of government. The Municipality's

legislative body is a seven-member City Council that is elected, one each for 5 council districts and two at-large members. Each Councilmember is elected to a four-year alternating term with elections conducted every two years. The Mayor is chief administrative officer of the Municipality and presides at meetings of the Council.

The City of Gallatin provides a wide range of services which include police and fire protection, the construction and maintenance of highways, streets, and other infrastructure, sanitation services, recreational and cultural services, planning and zoning, and general administrative services. Additionally, the City owns and operates its water, wastewater, natural gas, and electric systems. For small, outlying populations, White House Utility District and Castalian Springs Bethpage Utility District provide water service.

All of the City's Governmental funds are annually appropriated. The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. In February of each year, Department Heads submit their budget requests to the Mayor and Finance Director. The Mayor conducts departmental meetings in March of each year, and the Finance Director makes revenue estimates for the upcoming year. The budget is submitted to City Council in April. First reading of the Budget is usually in May, second reading is usually in May/June but no later than June 30, the close of the City's fiscal year. The budget is prepared by fund (i.e. general) and department (i.e. police). Department heads are authorized to expend funds within total departmental appropriations. However, amendments to the budget that change departmental and/or total appropriations require the adoption of an ordinance by the City Council. Budget transfers between departments require approval of the City Council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

LOCAL ECONOMY

The City of Gallatin continues its strong growth trajectory in both the business and residential sectors. We benefit from our proximity to Nashville, which was ranked as one of the fastest growing areas in the country in 2024. National realty groups ranked Gallatin as one of the "hottest zip codes" in the U.S. recently because we maintain "a small town feel while close to a bustling downtown". Numerous annexations and residential developments are underway across the city. The city's estimated population has now surpassed the 52,000 mark and our trade area population exceeds 167,700. Due to this fast growth, the City is closing out a Special Census that is expected to generate another \$1 million annually in state-shared taxes based on population changes since the 2020 US Census. Household income averages \$99,618 with median household income at \$75,298.

The population growth has generated increased property tax and sales tax collections for the city. In November 2024, residents voted to increase the Local Option Sales Tax by 0.5% to take advantage of the city's many visitors and to fund the growing requests

on the annual budget. In the industrial sector, a Belgian company chose Gallatin for its first U.S. manufacturing facility, bringing additional foreign direct investment to Gallatin. Several other existing industries are expanding, adding jobs and more than \$110 million in Capital Expenditures. In the commercial sector, Gallatin is adding retail and restaurants at a rapid pace to meet demands of the expanding population.

LONG-TERM FINANCIAL PLANNING

In 2018, the City began developing a comprehensive long-range plan, *Plan Gallatin*, for future growth and development of the city. The city's Planning Commission and City Council have formally adopted the plan. Additionally, a formalized Capital Improvement Plan was adopted during the 2022 fiscal year with department heads projecting major needs for the upcoming 10 years. The plan is updated at least annually, if not more frequently, with new information on previously submitted projects and the addition of new future projects. The CIP is used to plan for long-term capital funding, whether it be pay-as-you-go or debt issues.

The City has numerous capital projects currently funded and under construction. Included are city-wide infrastructure projects such as roads, streets, sidewalks, greenways, water lines, sewer lines, and gas lines. Many of these projects are being funded wholly or in part by Federal and State grants. Capital projects underway include: regional collaborative water lines for north and northeast Sumner County residents; signal grant for synchronized signalization along major thoroughfares; various roadway improvements; purchase of heavy equipment for Streets and Environmental Services departments; miscellaneous roadway and drainage projects; new utility line installation and existing line rehabilitation; new park facilities and park upgrades; and numerous greenway and multimodal paths.

FINANCIAL POLICIES

The City is committed to protecting its taxpayers' funds. Management continues to take a very conservative approach to budgeting and spending in order to lessen the chance of a revenue shortage and mid-year program cuts. This approach will help finance contingencies and unforeseen budget amendments. The City of Gallatin recognizes the importance of a diversified revenue system, and strives to not rely too heavily on one source. Currently the city general fund revenue sources are approximately one-third sales tax, one-third property tax, and one-third all other revenues. The City routinely reviews its various rates and fees and considers inflation and current market rates. The City Council has formally adopted Fund Balance Policies for the General Fund and for the enterprise funds requiring minimum unassigned fund balances. Additionally, the City has a formally adopted Capital Improvement Plan, Purchasing Policy, Internal Financial Controls Policy, Debt Management Policy, Investment Policy, Grant Policy, and Contract Administration Policy, all of which are updated periodically and which serve to further strengthen its overall fiduciary duties to the citizens of Gallatin.

AWARDS AND ACKNOWLEDGEMENTS

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the Finance department staff of the City of Gallatin. Credit must also be

given to the City Mayor and City Council for their support of excellence in financial reporting and fiscal integrity. Also, the City is grateful to the staffs of ATA PC for their invaluable guidance and assistance.

Respectfully Submitted,

Rachel Nichols

Rachel Nichols

Director of Finance

City of Gallatin | 132 West Main Street | Gallatin, TN 37066 | 615.451.5963

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, as of June 30, 2024, and the 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.

We did not audit the financial statements of the Department of Electricity (Electric Department), which represent 25%, 24%, and 66%, respectively, of the assets, net position, and revenues of the business-type activities as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Electric Department, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other post-employment benefits related schedules and notes as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information section, as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the supplementary information section, as listed in the table of contents, including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That reporting is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ATA, PC

Jackson,
Tennessee
February 28, 2025

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, 2024. The analysis focuses on significant financial position, budget changes and specific issues related to funds and economic factors affecting the City. It also focuses on current year activities and the resulting changes.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$467.91 million as compared to \$442.64 million in the prior year. Of these amounts, \$112.10 million (unrestricted net position) as compared to \$105.07 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 \$25.27 million in 2024, including \$1.46 million of restatement, compared to an increase of \$28.00 million in 2023.
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$77.91 million, an increase of \$9.02 million from the prior year. Approximately \$64.94 million of that total is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$64.94 million, or 125.80% of the total general fund expenditures as compared to \$53.75 million the prior year.
- The City's total debt obligations decreased by \$4.65 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains eight governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the General Fund and Capital Projects Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 82.

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 84 to 87 of this report.

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

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Gallatin's own programs. The Fiduciary funds reported are for the Electric Department Pension and OPEB Trust Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the fiduciary funds is provided in the form of combining statements which can be found on pages 37 to 40 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 41 to 73 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 \$467.91 million at the close of the most recent fiscal year, as compared to \$442.64 million at the close of the previous year.

By far the largest portion of the City's net position (73.89%) 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 \$10.05 million (2.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position \$112.10 million (23.96%) 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 105,927,043	\$ 91,933,244	\$ 69,258,527	\$ 74,349,125	\$ 175,185,570	\$ 166,282,369
Capital assets	170,811,890	174,986,476	237,752,129	220,653,448	408,564,019	395,639,924
Total assets	<u>276,738,933</u>	<u>266,919,720</u>	<u>307,010,656</u>	<u>295,002,573</u>	<u>583,749,589</u>	<u>561,922,293</u>
Deferred outflows of resources	925,614	660,931	4,061,333	6,026,445	4,986,947	6,687,376
Long-term liabilities	26,530,669	24,735,381	45,586,346	45,743,007	72,117,015	70,478,388
Other liabilities	12,593,479	11,672,894	20,511,028	28,572,186	33,104,507	40,245,080
Total liabilities	<u>39,124,148</u>	<u>36,408,275</u>	<u>66,097,374</u>	<u>74,315,193</u>	<u>105,221,522</u>	<u>110,723,468</u>
Deferred inflows of resources	15,134,355	15,014,979	466,817	228,120	15,601,172	15,243,099
Net position:						
Net investment in						
capital assets	150,136,959	148,606,993	195,625,066	175,181,523	345,762,025	323,788,516
Restricted	9,009,962	13,571,100	1,038,746	214,846	10,048,708	13,785,946
Unrestricted	64,259,123	53,979,304	47,843,986	51,089,336	112,103,109	105,068,640
Total net position	<u>\$ 223,406,044</u>	<u>\$ 216,157,397</u>	<u>\$ 244,507,798</u>	<u>\$ 226,485,705</u>	<u>\$ 467,913,842</u>	<u>\$ 442,643,102</u>

The government's total assets increased significantly due to the capital projects that were completed and in progress during the current fiscal year. Total liabilities decreased significantly due to principal payments on the long-term debt and the changes in the pension-related accounts.

Statement of Activities - Expenses in the governmental activities exceeded program revenues by \$41.22 million. In the business-type activities program revenues exceeded expenses by \$17.71 million. General government revenues and transfers of \$47.01 million offset the governmental activities deficit resulting in a positive change of net position of \$5.78 million and a restatement in governmental activities of \$1.46 million. Other business-type revenues of \$1.97 million and transfers of (\$1.66) million increased income in the business type activities leaving a positive change in net position of \$18.02 million.

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 14,619,477	\$ 12,938,439	\$ 112,791,888	\$ 115,696,153	\$ 127,411,365	\$ 128,634,592
Operating grants and contributions	6,796,238	3,895,662	-	-	6,796,238	3,895,662
Capital grants and contributions	2,383,778	8,345,507	10,102,547	6,412,212	12,486,325	14,757,719
General revenues:						
Property taxes	15,505,229	14,931,076	-	-	15,505,229	14,931,076
Other taxes	26,928,595	25,587,490	-	-	26,928,595	25,587,490
Other sources	2,917,422	2,062,040	1,968,676	826,613	4,886,098	2,888,653
Total revenues	<u>69,150,739</u>	<u>67,760,214</u>	<u>124,863,111</u>	<u>122,934,978</u>	<u>194,013,850</u>	<u>190,695,192</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Expenses:						
General government	\$ 24,881,000	\$ 11,491,711	\$ -	\$ -	\$ 24,881,000	\$ 11,491,711
Public safety	23,988,663	21,445,885	-	-	23,988,663	21,445,885
Engineering	2,340,891	3,045,455	-	-	2,340,891	3,045,455
Environmental services	2,608,693	3,499,967	-	-	2,608,693	3,499,967
Public works	2,375,724	815,980	-	-	2,375,724	815,980
Highway and streets	1,894,857	1,700,671	-	-	1,894,857	1,700,671
Vehicle maintenance	489,852	415,838	-	-	489,852	415,838
Parks and recreation	5,034,661	5,579,699	-	-	5,034,661	5,579,699
Economic development	504,934	477,555	-	-	504,934	477,555
Tourism	56,838	-	-	-	56,838	-
Interest on debt	847,860	602,819	-	-	847,860	602,819
Electric	-	-	75,028,487	77,786,114	75,028,487	77,786,114
Water and Sewer	-	-	16,387,451	16,836,539	16,387,451	16,836,539
Gas	-	-	13,766,852	19,001,406	13,766,852	19,001,406
Total expenses	<u>65,023,973</u>	<u>49,075,580</u>	<u>105,182,790</u>	<u>113,624,059</u>	<u>170,206,763</u>	<u>162,699,639</u>
Revenues over/under expenses	4,126,766	18,684,634	19,680,321	9,310,919	23,807,087	27,995,553
In lieu of taxes in (out)	<u>1,658,228</u>	<u>1,624,804</u>	<u>(1,658,228)</u>	<u>(1,624,804)</u>	<u>-</u>	<u>-</u>
Increase in net position	5,784,994	20,309,438	18,022,093	7,686,115	23,807,087	27,995,553
Net position - beginning	216,157,397	195,847,959	226,485,705	218,799,590	442,643,102	414,647,549
Restatement-error correction	<u>1,463,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,463,653</u>	<u>-</u>
Net position - beginning - restated	217,621,050	195,847,959	226,485,705	218,799,590	444,106,755	414,647,549
Net position - ending	<u>\$ 223,406,044</u>	<u>\$ 216,157,397</u>	<u>\$ 244,507,798</u>	<u>\$ 226,485,705</u>	<u>\$ 467,913,842</u>	<u>\$ 442,643,102</u>

In governmental activities, operating grants and contributions increased \$2.90 million due mainly to various grants in the current year. In the business type activities, capital grants and contributions increased by \$3.69 million due mainly to donated utilities and construction donations on the utilities.

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 2024 were greater than expenses in 2023 in the governmental activities by \$15.95 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 \$64.94 million while total fund balance was \$67.01 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

balance and total fund balance to total fund expenditures. Unassigned fund balance represents 125.80% of total general fund expenditures in 2024 as compared to 108.48% in 2023.

The fund balance of the City's general fund increased by \$10.86 million during the current fiscal year including a prior period adjustment of \$1.46 million. A key factor in this increase was the continued increases in local taxes while also managing expenditures in an effective manner.

The fund balance of the capital projects fund decreased by \$3.61 million during the current fiscal year. The fund had \$4.10 million of capital outlay expenditures related to projects in the current year.

The special services fund balance decreased \$5 thousand in the current year due to donations not catching up with the current year public safety expenditures.

The fund balance of the drug fund decreased by \$29 thousand due to \$130 thousand of public safety expenditures in the current year with \$112 thousand of current year fines, seizures, and other drug-related revenue.

The fund balance of the environmental services fund increased by \$792 thousand in the current partly due to grant revenue of \$398 thousand in the current year.

The fund balance of the stormwater fund increased by \$990 thousand in the current year largely due to charges for services reaching \$2.04 million in the current year.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are considered business-type activities and are operated similarly. Net position of the proprietary funds increased by \$18.02 million in 2024 as compared to \$7.69 million in 2023.

Unrestricted net position of the proprietary funds amounted to \$47.84 million as compared to \$51.09 million in the prior year. The change in net position of the individual proprietary funds were as follows:

- Water and Sewer Fund - \$13.28 million in 2024 compared to \$4.61 million in 2023.
- Natural Gas Fund – \$731 thousand in 2024 compared to \$24 thousand in 2023.
- Electric Fund - \$4.01 million in 2024 compared to \$3.06 million in 2023.

General Fund budgetary highlights - The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in a \$50.71 million increase in budgeted expenditures and transfers out from the original budget. The increase of approximately 96.60% was mainly for capital expenditures and grant projects.

Actual revenues and other financing sources were exceeded by budgeted amounts by \$22.17 million. The largest variances were related to other federal grants.

Actual expenditures and transfers out were under budget by \$51.58 million, which was due largely to the TDEC-ARPA grant being budgeted for approximately \$33.05 million and only \$2.32 million being spent in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2024, the City had invested \$408.56 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

assets for the current fiscal year was 3.27%. Additional information on the City's capital assets can be found in Note 4.C. beginning on page 51 of this report.

Long-term debt - At the end of the current fiscal year, the City had total long-term debt outstanding of \$63.64 million as compared to \$68.29 million at the end of the prior fiscal year. Of this amount, \$22.52 million represents debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e. revenue and tax bonds) of the various enterprise funds, except for TVA weatherization contracts in the amount of \$654. Information on the City's long-term debt can be found in Note 4.E. beginning on page 54 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".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General Fund Revenue –Property tax revenues grew slightly for the year. Most other general revenue sources showed moderate growth. Charges for services increased mainly due to increased Parks and Recreation revenues.

General Fund Expenditures and Capital Outlay – Departments were encouraged to be prudent and frugal with spending even though additional positions were funded to accommodate the growth of the City and the increased demands on staff. Most capital funding was to complete existing, ongoing projects or for grant funded projects.

General Fund Balance – At the end of the current fiscal year, unassigned fund balance in the general fund was \$64.94 million. The increase from the previous year was mainly related to the continued increase in local taxes along with the City paying close attention to spending in the current fiscal year.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 66,673,150	\$ 43,701,350	\$ 110,374,500
Certificates of deposit	12,238,885	5,447,994	17,686,879
Investments	21,025	-	21,025
Receivables			
Interest	618,024	-	618,024
Taxes (net of allowance)	15,457,176	-	15,457,176
Accounts (net of allowance)	729,846	10,739,656	11,469,502
Grant	510,657	-	510,657
Intergovernmental	4,158,263	-	4,158,263
Other	117,175	122,424	239,599
Prepayments and other current assets	476,187	378,147	854,334
Materials and supplies	90,508	7,829,621	7,920,129
Restricted assets:			
Cash and cash equivalents	3,387,527	7,838	3,395,365
TCRS Stabilization Fund	1,448,620	325,200	1,773,820
Net pension asset	-	595,215	595,215
Net OPEB asset	-	110,493	110,493
Contracts receivable - for			
home weatherization program	-	589	589
Capital assets, not being depreciated			
Land	13,996,711	8,602,142	22,598,853
Construction in progress	2,648,860	2,229,145	4,878,005
Capital assets, net of accumulated depreciation			
Transmission plant	-	925,399	925,399
Distribution plant	-	196,306,611	196,306,611
General plant	-	3,883,384	3,883,384
Buildings	14,697,632	24,616,671	39,314,303
Improvements other than buildings	130,484,092	-	130,484,092
Equipment	4,169,188	421,802	4,590,990
Rolling stock	4,685,355	741,486	5,426,841
Office furniture and equipment	130,052	25,489	155,541
Total assets	276,738,933	307,010,656	583,749,589
Deferred outflows of resources			
Contributions to OPEB funds			
subsequent to the measurement date	-	29,123	29,123
Contributions to pension			
subsequent to the measurement date		310,000	310,000
Deferred outflows - pensions	925,614	165,782	1,091,396
Differences between expected and actual experience - pension	-	107,780	107,780
Differences between expected and actual experience - OPEB	-	16,883	16,883
Pension change of assumptions	-	863,862	863,862
Change of assumptions - OPEB	-	47,041	47,041
Net difference between expected and actual earnings on pension plan investments	-	250,824	250,824
Loss on bond refunding	-	2,270,038	2,270,038
Total deferred outflows of resources	\$ 925,614	\$ 4,061,333	\$ 4,986,947

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 1,639,496	\$ 13,776,014	\$ 15,415,510
Due to county government	1,076,287	-	1,076,287
Accrued expenses	504,594	256,735	761,329
Accrued interest	419,828	151,914	571,742
Customer deposits	-	6,186,351	6,186,351
Advance - TVA weatherization loans	-	654	654
Accrued sales tax payable	-	139,360	139,360
Unearned revenue	60,522	-	60,522
Unearned evidence funds	102,527	-	102,527
Unearned grant revenue	6,827,239	-	6,827,239
Performance deposits	1,962,986	-	1,962,986
Long-term liabilities:			
Due within one year	2,153,501	3,255,613	5,409,114
Due in excess of one year	24,100,199	42,281,127	66,381,326
Other liabilities due in more than one year:			
Net pension liability	276,969	49,606	326,575
Total liabilities	39,124,148	66,097,374	105,221,522
Deferred inflows of resources			
Deferred property taxes	15,102,041	-	15,102,041
Deferred inflows - pension	32,314	5,787	38,101
Pension - actuarial experience	-	182,025	182,025
Pension change of assumptions	-	44,504	44,504
OPEB - investment change	-	28,379	28,379
OPEB - actuarial experience	-	13,294	13,294
OPEB - change of assumptions	-	192,828	192,828
Total deferred inflows of resources	15,134,355	466,817	15,601,172
Net Position			
Net investment in capital assets	150,136,959	195,625,066	345,762,025
Restricted for			
Pension asset	-	595,215	595,215
OPEB asset	-	110,493	110,493
TCRS Stabilizatoin	1,448,620	325,200	1,773,820
Unemployment	-	7,838	7,838
Funds held in trust	487,872	-	487,872
Environmental services	2,760,664	-	2,760,664
Drug enforcement	130,842	-	130,842
Stormwater	4,181,964	-	4,181,964
Unrestricted	64,259,123	47,843,986	112,103,109
Total net position	\$ 223,406,044	\$ 244,507,798	\$ 467,913,842

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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 24,881,000	\$ 5,532,964	\$ 3,704,621	\$ 2,383,778	\$ (13,259,637)	\$ -	\$ (13,259,637)
Public safety	23,988,663	642,664	1,032,289	-	(22,313,710)	-	(22,313,710)
Engineering	2,340,891	-	-	-	(2,340,891)	-	(2,340,891)
Environmental services	2,608,693	3,455,597	-	-	846,904	-	846,904
Public works	2,375,724	2,044,056	398,217	-	66,549	-	66,549
Highways and streets	1,894,857	-	1,643,425	-	(251,432)	-	(251,432)
Vehicle maintenance	489,852	49,918	-	-	(439,934)	-	(439,934)
Parks and recreation	5,034,661	2,894,278	-	-	(2,140,383)	-	(2,140,383)
Economic development	504,934	-	17,686	-	(487,248)	-	(487,248)
Tourism	56,838	-	-	-	(56,838)	-	(56,838)
Debt service	847,860	-	-	-	(847,860)	-	(847,860)
Total governmental activities	<u>65,023,973</u>	<u>14,619,477</u>	<u>6,796,238</u>	<u>2,383,778</u>	<u>(41,224,480)</u>	<u>-</u>	<u>(41,224,480)</u>
Business-type activities							
Electric	75,028,487	75,666,438	-	3,688,365	-	4,326,316	4,326,316
Water & Sewer	16,387,451	22,678,733	-	6,414,182	-	12,705,464	12,705,464
Gas	13,766,852	14,446,717	-	-	-	679,865	679,865
Total business-type activities	<u>\$ 105,182,790</u>	<u>\$ 112,791,888</u>	<u>\$ -</u>	<u>\$ 10,102,547</u>	<u>-</u>	<u>17,711,645</u>	<u>17,711,645</u>
General revenues							
Property taxes - levied for general government					14,744,895	-	14,744,895
In lieu of taxes - other governments					760,334	-	760,334
Sales taxes					21,870,937	-	21,870,937
Franchise taxes					381,826	-	381,826
Alcoholic beverage taxes					2,137,758	-	2,137,758
Business taxes					1,863,303	-	1,863,303
Income taxes					157,361	-	157,361
Other taxes					517,410	-	517,410
Other sources					545,389	-	545,389
Sale of capital assets					262,338	-	262,338
Unrestricted interest income					2,109,695	1,968,676	4,078,371
Total general revenues					<u>45,351,246</u>	<u>1,968,676</u>	<u>47,319,922</u>
Transfers							
In lieu of taxes in (out)					1,658,228	(1,658,228)	-
Total transfers					<u>1,658,228</u>	<u>(1,658,228)</u>	<u>-</u>
Total general revenues and transfers					<u>47,009,474</u>	<u>310,448</u>	<u>47,319,922</u>
Changes in net position					5,784,994	18,022,093	23,807,087
Net position - beginning					216,157,397	226,485,705	442,643,102
Restatement - error correction					1,463,653	-	1,463,653
Net position, beginning - restated					<u>217,621,050</u>	<u>226,485,705</u>	<u>444,106,755</u>
Net position - ending					<u>\$ 223,406,044</u>	<u>\$ 244,507,798</u>	<u>\$ 467,913,842</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 57,409,454	\$ -	\$ 9,263,696	\$ 66,673,150
Restricted cash and cash equivalents	-	3,387,527	-	3,387,527
Certificates of deposit	12,238,885	-	-	12,238,885
Investments	-	-	21,025	21,025
Receivables				
Interest	604,290	-	13,734	618,024
Taxes (net of allowance of \$258,176)	15,457,176	-	-	15,457,176
Accounts (net of allowance of \$1,275)	281,636	-	448,210	729,846
Grants	510,657	-	-	510,657
Intergovernmental	4,158,263	-	-	4,158,263
Other	-	-	117,175	117,175
TCRS Stabilization	1,375,360	-	73,260	1,448,620
Inventories	63,120	-	27,388	90,508
Prepaid expense	476,187	-	-	476,187
Total assets	\$ 92,575,028	\$ 3,387,527	\$ 9,964,488	\$ 105,927,043
Liabilities				
Accounts payable	\$ 1,248,750	\$ 211,568	\$ 179,178	\$ 1,639,496
Due to county government	1,076,287	-	-	1,076,287
Accrued expenses	504,594	-	-	504,594
Unearned revenue	60,522	-	-	60,522
Unearned revenue - ARPA grant	6,827,239	-	-	6,827,239
Unearned evidence funds	-	-	102,527	102,527
Performance deposits	-	-	1,962,986	1,962,986
Total liabilities	9,717,392	211,568	2,244,691	12,173,651
Deferred inflows of resources				
Unavailable property taxes	15,848,215	-	-	15,848,215
Total deferred inflows of resources	15,848,215	-	-	15,848,215
Fund balances				
Nonspendable				
Prepays	476,187	-	-	476,187
Funds held in trust	-	-	36,025	36,025
Inventory	63,120	-	27,388	90,508
Restricted for:				
Funds held in trust	-	-	451,847	451,847
TCRS Stabilization	1,375,360	-	73,260	1,448,620
Environmental services	-	-	2,760,664	2,760,664
Drug enforcement	-	-	130,842	130,842
Capital projects	-	3,175,959	-	3,175,959
Stormwater	-	-	4,181,964	4,181,964
Committed for:				
Economic development	156,408	-	-	156,408
Assigned for				
Police special projects	-	-	38,777	38,777
Cemetery	-	-	19,030	19,030
Unassigned	64,938,346	-	-	64,938,346
Total fund balances	67,009,421	3,175,959	7,719,797	77,905,177
Total liabilities, deferred inflows of resources, and fund balances	\$ 92,575,028	\$ 3,387,527	\$ 9,964,488	\$ 105,927,043

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, 2024

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

Fund balance - total governmental funds (Page 14)	\$ 77,905,177
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	170,811,890
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	746,174
Long-term liabilities, including notes, bonds, leases payable, and other long term liabilities are not due in the current period and, therefore, are not reported in the funds.	
Bonds payable	(22,520,000)
Bond premiums	(1,542,458)
Compensated absences	(2,191,242)
Net pension liability	(276,969)
Deferred outflows of resources - pension are not due in the current period and, therefore, are not reported in the funds	925,614
Deferred inflows of resources - pension are not receivable in the current period and, therefore, are not reported in the funds	(32,314)
Payables, such as accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(419,828)</u>
Net position - governmental activities (Page 12)	<u>\$ 223,406,044</u>

The accompanying notes are an integral part of these financial statements

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

For the Fiscal Year Ended June 30, 2024

		Capital	Other	Total
	General	Projects	Governmental	Governmental
Revenues			Funds	Funds
Taxes	\$ 35,459,767	\$ -	\$ -	\$ 35,459,767
Licenses and permits	4,935,808	-	-	4,935,808
Intergovernmental	11,886,257	37,775	467,387	12,391,419
Charges for services	3,546,502	-	5,497,113	9,043,615
Fines	607,010	-	35,654	642,664
Other	2,925,372	451,227	193,542	3,570,141
Total revenues	59,360,716	489,002	6,193,696	66,043,414
Expenditures				
Current				
General government	11,250,755	-	-	11,250,755
Public safety	23,340,193	-	209,620	23,549,813
Engineering	2,574,732	-	-	2,574,732
Environmental services	-	-	3,549,105	3,549,105
Public works	1,447,491	-	-	1,447,491
Highways and streets	1,923,214	-	-	1,923,214
Vehicle maintenance	489,852	-	-	489,852
Parks and recreation	5,034,661	-	-	5,034,661
Economic development	497,608	-	-	497,608
Tourism	56,313	-	-	56,313
ARPA	2,323,018	-	-	2,323,018
Capital outlay	-	4,095,572	672,839	4,768,411
Debt service				
Principal	1,835,000	-	-	1,835,000
Interest	846,600	-	-	846,600
Other debt service expense	1,260	-	-	1,260
Total expenditures	51,620,697	4,095,572	4,431,564	60,147,833
Excess (deficiency) of revenues over (under) expenditures	7,740,019	(3,606,570)	1,762,132	5,895,581
Other financing sources (uses)				
Transfers in - in lieu of taxes	1,658,228	-	-	1,658,228
Total other financing sources (uses)	1,658,228	-	-	1,658,228
Net changes in fund balances	9,398,247	(3,606,570)	1,762,132	7,553,809
Fund balances - beginning	56,147,521	6,782,529	5,957,665	68,887,715
Restatement-error correction	1,463,653	-	-	1,463,653
Fund balance - beginning - restated	57,611,174	6,782,529	5,957,665	70,351,368
Fund balances - ending	\$ 67,009,421	\$ 3,175,959	\$ 7,719,797	\$ 77,905,177

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, 2024

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

Net change in fund balances - total governmental funds (Page 16)	\$ 7,553,809
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.	(7,154,765)
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources, while pension expense has no effect on the fund statements but does effect net position.	
Contributions subsequent to the measurement date- Pension	456,112
Pension expense	(271,081)
The donation of capital assets does not provide current financial resources and are not reported as revenues in the funds	2,980,179
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	127,239
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net position.	1,835,000
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 bond premium	258,501
Change in net position of governmental activities (Page 13)	<u>\$ 5,784,994</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2024

	Electric Division	Water & Sewer Division	Gas Division	Totals
Assets and deferred outflows of resources				
Current assets				
Cash on hand	\$ -	\$ 2,230	\$ 280	\$ 2,510
Cash and cash equivalents - general	10,213,382	28,665,581	4,819,877	43,698,840
Cash and cash equivalents - restricted	7,838	-	-	7,838
Certificates of deposit	5,447,994	-	-	5,447,994
Accounts receivable - trade (net of allowance for uncollectibles)	8,014,272	1,542,518	1,182,866	10,739,656
Accounts receivable - other	-	-	7,617	7,617
Prepayments and other current assets	378,147	-	-	378,147
Materials and supplies	3,693,535	1,403,981	2,732,105	7,829,621
Contracts receivable - for home weatherization	589	-	-	589
Total current assets	<u>27,755,757</u>	<u>31,614,310</u>	<u>8,742,745</u>	<u>68,112,812</u>
Noncurrent assets				
Other assets				
Other receivables	114,807	-	-	114,807
TCRS Stabilization Fund		236,194	89,006	325,200
Net Pension Asset	595,215	-	-	595,215
Net OPEB Asset	110,493	-	-	110,493
Total other assets	<u>820,515</u>	<u>236,194</u>	<u>89,006</u>	<u>1,145,715</u>
Capital assets, not being depreciated				
Land	4,909,040	3,461,655	231,447	8,602,142
Construction in progress	626,624	1,602,521	-	2,229,145
Capital assets, net of accumulated depreciation				
Transmission plant	925,399	-	-	925,399
Distribution plant	36,638,658	112,419,073	47,248,880	196,306,611
General plant	3,883,384	-	-	3,883,384
Buildings	-	23,098,603	1,518,068	24,616,671
Operating equipment	-	281,222	140,580	421,802
Rolling stock	-	509,369	232,117	741,486
Office furniture and equipment	-	-	25,489	25,489
Total capital assets	<u>46,983,105</u>	<u>141,372,443</u>	<u>49,396,581</u>	<u>237,752,129</u>
Total noncurrent assets	<u>47,803,620</u>	<u>141,608,637</u>	<u>49,485,587</u>	<u>238,897,844</u>
Total assets	<u>75,559,377</u>	<u>173,222,947</u>	<u>58,228,332</u>	<u>307,010,656</u>
Deferred outflows of resources				
Loss on bond refunding	-	2,270,038	-	2,270,038
Differences between expected and actual experience - pensions	107,780	-	-	107,780
Deferred outflows related to pensions		111,431	54,351	165,782
Pension change of assumptions	863,862	-	-	863,862
Net difference between expected and actual earnings on pension plan investments	250,824	-	-	250,824
Contributions made subsequent to measurement date - pension	310,000	-	-	310,000
Differences between expected and actual experience - OPEB	16,883	-	-	16,883
Change of assumptions - OPEB	47,041	-	-	47,041
Contributions made subsequent to the measurement date-OPEB	29,123	-	-	29,123
Total deferred outflows of resources	<u>\$ 1,625,513</u>	<u>\$ 2,381,469</u>	<u>\$ 54,351</u>	<u>\$ 4,061,333</u>

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Electric Division	Water & Sewer Division	Gas Division	Totals
Liabilities				
Current liabilities				
Accounts payable	\$ 12,627,541	\$ 552,840	\$ 595,633	\$ 13,776,014
Other accrued expense	254,795	-	1,940	256,735
Accrued interest	151,914	-	-	151,914
Customers' deposits	5,324,183	571,227	290,941	6,186,351
Accrued leave	330,613	-	-	330,613
Advance - TVA for home weatherization loans	654	-	-	654
Accrued sales tax payable	139,360	-	-	139,360
Current maturities of long-term debt	-	2,700,000	225,000	2,925,000
Total current liabilities	<u>18,829,060</u>	<u>3,824,067</u>	<u>1,113,514</u>	<u>23,766,641</u>
Noncurrent liabilities				
Bonds payable (less current maturities)	-	33,905,000	4,290,000	38,195,000
Bond premiums	-	3,009,611	267,490	3,277,101
Accrued leave	204,518	475,884	128,624	809,026
Net pension liability	-	33,343	16,263	49,606
Total noncurrent liabilities	<u>204,518</u>	<u>37,423,838</u>	<u>4,702,377</u>	<u>42,330,733</u>
Total liabilities	<u>19,033,578</u>	<u>41,247,905</u>	<u>5,815,891</u>	<u>66,097,374</u>
Deferred inflows of resources				
Deferred inflows - related to pension	-	3,890	1,897	5,787
Difference between expected and actual -Pension	182,025	-	-	182,025
Change of assumptions- Pension	44,504	-	-	44,504
Difference between expected and actual -OPEB	13,294	-	-	13,294
Change of assumptions- OPEB	192,828	-	-	192,828
Difference between expected and actual earnings on OPEB plan investment:	<u>28,379</u>	<u>-</u>	<u>-</u>	<u>28,379</u>
Total deferred inflows of resources	<u>461,030</u>	<u>3,890</u>	<u>1,897</u>	<u>466,817</u>
Net position				
Net investment in capital assets	46,983,105	104,027,870	44,614,091	195,625,066
Restricted - Pension	595,215	-	-	595,215
Restricted - TCRS Stabilization	-	236,194	89,006	325,200
Restricted- OPEB	110,493	-	-	110,493
Restricted for unemployment	7,838	-	-	7,838
Unrestricted	<u>9,993,631</u>	<u>30,088,557</u>	<u>7,761,798</u>	<u>47,843,986</u>
Total net position	<u>\$ 57,690,282</u>	<u>\$ 134,352,621</u>	<u>\$ 52,464,895</u>	<u>\$ 244,507,798</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, 2024

	Electric Division	Water & Sewer Division	Gas Division	Totals
Operating revenues				
Charges for sales and service	\$ 74,418,883	\$ 19,390,493	\$ 14,008,284	\$ 107,817,660
Forfeited discounts	264,143	150,598	-	414,741
Other operating revenue	983,412	1,009,532	438,433	2,431,377
Total operating revenues	<u>75,666,438</u>	<u>20,550,623</u>	<u>14,446,717</u>	<u>110,663,778</u>
Operating expenses				
Cost of sales and service	61,381,830	-	8,471,699	69,853,529
Water treatment and pumping	-	2,597,703	-	2,597,703
Transmission and distribution	5,225,370	1,821,800	1,850,395	8,897,565
Customer service and collection	1,126,762	815,991	755,068	2,697,821
General administration	2,597,371	1,549,217	632,029	4,778,617
Sewer collection	-	1,068,015	-	1,068,015
Sewer system rehab	-	451,674	-	451,674
Sewer treatment and disposal	-	2,443,902	-	2,443,902
Sewer pretreatment	-	108,099	-	108,099
Maintenance	1,847,876	-	-	1,847,876
Customer deposit interest	160,110	-	-	160,110
Amortization - acquisition adjustments	1,143	-	-	1,143
Provision for depreciation	2,454,094	4,274,033	1,907,128	8,635,255
Payroll taxes	233,931	-	-	233,931
Total operating expenses	<u>75,028,487</u>	<u>15,130,434</u>	<u>13,616,319</u>	<u>103,775,240</u>
Operating income (loss)	<u>637,951</u>	<u>5,420,189</u>	<u>830,398</u>	<u>6,888,538</u>
Nonoperating revenues (expenses)				
Interest and other income	602,316	944,970	421,390	1,968,676
Amortization of bond premiums	-	303,004	-	303,004
Amortization of loss on refunding	-	(174,618)	-	(174,618)
Interest and other expense	-	(1,082,399)	(150,533)	(1,232,932)
Total nonoperating revenues (expenses)	<u>602,316</u>	<u>(9,043)</u>	<u>270,857</u>	<u>864,130</u>
Income (loss) before transfers and contributions	<u>1,240,267</u>	<u>5,411,146</u>	<u>1,101,255</u>	<u>7,752,668</u>
Tranfers and capital contributions				
Transfers out - in lieu of taxes	(920,415)	(367,188)	(370,625)	(1,658,228)
Tap fees	-	1,825,106	-	1,825,106
Capital contributions	3,688,365	6,414,182	-	10,102,547
Total transfers and capital contributions	<u>2,767,950</u>	<u>7,872,100</u>	<u>(370,625)</u>	<u>10,269,425</u>
Change in net position	4,008,217	13,283,246	730,630	18,022,093
Total net position - beginning	<u>53,682,065</u>	<u>121,069,375</u>	<u>51,734,265</u>	<u>226,485,705</u>
Total net position - ending	<u>\$ 57,690,282</u>	<u>\$ 134,352,621</u>	<u>\$ 52,464,895</u>	<u>\$ 244,507,798</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, 2024

	Electric Division	Water & Sewer Division	Gas Division	Totals
Cash flows from operating activities:				
Cash received from consumers	\$ 74,815,302	\$ 20,756,456	\$ 14,460,519	\$ 110,032,277
Cash paid to suppliers of goods and services	(66,169,697)	(6,206,252)	(9,820,420)	(82,196,369)
Cash paid to employees for services	(4,437,810)	(5,228,266)	(1,698,832)	(11,364,908)
Interest paid on customer deposits	(113,359)	-	-	(113,359)
Net decrease in TVA loan funds receivable	837	-	-	837
Net decrease in TVA loan funds payable	(925)	-	-	(925)
Net change in customer deposits	-	43,713	9,149	52,862
Net cash provided (used) by operating activities	<u>4,094,348</u>	<u>9,365,651</u>	<u>2,950,416</u>	<u>16,410,415</u>
Cash flow from noncapital financing activities:				
Transfers to primary government	<u>(920,415)</u>	<u>(367,188)</u>	<u>(370,625)</u>	<u>(1,658,228)</u>
Cash flows from capital and related financing activities:				
Capital contributed by customers and grants	3,688,366	6,414,182	-	10,102,548
Principal paid on debt	-	(2,595,000)	(215,000)	(2,810,000)
Tap fees	-	1,825,106	-	1,825,106
Interest paid on bonds, notes and leases	-	(1,082,399)	(150,533)	(1,232,932)
Construction and acquisition of plant	(15,652,553)	(11,205,996)	(5,281,296)	(32,139,845)
Received on sale of assets	1,149,929	-	-	1,149,929
Plant removal cost	(144,875)	-	-	(144,875)
Other	-	(6,044)	(21,260)	(27,304)
Net cash provided (used) by capital and related financing activities	<u>(10,959,133)</u>	<u>(6,650,151)</u>	<u>(5,668,089)</u>	<u>(23,277,373)</u>
Cash flows from investing activities:				
Purchase of certificates of deposit	(119,218)	-	-	(119,218)
Interest and other income	602,316	944,970	421,390	1,968,676
Patronage Dividend	(5,337)	-	-	(5,337)
Net cash provided (used) by investing activities	<u>477,761</u>	<u>944,970</u>	<u>421,390</u>	<u>1,844,121</u>
Net increase (decrease) in cash and cash equivalents	(7,307,439)	3,293,282	(2,666,908)	(6,681,065)
Cash and cash equivalents - beginning of year	<u>17,528,659</u>	<u>25,374,529</u>	<u>7,487,065</u>	<u>50,390,253</u>
Cash and cash equivalents - end of year	<u>\$ 10,221,220</u>	<u>\$ 28,667,811</u>	<u>\$ 4,820,157</u>	<u>\$ 43,709,188</u>
Cash and cash equivalents				
Unrestricted cash on hand	-	2,230	280	2,510
Unrestricted cash and cash equivalents on deposit	10,213,382	28,665,581	4,819,877	43,698,840
Restricted cash and cash equivalents on deposit	7,838	-	-	7,838
Total cash and cash equivalents	\$ 10,221,220	\$ 28,667,811	\$ 4,820,157	\$ 43,709,188

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, 2024

	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 637,951	\$ 5,420,189	\$ 830,398	\$ 6,888,538
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization of acquisition costs	2,716,849	4,274,033	1,907,128	8,898,010
Pension asset	(595,215)			(595,215)
Deferred outflows	1,797,556	7,239	(14,301)	1,790,494
Deferred inflows	240,539	(2,094)	252	238,697
OPEB Asset	(110,493)			(110,493)
Net pension liability	(505,678)	(2,221)	4,011	(503,888)
Changes in assets and liabilities:				
Accounts receivable	(855,690)	205,833	13,802	(636,055)
Materials and supplies	(188,172)	(230,694)	627,504	208,638
Prepayments and other current assets	(263,277)	-	-	(263,277)
TCRS Stabilizaiton Fund		(48,737)	(21,611)	(70,348)
TVA contracts receivable - home weatherization	837	-	-	837
Lease liability	(1,299)			(1,299)
Accounts payable	1,146,985	228,177	(286,123)	1,089,039
Other accrued expense	30,645	(370)	134	30,409
Retainage payable		(510,359)	(122,986)	(633,345)
Accrued interest	108,306	-	-	108,306
Customers' deposits	389,915	43,713	9,149	442,777
Accrued leave	72,504	(19,058)	3,059	56,505
TVA contracts payable - home weatherization	(925)	-	-	(925)
Accrued post employment benefits other than pensions	(526,990)	-	-	(526,990)
Net cash provided (used) by operating activities	<u>\$ 4,094,348</u>	<u>\$ 9,365,651</u>	<u>\$ 2,950,416</u>	<u>\$ 16,410,415</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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Taxes:				
Property tax current	\$13,788,705	\$13,788,705	\$ 14,495,986	\$ 707,281
Property taxes delinquent	131,000	131,000	70,252	(60,748)
Property tax penalty and interest	60,000	60,000	51,418	(8,582)
Local sales tax	14,787,480	14,787,480	16,396,131	1,608,651
Local beer tax	1,247,000	1,247,000	1,120,736	(126,264)
Local liquor tax	561,000	561,000	637,498	76,498
Business tax	1,607,000	1,607,000	1,830,144	223,144
Privilege tax	27,000	27,000	33,159	6,159
Cable TV franchise fee	452,000	452,000	381,826	(70,174)
Occupancy Tax	379,000	379,000	432,961	53,961
Special assessments	5,000	5,000	9,656	4,656
	<u>33,045,185</u>	<u>33,045,185</u>	<u>35,459,767</u>	<u>2,414,582</u>
Licenses and permits:				
Beer licenses	5,000	5,000	5,150	150
Building permits	935,000	935,000	1,338,468	403,468
Plumbing permits	265,000	265,000	341,347	76,347
Planning fees	375,000	375,000	626,078	251,078
Other mechanical permits	375,000	375,000	512,549	137,549
Other permits	1,247,500	1,247,500	2,112,216	864,716
	<u>3,202,500</u>	<u>3,202,500</u>	<u>4,935,808</u>	<u>1,733,308</u>
Intergovernmental:				
In lieu of tax - Housing authority	3,600	3,600	3,672	72
In lieu of tax - industry	166,000	166,000	212,156	46,156
State - sales tax	5,331,720	5,331,720	5,474,806	143,086
State - income tax	-	-	1,911	1,911
State - beer tax	20,400	20,400	19,529	(871)
State - mixed drink tax	278,000	278,000	354,845	76,845
State - gas and motor fuel tax	1,584,000	1,584,000	790,937	(793,063)
State - gas - 1989	-	-	123,970	123,970
State - gas - 3 cent	-	-	228,906	228,906
State - gas - 2017	-	-	410,060	410,060
State- Modernization	-	-	8,228	8,228
State - petroleum special	80,500	80,500	81,324	824
State - Sports Bet	44,430	44,430	84,449	40,019
State - TVA in lieu of tax	533,000	533,000	544,506	11,506
State - excise tax	125,000	125,000	155,450	30,450
State salary supplements	-	130,400	130,400	-
Other federal grants	-	4,389,931	849,185	(3,540,746)

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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Revenues:	Original	Final	Actual	
Intergovernmental (cont.):				
Local grants	\$ -	\$ 500,000	\$ 17,686	\$ (482,314)
ARPA	-	28,000,000	2,172,761	(25,827,239)
Other federal grants	-	-	23,111	23,111
Other state grants	10,000	915,979	198,365	(717,614)
	<u>8,176,650</u>	<u>42,102,960</u>	<u>11,886,257</u>	<u>(30,216,703)</u>
Charges for services:				
Admin and management services	250,000	250,000	297,643	47,643
Accounting and management services	95,766	95,766	95,766	-
Personnel services	50,629	50,629	50,629	-
Other legal services	108,361	108,361	108,361	-
Miscellaneous	17,500	17,500	8,984	(8,516)
Vehicle maintenance charges	30,000	30,000	49,918	19,918
Rent	42,000	42,000	40,923	(1,077)
Golf course revenue	1,079,000	1,139,000	1,727,765	588,765
Civic center revenue	874,800	874,800	1,166,513	291,713
	<u>2,548,056</u>	<u>2,608,056</u>	<u>3,546,502</u>	<u>938,446</u>
Fines and forfeitures:				
Fines and forfeitures:	453,500	453,500	563,266	109,766
A.C.E.S red light revenue	120,000	120,000	26,860	(93,140)
Drug fines	22,500	22,500	16,884	(5,616)
	<u>596,000</u>	<u>596,000</u>	<u>607,010</u>	<u>11,010</u>
Other:				
Miscellaneous	10,000	10,000	419,427	409,427
Sale of cemetery lots	500	500	-	(500)
Sale of materials	2,000	2,000	40,634	38,634
Sale of equipment	20,000	86,637	108,246	21,609
Donations	475,000	29,000	488,170	459,170
Insurance recoveries	-	17,269	63,930	46,661
Interest	100,000	120,000	1,804,965	1,684,965
	<u>607,500</u>	<u>265,406</u>	<u>2,925,372</u>	<u>2,659,966</u>
Total revenues	\$ 48,175,891	\$ 81,820,107	\$ 59,360,716	\$ (22,459,391)

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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Expenditures:				
General government:				
Mayor's office:				
Current:				
Salaries	\$ 302,112	\$ 302,112	\$ 298,329	\$ (3,783)
Employee benefits and taxes	77,047	77,047	114,891	37,844
Officials fees	48,650	48,650	36,300	(12,350)
Printing & publications	10,300	10,300	15,989	5,689
Membership fees	60,000	60,000	39,929	(20,071)
Repairs and maintenance	10,000	10,000	-	(10,000)
Utilities	3,000	3,000	984	(2,016)
Other professional services	128,000	128,000	447,119	319,119
Travel and meals	19,500	19,500	14,026	(5,474)
Mayor's expenses	7,000	7,000	6,151	(849)
Council expenses	16,800	16,800	3,153	(13,647)
Office supplies	6,850	6,850	2,103	(4,747)
Payments in lieu of tax	216,000	216,000	184,083	(31,917)
County portion of liquor tax	180,000	180,000	177,422	(2,578)
Discounts on taxes	14,000	14,000	10,747	(3,253)
Grants, donations	7,000	7,000	3,126	(3,874)
RTA program	55,597	55,597	55,597	-
Prizes and awards	18,000	18,000	10,448	(7,552)
Downtown landscape and streetscape	26,000	26,000	7,921	(18,079)
Miscellaneous	142,300	142,300	69,500	(72,800)
Capital outlay	3,900	2,861,103	280,000	(2,581,103)
	<u>1,352,056</u>	<u>4,209,259</u>	<u>1,777,818</u>	<u>(2,431,441)</u>
Finance department:				
Current:				
Salaries	566,989	566,989	559,862	(7,127)
Employee benefits and taxes	174,699	174,699	147,642	(27,057)
Postage	3,250	3,250	4,726	1,476
Printing & publications	3,250	3,250	2,533	(717)
Membership fees	900	900	385	(515)
Utilities	800	800	844	44
Accounting services	95,000	108,000	89,000	(19,000)
Repairs and maintenance	1,000	1,000	791	(209)
Training	2,000	2,000	1,109	(891)
Operating supplies	4,500	4,500	2,502	(1,998)
Miscellaneous	1,700	1,700	(1,919)	(3,619)
Noncapital expenditures	4,000	4,000	13,000	9,000
Capital outlay	-	66,003	66,003	-
	<u>\$ 858,088</u>	<u>\$ 937,091</u>	<u>\$ 886,478</u>	<u>\$ (50,613)</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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
General government:				
City recorder:				
Current:				
Salaries	\$ 368,622	\$ 368,622	\$ 312,981	\$ (55,641)
Employee benefits and taxes	161,072	161,072	105,001	(56,071)
Postage	16,000	16,000	18,990	2,990
Printing & publications	500	500	1,048	548
Membership fees	3,000	3,000	650	(2,350)
Utilities	-	-	492	492
Data processing services	-	-	3,742	3,742
Other professional services	1,000	1,000	382	(618)
Travel	3,000	3,000	421	(2,579)
Other contractual services	5,000	5,000	7,462	2,462
Office supplies	4,000	4,000	4,507	507
Miscellaneous	11,250	11,250	9,192	(2,058)
Noncapital expenditures	10,000	10,000	-	(10,000)
	<u>583,444</u>	<u>583,444</u>	<u>464,868</u>	<u>(118,576)</u>
Risk management:				
Current:				
HRA expense	250,000	250,000	207,358	(42,642)
Workers compensation	475,000	475,000	505,517	30,517
ADA transition plan	500,000	500,000	5,684	(494,316)
Building insurance	135,000	135,000	92,938	(42,062)
General liability	430,000	455,900	488,732	32,832
	<u>1,790,000</u>	<u>1,815,900</u>	<u>1,300,229</u>	<u>(515,671)</u>
Attorney:				
Current:				
Salaries	398,402	398,402	397,006	(1,396)
Employee benefits and taxes	98,879	98,879	93,180	(5,699)
Printing & publications	3,000	3,000	2,333	(667)
Licenses	650	650	-	(650)
Tax law or other publications	12,300	12,300	10,416	(1,884)
Membership fees	3,000	3,000	3,978	978
Utilities	1,400	1,400	1,042	(358)
Legal services	75,000	75,000	60,004	(14,996)

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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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Expenditures:				
General government:				
Attorney:				
Current:				
Other professional services	\$ 15,000	\$ 15,000	\$ 15,647	\$ 647
Travel and meals	4,000	4,000	3,750	(250)
Training	3,000	3,000	3,786	786
Office supplies	600	600	409	(191)
Educational supplies	44,156	44,156	8,365	(35,791)
Miscellaneous	3,150	3,150	1,357	(1,793)
	<u>662,537</u>	<u>662,537</u>	<u>601,273</u>	<u>(61,264)</u>
Information technology:				
Current:				
Salaries	599,536	599,536	596,719	(2,817)
Employee benefits and taxes	210,169	210,169	178,748	(31,421)
Copier expense	250	250	160	(90)
Membership fees	700	700	-	(700)
Utilities	5,000	5,000	4,335	(665)
Other professional services	139,000	168,960	104,982	(63,978)
Other contractual services	1,013,350	1,036,084	853,660	(182,424)
Training	6,000	6,000	6,995	995
Office supplies	2,000	2,000	3,844	1,844
Operating supplies	10,500	10,831	7,146	(3,685)
Miscellaneous	6,600	6,600	5,983	(617)
Noncapital expenditures	<u>425,800</u>	<u>698,735</u>	<u>568,616</u>	<u>(130,119)</u>
	<u>2,418,905</u>	<u>2,744,865</u>	<u>2,331,188</u>	<u>(413,677)</u>
Personnel:				
Current:				
Salaries	378,939	378,939	343,449	(35,490)
Employee benefits and taxes	148,256	148,256	107,546	(40,710)
Printing & publications	2,000	2,000	1,651	(349)
Utilities	500	500	721	221
Physicals	-	-	129	129
Professional services	13,625	13,625	3,864	(9,761)
Training	4,000	4,000	7,025	3,025
Office supplies	2,900	2,900	3,246	346
Operating supplies	500	500	1,188	688
Miscellaneous	7,150	7,150	6,959	(191)
Noncapital expenditures	<u>500</u>	<u>500</u>	<u>884</u>	<u>384</u>
	<u>\$ 558,370</u>	<u>\$ 558,370</u>	<u>\$ 476,662</u>	<u>\$ (81,708)</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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government:				
City Planner:				
Current:				
Salaries	\$ 682,957	\$ 682,957	\$ 607,524	\$ (75,433)
Employee benefits and taxes	247,253	247,253	185,709	(61,544)
Planning commission	18,825	18,825	16,325	(2,500)
Postage	500	500	428	(72)
Printing & publications	4,000	4,000	1,978	(2,022)
Membership fees	3,385	3,385	3,924	539
Utilities	6,000	6,000	7,700	1,700
Repairs and maintenance	1,200	1,200	83	(1,117)
Other Professional Services	-	305,577	45,303	(260,274)
Office supplies	4,500	4,500	5,055	555
Gas, oil, diesel, etc.	1,000	1,000	785	(215)
Miscellaneous	39,455	39,455	20,068	(19,387)
Capital outlay	70,000	70,000	4,517	(65,483)
	<u>1,079,075</u>	<u>1,384,652</u>	<u>899,399</u>	<u>(485,253)</u>
General government buildings:				
Current:				
Salaries	266,564	266,564	258,756	(7,808)
Employee benefits and taxes	90,920	90,920	81,144	(9,776)
Utilities	74,250	74,250	66,750	(7,500)
Repairs and maintenance	30,000	30,000	27,317	(2,683)
Other contractual services	70,000	73,325	63,171	(10,154)
Small equipment	2,000	2,000	2,030	30
Operating supplies	5,500	5,500	5,005	(495)
Janitorial supplies	8,000	8,000	5,996	(2,004)
Gas, oil, diesel, etc.	4,000	4,000	2,452	(1,548)
Miscellaneous	6,656	6,656	4,362	(2,294)
Capital outlay	93,000	214,408	66,909	(147,499)
	<u>\$ 650,890</u>	<u>\$ 775,623</u>	<u>\$ 583,892</u>	<u>\$ (191,731)</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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
General government:				
Codes:				
Current:				
Salaries	\$ 1,217,819	\$ 1,217,819	\$ 1,139,695	\$ (78,124)
Employee benefits and taxes	436,104	436,104	355,989	(80,115)
Postage	500	500	292	(208)
Printing & publications	9,800	9,800	4,835	(4,965)
Membership fees	8,000	8,000	4,568	(3,432)
Utilities	14,000	14,000	13,219	(781)
Repairs and maintenance	3,800	3,800	1,538	(2,262)
Other Professional Services	14,000	14,000	4,364	(9,636)
Office supplies	2,000	2,000	1,582	(418)
Gas, oil, diesel, etc.	18,000	18,000	14,484	(3,516)
Miscellaneous	72,300	72,300	100,417	28,117
Capital outlay	2,000	2,000	1,240	(760)
	<u>1,798,323</u>	<u>1,798,323</u>	<u>1,642,223</u>	<u>(156,100)</u>
Community services:				
Current:				
July 4th celebration	25,600	37,175	23,725	(13,450)
Appropriations to non profits	263,000	263,000	263,000	-
	<u>288,600</u>	<u>300,175</u>	<u>286,725</u>	<u>(13,450)</u>
Total general government	<u>12,040,288</u>	<u>15,770,239</u>	<u>11,250,755</u>	<u>(4,519,484)</u>
Public safety:				
Police:				
Current:				
Salaries	6,728,870	8,702,872	7,141,589	(1,561,283)
Employee benefits and taxes	2,792,469	2,850,069	2,337,431	(512,638)
Postage	3,000	3,000	2,946	(54)
Printing & publications	22,400	22,400	22,897	497
Membership fees	6,500	6,500	7,173	673
Public relations	2,000	2,000	1,238	(762)
Utilities	88,905	88,905	99,472	10,567
Physicals	12,000	12,000	22,040	10,040
Data processing services	22,500	22,500	147,206	124,706
Repairs and maintenances	147,000	149,340	176,917	27,577

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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Expenditures:				
Public safety:				
Police:				
Current:				
Travel	\$ 25,000	\$ 25,000	\$ 26,817	\$ 1,817
Other contractual services	90,000	90,000	90,591	591
Reserve officers expense	10,000	10,000	2,444	(7,556)
Office supplies	4,000	4,000	5,783	1,783
Small office equipment	3,000	3,000	14,764	11,764
Operating supplies	32,000	34,918	56,059	21,141
Janitorial supplies	1,500	1,500	2,989	1,489
Clothing and uniforms	55,000	55,000	97,708	42,708
Fire arm supplies	35,000	35,000	34,866	(134)
Other operating supplies	3,000	3,000	3,084	84
Gas, oil, diesel, etc.	205,000	205,000	247,548	42,548
Other supplies	3,000	3,000	2,240	(760)
Traffic light camera expense	100,000	100,000	11,014	(88,986)
Other grants and donations	1,125,462	1,125,462	1,006,961	(118,501)
Capital outlay	750,000	1,313,856	1,351,239	37,383
	<u>12,267,606</u>	<u>14,868,322</u>	<u>12,913,016</u>	<u>(1,955,306)</u>
Fire department:				
Current:				
Salaries	6,599,331	6,672,131	6,838,436	166,305
Employee benefits and taxes	2,545,286	2,545,286	2,242,796	(302,490)
Printing & publications	5,350	5,350	3,628	(1,722)
Membership fees	8,000	8,000	5,372	(2,628)
Utilities	91,856	91,856	77,527	(14,329)
Physicals	56,000	56,000	56,779	779
Repairs and maintenance	214,000	234,021	294,997	60,976
Travel	30,000	30,000	29,899	(101)
Other contractual services	45,000	45,000	31,306	(13,694)
Training	75,000	75,052	72,031	(3,021)
Office supplies	2,500	5,055	2,040	(3,015)
Small office equipment	500	500	92	(408)
Operating supplies	20,000	26,418	16,228	(10,190)
Janitorial supplies	10,000	10,000	8,172	(1,828)
Clothing and uniforms	50,000	52,480	50,103	(2,377)
Fire prevention supplies	8,000	18,861	7,963	(10,898)

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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Fire department:				
Current:				
Gas, oil, diesel, etc.	137,500	137,500	111,400	\$ (26,100)
Miscellaneous	27,800	27,800	26,636	(1,164)
Capital outlay	334,500	617,657	551,772	(65,885)
	<u>10,260,623</u>	<u>10,658,967</u>	<u>10,427,177</u>	<u>(231,790)</u>
Total public safety	<u>22,528,229</u>	<u>25,527,289</u>	<u>23,340,193</u>	<u>(2,187,096)</u>
Engineering:				
Current:				
Salaries	677,376	677,376	670,564	(6,812)
Employee benefits and taxes	228,276	228,276	206,392	(21,884)
Printing	3,000	3,000	2,086	(914)
Licenses	1,500	1,500	1,049	(451)
Membership fees	540	540	614	74
Utilities	11,700	11,700	10,100	(1,600)
Professional services	125,000	244,669	267,016	22,347
Repairs and maintenance	31,800	31,800	12,980	(18,820)
Office supplies	2,000	2,000	1,616	(384)
Operating supplies	3,800	3,800	3,435	(365)
Gas, oil, diesel, etc.	3,500	3,500	2,964	(536)
Miscellaneous	5,750	5,750	1,267	(4,483)
Capital outlay	3,558,494	8,161,091	1,394,649	(6,766,442)
Total engineering	<u>\$ 4,652,736</u>	<u>\$ 9,375,002</u>	<u>\$ 2,574,732</u>	<u>\$ (6,800,270)</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, 2024

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
Expenditures:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public works:				
Current:				
Salaries	\$ 276,388	\$ 276,388	\$ 272,973	\$ (3,415)
Employee benefits and taxes	95,620	95,620	86,309	(9,311)
Utilities	1,000	1,000	1,192	192
Repairs and maintenance	18,700	18,700	9,590	(9,110)
Gas, oil, diesel, etc.	19,500	19,500	15,908	(3,592)
Miscellaneous	29,300	29,300	19,105	(10,195)
Capital outlay	295,000	1,642,760	1,042,414	(600,346)
Total public works	<u>735,508</u>	<u>2,083,268</u>	<u>1,447,491</u>	<u>(635,777)</u>
Highways and streets:				
Current:				
Salaries	1,200,022	1,200,022	880,391	(319,631)
Employee benefits and taxes	572,638	572,638	307,829	(264,809)
Utilities	325,950	325,950	272,998	(52,952)
Physicals	2,500	2,500	3,043	543
Repairs and maintenance	169,000	180,200	139,613	(40,587)
Travel	9,600	9,600	4,470	(5,130)
Other contractual services	35,000	35,000	2,324	(32,676)
Operating supplies	37,500	63,736	65,176	1,440
Agricultural and horticultural supplies	8,000	8,000	9,358	1,358
Janitorial supplies	800	800	900	100
Clothing and uniforms	7,000	7,000	6,176	(824)
Other operating supplies	1,500	1,500	1,506	6
Gas, oil, diesel, etc.	66,000	66,000	52,463	(13,537)
Consumable tools	3,500	3,500	2,411	(1,089)
Sign parts and supplies	30,000	30,000	23,741	(6,259)
Demolition and mowing	10,000	10,000	7,454	(2,546)
Other supplies	1,500	1,500	2,074	574
Salt	50,000	50,000	49,309	(691)
Inmate crew	6,000	6,000	2,324	(3,676)
Miscellaneous	11,550	11,550	4,740	(6,810)
Capital outlay	517,250	3,458,678	84,914	(3,373,764)
Total highways and streets	<u>\$ 3,065,310</u>	<u>\$ 6,044,174</u>	<u>\$ 1,923,214</u>	<u>\$ (4,120,960)</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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over (Under)</u>
Expenditures:				
Vehicle maintenance:				
Current:				
Salaries	\$ 302,945	\$ 302,945	\$ 303,921	\$ 976
Employee benefits and taxes	103,613	103,613	92,470	(11,143)
Utilities	12,150	12,150	10,535	(1,615)
Repairs and maintenance	113,500	130,172	45,589	(84,583)
Operating supplies	2,000	2,000	2,174	174
Clothing and uniforms	1,500	1,500	1,539	39
Maintenance supplies	500	500	-	(500)
Gas, oil, diesel, etc.	4,250	4,250	2,970	(1,280)
Miscellaneous	3,200	3,200	2,769	(431)
Capital outlay	<u>26,000</u>	<u>30,880</u>	<u>27,885</u>	<u>(2,995)</u>
	<u>569,658</u>	<u>591,210</u>	<u>489,852</u>	<u>(101,358)</u>
Parks and recreation				
Civic Center:				
Current:				
Salaries	940,442	928,556	900,412	(28,144)
Employee benefits and taxes	209,792	205,724	172,875	(32,849)
Postage	1,500	1,500	1,452	(48)
Printing and publications	4,500	4,500	2,895	(1,605)
Utilities	224,500	224,500	235,728	11,228
Employee physicals	1,500	1,500	3,187	1,687
Repairs and maintenance	33,000	38,280	17,592	(20,688)
Other contractual services	120,000	120,000	116,678	(3,322)
Operating supplies	87,000	86,800	108,184	21,384
Food	75,000	75,000	75,476	476
Janitorial supplies	18,000	18,000	18,693	693
Miscellaneous	22,000	22,000	32,418	10,418
Capital outlay	<u>55,000</u>	<u>211,976</u>	<u>63,613</u>	<u>(148,363)</u>
	<u>\$ 1,792,234</u>	<u>\$ 1,938,336</u>	<u>\$ 1,749,203</u>	<u>\$ (189,133)</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, 2024

Expenditures:	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Golf course:				
Current:				
Salaries	\$ 644,791	\$ 632,905	\$ 630,048	\$ (2,857)
Employee benefits and taxes	201,004	196,936	158,564	(38,372)
Printing and publications	300	300	-	(300)
Membership fees	1,400	1,400	1,465	65
Utilities	42,000	42,000	37,827	(4,173)
Physicals	200	200	833	633
Repairs and maintenance	11,000	21,924	2,838	(19,086)
Other contractual services	12,000	72,000	24,356	(47,644)
Items for resale	25,000	25,000	41,434	16,434
Operating supplies	26,000	26,000	34,640	8,640
Agricultural and horticultural supplies	65,000	65,000	40,725	(24,275)
Food	35,000	35,000	55,764	20,764
Clothing and uniforms	800	800	60	(740)
Gas, oil, diesel, etc.	14,500	14,500	17,821	3,321
Other equipment parts	25,000	25,000	26,001	1,001
Repair parts for water/sewer lines	1,000	1,000	3,105	2,105
Beer for resale	17,500	17,500	30,344	12,844
Discount credit card	30,000	30,000	50,040	20,040
Miscellaneous	600	600	339	(261)
Capital outlay	-	126,180	33,299	(92,881)
	<u>1,153,095</u>	<u>1,334,245</u>	<u>1,189,503</u>	<u>(144,742)</u>
Parks:				
Current:				
Salaries	1,146,776	1,134,855	998,116	(136,739)
Employee benefits and taxes	391,854	387,773	312,439	(75,334)
Printing and publication	1,500	1,500	676	(824)
Memberships	2,000	2,000	2,109	109
Public relations	7,500	7,500	9,077	1,577
Utilities	189,000	188,600	191,848	3,248
Repairs and maintenance	70,000	193,897	124,147	(69,750)
Travel	3,000	3,000	4,911	1,911
Other contractual services	60,000	60,000	96,343	36,343
Inmate crew meals	4,000	4,000	4,923	923
Small equipment	5,000	5,000	5,269	269
Operating supplies	90,000	112,383	100,519	(11,864)
Agricultural and horticultural supplies	30,000	30,000	12,947	(17,053)

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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Parks:				
Gas, oil, diesel, etc.	60,000	59,790	61,284	1,494
Miscellaneous	3,200	3,200	10,685	7,485
Capital outlay	669,000	754,872	160,662	(594,210)
	<u>2,732,830</u>	<u>2,948,370</u>	<u>2,095,955</u>	<u>(852,415)</u>
Total parks and recreation	<u>5,678,159</u>	<u>6,220,951</u>	<u>5,034,661</u>	<u>(1,186,290)</u>
Economic development agency:				
Current:				
Salaries	269,401	269,401	258,089	(11,312)
Employee benefits and taxes	81,764	81,764	66,641	(15,123)
Printing & publications	6,200	6,200	820	(5,380)
Membership fees	10,000	10,000	18,936	8,936
Public relations	22,000	22,000	19,438	(2,562)
Utilities	1,500	1,500	1,326	(174)
Repairs and maintenance	500	500	132	(368)
Professional services	13,884	13,884	35,946	22,062
Travel	3,000	3,000	3,891	891
Office supplies	2,250	2,250	2,944	694
Gas, oil, diesel, etc.	1,250	1,250	694	(556)
Miscellaneous	17,115	17,115	4,984	(12,131)
Capital outlay	10,000	10,000	10,100	100
	<u>438,864</u>	<u>438,864</u>	<u>423,941</u>	<u>(14,923)</u>
Economic Development Utility				
Current:				
Professional Services	30,000	30,000	18,827	(11,173)
Repairs and maintenance	15,000	15,000	-	(15,000)
Grants and donations	7,500	7,500	6,000	(1,500)
Capital outlay	22,500	1,290,098	48,840	(1,241,258)
	<u>75,000</u>	<u>1,342,598</u>	<u>73,667</u>	<u>(1,268,931)</u>
Tourism				
Current:				
Salaries	-	38,262	37,119	(1,143)
Employee benefits and taxes	-	12,647	12,358	(289)
Operating supplies	20,000	20,000	5,991	(14,009)
Miscellaneous	5,000	6,010	845	(5,165)
	<u>25,000</u>	<u>76,919</u>	<u>56,313</u>	<u>(20,606)</u>
ARPA				
Current:				
Consulting services	-	285,000	30,000	(255,000)
Capital outlay	-	32,762,440	2,293,018	(30,469,422)
	<u>-</u>	<u>33,047,440</u>	<u>2,323,018</u>	<u>(30,724,422)</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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
Expenditures:	Original	Final	Actual	
Debt service:				
Principal	1,835,000	1,835,000	1,835,000	-
Interest	846,600	846,600	846,600	-
Bond fees	1,600	1,600	1,260	(340)
	<u>2,683,200</u>	<u>2,683,200</u>	<u>2,682,860</u>	<u>(340)</u>
 Total expenditures	 <u>52,491,952</u>	 <u>103,201,154</u>	 <u>51,620,697</u>	 <u>(51,580,457)</u>
 Excess (deficiency) of revenues over (under) expenditures	 (4,316,061)	 (21,381,047)	 7,740,019	 29,121,066
 Other financing sources (uses)				
In lieu of tax payments - utility	<u>1,366,247</u>	<u>1,366,247</u>	<u>1,658,228</u>	<u>291,981</u>
Total other financing sources (uses)	<u>1,366,247</u>	<u>1,366,247</u>	<u>1,658,228</u>	<u>291,981</u>
 Net changes in fund balances	 <u><u>\$ (2,949,814)</u></u>	 <u><u>\$(20,014,800)</u></u>	 9,398,247	 <u><u>\$ 29,413,047</u></u>
 Fund balance - beginning			56,147,521	
Restatement - error correction			<u>1,463,653</u>	
Fund balance - beginning - restated			<u>57,611,174</u>	
 Fund balance - ending			<u><u>\$ 67,009,421</u></u>	

The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND - ELECTRIC DEPT.
June 30, 2024

Assets

Cash and cash equivalents	\$ 389,012
Receivables:	
Employee contributions	4,709
Investment income	31,602
Investments:	
Mutual funds	2,841,865
US government and municipal obligations	1,573,466
Corporate bonds and debentures	3,482,141
Common stocks	6,102,693
Preferred stocks	30,880

Total assets	<u>14,456,368</u>
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Liabilities

Payables:	
Trustee/Custody fees	841
Investment management fees	16,944

Total liabilities	<u>17,785</u>
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Net position restricted for pensions	<u>\$ 14,438,583</u>
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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, 2024

Additions

Contributions:

Employees	\$ 59,389
Employer	<u>600,000</u>
Total contributions	<u>659,389</u>

Investment income:

Net appreciation in fair value of investments	1,071,597
Interest and dividends	<u>311,114</u>
	1,382,711
Less: investment fees	<u>(73,090)</u>
Net investment gain	<u>1,309,621</u>

Total additions	<u>1,969,010</u>
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Deductions

Benefit payments	<u>676,444</u>
Total deductions	<u>676,444</u>

Change in net position	1,292,566
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Total net position - beginning	<u>13,146,017</u>
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Total net position - ending	<u>\$ 14,438,583</u>
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The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
OPEB TRUST FUND - ELECTRIC DEPT.
June 30, 2024

Assets

Cash and cash equivalents	\$ 58,239
Receivables:	
Investment income	278
Investments:	
Mutual funds	225,102
Common stocks	<u>235,228</u>
Total assets	<u>518,847</u>

Liabilities

Payables:	
Trustee/Custody fees	33
Investment management fees	<u>609</u>
Total liabilities	<u>642</u>

Net position restricted for pensions	<u>\$ 518,205</u>
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The accompanying notes are an integral part of these financial statements

CITY OF GALLATIN, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND - ELECTRIC DEPT.
For the Fiscal Year Ended June 30, 2024

Additions

Contributions:

Employer	\$ 485,000
Total contributions	<u>485,000</u>

Investment income:

Net appreciation in fair value of investments	25,952
Interest and dividends	<u>9,523</u>
	35,475
Less: investment fees	<u>(2,270)</u>
Net investment gain	<u>33,205</u>

Total additions	<u>518,205</u>
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Change in net position	<u>518,205</u>
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Total net position - beginning	<u>-</u>
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Total net position - ending	<u>\$ 518,205</u>
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The accompanying notes are an integral part of these financial statements

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Gallatin, Tennessee (City), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police and fire), street maintenance, cemetery maintenance, sanitation collection and disposal, recreation, water and sewer, electricity, gas, and general administrative services. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Related organizations

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

Joint venture

The City is a participant in the Sumner County Resource Authority (the Resource Authority), a joint venture, in which it retains an ongoing financial interest. The Resource 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 Resource 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, 2024

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

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

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

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

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund focuses on project-to-date costs for many projects within the City. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays of governmental fund types including the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fiduciary funds:

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

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

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer, and the gas 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.

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

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.

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.

The TCRS Stabilization Fund consists of amounts held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of the City's TCRS Hybrid Plan. The purpose of the trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the City in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of the City to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the City has not withdrawn any funds from the trust to pay pension costs. Trust documents provide that the funds are not subject to the claims of general creditors of the City.

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 \$75,000 for buildings and improvements other than buildings, and \$25,000 for the remaining capital assets categories, and estimated useful life in excess of two years. Land, construction in progress, and works of art are included in the thresholds. The electric fund uses a capitalization threshold of \$2,000; water and sewer, and gas funds use a threshold of \$25,000; and all three funds use an estimated useful life in excess of two 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

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

General plant	10 - 50 years
Machinery, equipment, and rolling stock	3 - 10 years
Office furniture and equipment	3 - 10 years
Improvements other than buildings	50 years

Compensated Absences

Vacation pay is accumulated by classified full-time employees according to the following schedule:

Years Service	Annual Vacation Leave
0 - 4 years	10 days
5 - 9 years	16 days
10 - 14 years	17 days
15 - 18 years	19 days
19 or more years	21 days

Vacation leave for designated Department heads/Assistant DH, the City Attorney, the Executive Director of Economic Development, Mayor, and City Recorder shall be sixteen (16) business days each year for the first four (4) years of service, and thereafter increasing to twenty-one (21) business days.

Sick leave is accumulated at the rate of one day per month (same for the Electric fund). At retirement, an employee will be paid accumulated sick leave ranging from 20-50% based on either their age or years of service on effective date of retirement.

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflows or resources are unavailable and are disclosed on pages 12, 14 and 19.

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

Regulatory Accounting

The City's proprietary fund follows the principles of proprietary fund accounting in accordance with Government Accounting Standards Board (GASB) pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities.

The City's proprietary fund also complies with policies and practices prescribed by the City's governing body and with practices common in the utility industry. As the City's governing body has the authority to set rates, the City's proprietary fund follows the regulatory accounting guidance of GASB Statement No. 62, Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the rate-making process. Regulatory liabilities are recorded to reflect probable future reduction in revenues associated with amounts that are expected to be credited to customers in the rate-making process.

Impact of other recently issued accounting pronouncements

The City adopted Statement No. 100, Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62, the requirements of this Statement were implemented and have no material effect on the financial statements for the fiscal year ending June 30, 2024. Implementation is reflected in a prior period restatement footnote this year.

Net position flow assumption

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

Fund balance

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

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

The City will maintain a minimum unassigned fund balance in the general fund equivalent to 25% 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 25%. 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.

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

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

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

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.

Pensions

City Funds

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Gallatin Department of Electricity

The net pension liability (asset) for the department was measured as of June 30, 2023 pursuant to GASB 68, which allows for a measurement date no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The requirement establishes standards for calculating and reporting the net pension liability (asset) and pension expense in the financial statements of the employer. The data necessary to comply with the new standards presents challenges to reporting the net pension liability (asset) and pension expense on a current basis while still adhering to the deadlines for financial reporting to different agencies. The net pension liability (asset) reported at June 30, 2024 is the net pension liability (asset) determined at June 30, 2023 and the pension expense reflects the activity for fiscal year 2023.

Other Post-employment Benefit (OPEB) Plan

Gallatin Department of Electricity

The net OPEB (Other Post-employment Benefit) liability for the department was measured as of June 30, 2023 pursuant to GASB 75, which allows for a measurement data no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The requirement establishes standards for calculating and reporting the net OPEB liability and OPEB expense in the financial

City of Gallatin, Tennessee
Notes to Financial Statements
June 30, 2024

statements of the employer. The data necessary to comply with the new standards presents challenges to reporting the net OPEB liability and OPEB expense on a current basis while still adhering to the deadlines for financial reporting to different agencies. Accordingly, with this implementation, the net OPEB liability reported at June 30, 2024 is the net OPEB liability determined at June 30, 2023 and the OPEB expense reflects the activity for fiscal year 2023.

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

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

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this (\$7,154,765) difference are as follows:

Capital outlay	\$ 5,188,352
Depreciation expense	<u>(12,343,117)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (7,154,765)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to year end, the Director of Finance and Mayor submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The Department Heads are authorized to transfer budgeted amounts within their departments; however, any revisions that alter the total expenditures of any department function or fund must be approved by the City Council.
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

City of Gallatin, Tennessee
Notes to Financial Statements
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not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Council.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2024, the City of Gallatin, Tennessee's Electric Department had \$5,447,994 and the General fund had \$12,238,885 invested in certificates of deposit with local financial institutions.

Interest Rate Risk

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

Custodial Credit Risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2024, all bank deposits were fully collateralized or insured.

B. Receivables

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

	<u>General</u>	<u>Electric Division</u>	<u>Water & Sewer Division</u>	<u>Gas Division</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Property taxes	\$ 15,754,456	\$ -	\$ -	\$ -	\$ -	\$ 15,754,456
Interest	604,290	-	-	-	13,734	618,024
Accounts	282,911	8,014,272	1,592,768	1,196,463	466,824	11,553,238
Fines	1,506,292	-	-	-	-	1,506,292
Grants	510,657	-	-	-	-	510,657
Intergovernmental	4,158,263	-	-	-	-	4,158,263
Other	-	114,807	-	7,617	117,175	239,599
Gross receivables	22,816,869	8,129,079	1,592,768	1,204,080	597,733	34,340,529
Less: Allowance for uncollectibles	(1,804,847)	-	(50,250)	(13,597)	(18,614)	(1,887,308)
Net total receivable	<u>\$ 21,012,022</u>	<u>\$ 8,129,079</u>	<u>\$ 1,542,518</u>	<u>\$ 1,190,483</u>	<u>\$ 579,119</u>	<u>\$ 32,453,221</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 394,238	\$ -
Interest and penalty on property taxes receivable	351,936	-
2024 property tax assessment	15,102,041	-
Other revenue collected in advance		60,522
Grants	-	6,827,239
Drug fund revenue held	-	102,527
Total unavailable revenue for fund financial statements	<u>\$ 15,848,215</u>	<u>\$ 6,990,288</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2024, 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	\$ 13,466,962	\$ 529,749	\$ -	\$ -	\$ 13,996,711
Construction in progress	313,927	2,648,860	-	(313,927)	2,648,860
Total capital assets, not being depreciated	<u>13,780,889</u>	<u>3,178,609</u>	<u>-</u>	<u>(313,927)</u>	<u>16,645,571</u>
Capital assets being depreciated:					
Buildings	25,464,251	319,529	-	-	25,783,780
Improvements other than buildings	160,641,629	3,078,805	-	313,927	164,034,361
Vehicles	22,263,034	1,434,907	-	-	23,697,941
Office equipment	2,957,345	700	-	-	2,958,045
Equipment	11,073,866	155,981	-	-	11,229,847
Total capital assets being depreciated	<u>222,400,125</u>	<u>4,989,922</u>	<u>-</u>	<u>313,927</u>	<u>227,703,974</u>
Less accumulated depreciation for:					
Buildings and improvements	10,460,101	626,047	-	-	11,086,148
Improvements other than buildings	24,583,621	8,966,648	-	-	33,550,269
Vehicles	17,582,123	1,430,463	-	-	19,012,586
Office equipment	2,774,445	53,548	-	-	2,827,993
Equipment	5,794,248	1,266,411	-	-	7,060,659
Total accumulated depreciation	<u>61,194,538</u>	<u>12,343,117</u>	<u>-</u>	<u>-</u>	<u>73,537,655</u>
Total capital assets being depreciated, net	161,205,587	(7,353,195)	-	313,927	154,166,319
Governmental activities capital assets, net	<u>\$ 174,986,476</u>	<u>\$ (4,174,586)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,811,890</u>

City of Gallatin, Tennessee
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	Beginning Balance	Additions	Disposal	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,853,418	\$ 3,748,724	\$ -	\$ 8,602,142
Construction in progress	1,117,801	1,111,344	-	2,229,145
Total capital assets, not being depreciated	<u>5,971,219</u>	<u>4,860,068</u>	<u>-</u>	<u>10,831,287</u>
Capital assets being depreciated:				
Transmission plant	1,437,843	1,493	-	1,439,336
Distribution plant	296,744,470	20,138,434	135,621	316,747,283
General plant	6,635,088	1,321,469	-	7,956,557
Buildings	44,122,930	238,695	-	44,361,625
Operating equipment	3,242,993	98,585	-	3,341,578
Rolling stock	4,248,550	341,860	-	4,590,410
Office furniture and equipment	705,929	-	-	705,929
Total capital assets being depreciated	<u>357,137,803</u>	<u>22,140,536</u>	<u>135,621</u>	<u>379,142,718</u>
Less accumulated depreciation for:				
Transmission plant	469,228	44,709	-	513,937
Distribution plant	112,368,648	8,352,520	280,496	120,440,672
General plant	3,622,626	450,547	-	4,073,173
Buildings	18,762,190	982,764	-	19,744,954
Operating equipment	2,710,694	209,082	-	2,919,776
Rolling stock	3,838,102	10,822	-	3,848,924
Office furniture and equipment	684,086	(3,646)	-	680,440
Total accumulated depreciation	<u>142,455,574</u>	<u>10,046,798</u>	<u>280,496</u>	<u>152,221,876</u>
Total capital assets being depreciated, net	<u>214,682,229</u>	<u>12,093,738</u>	<u>(144,875)</u>	<u>226,920,842</u>
Business-type activities capital assets, net	<u>220,653,448</u>	<u>16,953,806</u>	<u>(144,875)</u>	<u>237,752,129</u>
Total capital assets, net	<u>\$ 395,639,924</u>	<u>\$ 12,779,220</u>	<u>\$ (144,875)</u>	<u>\$ 408,564,019</u>

Included in the additions for the governmental activities are \$2,980,179 in donated infrastructure from developers.

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

City of Gallatin, Tennessee
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Governmental activities:	
General government	\$ 9,813,754
Public safety	1,180,156
Environmental services	7,326
Highways and streets	959,081
Parks and recreation	382,800
Total depreciation expense - governmental activities	<u>\$ 12,343,117</u>
Business-type activities:	
Electric	\$ 2,454,094
Water and sewer	4,274,033
Gas	1,907,128
Electric charged to other accounts	1,411,543
Total depreciation expense - business-type activities	<u>\$ 10,046,798</u>

D. Interfund Receivables, Payables, and Transfers

There were no interfund receivables or payables in the current year. The following is a summary of transfers during the year ended June 30, 2024:

Water and Sewer Fund	General Fund	\$ 367,188
Gas Fund	General Fund	370,625
Electric Fund	General Fund	920,415
Total		1,658,228
Governmental fund activities eliminated		-
Total government-wide		<u>\$ 1,658,228</u>

The purposes of the transfers are noted below:

- 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, 2024, is comprised of the following:

Bonds Payable

General Obligation Improvement Bonds, Series 2014, due in annual installments from \$375,000 to \$1,090,000 through January 2034, interest at 2.00% to 5.00%	\$ 6,600,000
General Obligation Bonds, Series 2016, due in annual installments from \$430,000 to \$700,000 through January 2036, interest at 2.00% to 5.00%	7,200,000
General Obligation Bonds, Series 2021, due in annual installments from \$365,000 to \$630,000 through January 2041, interest at 2.00% to 5.00%	<u>8,720,000</u>

City of Gallatin, Tennessee
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Total bonds payable	<u>22,520,000</u>
Total general long-term debt	<u>\$ 22,520,000</u>

The aforementioned bonds and notes are secured by the full faith and credit of the City. During 2024, debt service for the aforementioned debt was provided by the City General Fund.

Long-term debt of the proprietary funds at June 30, 2024, is comprised of the following:

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%	\$ 3,245,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014, due in annual installments from \$265,000 to \$570,000 through August 2034, interest at 2.00% to 5.00%	2,090,000
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%	5,015,000
Gas Revenue Bonds, Series 2019, due in annual installments from \$190,000 to \$380,000 through January 2039, interest at 3.00% to 5.00%	4,515,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2021A due in annual installments from \$355,000 to \$755,000 through July 2046, interest at 3.00% to 4.00%	12,735,000
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2021B due in annual installments from \$195,000 to \$1,840,000 through July 2037, interest at 0.510% to 2.75%	<u>13,520,000</u>
Total proprietary long-term debt	<u>\$ 41,120,000</u>

The aforementioned notes are secured by the full faith and credit of the City. During 2024, debt service for the aforementioned debt was provided solely by the City's Proprietary Funds.

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave, OPEB liability, and Net Pension Liability at June 30, 2024, are as follows:

City of Gallatin, Tennessee
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Year Ending June 30,	Governmental Activities		Business-Type Activities		Total	
	Bonds		Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,895,000	\$ 754,850	\$ 2,925,000	\$ 1,201,666	\$ 4,820,000	\$ 1,956,516
2026	1,965,000	670,200	3,010,000	1,096,530	4,975,000	1,766,730
2027	2,035,000	582,450	3,125,000	982,418	5,160,000	1,564,868
2028	1,430,000	507,900	3,215,000	901,639	4,645,000	1,409,539
2029	1,475,000	450,950	3,300,000	814,916	4,775,000	1,265,866
2030-2034	8,195,000	1,389,032	13,960,000	2,751,285	22,155,000	4,140,317
2035-2039	4,280,000	363,300	5,675,000	1,403,603	9,955,000	1,766,903
2040-2044	1,245,000	37,500	3,650,000	607,125	4,895,000	644,625
2045-2049	-	-	2,260,000	103,050	2,260,000	103,050
	<u>\$ 22,520,000</u>	<u>\$ 4,756,182</u>	<u>\$ 41,120,000</u>	<u>\$ 9,862,232</u>	<u>\$ 63,640,000</u>	<u>\$ 14,618,414</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, 2024, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 24,355,000	\$ -	\$ 1,835,000	\$ 22,520,000	\$ 1,895,000
Premium on bond issue	1,800,959	-	258,501	1,542,458	258,501
Compensated absences	2,191,242	48,725	48,725	2,191,242	-
	<u>\$ 28,347,201</u>	<u>\$ 48,725</u>	<u>\$ 2,142,226</u>	<u>\$ 26,253,700</u>	<u>\$ 2,153,501</u>
Business-type activities:					
Revenue and tax bonds	\$ 43,930,000	\$ -	\$ 2,810,000	\$ 41,120,000	\$ 2,925,000
Premium on bond issue	3,538,635	-	261,534	3,277,101	-
Lease liability	1,299	-	1,299	-	-
Compensated absences	1,080,995	200,000	471,969	809,026	330,613
	<u>\$ 48,550,929</u>	<u>\$ 200,000</u>	<u>\$ 3,544,802</u>	<u>\$ 45,206,127</u>	<u>\$ 3,255,613</u>

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

The City complied with all significant debt covenants and restrictions as set forth in the bond agreements across all systems.

The bonds payable for all systems contain provisions that in the event of default, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding bonds payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

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There are no unused lines of credit for any of the systems at June 30, 2024.

Industrial Development Bonds

The City, through its Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Issuance of Long-term Debt

In November 2021, the City issued \$13,400,000 in Water and Sewer Revenue Improvement Bonds, Series 2021A (Series 2021A Bonds) for the purpose of providing funds to (i) finance extensions and improvements to the System and (ii) pay costs of issuance. The Series 2021A bonds are issued as fully registered bonds, in denominations of \$5,000, and are payable solely from and secured by a lien on the revenues of the City's water and sewer system (the System), after payment of operating expenses, on a parity of lien with the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014 and Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015 and any obligations hereafter issued on parity therewith. The Series 2021A bonds carry fixed interest rates ranging from 3.0% to 4.0% and mature between July 1, 2022 and July 1, 2046. Interest is payable semi-annually on July 1 and January 1. Series 2021A bonds maturing on July 1, 2032, and thereafter, are subject to redemption prior to maturity at the option of the City, on or after July 1, 2031, as a whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

In November 2021, the City issued \$13,965,000 in Water and Sewer Revenue Refunding Bonds, Series 2021B (Series 2021B) to refund \$12,435,000 of its outstanding Water and Sewer System Revenue and Improvement Bonds, Series 2015, dated May 19, 2015, (the Outstanding Bonds). The Outstanding Bonds were called for redemption in November 2021, and were redeemed at a redemption price of par plus accrued interest. The estimated economic gain from the refunding was approximately \$1.2 million.

The Series 2021B bonds are issued as fully registered bonds, in denominations of \$5,000, and are payable solely from and secured by a lien on the revenues of the System, after payment of operating expenses, on a parity of lien with the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2011, its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2014 and Water and Sewer Revenue Refunding and Improvement Bonds, Series 2015 and any obligations hereafter issued on parity therewith. The Series 2021B bonds carry fixed interest rates ranging from 0.51% to 2.75% and mature between July 1, 2022 and July 1, 2037. Interest is payable semi-annually on July 1 and January 1. Series 2021B bonds maturing on July 1, 2032 and thereafter are subject to redemption prior to maturity at the option of the City, on or after July 1, 2031, as a whole or in part, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

Advance Refunding of Bonds

In prior years the City has defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service requirement on the retired bonds. Accordingly,

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the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2024, outstanding bonds considered as defeased were as follows:

General Obligation Public Improvement Bonds – Series 2007	\$ 1,920,000
Water and Sewer Revenue and Tax Bonds – Series 2008	\$13,655,000

NOTE 5 - OTHER INFORMATION

A. Risk Management

City of Gallatin

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

Gallatin Department of Electricity

Gallatin Electric Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2024, 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

City of Gallatin, Tennessee
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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, 2024, which is the latest available financial statement date, has net investment in capital assets in the amount of \$2,937,822 and an unrestricted net position of \$5,695,875 as compared to \$2,779,266 and \$5,160,740 for the year 2023.

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

TCRS Stabilization Trust, City Funds

Legal Provisions

The City is a member of the TCRS Stabilization Reserve Trust (the Trust). The City has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held by and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the City.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The City may not impose any restrictions on investments placed by the trust on its behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating

City of Gallatin, Tennessee
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for the TRGT from a nationally recognized credit rating agency. The fair value of investment positions in the TRGT is determined daily, based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investment Balances

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2024 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP as described above.

Investments using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined using amortized cost, which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and, as such, management of the TRGT has developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the following tables.

Short-term securities generally include investments in money market-type securities, reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with the last trade data, having limited trading volume.

US Treasury bills, bonds, notes, and futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (MAI), or its equivalent, every three years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

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For investments in private mutual funds, traditional private equity funds, strategic lending funds, and real estate funds that report using GAAP, the fair values, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

Investment Balances

At June 30, 2024, the City had the following investments held by the Trust on its behalf. These funds are recognized as restricted assets in the General Fund, Other Governmental Funds, the Water and Sewer Fund, and the Gas Fund of the City.

	Weighted average days to maturity	<u>Maturities</u>	<u>Fair value</u>
Investments at fair value			
US equity	N/A	N/A	\$ 549,884
Developed market international equity	N/A	N/A	248,335
Emerging market international equity	N/A	N/A	70,953
US fixed income	N/A	N/A	354,764
Real estate	N/A	N/A	177,382
Short-term securities	N/A	N/A	17,738
NAV, private equity, and strategic lending	N/A	N/A	<u>354,764</u>
			<u>\$ 1,773,820</u>

A summary of investment values by fair value level at June 30, 2024 is as follows:

	<u>Fair Value Jun 30,</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
US equity	\$ 549,884	\$ 549,884	\$ -	\$ -	\$ -
Developed market international equity	248,335	248,335	-	-	-
Emerging market international equity	70,953	70,953	-	-	-
US fixed income	354,764	-	354,764	-	-
Real estate	177,382	-	-	177,382	-
Short-term securities	17,738	-	17,738	-	-
NAV, private equity, and strategic lending	<u>354,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,764</u>
	<u>\$1,773,820</u>	<u>\$ 869,172</u>	<u>\$ 372,502</u>	<u>\$ 177,382</u>	<u>\$ 354,764</u>

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TCRS Stabilization Trust, City Funds

Risks and Uncertainties

The Trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds, and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for Trust investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have the ability to limit the credit ratings of individual investments made by the Trust.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

The City places no limit on the amount that may be invested in one issuer.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the Trust agreement, investments are held in the name of the Trust for the benefit of the City to pay retirement benefits of its employees.

For further information concerning the legal provisions, investment policies, investment types, and credit risks of the City's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the TCRS may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2022/aq21066.pdf>

TCRS Hybrid Plan

Plan description.

Employees of Gallatin are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are

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determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	155
Active employees	275
	<hr/>
	<u>431</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Gallatin makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, the employer contributions for Gallatin was \$456,112 based on a rate of 2.46 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Gallatin's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Gallatin net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF GALLATIN, TENNESSEE
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Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Gallatin will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the

CITY OF GALLATIN, TENNESSEE
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TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. 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.

Changes in the Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a) - (b)
Balances of 6/30/2022	\$ 3,212,474	\$ 2,970,262	\$ 242,212
Changes for the year:			
Service Cost	915,613	-	915,613
Interest	276,804	-	276,804
Difference in expected & actual experience	260,898	-	260,898
Contributions - Employer	-	374,974	(374,974)
Contributions - Employee	-	774,741	(774,741)
Net Investment Income	-	235,905	(235,905)
Benefit payments	(54,569)	(54,569)	-
Administrative expense	-	(16,668)	16,668
Net Changes	<u>1,398,746</u>	<u>1,314,383</u>	<u>84,363</u>
Balances as of 6/30/23	<u>\$ 4,611,220</u>	<u>\$ 4,284,645</u>	<u>\$ 326,575</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Gallatin calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Gallatin net pension liability (asset)	\$ 1,469,542	\$ 326,675	\$ (543,562)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense (Negative Pension Expense)

For the year ended June 30, 2024, Gallatin recognized pension expense of \$263,967 related to this plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, Gallatin reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 450,041	\$ 38,101
Net difference between projected and actual earnings on pension plan investments	61,908	-
Changes in Assumptions	123,335	-
Contributions subsequent to the measurement date of June 30, 2023	<u>456,112</u>	<u>-</u>
Total	<u>\$ 1,091,396</u>	<u>\$ 38,101</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the subsequent fiscal period.

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

Year Ended June 30:

2025	\$ 66,596
2026	63,091
2027	118,539
2028	62,368
2029	62,171
Thereafter	224,418

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2024, the City of Gallatin reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Defined Contribution Plans

Several employees chose to stay on the former plan. The City has determined that none of its defined contribution pension plans are fiduciary component units or fiduciary activities of the government.

State of Tennessee 401(k) Plan

Plan Description

The City (exclusive of the electric utility) participates in the State of Tennessee 401(k) plan (the Plan) with a Roth option. Employees of the City's Municipal Service departments, Water and Sewer

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

Funding Policy

The City's Plan allows employees to make tax deferred contributions into self-directed investments of as much as allowable under the Internal Revenue Code. During the fiscal year, the City contributed 5% of the employees' annual compensation and matched up to an additional 4% of the employees' contributions. The plan is closed to new entrants. The vesting of employer contributions increases from 20% in year one, with 20% annual increases until contributions are 100% vested after 5 years in the plan. If an employee leaves employment before the vesting period is complete, the forfeiture is put into a forfeiture account that can be used to pay expenses related to the plan. The City had no forfeitures in 2024. At calendar year-end, any unused forfeitures are held and can be used to offset future employer match requirements.

Annual Contributions

The City's maximum contribution to the Plan is defined as up to 9% of an eligible employee's annual compensation. The City contributed \$683,421 on behalf of the employees for the fiscal year ended June 30, 2024.

State of Tennessee Deferred Compensation Plan II – 401(k)

Plan Description

The Hybrid Plan is a combination of the defined benefit plan (Public Employment Retirement Plan described in General Information about the Pension Plan above) and a defined contribution plan (a 401(k) plan). Employees of the City hired after October 1, 2018 working more than 30 hours per week, and any existing City employee working more than 30 hours per week who chooses to join the TCRS Hybrid Plan are eligible for the plan. The Chair of the TCRS may amend the Hybrid Plan on behalf of all employers. The Chair also has the sole and exclusive authority to interpret the Hybrid Plan and decide all claims and appeals for the Hybrid Plan benefits.

Pension Plans – City Funds

State of Tennessee Deferred Compensation Plan II – 401(k)

Funding Policy

Employers contribute 4% of payroll to the defined benefit component (as noted in General Information about the Pension Plan above), and 5% of payroll to the defined contribution component, for an aggregate employer contribution of 9%. Employees may elect to defer a percentage of their salary into the plan. Defined contribution plan amounts are deposited into the State's 401(k) plan with Great West Financial, where the employee manages the investments. Employees immediately vest in both the employee and employer contributions to the defined contribution plan.

Annual Contributions

The City contributed \$854,278 on behalf of the employees for the fiscal year ended June 30, 2024.

Gallatin Department of Electricity

Plan description

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The Gallatin Department of Electricity Employee's Pension Plan is a single-employer defined benefit pension plan administered by the Gallatin Electric Power Board. The Electric Plan provides retirement, disability, and death benefits to the Electric Plan members and their beneficiaries. While the Electric Plan covers substantially all Department employees, it was closed to new entrants effective 3/1/2016. The authority to establish and amend benefit provisions of the Electric Plan is assigned to the Gallatin Electric Power Board. The Electric Plan issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Gallatin Department of Electricity, P.O. Box 1555, Gallatin, TN 37066 or by calling 615-452-5152.

Plan membership

At June 30, 2023 the plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	3
Active employees	18
	<hr/> 44 <hr/>

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 10.87% of annual covered payroll. The Department contributed \$310,000 applicable to FY 2024 and \$600,000 applicable to FY 2023, respectively.

Net Pension Liability

The Electric Department's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions

The actuarial assumptions used to determine the net pension liability as of June 30, 2023 were as follows:

Salary Increases	4.00 percent per year
Investment rate of return	6.00 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-2021.

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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity - Large Cap	51.00%	7.70%
US Equity - Small/Mid Cap	6.00%	7.70%
Non-US Equity/ Developed	3.00%	8.90%
US Corporate Bonds-Core	40.00%	4.20%

Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that GDE contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<u>Changes in Net Pension Liability</u>			
	Total Pension Liability (TPL)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (NPL)
	(a)	(b)	(a) - (b)
Balances of 6/30/2022	\$ 13,651,695	\$ 13,146,017	\$ 505,678
Changes for the year:			
Service Cost	278,762	-	278,762
Interest	815,830	-	815,830
Difference in expected & actual experience	(226,475)	-	(226,475)
Contributions - Employer	-	600,000	(600,000)
Contributions - Employee	-	59,389	(59,389)
Net Investment Income	-	1,382,708	(1,382,708)
Benefit payments	(676,444)	(676,444)	-
Change of assumptions	-	-	-
Administrative expense	-	(73,087)	73,087
Net Changes	<u>191,673</u>	<u>1,292,566</u>	<u>(1,100,893)</u>
Balances as of 6/30/23	<u>\$ 13,843,368</u>	<u>\$ 14,438,583</u>	<u>\$ (595,215)</u>

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

The following presents the net pension liability of GDE, calculated using the discount rate of 6.0 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 (5.0 percent) of 1-percentage-point higher (7.0 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Interest Rate	5.00%	6.00%	7.00%
Net Pension Liability	1,199,002	(595,215)	(2,095,079)

CITY OF GALLATIN, TENNESSEE
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<u>Pension Expense</u>	
<u>Components of Pension Expense</u>	<u>2022/23</u>
Service Cost	\$ 278,762
Interest on TPL	815,830
Difference between Expected & Actual Experience	(14,982)
Change of Assumptions	433,834
Employee Contributions	(59,389)
Projected Earnings on Assets	(917,120)
Difference between Expected & Actual Earnings	7,656
Pension Plan administrative expense	73,087
Total Expense	<u>\$ 617,678</u>

The total expense represents the amount of pension expense recognized in the FY 2024 financial statements.

Deferred Outflow of Resources and Deferred Inflow of Resources

For the year ended June 30, 2024, the Department reported balances in deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 107,780	\$ 182,025
Net difference between projected and actuarial earnings on pension plan investments- net on financial stmts	250,824	-
Changes in Assumptions	863,862	44,504
Contributions subsequent to the measurement date of June 30,2023	<u>310,000</u>	<u>-</u>
Total	<u>\$ 1,532,466</u>	<u>\$ 226,529</u>

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

<u>Year Ended June 30:</u>	
2024	\$ 468,149
2025	322,747
2026	343,452
2027	(138,411)
Thereafter	-

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Aggregate of Both Pension Plans

	Governmental Activities	Business-type Activities	Total
Net pension liability (Asset)			
TCRS Plan	\$ 276,969	\$ 49,606	\$ 326,575
Electric Dept. Plan	-	(595,215)	(595,215)
	<u>276,969</u>	<u>(545,609)</u>	<u>(268,640)</u>
Deferred outflows related to pensions			
TCRS Plan	925,614	165,782	1,091,396
Electric Dept. Plan	-	1,532,466	1,532,466
	<u>925,614</u>	<u>1,698,248</u>	<u>2,623,862</u>
Deferred inflows related to pensions			
TCRS Plan	32,314	5,787	38,101
Electric Dept. Plan	-	226,529	226,529
	<u>32,314</u>	<u>232,316</u>	<u>264,630</u>
Pension expense			
TCRS Plan	223,874	40,093	263,967
Electric Dept. Plan	-	617,678	617,678
	<u>\$ 223,874</u>	<u>\$ 657,771</u>	<u>\$ 881,645</u>

F. Other Post Employment Benefits

Gallatin Department of Electricity

Plan Description

The Electric Fund Post Retirement Medical Plan ("PRMP is a single employer defined benefit plan administered by the department). The Plan provides supplemental health insurance premium reimbursements to eligible retirees. The criteria to determine eligibility includes years of services and employee age at date of retirement. Eligible retirees may receive up to \$150 per month for reimbursement of their supplemental health insurance premiums. The plan was closed to new entrants effective March 1, 2016. Authority to establish and amend this benefit provision is assigned to the Gallatin Electric Power Board. The PRMP issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Gallatin Department of Electricity, P.O. Box 1555, Gallatin, TN 37066 or by calling 1-615-452-5152.

Plan membership

At June 30, 2023 the plan membership consisted of:

Inactive employees receiving benefits	16
Active employees	39
	<u>55</u>

Total OPEB Liability

The Electric Department's total OPEB asset of \$110,493 was measured as of June 30, 2023 by the actuarial valuation dated June 30, 2022.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.0 percent per year
Salary increases	2.5 percent per year
Discount rate	6.00 percent, as of June 30, 2023
Healthcare cost trend rates	None assumed
Participation rate	100 percent assumed

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

Mortality rates were based on the RP-2014 fully generational mortality table for males and females, with improvement scale MP-2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Non-Trust Contribution	Net OPEB Liability (Asset)
Balances of 6/30/22	\$ 526,990	\$ -	\$ -	\$ 526,990
Changes for the year:				
Service Cost	10,377	-	-	10,377
Interest	18,974	-	-	18,974
Difference in expected & actual experience	(10,450)	35,474		(45,924)
Contributions - Employer	-	485,000	21,933	(506,933)
Expected Investment Income	-	-	-	-
Changes in Benefit Terms	11,914	-	-	11,914
Changes in Assumptions	(128,160)	-	-	(128,160)
Benefit payments	(21,933)	-	(21,933)	-
Administrative expense	-	(2,269)	-	2,269
Net Changes	(119,278)	518,205	-	(637,483)
Balances as of 6/30/23	<u>\$ 407,712</u>	<u>\$ 518,205</u>	<u>\$ -</u>	<u>\$ (110,493)</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% as of June 30, 2022 to 6.00% as of June 30, 2023.

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

The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (6.00 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Interest Rate	5.00%	6.00%	7.00%
Net OPEB Liability (Asset)	\$ (65,009)	\$ (110,493)	\$ (148,621)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2023, the Department had OPEB expense of \$18,895. At June 30, 2023, the Department had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 16,883	\$ 13,294
Change of assumptions	47,041	192,828
Difference between expected and actual earnings on pension plan investments	-	28,379
Totals to be amortized	63,924	234,501
Contributions made subsequent to the measurement date	29,123	-
	<u><u>\$ 93,047</u></u>	<u><u>\$ 234,501</u></u>

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

Year ended June 30:	
2024	\$(22,370)
2025	(17,755)
2026	(19,027)
2027	(36,708)
2028	(16,465)
Thereafter	(58,252)

G. Defined Contribution Plan

Gallatin Department of Electricity

Plan Description

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

Funding Policy

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

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

Any forfeitures will be used first to reduce the employer's matching contributions and then to offset plan expenses. As of June 30, 2024, there have been four forfeitures amounting to \$18,077. For

CITY OF GALLATIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

employees hired before March 1, 2016, they can make elective deferrals into the plan with no matching contribution from the Department.

Annual Cost

The Department's maximum contribution to the Plan is defined as up to 10% of an eligible employee's annual compensation. The Department contributed \$172,892 on behalf of the eligible employees during the fiscal year ended June 30, 2024. There were no outstanding contributions at June 30, 2024.

H. Restatement – Correction of an error

As of June 30, 2024, a restatement – correction of an error was made in the General Fund related to Grants receivable that should have been recorded in the fiscal year ended June 30, 2023. The grant activity for the projects were recognized on the schedule of expenditures of federal awards, but the revenue was not recorded in the financial statements in the prior year.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
		<u>Fund-level</u>	<u>Government-Wide</u>
		<u>General Fund</u>	<u>Governmental Activities</u>
June 30, 2023, as previously reported	\$	56,147,521	\$ 216,157,397
Error correction		1,463,653	1,463,653
June 30, 2023, as restated	\$	<u>57,611,174</u>	<u>217,621,050</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - Public Employee Hybrid Pension Plan of the TCRS
June 30, 2024

Total Pension Liability	2023	2022	2021	2020	2019
Service Cost	\$ 915,613	\$ 778,219	\$ 666,354	\$ 575,836	\$ -
Interest	276,804	195,733	137,048	72,620	-
Changes of benefit terms	-	-	-	-	426,349
Differences between expected & actual experience	260,898	136,142	(52,390)	153,571	-
Changes of assumptions	-	-	169,586	-	-
Benefit payments / refunds	(54,569)	(38,297)	(7,761)	-	(536)
Net change in Total Pension Liability	1,398,746	1,071,797	912,837	802,027	425,813
Total Pension Liability - beginning	3,212,474	2,140,677	1,227,840	425,813	-
Total Pension Liability - ending (a)	\$ 4,611,220	\$ 3,212,474	\$ 2,140,677	\$ 1,227,840	\$ 425,813
Plan Fiduciary Net Position					
Contributions - employer	\$ 374,974	\$ 247,676	\$ 190,332	\$ 170,527	\$ 107,409
Contributions - employee	774,741	648,370	556,528	513,637	323,520
Net investment income	235,905	(101,596)	385,616	37,963	15,540
Benefit payments / refunds	(54,569)	(38,297)	(7,761)	-	(536)
Administrative expense	(16,668)	(25,361)	(21,022)	(19,265)	(13,018)
Other	-	-	-	-	-
Net change in fiduciary net position	1,314,383	730,792	1,103,693	702,862	432,915
Plan fiduciary net position - beginning	2,970,262	2,239,470	1,135,777	432,915	-
Plan fiduciary net position - ending (b)	\$ 4,284,645	\$ 2,970,262	\$ 2,239,470	\$ 1,135,777	\$ 432,915
Plan's net pension liability - ending (a) - (b)	\$ 326,575	\$ 242,212	\$ (98,793)	\$ 92,063	\$ (7,102)
Plan's fiduciary net position as a percentage of the total pension liability	92.92%	92.46%	104.62%	92.50%	101.67%
Covered-employee payroll	\$ 15,494,771	\$ 12,967,349	\$ 11,130,541	\$ 10,274,439	\$ 6,470,377
Plan's net pension liability as a percentage of covered-employee payroll	2.11%	1.87%	-0.89%	0.90%	-0.11%

GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be represented retroactively prior to the implementation data. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE HYBRID PENSION PLAN OF
THE TCRS
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019
Actuarially determined contributions	\$ 456,112	\$ 374,974	\$ 247,676	\$ 190,332	\$ 170,527	\$ 107,409
Contributions in relation to actuarially determined contribution	456,112	374,974	247,676	190,332	170,527	107,409
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	18,541,366	15,494,771	12,962,273	1,991,942	10,274,439	6,470,377
Contributions as a percentage of covered payroll	2.46%	2.42%	1.91%	9.56%	1.66%	1.66%

GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be represented retroactively prior to the implementation data. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to Schedule

Valuation date : Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

Actuarial Methods & Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Change of Assumptions:

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS - ELECTRIC DEPARTMENT
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 217,864	\$ 278,762	\$ 217,805	\$ 254,942	\$ 255,677	\$ 183,037	\$ 185,023	\$ 177,907	\$ 165,004	\$ 160,612
Interest	823,134	815,830	817,982	794,550	771,299	723,598	691,268	685,170	659,028	652,294
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected & actual experience	-	(226,475)	-	26,471	(1)	324,343	115,214	(295,965)	-	-
Changes of assumptions	(371,717)	-	1,467,410	(45,689)	(38,813)	(28,647)	-	-	(468,590)	-
Benefit payments / refunds	(694,782)	(676,444)	(627,700)	(688,070)	(623,543)	(564,525)	(492,024)	(482,369)	(445,233)	(403,705)
Net change in Total Pension Liability	(25,501)	191,673	1,875,497	342,204	364,619	637,806	499,481	84,743	(89,791)	409,201
Total Pension Liability - beginning	13,843,368	13,651,695	11,776,198	11,433,994	11,069,375	10,431,569	9,932,088	9,847,345	9,937,136	9,527,935
Total Pension Liability - ending (a)	\$ 13,817,867	\$ 13,843,368	\$ 13,651,695	\$ 11,776,198	\$ 11,433,994	\$ 11,069,375	\$ 10,431,569	\$ 9,932,088	\$ 9,847,345	\$ 9,937,136
Plan Fiduciary Net Position										
Contributions - Employer	\$ 310,000	\$ 600,000	\$ 600,000	\$ 750,000	\$ 1,050,000	\$ 1,200,000	\$ 800,000	\$ 1,040,000	\$ 666,994	\$ 385,256
Contributions - Member	64,740	59,389	59,943	59,095	59,546	61,115	62,396	62,487	65,855	61,065
Net investment income	2,318,844	1,382,708	(1,415,589)	3,077,505	408,674	685,759	610,970	663,332	185,887	118,499
Benefit payments / refunds	(694,782)	(676,444)	(627,700)	(688,070)	(623,543)	(564,525)	(492,024)	(482,369)	(445,233)	(403,705)
Administrative expense	(83,463)	(73,087)	(77,846)	(72,959)	(57,274)	(49,663)	(45,318)	(39,030)	(34,134)	(32,684)
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	1,915,339	1,292,566	(1,461,192)	3,125,571	837,403	1,332,686	936,024	1,244,420	439,369	128,431
Plan fiduciary net position - beginning	14,438,583	13,146,017	14,607,209	11,481,638	10,644,235	9,311,549	8,375,525	7,131,105	6,691,736	6,563,305
Plan fiduciary net position - ending (b)	\$ 16,353,922	\$ 14,438,583	\$ 13,146,017	\$ 14,607,209	\$ 11,481,638	\$ 10,644,235	\$ 9,311,549	\$ 8,375,525	\$ 7,131,105	\$ 6,691,736
Plan's net pension liability - ending (a) - (b)	\$ (2,536,055)	\$ (595,215)	\$ 505,678	\$ (2,831,011)	\$ (47,644)	\$ 425,140	\$ 1,120,020	\$ 1,556,563	\$ 2,716,240	\$ 3,245,400
Plan's fiduciary net position as a percentage of the total pension liability	118.35%	104.30%	96.30%	124.04%	100.42%	96.16%	89.26%	84.33%	72.42%	67.34%
Covered-employee payroll	\$ 1,945,783	\$ 1,945,783	\$ 1,991,942	\$ 1,991,942	\$ 2,085,475	\$ 2,085,475	\$ 1,958,148	\$ 2,043,550	\$ 2,030,845	\$ 1,952,736
Plan's net pension liability as a percentage of covered-employee payroll	-130.34%	-30.59%	25.39%	-142.12%	-2.28%	20.39%	57.20%	76.17%	133.75%	166.20%

GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be represented retroactively prior to the implementation data. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
ELECTRIC DEPARTMENT
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 211,462	\$ 211,462	\$ 200,921	\$ 332,078	\$ 342,422	\$ 342,422	\$ 417,159	\$ 417,159	\$ 385,256	\$ 385,256
Contributions in relation to actuarially determined contribution	310,000	600,000	600,000	750,000	1,500,000	1,200,000	800,000	1,040,000	666,994	385,256
Contribution deficiency (excess)	(98,538)	(388,538)	(399,079)	(417,922)	(1,157,578)	(857,578)	(382,841)	(622,841)	(281,738)	-
Covered-employee payroll	1,945,783	1,945,783	1,991,942	1,991,942	2,085,475	2,085,475	1,958,148	2,043,550	2,030,845	1,952,736
Contributions as a percentage of covered payroll	15.93%	30.84%	30.12%	37.65%	71.93%	57.54%	40.85%	50.89%	32.84%	19.73%

GASB requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule3 is not required to be represented retroactively prior to the implementation data. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to Schedule

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

Actuarial Methods & Assumptions

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level Dollar % of Salary
Amortization method	The amortization policy shall be that the UAAL, as of July 1, 2014 and any changes thereafter as a result of change in assumptions or methods or benefit or plan changes, shall be amortized over a fixed period of 30 years beginning July 1, 2014. The amortization period for experience gains and losses shall be 10 years from the date of the actuarial valuation.
Remaining amortization period	Initial Amortization Period: 30 years as of 2014
Asset valuation method	Market Value of Plan Assets
Cost of living increases	1.50%
Salary increases	4.00%
Investment rate of return	6.00%
Retirement age	65
Mortality	SOA RP-2014 Total Dataset Mortality with Scale MP-2021
Disabled Mortality	1965 Railroad Board Disability Annuity Mortality

Schedule of Investment Returns

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	15.58%	9.97%	-10.54%	26.42%	3.84%	7.09%	7.11%	9.04%	1.75%	1.82%

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - ELECTRIC
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	\$ 5,157	\$ 10,377	\$ 6,359	\$ 9,116	\$ 6,250	\$ 6,485	\$ 7,587	\$ 9,220
Interest	24,059	18,974	13,500	13,904	18,985	18,085	16,911	14,641
Changes of benefit terms	-	11,914	-	-	-	-	-	-
Differences between expected and actual experience	(5,668)	(10,450)	(1,985)	(4,878)	34,352	-	7,940	3,563
Changes of assumptions or other inputs	-	(128,160)	(98,281)	4,124	89,394	22,113	(16,731)	(46,674)
Benefit payments	<u>(24,123)</u>	<u>(21,933)</u>	<u>(22,848)</u>	<u>(23,975)</u>	<u>(20,354)</u>	<u>(15,783)</u>	<u>(15,914)</u>	<u>(25,113)</u>
Net change in total OPEB liability	(575)	(119,278)	(103,255)	(1,709)	128,627	30,900	(207)	(44,363)
Total OPEB liability - beginning	<u>407,712</u>	<u>526,990</u>	<u>630,245</u>	<u>631,954</u>	<u>503,327</u>	<u>472,427</u>	<u>472,634</u>	<u>516,997</u>
Total OPEB liability - ending	<u><u>\$ 407,137</u></u>	<u><u>\$ 407,712</u></u>	<u><u>\$ 526,990</u></u>	<u><u>\$ 630,245</u></u>	<u><u>\$ 631,954</u></u>	<u><u>\$ 503,327</u></u>	<u><u>\$ 472,427</u></u>	<u><u>\$ 472,634</u></u>
Plan Fiduciary Net Position								
Employer Contributions	\$ 5,000	\$ 485,000						
Expected Investment Income	31,092	-						
Differences between expected and actual experience	47,903	35,474						
Benefit payments	-	-						
Administration expenses	<u>(3,042)</u>	<u>(2,269)</u>						
Net Changes in Plan Fiduciary Net Position	80,953	518,205						
Total OPEB liability - beginning	<u>518,205</u>	<u>-</u>						
Total OPEB liability - ending	<u><u>\$ 599,158</u></u>	<u><u>\$ 518,205</u></u>						
Net OPEB Liability - Ending	<u><u>\$ (192,021)</u></u>	<u><u>\$ (110,493)</u></u>						
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability as a percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - ELECTRIC
June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Notes:								
<u>Plan changes:</u>								
Eligibility	None	Employees hired after March 1, 2016 are eligible	None	None	None	None	None	None
Age & Service	Age 55 and 20 years of service	Age 55 and 20 years of service						
<u>Assumption Changes:</u>								
Discount Rate	6.00%	6.00%	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%
Mortality Table	RPH-2014 Headcount-weighted Total Dataset Table with Projection Scale MP-2021	RPH-2014 Headcount-weighted Total Dataset Table with Projection Scale MP-2021	RPH-2014 Headcount-weighted Total Dataset Table with Projection Scale MP-2020	RPH-2014 Headcount-weighted Total Dataset Table with Projection Scale MP-2020	RPH-2014 Headcount-weighted Total Dataset Table with Projection Scale MP-2020	RPH-2014 Dataset Table with Projection Scale MP-2016	RPH-2014 Dataset Table with Projection Scale MP-2016	RPH-2014 Dataset Table with Projection Scale MP-2016

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CONTRIBUTIONS - OPEB PLAN
LAST TEN FISCAL YEARS
ELECTRIC DEPARTMENT
June 30, 2024

	<u>2024</u>	<u>2023</u>
Actuarially determined contributions	\$ 27,850	\$ 27,266
Contributions in relation to actuarially determined contribution	<u>(29,123)</u>	<u>(509,933)</u>
Contribution deficiency (excess)	<u><u>(1,273)</u></u>	<u><u>(482,667)</u></u>
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

Actuarial Methods & Assumptions

Methods and assumptions used to determine contribution rates:

Remaining amortization period	29 years	30 years
Investment rate of return	6.00%	
Mortality	RPH-2014 Headcount- weighted Total Dataset Table with Projection Scale MP- 2021	RPH-2014 Headcount- weighted Total Dataset Table with Projection Scale MP- 2021

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS
OPEB PLAN - ELECTRIC DEPARTMENT**
June 30, 2024

	<u>2023</u>
Annual money-weighted rate of return, net of investment expense	6.56%

See independent auditor's report.

SUPPLEMENTARY INFORMATION SECTION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

Stormwater Fund – To account for the stormwater fee that is to be used for stormwater maintenance and repairs throughout 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, 2024

	Special Revenue Funds				Permanent Funds		
	Special Services	Drug	Environmental Services	Stormwater	Thomas Witherspoon	Cemetery Trust	Totals
Assets							
Cash and cash equivalents	\$ 2,104,290	\$ 185,466	\$ 2,550,951	\$ 4,068,021	\$ 336,214	\$ 18,754	\$ 9,263,696
Investments	-	-	-	-	-	21,025	21,025
TCRS Stabilization	-	-	41,682	31,578	-	-	73,260
Receivables:							
Accounts	-	-	310,819	137,391	-	-	448,210
Interest	-	-	-	-	13,458	276	13,734
Other	-	-	-	-	117,175	-	117,175
Inventory	-	-	27,388	-	-	-	27,388
Total assets	\$ 2,104,290	\$ 185,466	\$ 2,930,840	\$ 4,236,990	\$ 466,847	\$ 40,055	\$ 9,964,488
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	\$ -	\$ 54,624	\$ 101,106	\$ 23,448	\$ -	\$ -	\$ 179,178
Unearned evidence funds	102,527	-	-	-	-	-	102,527
Performance deposits	1,962,986	-	-	-	-	-	1,962,986
Total liabilities	2,065,513	54,624	101,106	23,448	-	-	2,244,691
Fund balances							
Nonspendable:							
Funds held in trust	-	-	-	-	15,000	21,025	36,025
Inventory	-	-	27,388	-	-	-	27,388
Restricted:							
Funds held in trust	-	-	-	-	451,847	-	451,847
TCRS Stabilization	-	-	41,682	31,578	-	-	73,260
Environmental services	-	-	2,760,664	-	-	-	2,760,664
Drug enforcement	-	130,842	-	-	-	-	130,842
Stormwater	-	-	-	4,181,964	-	-	4,181,964
Assigned for:							
Police special projects	38,777	-	-	-	-	-	38,777
Cemetery use	-	-	-	-	-	19,030	19,030
Total fund balances	38,777	130,842	2,829,734	4,213,542	466,847	40,055	7,719,797
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,104,290	\$ 185,466	\$ 2,930,840	\$ 4,236,990	\$ 466,847	\$ 40,055	\$ 9,964,488

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, 2024

	Special Revenue Funds				Permanent Funds		
	Special Services	Drug	Environmental Services	Stormwater	Thomas Witherspoon	Cemetery Trust	Totals
Revenues							
Charges for services	\$ -	\$ -	\$ 3,455,597	\$ 2,041,516	\$ -	\$ -	\$ 5,497,113
Fines and forfeitures	5,850	29,804	-	-	-	-	35,654
Donations	69,170	-	-	-	-	-	69,170
Grants	-	-	398,217	-	-	-	398,217
Other	89	82,323	95,010	2,632	11,111	2,377	193,542
Total revenues	75,109	112,127	3,948,824	2,044,148	11,111	2,377	6,193,696
Expenditures							
Current							
Public safety	79,665	129,955	-	-	-	-	209,620
Environmental services	-	-	2,608,693	940,412	-	-	3,549,105
Capital outlay	-	11,500	547,712	113,627	-	-	672,839
Total expenditures	79,665	141,455	3,156,405	1,054,039	-	-	4,431,564
Net changes in fund balances	(4,556)	(29,328)	792,419	990,109	11,111	2,377	1,762,132
Fund balance - beginning	43,333	160,170	2,037,315	3,223,433	455,736	37,678	5,957,665
Fund balance - ending	\$ 38,777	\$ 130,842	\$ 2,829,734	\$ 4,213,542	\$ 466,847	\$ 40,055	\$ 7,719,797

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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Fines and forfeitures:				
Sex offender registry	\$ 5,000	\$ 5,000	\$ 5,850	\$ 850
Other:				
Donations	50,000	50,000	69,170	19,170
Interest	-	-	89	89
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>75,109</u>	<u>20,109</u>
Expenditures				
Public safety:				
Police:				
Current:				
Office supplies	6,850	6,850	2,178	(4,672)
Grants and donations	<u>80,000</u>	<u>80,000</u>	<u>77,487</u>	<u>(2,513)</u>
Total expenditures	<u>86,850</u>	<u>86,850</u>	<u>79,665</u>	<u>(7,185)</u>
Net changes in fund balance	<u>\$ (31,850)</u>	<u>\$ (31,850)</u>	<u>(4,556)</u>	<u>\$ 27,294</u>
Fund balance - beginning			<u>43,333</u>	
Fund balance - ending			<u><u>\$ 38,777</u></u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Fines and forfeitures	\$ 50,000	\$ 50,000	\$ 29,804	\$ (20,196)
Contributions	-	11,500	11,500	-
Sale of equipment	25,000	25,000	70,824	45,824
Total revenues	75,000	86,500	112,127	25,627
Expenditures				
Public safety:				
Police:				
Current:				
Supplies	40,000	40,000	30,774	(9,226)
Transportation equipment	-	-	99,181	99,181
Capital Outlay	35,000	121,500	11,500	(110,000)
Total expenditures	75,000	161,500	141,455	(20,045)
Net changes in fund balance	\$ -	\$ (75,000)	(29,328)	\$ 45,672
Fund balance - beginning			160,170	
Fund balance - ending			\$ 130,842	

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, 2024

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 3,242,500	\$ 3,242,500	\$ 3,455,597	\$ 213,097
Other:				
Sale of supplies	63,000	63,000	83,268	20,268
Miscellaneous	-	-	11,742	11,742
State Grant	-	-	398,217	398,217
Total revenues	<u>3,305,500</u>	<u>3,305,500</u>	<u>3,948,824</u>	<u>643,324</u>
Expenditures				
Environmental services:				
Current:				
Salaries	848,966	848,966	842,651	(6,315)
Employee benefits and taxes	354,806	354,806	319,667	(35,139)
Insurance	42,560	49,160	41,527	(7,633)
Utilities	20,231	20,231	15,700	(4,531)
Repairs and maintenance	104,000	104,000	93,957	(10,043)
Other contractual services	980,000	980,000	907,477	(72,523)
Supplies	12,500	12,500	11,024	(1,476)
Gas, oil, diesel, etc.	157,000	157,000	129,799	(27,201)
Supplies for resale	100,000	100,000	75,625	(24,375)
Natural materials	100,000	100,000	104,070	4,070
Professional services	65,826	65,826	65,826	-
Miscellaneous	3,700	3,700	1,370	(2,330)
Capital outlay	<u>560,000</u>	<u>855,521</u>	<u>547,712</u>	<u>(307,809)</u>
Total expenditures	<u>3,349,589</u>	<u>3,651,710</u>	<u>3,156,405</u>	<u>(495,305)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(44,089)</u>	<u>(346,210)</u>	<u>792,419</u>	<u>1,138,629</u>
Other financing sources (uses)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net changes in fund balance	<u>\$ (94,089)</u>	<u>\$ (396,210)</u>	<u>792,419</u>	<u>\$ 1,188,629</u>
Fund balance - beginning			<u>2,037,315</u>	
Fund balance - ending			<u><u>\$ 2,829,734</u></u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
STORMWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 1,950,000	\$ 1,950,000	\$ 2,041,516	\$ 91,516
Other:				
Miscellaneous	-	-	2,632	2,632
Total revenues	<u>1,950,000</u>	<u>1,950,000</u>	<u>2,044,148</u>	<u>94,148</u>
Expenditures				
Environmental services:				
Current:				
Salaries	712,276	712,276	599,539	(112,737)
Employee benefits and taxes	172,446	172,446	45,553	(126,893)
Insurance	233,914	236,164	116,180	(119,984)
Printing and publications	100	100	1,176	1,076
Utilities	6,600	6,600	6,302	(298)
Repairs and maintenance	17,500	17,500	15,111	(2,389)
Other contractual services	250	250	1,526	1,276
Supplies	17,350	20,980	61,589	40,609
Gas, oil, diesel, etc.	22,500	22,500	22,381	(119)
Professional services	561,176	561,176	62,881	(498,295)
Miscellaneous	10,960	10,960	8,174	(2,786)
Capital outlay	<u>985,000</u>	<u>1,809,236</u>	<u>113,627</u>	<u>(1,695,609)</u>
Total expenditures	<u>2,740,072</u>	<u>3,570,188</u>	<u>1,054,039</u>	<u>(2,516,149)</u>
Net changes in fund balance	<u>\$ (790,072)</u>	<u>\$ (1,620,188)</u>	<u>990,109</u>	<u>\$ 2,610,297</u>
Fund balance - beginning			<u>3,223,433</u>	
Fund balance - ending			<u>\$ 4,213,542</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2024

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Being Collected by Chancery Court
2023	0.80	\$ 14,640,029	\$ -	\$ 14,640,029	\$ 14,304,688	\$ 335,341	\$ -
2022	0.80	14,038,125	253,544	-	164,755	88,789	88,789
2021	0.80	12,917,234	53,513	-	17,935	35,578	35,578
2020	0.80	12,158,928	55,537	-	4,689	50,848	50,848
2019	0.80	11,039,008	28,891	-	1,906	26,985	26,985
2018	0.99	10,746,934	31,923	-	703	31,220	31,220
2017	0.99	10,527,443	21,151	3,449	-	24,600	24,600
2016	0.99	10,203,336	17,153	-	101	17,052	17,052
2015	0.99	9,610,477	20,664	904	-	21,568	21,568
2014	0.99	9,635,186	19,626	807	-	20,433	20,433
			<u>\$ 502,002</u>	<u>\$ 14,645,189</u>	<u>\$ 14,494,777</u>	<u>\$ 652,414</u>	<u>\$ 317,073</u>
Above balances represented as follows:							
Considered current revenue						-	
Allowance for uncollectible accounts						258,176	
Unavailable revenue						394,238	
						<u>652,414</u>	
2024 property tax assessment						<u>15,102,041</u>	
Total taxes receivable						<u>\$ 15,754,455</u>	

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2024

Residential Rate Schedule:

Customer charge - per delivery point per month	\$ 19.61
Energy charge - cents per kWh	0.09720

General Power Schedule:

GSA (Demand 0-5,000 kW demand)	
Customer charge - per delivery point per month	\$ 22.60

1. Less than 50kW demand and not more than 15,000 kWh	
Energy charge - cents per kWh	0.10862

2. Between 51 and 1,000 kW demand with energy usage over 15,000 kWh	
Customer charge - per delivery point per month	\$ 63.00
Demand charges - per kW per month	
0-50 kW	-
More than 50 to 1,000 kW, per kW	11.10

Energy charge - cents per kWh	
First 15,000 kWh per month	0.10229
Additional kWh per month	0.07026

3. Between 1,001 and 5,000 kW demand	
Customer charge - per delivery point per month	\$ 203.00
Demand charges - per kW per month	
0-1,000 kW, per kW	11.17
More than 1,000 to 5,000 kW, per kW	15.52
Energy charge - cents per kWh	0.07016

GSB (5,001 - 15,000 kW demand)	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charges - per kW per month	
Onpeak demand - per kW per month	11.35
Max Demand - per kW per month	5.38
Offpeak Excess of Contract Demand - per kW per month	11.35
Energy charge:	
Onpeak kWh	0.08670
Offpeak kWh First 200 HUD	0.06066
Offpeak kWh Next 200 HUD	0.02453
Additional HUD	0.02096

MSB	
Customer charge - per delivery point per month	\$ 1,500.00
Demand charges - per kW per month	
Onpeak demand - per kW per month	10.24
Max Demand - per kW per month	2.26
Offpeak Excess of Contract Demand - per kW per month	10.24
Energy charge - cents per kWh	
Onpeak kWh	0.08139
Offpeak kWh First 200 HUD	0.05639
Offpeak kWh Next 200 HUD	0.02670
Additional HUD	0.02415

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF ELECTRIC RATES IN FORCE
June 30, 2024

General Power Schedule (Continued):

MSD (Demand over 25,000 kW)		
Customer charge - per delivery point per month	\$	1,500.00
Demand charges - per kW per month		
Onpeak demand - per kW per month		10.70
Max Demand - per kW per month		2.29
Offpeak Excess of Contract Demand - per kW per month		10.70
Energy charge - cents per kWh		
Onprsk kWh		0.07850
Offpeak kWh first 200 HUD		0.05237
Offpeak kWh next 200 HUD		0.02135
Additional HUD		0.01869
OUTDOOR LIGHTING		
73 LED	\$	10.91
113 LED		15.90
100 Watt H.P.S.		9.26
150 Watt H.P.S.		12.30
175 Watt M.V.		9.79
250 Watt H.P.S.		15.48
400 Watt H.P.S.		19.81
Outdoor lighting kWh		0.07193

Number of customers:

	<u>2024</u>
Residential	22,532
Commercial and industrial	4,069
Street and athletic fields	59
Individually billed outdoor lighting	<u>26</u>
	<u><u>26,686</u></u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF WATER AND SEWER RATES IN FORCE
June 30, 2024

Water Division

Inside City Limits

All customers
\$ 11.92 for first 250 cubic feet
\$ 3.25 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers
\$ 17.88 for first 250 cubic feet
\$ 4.88 per 100 cubic feet in excess of 250 cubic feet

Sewer Division

Inside City Limits

All customers
\$ 11.92 for first 250 cubic feet
\$ 3.25 per 100 cubic feet in excess of 250 cubic feet

Outside City Limits

All customers
\$ 17.88 for first 250 cubic feet
\$ 4.88 per 100 cubic feet in excess of 250 cubic feet

Number of customers:	<u>2024</u>
Water and Sewer	<u>18,364</u>

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF GAS RATES IN FORCE
June 30, 2024

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
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Preferred interruptible

All usage, per ccf	\$	0.54
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Interruptible

First 100,000 cubic feet	\$	0.44
All usage over 100,000 cubic feet, per ccf	\$	0.39

Number of customers:

	2024
Residential	12,389
Commercial	668
Industrial	26
Interruptible	5
	<u>13,088</u>

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT - CITY
June 30, 2024

Year	G.O. Refunding		G.O. Bonds		G.O. Bonds		Total Requirements		
Ended	Bonds Series 2014		Series 2016		Series 2021				
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2025	\$ 1,010,000	\$ 221,250	\$ 520,000	\$ 259,500	\$ 365,000	\$ 274,100	\$ 1,895,000	\$ 754,850	\$ 2,649,850
2026	1,050,000	180,850	530,000	233,500	385,000	255,850	1,965,000	670,200	2,635,200
2027	1,090,000	138,850	540,000	207,000	405,000	236,600	2,035,000	582,450	2,617,450
2028	450,000	106,150	555,000	185,400	425,000	216,350	1,430,000	507,900	1,937,900
2029	460,000	92,650	570,000	163,200	445,000	195,100	1,475,000	450,950	1,925,950
2030	475,000	78,850	585,000	140,400	465,000	172,850	1,525,000	392,100	1,917,100
2031	490,000	64,600	600,000	117,000	490,000	149,600	1,580,000	331,200	1,911,200
2032	505,000	49,900	620,000	99,000	515,000	125,100	1,640,000	274,000	1,914,000
2033	525,000	34,119	640,000	80,400	535,000	104,500	1,700,000	219,019	1,919,019
2034	545,000	17,713	660,000	61,200	545,000	93,800	1,750,000	172,713	1,922,713
2035	-	-	680,000	41,400	555,000	82,900	1,235,000	124,300	1,359,300
2036	-	-	700,000	21,000	570,000	71,800	1,270,000	92,800	1,362,800
2037	-	-	-	-	580,000	60,400	580,000	60,400	640,400
2038	-	-	-	-	590,000	48,800	590,000	48,800	638,800
2039	-	-	-	-	605,000	37,000	605,000	37,000	642,000
2040	-	-	-	-	615,000	24,900	615,000	24,900	639,900
2041	-	-	-	-	630,000	12,600	630,000	12,600	642,600
	<u>\$ 6,600,000</u>	<u>\$ 984,932</u>	<u>\$ 7,200,000</u>	<u>\$ 1,609,000</u>	<u>\$ 8,720,000</u>	<u>\$ 2,162,250</u>	<u>\$ 22,520,000</u>	<u>\$ 4,756,182</u>	<u>\$ 27,276,182</u>

See independent auditor's report.

**CITY OF GALLATIN, TENNESSEE
PROPRIETARY FUNDS
SCHEDULE OF LONG-TERM DEBT**
June 30, 2024

Water & Sewer Department

Year Ended June 30,	Water & Sewer Rev & Tax Bond - 2011		Water & Sewer Refunding - 2014		Water & Sewer Refunding - 2015		2021 Refunding and Improvement bond Refunding Portion (B)		2021 Refunding and Improvement bond New Money (A)		Gas Revenue Bond - 2019		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2025	\$ 490,000	\$ 155,598	\$ 325,000	\$ 64,375	\$ 1,305,000	\$ 120,838	\$ 225,000	\$ 258,567	\$ 355,000	\$ 434,200	\$ 225,000	\$ 168,088	\$ 2,925,000	\$ 1,201,666	\$ 4,126,666
2026	505,000	141,304	330,000	49,650	1,350,000	68,638	225,000	255,900	370,000	419,700	230,000	161,338	3,010,000	1,096,530	4,106,530
2027	520,000	126,560	340,000	37,950	-	21,388	1,640,000	242,082	385,000	404,600	240,000	149,838	3,125,000	982,418	4,107,418
2028	535,000	110,401	355,000	27,525	-	21,388	1,670,000	215,587	400,000	388,900	255,000	137,838	3,215,000	901,639	4,116,639
2029	555,000	93,023	365,000	16,725	-	21,388	1,700,000	186,092	415,000	372,600	265,000	125,088	3,300,000	814,916	4,114,916
2030	570,000	74,599	375,000	5,625	-	21,388	1,730,000	154,357	430,000	355,700	280,000	111,838	3,385,000	723,507	4,108,507
2031	590,000	54,869	-	-	-	21,388	1,765,000	120,272	450,000	338,100	290,000	100,638	3,095,000	635,267	3,730,267
2032	615,000	33,781	-	-	-	21,388	1,800,000	83,902	470,000	319,700	305,000	89,038	3,190,000	547,809	3,737,809
2033	635,000	11,509	-	-	-	21,388	1,840,000	45,310	490,000	300,500	315,000	76,838	3,280,000	455,545	3,735,545
2034	-	-	-	-	-	21,388	175,000	23,031	510,000	280,500	325,000	64,238	1,010,000	389,157	1,399,157
2035	-	-	-	-	-	21,388	180,000	18,150	530,000	259,700	335,000	54,488	1,045,000	353,726	1,398,726
2036	-	-	-	-	-	21,388	185,000	13,131	550,000	238,100	345,000	44,438	1,080,000	317,057	1,397,057
2037	-	-	-	-	-	21,388	190,000	7,975	570,000	215,700	355,000	34,088	1,115,000	279,151	1,394,151
2038	-	-	-	-	-	21,388	195,000	2,681	590,000	195,450	370,000	23,438	1,155,000	242,957	1,397,957
2039	-	-	-	-	290,000	21,387	-	-	610,000	177,450	380,000	11,875	1,280,000	210,712	1,490,712
2040	-	-	-	-	300,000	10,875	-	-	630,000	158,850	-	-	930,000	169,725	1,099,725
2041	-	-	-	-	-	-	-	-	650,000	139,650	-	-	650,000	139,650	789,650
2042	-	-	-	-	-	-	-	-	670,000	119,850	-	-	670,000	119,850	789,850
2043	-	-	-	-	-	-	-	-	690,000	99,450	-	-	690,000	99,450	789,450
2043	-	-	-	-	-	-	-	-	710,000	78,450	-	-	710,000	78,450	788,450
2044	-	-	-	-	-	-	-	-	730,000	56,850	-	-	730,000	56,850	786,850
2045	-	-	-	-	-	-	-	-	755,000	34,575	-	-	755,000	34,575	789,575
2046	-	-	-	-	-	-	-	-	775,000	11,625	-	-	775,000	11,625	786,625
	<u>\$ 5,015,000</u>	<u>\$ 801,644</u>	<u>\$ 2,090,000</u>	<u>\$ 201,850</u>	<u>\$ 3,245,000</u>	<u>\$ 478,394</u>	<u>\$ 13,520,000</u>	<u>\$ 1,627,037</u>	<u>\$ 12,735,000</u>	<u>\$ 5,400,200</u>	<u>\$ 4,515,000</u>	<u>\$ 1,353,107</u>	<u>\$ 41,120,000</u>	<u>\$ 9,862,232</u>	<u>\$ 50,982,232</u>

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2024

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2023	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2024
Governmental Activities									
Bonds Payable									
Payable through General Fund:									
General Obligation Improvement Bonds, Series 2014	\$ 14,185,000	2.00-5.00%	August 18, 2014	January 1, 2034	\$ 7,575,000	\$ -	\$ 975,000	\$ -	\$ 6,600,000
General Obligation Bonds, Series 2016	11,040,000	2.00-5.00%	January 20, 2016	January 1, 2036	7,710,000	-	510,000	-	7,200,000
General Obligation Bonds, Series 2021	9,725,000	2.00-5.00%	September 28, 2021	January 1, 2041	9,070,000	-	350,000	-	8,720,000
Total Bonds Payable					<u>\$ 24,355,000</u>	<u>\$ -</u>	<u>\$ 1,835,000</u>	<u>\$ -</u>	<u>\$ 22,520,000</u>
Business-Type Activities									
Bonds Payable									
Payable through Water and Sewer Fund:									
Water and Sewer Revenue Bonds, Series 2015	\$ 25,000,000	3.00-5.00%	May 19, 2015	June 30, 2040	\$ 4,500,000	\$ -	\$ 1,255,000	\$ -	\$ 3,245,000
Water and Sewer Revenue Bonds, Series 2014	14,185,000	2.00-5.00%	August 20, 2014	June 30, 2034	2,405,000	-	315,000	-	2,090,000
Water and Sewer Revenue Bonds, Series 2011	8,955,000	3.00-3.625%	December 28, 2011	July 1, 2032	5,475,000	-	460,000	-	5,015,000
Water and Sewer Revenue Improvement Bond Series 2021A	13,400,000	3.00%-4.00%	November 17, 2021	July 1, 2046	13,075,000	-	340,000	-	12,735,000
Water and Sewer Revenue Refunding Bond Series 2021B	13,965,000	0.510%- 2.75%	November 17, 2021	July 1, 2037	13,745,000	-	225,000	-	13,520,000
					<u>39,200,000</u>	<u>-</u>	<u>2,595,000</u>	<u>-</u>	<u>36,605,000</u>
Payable through Gas Fund:									
Gas Revenue Bonds, Series 2019	5,570,000	3.00-5.00%	April 9, 2019	January 1, 2039	4,730,000	-	215,000	-	4,515,000
Total Bonds Payable					<u>43,930,000</u>	<u>-</u>	<u>2,810,000</u>	<u>-</u>	<u>41,120,000</u>
Total Long-Term Debt					<u>\$ 68,285,000</u>	<u>\$ -</u>	<u>\$ 4,645,000</u>	<u>\$ -</u>	<u>\$ 63,640,000</u>

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATION
June 30, 2024

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/2023	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/2024
Governmental Activities									
Business-Type Activities									
Payable through the Electric Department:									
Lease Payable: RJ Young - printer	\$ 6,235	2.26%	June 17, 2019	June 17, 2024	\$ 1,299	\$ -	\$ 1,299	\$ -	\$ -

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF TRANSFERS
June 30, 2024

From Fund	To Fund	Purpose	Amount
Electric Fund	General Fund	In-lieu of tax payments	920,415
Water and Sewer Fund	General Fund	In-lieu of tax payments	367,188
Gas Fund	General Fund	In-lieu of tax payments	370,625

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024

	<u>ALN</u>	<u>Pass Through Agency Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed Through the Tennessee Department of Transportation:			
Highway Planning and Construction - Nashville Pike Sidewalk Grant	20.205	EM-NH-6(130) / 83LPLM-F3-122	\$ 23,111
Passed Through the Tennessee Governor's Highway Safety Office :			
Highway Safety Cluster:			
State and Community Highway Safety - Community Based Traffic Safety Enforcement and Education	20.600	Z24THS109	13,127
State and Community Highway Safety - Community Based Traffic Safety Enforcement and Education	20.600	Z23THS103	3,339
Highway Safety Cluster Subtotal			<u>16,466</u>
Total U.S. Department of Transportation			<u>39,577</u>
Coronavirus Local Fiscal Recovery Funds	21.027*		<u>2,172,761</u>
U.S. Department of Justice			
FBI Violent Crimes Task Force Reimbursement	16.U01	MOU	5,201
Bulletproof Vest Partnership Program - Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-23-GG-04984	398,978
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,955</u>
Comprehensive Opioid, Stimulant, and Other Substances Use Program	16.838	2020-AR-BX-0053	313,455
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2020-MO-BX-0030	60,818
Total U.S. Department of Justice			<u>782,407</u>
Department of Homeland Security			
Assistance to Firefighters Grant	97.044	EMW-2021-FG-07960	<u>50,312</u>
Total US Department of Homeland Security			<u>50,312</u>
Total Federal Awards			<u>\$ 3,045,057</u>

*Denotes Major Federal Program

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal award and state financial assistance activity of the City under programs of the federal government and State of Tennessee for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See independent auditor's report.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2024

	<u>State Grant Number</u>	<u>Disbursements</u>
Office of Criminal Justic		
VCIF Formula Based Grant	N/A	\$ <u>198,365</u>
Total State Financial Assistance		\$ <u>198,365</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state financial assistance activity of the City under programs of the State of Tennessee for the year ended June 30, 2024. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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..... 101

Revenue Capacity

These Schedules contain information to help readers assess the City's most significant local revenue source - its property taxes..... 106

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..... 107

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. 112

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..... 114

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities:										
Net investment in capital assets	\$ 150,136,959	\$ 148,606,993	\$ 133,281,647	\$ 106,414,737	\$ 108,846,455	\$ 89,932,089	\$ 75,402,931	\$ 67,569,997	\$ 58,836,309	\$ 54,468,094
Restricted	9,009,962	13,571,100	13,222,353	12,609,720	1,512,468	1,325,054	1,298,730	1,205,180	593,324	535,180
Unrestricted	<u>64,259,123</u>	<u>53,979,304</u>	<u>49,343,959</u>	<u>39,901,584</u>	<u>24,032,975</u>	<u>17,563,265</u>	<u>17,336,772</u>	<u>17,025,218</u>	<u>15,409,177</u>	<u>13,898,373</u>
Total net position	<u>\$ 223,406,044</u>	<u>\$ 216,157,397</u>	<u>\$ 195,847,959</u>	<u>\$ 158,926,041</u>	<u>\$ 134,391,898</u>	<u>\$ 108,820,408</u>	<u>\$ 94,038,433</u>	<u>\$ 85,800,395</u>	<u>\$ 74,838,810</u>	<u>\$ 68,901,647</u>
Business-type activities:										
Net investment in capital assets	\$ 195,625,066	\$ 175,181,523	\$ 161,498,167	\$ 157,292,864	\$ 142,206,982	\$ 136,551,453	\$ 127,605,680	\$ 120,808,485	\$ 119,097,460	\$ 112,025,506
Restricted	1,038,746	214,846	3,055,394	195,257	7,729	7,702	7,675	7,648	7,621	7,572
Unrestricted	<u>47,843,986</u>	<u>51,089,336</u>	<u>54,246,029</u>	<u>45,895,729</u>	<u>47,714,045</u>	<u>37,092,490</u>	<u>35,652,720</u>	<u>37,926,071</u>	<u>31,826,566</u>	<u>35,009,804</u>
Total net position	<u>\$ 244,507,798</u>	<u>\$ 226,485,705</u>	<u>\$ 218,799,590</u>	<u>\$ 203,383,850</u>	<u>\$ 189,928,756</u>	<u>\$ 173,651,645</u>	<u>\$ 163,266,075</u>	<u>\$ 158,742,204</u>	<u>\$ 150,931,647</u>	<u>\$ 147,042,882</u>
Primary government:										
Net investment in capital assets	\$ 345,762,025	\$ 323,788,516	\$ 294,779,814	\$ 263,707,601	\$ 251,053,437	\$ 226,483,542	\$ 203,008,611	\$ 188,378,482	\$ 177,933,769	\$ 166,493,600
Restricted	10,048,708	13,785,946	16,277,747	12,804,977	1,520,197	1,332,756	1,306,405	1,212,828	600,945	542,752
Unrestricted	<u>112,103,109</u>	<u>105,068,640</u>	<u>103,589,988</u>	<u>85,797,313</u>	<u>71,747,020</u>	<u>54,655,755</u>	<u>52,989,492</u>	<u>54,951,289</u>	<u>47,235,743</u>	<u>48,908,177</u>
Total net position	<u>\$ 467,913,842</u>	<u>\$ 442,643,102</u>	<u>\$ 414,647,549</u>	<u>\$ 362,309,891</u>	<u>\$ 324,320,654</u>	<u>\$ 282,472,053</u>	<u>\$ 257,304,508</u>	<u>\$ 244,542,599</u>	<u>\$ 225,770,457</u>	<u>\$ 215,944,529</u>

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

(Prepared using the accrual basis of accounting)

Governmental activities:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues:										
Program revenues:										
Charges for services	\$ 14,619,477	\$ 12,938,439	\$ 12,275,819	\$ 10,289,687	\$ 8,977,852	\$ 8,356,873	\$ 7,863,631	\$ 7,418,973	\$ 6,069,552	\$ 5,538,642
Operating grants & contributions	6,796,238	3,895,662	4,389,561	2,421,030	2,923,203	2,616,883	1,865,673	1,275,976	1,064,123	1,234,427
Capital grants & contributions	2,383,778	8,345,507	15,384,481	12,482,796	20,335,480	12,308,868	6,010,371	8,921,557	4,790,834	10,285,239
General revenues:										
Property taxes	15,505,229	14,214,670	13,503,462	12,917,220	12,215,190	11,906,890	11,235,726	11,367,951	10,878,306	10,273,533
Sales taxes	21,870,937	20,594,060	19,014,773	15,317,664	12,826,752	12,145,080	11,516,561	11,064,266	10,074,289	9,330,486
Franchise taxes	381,826	397,976	451,706	507,514	465,305	487,103	468,690	466,766	448,730	421,534
Alcoholic beverage taxes	2,137,758	2,137,608	2,099,402	1,965,642	1,766,980	1,563,354	1,522,812	1,509,842	1,260,296	1,251,420
Business taxes	1,863,303	2,315,524	2,008,558	1,404,790	1,127,484	1,014,325	949,546	936,708	818,811	756,560
Income taxes	157,361	755	355,086	414,371	778,118	565,252	439,386	662,104	946,308	913,636
Other taxes	517,410	-	-	-	-	-	-	-	-	-
Other sources	807,727	1,356,449	10,807,740	3,512,304	375,946	1,354,312	540,551	480,686	226,818	230,319
Unrestricted interest income	2,109,695	847,158	81,819	240,425	313,968	298,873	303,527	246,354	115,184	68,994
In lieu of taxes and transfers	<u>1,658,228</u>	<u>2,341,210</u>	<u>2,416,007</u>	<u>2,505,134</u>	<u>1,971,409</u>	<u>1,610,234</u>	<u>1,635,255</u>	<u>1,699,195</u>	<u>1,640,386</u>	<u>1,545,670</u>
Total revenues	<u>70,808,967</u>	<u>69,385,018</u>	<u>82,788,414</u>	<u>63,978,577</u>	<u>64,077,687</u>	<u>54,228,047</u>	<u>44,351,729</u>	<u>46,050,378</u>	<u>38,333,637</u>	<u>41,850,460</u>
Expenses:										
General government	24,881,000	11,491,711	10,679,488	9,568,230	12,362,858	10,194,485	8,545,515	7,930,678	7,186,551	6,432,191
Public safety	23,988,663	21,445,885	19,887,020	17,489,772	15,280,509	15,685,627	14,939,109	14,842,150	12,701,861	12,139,618
Engineering	2,340,891	3,045,455	2,112,141	638,392	622,525	2,300,750	1,907,119	2,224,831	1,643,277	1,611,956
Environmental services	2,608,693	3,499,967	3,264,572	3,125,244	2,796,681	2,194,040	2,109,615	1,788,412	1,701,497	1,682,507
Animal control	-	-	-	-	-	-	-	-	-	123,665
Public works	2,375,724	815,980	826,884	774,681	674,693	585,600	705,505	568,139	552,190	362,748
Highways, streets and roadways	1,894,857	1,700,671	1,500,643	1,405,170	1,136,264	1,252,628	1,556,403	1,174,314	1,359,004	1,457,922
Vehicle maintenance	489,852	415,838	638,291	589,459	617,315	612,519	562,563	549,748	459,858	418,068
Parks and recreation	5,034,661	5,579,699	5,760,606	4,950,915	3,787,643	4,286,418	4,302,313	4,639,151	4,361,499	4,265,685
Economic development	504,934	477,555	556,451	528,172	572,306	816,593	615,343	448,174	1,622,199	6,770,860
Tourism	56,838	-	-	-	57,039	123,052	-	-	-	-
Interest on debt	<u>847,860</u>	<u>602,819</u>	<u>640,400</u>	<u>374,399</u>	<u>598,364</u>	<u>702,384</u>	<u>765,919</u>	<u>923,196</u>	<u>808,538</u>	<u>653,094</u>
Total expenses	<u>65,023,973</u>	<u>49,075,580</u>	<u>45,866,496</u>	<u>39,444,434</u>	<u>38,506,197</u>	<u>38,754,096</u>	<u>36,009,404</u>	<u>35,088,793</u>	<u>32,396,474</u>	<u>35,918,314</u>
Change in net position	\$ 5,784,994	\$ 20,309,438	\$ 36,921,918	\$ 24,534,143	\$ 25,571,490	\$ 15,473,951	\$ 8,342,325	\$ 10,961,585	\$ 5,937,163	\$ 5,932,146

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

(Prepared using the accrual basis of accounting)

Business-Type activities:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Program revenues:										
Charges for services	\$ 110,966,782	\$ 115,696,153	\$ 108,490,786	\$ 95,741,011	\$ 96,304,597	\$ 104,274,429	\$ 102,309,298	\$ 99,131,412	\$ 94,763,804	\$ 98,670,740
Capital grants & contributions	10,102,547	6,412,212	8,438,231	6,341,397	10,898,190	4,907,752	5,623,904	3,508,042	2,490,314	1,485,205
General revenues:										
Other sources	-	384	171,323	105,925	-	-	-	147	10,000	-
Unrestricted interest income	1,968,676	886,820	180,733	316,711	328,769	229,021	197,243	134,055	142,192	108,911
Total revenues	<u>123,038,005</u>	<u>122,995,569</u>	<u>117,281,073</u>	<u>102,505,044</u>	<u>107,531,556</u>	<u>109,411,202</u>	<u>108,130,445</u>	<u>102,773,656</u>	<u>97,406,310</u>	<u>100,264,856</u>
Expenses:										
Electric	75,028,487	77,786,114	67,411,765	61,466,937	64,715,592	70,565,030	68,464,520	68,658,346	66,077,111	65,953,465
Gas	13,766,852	19,001,406	17,460,412	12,390,484	14,208,176	13,612,534	13,482,880	12,817,606	12,360,729	14,620,277
Water & Sewer	16,387,451	16,897,130	15,120,466	13,300,552	10,525,253	13,321,850	13,115,652	11,787,952	12,582,400	10,769,977
In lieu of taxes - transfer	(166,878)	1,624,804	1,872,093	1,891,977	1,805,424	1,610,234	1,635,255	1,699,195	1,640,386	1,545,670
Total expenses	<u>105,015,912</u>	<u>115,309,454</u>	<u>101,864,736</u>	<u>89,049,950</u>	<u>91,254,445</u>	<u>99,109,648</u>	<u>96,698,307</u>	<u>94,963,099</u>	<u>92,660,626</u>	<u>92,889,389</u>
Change in net position	<u>18,022,093</u>	<u>7,686,115</u>	<u>15,416,337</u>	<u>13,455,094</u>	<u>16,277,111</u>	<u>10,301,554</u>	<u>11,432,138</u>	<u>7,810,557</u>	<u>4,745,684</u>	<u>7,375,467</u>
Total change in net position	\$ 23,807,087	\$ 27,995,553	\$ 52,338,255	\$ 37,989,237	\$ 41,848,601	\$ 25,775,505	\$ 19,774,463	\$ 18,772,142	\$ 10,682,847	\$ 13,307,613

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

(Prepared using the accrual basis of accounting)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Governmental Funds:										
(Post-GASB 54)										
Nonspendable	\$ 602,720	\$ 100,170	\$ 99,135	\$ 85,469	\$ 82,177	\$ 674,250	\$ 1,169,853	\$ 1,612,302	\$ 1,065,869	\$ 173,269
Restricted	7,525,317	13,663,068	13,103,487	12,647,277	6,877,193	1,289,029	1,366,992	1,176,985	583,621	531,907
Committed	156,408	1,314,976	98,506	89,508	103,873	156,408	156,408	284,987	209,987	205,085
Assigned	57,807	59,986	400,089	2,810,969	58,712	7,400,387	11,899,028	12,626,737	16,335,657	8,011,003
Unassigned	64,938,346	53,749,515	43,461,521	29,343,786	18,722,398	16,287,472	17,248,650	17,730,397	16,180,042	13,232,920
	<u>\$ 73,280,598</u>	<u>\$ 68,887,715</u>	<u>\$ 57,162,738</u>	<u>\$ 44,977,009</u>	<u>\$ 25,844,353</u>	<u>\$ 25,807,546</u>	<u>\$ 31,840,931</u>	<u>\$ 33,431,408</u>	<u>\$ 34,375,176</u>	<u>\$ 22,154,184</u>

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

(Prepared using the accrual basis of accounting)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
Taxes	\$ 35,459,767	\$ 34,020,171	\$ 31,828,287	\$ 28,148,675	\$ 24,907,697	\$ 23,082,274	\$ 22,304,176	\$ 21,677,227	\$ 20,117,243	\$ 18,988,744
Licenses	4,935,808	3,694,996	3,633,533	3,247,237	2,279,208	2,146,030	2,542,185	2,187,478	1,093,853	760,459
Fines and penalties	642,664	823,041	658,741	673,966	691,541	737,197	785,160	922,423	983,427	1,051,142
Charges for services	9,043,615	8,420,402	7,978,910	6,285,822	6,005,756	5,476,634	4,534,678	4,302,069	3,984,098	3,739,436
Intergovernmental	12,391,419	17,046,912	19,963,272	16,201,370	14,437,262	10,628,819	6,717,563	6,616,702	10,457,840	14,007,953
Other	3,570,141	2,831,318	3,288,678	4,479,403	2,683,304	2,371,227	1,315,537	884,022	414,025	575,308
Total revenues	<u>66,043,414</u>	<u>66,836,840</u>	<u>67,351,421</u>	<u>59,036,473</u>	<u>51,004,768</u>	<u>44,442,181</u>	<u>38,199,299</u>	<u>36,589,921</u>	<u>37,050,486</u>	<u>39,123,042</u>
Expenditures										
General government	11,250,755	9,634,216	8,648,829	7,717,866	7,687,329	8,486,465	7,609,102	6,723,566	5,932,888	5,471,142
Public safety	23,549,813	23,531,336	18,697,042	15,764,227	15,439,576	15,118,065	14,447,340	14,122,444	12,181,199	11,707,728
Engineering	2,574,732	2,857,815	2,114,553	638,392	621,511	2,140,367	1,902,729	2,219,984	1,643,528	1,611,956
Environmental services	3,549,105	3,295,676	3,087,746	2,819,961	2,783,382	1,993,528	1,921,514	1,788,412	1,707,426	1,704,725
Animal control	-	-	-	-	-	-	-	-	-	123,665
Public works	1,447,491	3,056,827	827,963	765,125	670,407	358,438	429,269	330,388	294,737	360,112
Highways and streets	1,923,214	1,437,998	1,127,266	1,045,433	1,137,622	1,248,681	1,559,615	1,168,778	1,227,048	1,254,942
Vehicle maintenance	489,852	429,544	639,633	585,193	614,540	558,341	558,653	551,334	496,426	418,068
Parks and recreation	5,034,661	5,527,163	4,982,212	4,188,436	3,786,654	4,258,583	4,292,539	4,309,104	4,014,097	3,936,723
Economic Development Agency	497,608	506,618	557,630	521,733	557,726	813,666	743,864	445,448	1,622,169	6,769,860
Tourism	56,313	-	-	-	57,039	123,052	-	-	-	-
ARPA	2,323,018	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,835,000	1,780,000	1,745,000	1,395,000	1,355,000	1,795,000	1,839,745	1,754,475	1,205,000	1,385,000
Interest	847,860	911,850	970,589	796,360	738,850	808,775	862,768	892,232	572,156	245,373
Other	-	1,253	1,400	-	-	-	-	-	-	-
Capital outlay - capital	4,768,411	3,620,706	13,637,922	16,670,921	17,324,244	13,586,576	5,257,893	4,926,719	7,385,042	7,610,707
Total expenditures	<u>60,147,833</u>	<u>56,591,002</u>	<u>57,037,785</u>	<u>52,908,647</u>	<u>52,773,880</u>	<u>51,289,537</u>	<u>41,425,031</u>	<u>39,232,884</u>	<u>38,281,716</u>	<u>42,600,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,895,581</u>	<u>10,245,838</u>	<u>10,313,636</u>	<u>6,127,826</u>	<u>(1,769,112)</u>	<u>(6,847,356)</u>	<u>(3,225,732)</u>	<u>(2,642,963)</u>	<u>(1,231,230)</u>	<u>(3,476,959)</u>
Other financing sources (uses):										
Premiums on bonds issued	-	-	-	1,387,853	-	-	-	-	1,163,285	884,045
Proceeds of long-term debt	-	-	-	9,725,000	-	-	-	-	11,040,000	14,185,000
Bond issuance costs	-	-	-	-	-	-	-	-	(121,358)	(155,986)
Repayment from debt refunding	-	-	-	-	-	-	-	-	-	(6,098,495)
In lieu of tax payments from utility*	1,658,228	1,824,463	1,872,093	1,891,977	1,805,919	1,610,234	1,635,255	1,699,195	1,640,386	1,545,670
Operating transfers out	-	(345,324)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,658,228</u>	<u>1,479,139</u>	<u>1,872,093</u>	<u>13,004,830</u>	<u>1,805,919</u>	<u>1,610,234</u>	<u>1,635,255</u>	<u>1,699,195</u>	<u>13,722,313</u>	<u>10,360,234</u>
Net changes in fund balances	<u>\$ 7,553,809</u>	<u>\$ 11,724,977</u>	<u>\$ 12,185,729</u>	<u>\$ 19,132,656</u>	<u>\$ 36,807</u>	<u>\$ (5,237,122)</u>	<u>\$ (1,590,477)</u>	<u>\$ (943,768)</u>	<u>\$ 12,491,083</u>	<u>\$ 6,883,275</u>
Debt services as a percentage of non-capital expenditures	5.09%	5.35%	6.67%	6.44%	6.28%	7.42%	8.08%	8.36%	6.10%	4.89%

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

TAX YEAR	APPRAISED VALUE			ASSESSED VALUE AS A PERCENTAGE OF ACTUAL	TOTAL DIRECT TAX RATE*
	TOTAL TAXABLE ASSESSED VALUE	TAX EXEMPT PROPERTY	ESTIMATED ACTUAL TAXABLE VALUE		
2024	\$ 2,935,179,054	\$ -	\$ 10,209,401,280	28.75%	\$ 0.53
2023	1,835,956,847	157,722,100	6,536,211,546	30.50%	0.80
2022	1,835,956,847	-	6,184,000,396	29.69%	0.80
2021	1,749,990,933	-	5,804,981,995	30.15%	0.80
2020	1,639,821,560	31,477,512	5,505,851,345	30.35%	0.80
2019	1,568,403,152	35,134,216	5,345,047,430	30.00%	0.80
2018	1,379,876,000	21,926,143	3,758,217,774	37.30%	0.99
2017	1,085,548,889	23,016,954	3,688,978,706	30.05%	0.99
2016	1,063,378,081	23,958,652	3,498,839,903	31.08%	0.99
2015	1,030,640,007	18,537,816	3,050,696,936	34.39%	0.99

* 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**

	2024		2015	
	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION	ASSESSED VALUATION	PERCENT OF TOTAL VALUATION
Sumner Regional Medical Ctr	\$ 118,336,100	7.22%	\$ 93,926,200	9.86%
GAP INC	80,734,400	4.92%	85,702,900	9.00%
Revere at Hidden Creek LLC	60,229,600	3.67%	-	0.00%
Stoneridge Borrower LLC	46,581,300	2.84%	-	0.00%
Wellington Farms Holdings DE LLC	46,250,400	2.82%	-	0.00%
Gallatin BNA LLC	42,664,900	2.60%	-	0.00%
Green Lea Prop LLC	42,290,800	2.58%	-	0.00%
KJPL Gallatin LLC	37,941,900	2.31%	-	0.00%
WMCI Nashville VI LLC	32,968,000	2.01%	-	0.00%
Hoeganaes Corp	15,508,357	0.95%	15,181,627	1.59%
Wellington Farms Apts.	-	0.00%	31,800,000	3.34%
Stoneridge Farms	-	0.00%	30,400,000	3.19%
MMA Brik	-	0.00%	23,513,500	2.47%
Isaacson/Steen	-	0.00%	17,367,600	1.82%
Gap Inc & Subs Ent	-	0.00%	7,541,448	0.79%
R R Donnelley & Sons	-	0.00%	7,231,336	0.76%
ABC Group Fuel Systems	-	0.00%	6,412,882	0.67%
Totals	\$ 523,505,757	31.92%	\$ 319,077,493	33.49%

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

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

FISCAL YEAR	ASSESSED VALUATION	TOTAL TAX LEVY	COLLECTED WITHIN TAX YEAR OF LEVY	PERCENT COLLECTED	COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS	TOTAL COLLECTIONS AS PERCENT OF TOTAL LEVY
2024	\$ 2,935,179,054	15,517,384	14,380,699	92.67%	-	\$ 14,380,699	92.67%
2023	1,835,956,847	14,679,193	13,940,753	94.97%	403,099	14,343,852	97.72%
2022	1,835,956,847	14,038,125	13,127,681	93.51%	821,655	13,949,336	99.37%
2021	1,749,990,933	12,917,234	12,578,223	97.38%	303,433	12,881,656	99.72%
2020	1,639,821,560	12,158,928	12,061,074	99.20%	47,006	12,108,080	99.58%
2019	1,568,403,152	11,039,008	10,962,352	99.31%	49,671	11,012,023	99.76%
2018	1,379,876,000	10,746,934	10,482,842	97.54%	232,872	10,715,714	99.71%
2017	1,085,548,889	10,527,443	10,151,671	96.43%	351,172	10,502,843	99.77%
2016	1,063,378,081	10,203,336	9,756,265	95.62%	430,019	10,186,284	99.83%
2015	1,030,640,007	9,610,477	9,447,813	98.31%	141,096	9,588,909	99.78%

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*	PER CAPITA PERSONAL INCOME**	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	DEBT PER CAPITA	PERCENT OF PERSONAL INCOME
			GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	REVENUE & TAX BONDS	NOTES	TOTAL BUSINESS- TYPE ACTIVITIES			
2024	52,197	\$ 36,996	\$ 22,520,000	\$ -	\$ 22,520,000	\$ 41,120,000	\$ -	\$ 41,120,000	\$ 63,640,000	\$ 1,219.23	3.30%
2023	51,653	34,822	24,355,000	-	24,355,000	43,930,000	-	43,930,000	68,285,000	1,321.99	3.80%
2022	50,160	32,912	26,135,000	-	26,135,000	46,620,000	-	46,620,000	72,755,000	1,450.46	4.41%
2021	44,431	32,996	27,880,000	-	27,880,000	33,765,000	-	33,765,000	61,645,000	1,387.43	4.20%
2020	42,918	30,203	19,550,000	-	19,550,000	35,780,000	-	35,780,000	55,330,000	1,289.20	4.27%
2019	40,457	28,945	20,905,000	-	20,905,000	37,795,000	-	37,795,000	58,700,000	1,450.92	5.01%
2018	37,351	26,544	22,240,000	549,745	22,789,745	33,955,000	-	33,955,000	56,744,745	1,519.23	5.72%
2017	35,734	26,450	24,805,000	1,310,000	26,115,000	37,560,000	57,667	37,617,667	63,732,667	1,783.53	6.74%
2016	34,473	26,708	14,570,000	1,710,000	16,280,000	38,890,000	219,944	39,109,944	55,389,944	1,606.76	6.02%
2015	33,347	26,596	6,985,000	2,090,000	9,075,000	33,185,000	382,221	33,567,221	42,642,221	1,278.74	4.81%

* 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**

GOVERNMENTAL ACTIVITIES									
FISCAL YEAR	POPULATION	GENERAL OBLIGATION BONDS	NOTES	TOTAL GOVERNMENTAL	BUSINESS - TYPE ACIVITIES - NOTES	TOTAL PRIMARY GOVERNMENT	APPRAISED VALUE	RATIO OF GENERAL OBLIGATION DEBT TO APPRAISED VALUE	NET GENERAL OBLIGATION DEBT PER CAPITA
2024	52,197	\$ 22,520,000	\$ -	\$ 22,520,000	\$ -	\$ 22,520,000	\$ 2,935,179,054	0.77%	\$ 431.44
2023	51,653	24,355,000	-	24,355,000	-	24,355,000	1,835,956,847	1.33%	471.51
2022	50,160	26,135,000	-	26,135,000	-	26,135,000	1,749,990,933	1.49%	521.03
2021	44,431	27,880,000	-	27,880,000	-	27,880,000	1,639,821,560	1.70%	627.49
2020	42,918	19,550,000	-	19,550,000	-	19,550,000	1,568,403,152	1.25%	455.52
2019	40,457	20,905,000	-	20,905,000	-	20,905,000	1,379,876,000	1.51%	516.72
2018	37,351	22,240,000	549,745	22,789,745	-	22,789,745	1,085,548,889	2.10%	610.15
2017	35,734	24,805,000	1,310,000	26,115,000	57,667	26,172,667	1,063,378,081	2.46%	732.43
2016	34,473	14,570,000	1,710,000	16,280,000	219,944	16,499,944	1,030,640,007	1.60%	478.63
2015	33,347	6,985,000	2,090,000	9,075,000	382,221	9,457,221	970,755,253	0.97%	283.60

* SOURCE FOR POPULATION: US Census Bureau

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

FISCAL YEAR	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	PERCENT OF COVERAGE
2024	\$ 34,997,340	\$ 28,746,753	\$ 6,250,587	\$ 2,925,000	\$ 1,201,666	\$ 4,126,666	151.47%
2023	38,290,134	34,709,510	3,580,624	2,690,000	1,494,168	4,184,168	85.58%
2022	38,560,935	31,115,155	7,445,780	2,075,000	1,340,498	3,415,498	218.00%
2021	31,047,874	19,860,727	11,187,147	2,015,000	1,410,424	3,425,424	326.59%
2020	28,473,862	17,853,481	10,620,381	1,775,000	1,268,910	3,043,910	348.91%
2019	30,554,008	20,257,578	10,296,430	2,015,000	1,418,722	3,433,722	299.86%
2018	14,593,834	8,546,734	6,047,100	1,730,000	1,326,336	3,056,336	197.85%
2017	14,190,626	7,221,685	6,968,941	1,830,000	1,403,935	3,233,935	215.49%
2016	13,525,181	7,389,032	6,136,149	1,775,000	1,460,061	3,235,061	189.68%
2015	12,112,544	6,651,379	5,461,165	1,330,000	1,101,320	2,431,320	224.62%

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

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

CALENDAR YEAR	CITY POPULATION*	COUNTY POPULATION*	PERSONAL INCOME**	PER CAPITA PERSONAL INCOME**	MEDIAN AGE*	COUNTY SCHOOL ENROLLMENT ***	COUNTY UNEMPLOYMENT RATE****
2024	52,197	212,267	\$ 68,548	\$ 36,996	37.8	30,224	2.80%
2023	51,653	203,858	62,881	34,822	38.4	30,685	2.90%
2022	50,160	200,557	60,930	32,912	38.4	30,512	3.00%
2021	44,431	196,281	59,745	32,996	39.1	30,425	4.50%
2020	42,918	191,283	55,825	30,203	37.9	29,540	7.50%
2019	40,457	187,149	53,794	28,945	37.6	29,400	3.20%
2018	37,351	183,545	49,041	26,544	37.2	29,196	2.80%
2017	35,734	180,063	47,957	26,450	36.0	29,059	2.30%
2016	34,473	175,989	46,441	26,708	37.0	29,060	4.10%
2015	33,347	172,706	46,102	26,596	37.0	28,715	4.70%

* 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**

	2024			2015		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Sumner County Schools	4,807	1	20.90%	3,623	1	32.03%
Gap, Inc.	2,388	2	10.38%	750	3	6.63%
Sumner Regional Medical Center	1,075	3	4.67%	1,084	2	9.58%
Sumner County Government (non-school)	994	4	4.32%	N/A	N/A	N/A
ABC Technologies	750	5	3.26%	357	7	3.16%
City of Gallatin	587	6	2.55%	N/A	N/A	N/A
ServPro Industries	438	7	1.90%	420	5	3.71%
Yapp USA	378	8	1.64%	N/A	N/A	N/A
NIC Global	275	9	1.20%	194	9	1.72%
Simpson Strong Tie	240	10	1.04%	N/A	N/A	N/A
Volunteer State Community College	N/A	N/A	N/A	750	4	6.63%
YSF Automotive Systems	N/A	N/A	N/A	400	6	3.54%
R R Donnelley & Sons	N/A	N/A	N/A	225	8	1.99%
ITW-CIP	N/A	N/A	N/A	150	10	1.33%

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

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

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Government:										
Mayor's Office	4	3	3	3	3	3	3	3	3	3
Planning (Combined in 2010)	9	9	8	8	8	9	9	7	7	6
Finance	7	6	6	7	7	6	6	6	5	5
City Attorney	4	4	4	4	4	4	4	4	3	3
Recorder	6	6	7	6	6	6	7	6	6	6
Personnel	6	5	5	5	4	4	3	3	3	2
Codes	14	17	17	18	15	15	15	12	9	10
Economic Development Agency	2	3	3	3	3	3	3	3	3	2
Information Technology	8	8	8	8	8	7	7	7	6	5
Public Safety:										
Police	109	91	97	97	97	99	99	99	98	93
Fire	99	95	98	97	97	96	98	85	68	72
Public Works	51	50	52	49	52	48	50	47	48	47
Leisure Services	29	29	30	30	29	26	29	29	31	31
Engineering	14	15	10	10	9	9	8	7	6	7
Public Utilities	82	86	84	88	92	93	95	86	88	87
Golf Course	0	0	0	0	0	0	0	0	0	0
Total	444	427	432	433	434	428	436	404	384	379

Sources: PERSONNEL OFFICIAL

*AUDITS PRIOR YEARS

2016 numbers include 4 PPT employees. It does not include 12 unfilled positions (total authorized manning 396 as 6/30/16)

2017 numbers include 4 PPT employees. It does not include 15 unfilled position (total authorized manning as 6/30/17)

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

FUNCTION / PROGRAM	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Physical arrests	3,747	3,915	3,419	2,985	3,571	3,802	3,718	3,805	3,803	3,575
Parking violations	98	276	188	169	219	407	308	279	458	722
Traffic violations	14,631	13,826	14,847	11,720	17,065	15,334	13,436	13,824	17,393	22,643
* Red Light Camera Citations	456	5,519	5,598	5,109	3,828	6,345	6,211	7,386	9,054	7,751
Fire										
Emergency responses	8,307	8,114	7,729	6,854	6,228	6,048	5,636	4,192	3,917	3,390
Fires extinguished	152	157	148	132	115	122	113	133	144	94
Inspections	9,704	8,132	4,552	3,296	2,530	2,526	2,423	1,658	1,664	1,413
Animal Control										
Animals Restrained	318	296	317	288	346	519	487	576	622	N/A
Highways and Streets										
Street resurfacing (miles)	6.20	6.42	8.11	5.16	6.64	5.20	6.00	3.31	4.60	5.75
Potholes repaired	3,396	1,529	2,465	259	363	315	356	314	403	324
Other Public Works										
Utility cuts repaired	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parks and Recreation										
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community center admissions	150,000	150,000	150,000	150,000	150,000	270,000	270,000	270,000	240,000	240,000
Community Service										
Number of organization benefited	18	17	17	17	21	18	14	10	12	16
Number of services benefited	3	3	3	3	3	3	3	5	6	4
Environmental Services										
Tons hauled	16,404	18,629	20,506	18,599	17,625	16,432	16,171	16,142	12,224	11,413
Water										
New connections	949	530	754	715	441	406	425	380	316	330
Water main breaks	39	53	58	31	45	46	37	37	37	38
Utility cuts repaired	58	78	79	54	123	83	145	100	139	138
Average daily consumption (thousands of gallons)	8,232	8,625	7,805	7,293	7,774	7,110	7,316	6,052	6,171	5,865
Peak daily consumption (thousands of gallons)	11,605	12,047	12,562	8,797	9,347	10,523	8,451	7,072	8,287	7,873
Sewer										
Average daily treatment (thousands of gallons)	7,342	7,556	8,077	7,785	8,911	7,010	6,282	5,902	5,808	6,435
Electric										
Average daily consumption (thousands of kilowatt hours)	2,165	2,145	2,147	2,163	2,020	2,237	2,254	2,244	2,194	2,186
Natural Gas										
Average Daily Consumption:										
Summer -April/October (thousands of cubic feet)	3,666	4,064	4,059	3,587	3,623	4,920	4,810	4,656	4,937	5,550
Winter-November/March (thousands of cubic feet)	8,724	9,029	8,335	9,124	8,211	8,507	10,445	7,454	7,644	9,078
Golf										
Rounds Played	32,500	45,000	44,145	44,145	44,145	45,000	45,000	45,000	45,000	35,000

Sources: Various city departments

Notes: Indicators are not available for the general government function

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

FUNCTION / PROGRAM	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	4	4	4	4	4	4	1	1	1	1
Patrol units	104	97	80	80	96	96	91	79	78	76
Fire										
Stations	5	5	5	5	5	5	4	4	4	4
Fire trucks	12	12	11	11	11	11	9	9	9	8
Animal Control										
Trucks	2	2	2	2	2	2	2	2	2	2
Highways and Streets										
Streets (miles)	226.8	224.6	221.0	217.5	215.8	210.0	204.4	200.1	195.6	195.3
Streetlights	4,412	4,337	4,278	4,254	3,931	3,874	3,892	3,811	3,720	3,621
Traffic signals	456	417	438	411	411	388	380	370	362	362
Sidewalks (miles)	111.9	107.2	99.7	93.0	89.7	78.0	66.8	57.5	46.5	46.0
Parks and Recreation										
Acreage	610	610	610	598	598	598	532	532	532	532
Playgrounds	5	5	5	5	5	5	5	5	4	4
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	8	8	8	8	8	8	8	8	8	8
Community centers	2	2	2	2	2	2	2	2	2	2
Volleyball Courts	4	4	4	4	4	4	4	4	4	4
Basketball Courts	6	6	6	6	6	6	6	6	6	6
Picnic Shelters	13	13	13	13	13	13	13	13	13	13
Tennis Courts	6	6	6	6	6	6	6	6	6	6
Horseshoe Pits	5	5	5	5	5	5	5	5	9	9
Fishing Piers	2	2	2	2	2	2	2	2	2	2
Swimming Pools	2	2	2	2	2	1	1	1	1	1
Walking Trail (miles)	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Disc Golf (holes)	18	18	18	18	18	18	18	18	18	18
Model Airplane Strip	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Environmental Services										
Refuse Trucks	28	28	25	24	24	24	23	22	22	20
Water										
Water mains (miles)	350.0	345.0	342.0	337.0	335.0	331.0	320.0	316.0	313.0	312.0
Fire hydrants	2,385	2,317	2,273	2,212	2,173	2,113	2,075	2,025	1,986	1,920
Storage capacity (thousands of gallons)	15,300	15,300	15,000	15,000	13,000	13,000	13,000	13,000	13,000	13,000
Percent of Water Loss in System	31	31	35	32	25	16	16	12	13	12
Sewer										
Sewer mains (miles)	284.0	273.0	270.0	264.0	257.0	254.0	244.0	240.0	236.0	234.0
Pump Stations	46	43	44	43	41	41	41	41	41	41
Natural Gas										
Gas lines (miles)	427.0	416.0	405.0	398.0	394.0	389.0	385.0	382.0	380.0	376.0
Golf										
Acres	136	136	136	136	136	136	136	136	136	136
Holes	18	18	18	18	18	18	18	18	18	18
Driving Range	1	1	1	1	1	1	1	1	1	1

Sources: Various city departments

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

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gallatin, Tennessee (the City), as of and for the year ended June 30, 2024, and the related notes to financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2025.

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

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

ATA, PC

Jackson, Tennessee
February 28, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Gallatin, Tennessee's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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*.

In our opinion, the City complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly., this report is not suitable for any other purpose.

ATA, PC

Jackson, Tennessee
February 28, 2025

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024

SECTION I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516(a)?	_____ yes	_____ X no
---	-----------	------------

Identification of major programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	_____ X yes	_____ no
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CITY OF GALLATIN, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024

SECTION II – Financial Statement Findings

There were no current year findings reported.

SECTION III – Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs reported.

CITY OF GALLATIN, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2024

Financial Statement Findings

There were no prior year findings reported.

Federal Award Findings and Questioned Costs

There were no prior year findings reported.

APPENDIX D

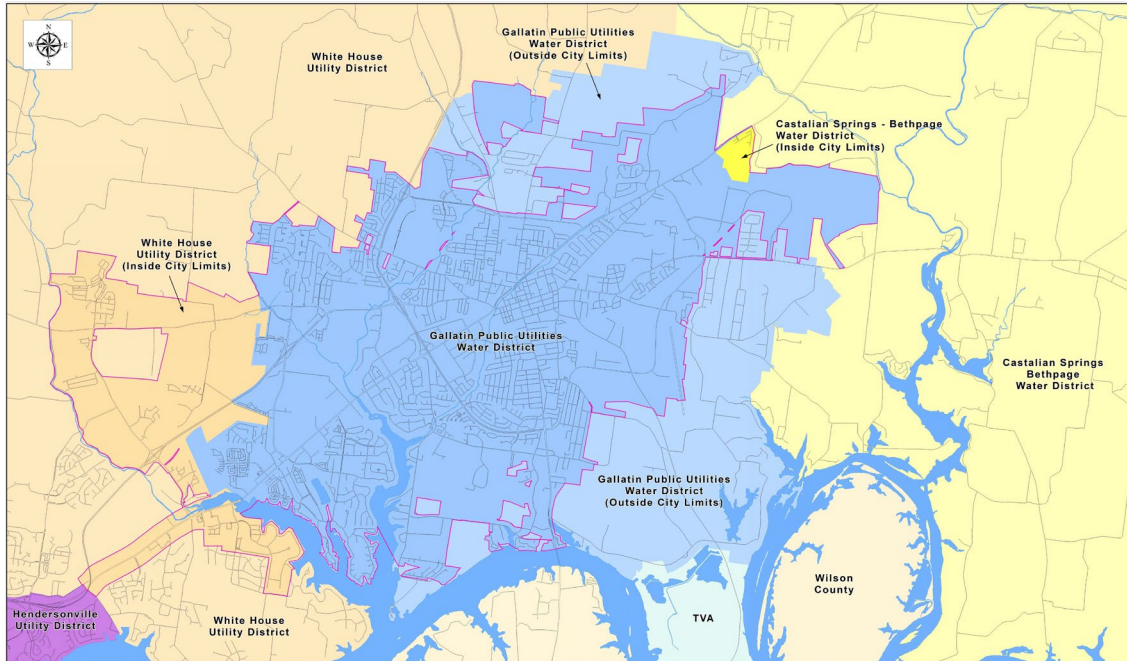
SUPPLEMENTAL INFORMATION

SYSTEM INFORMATION

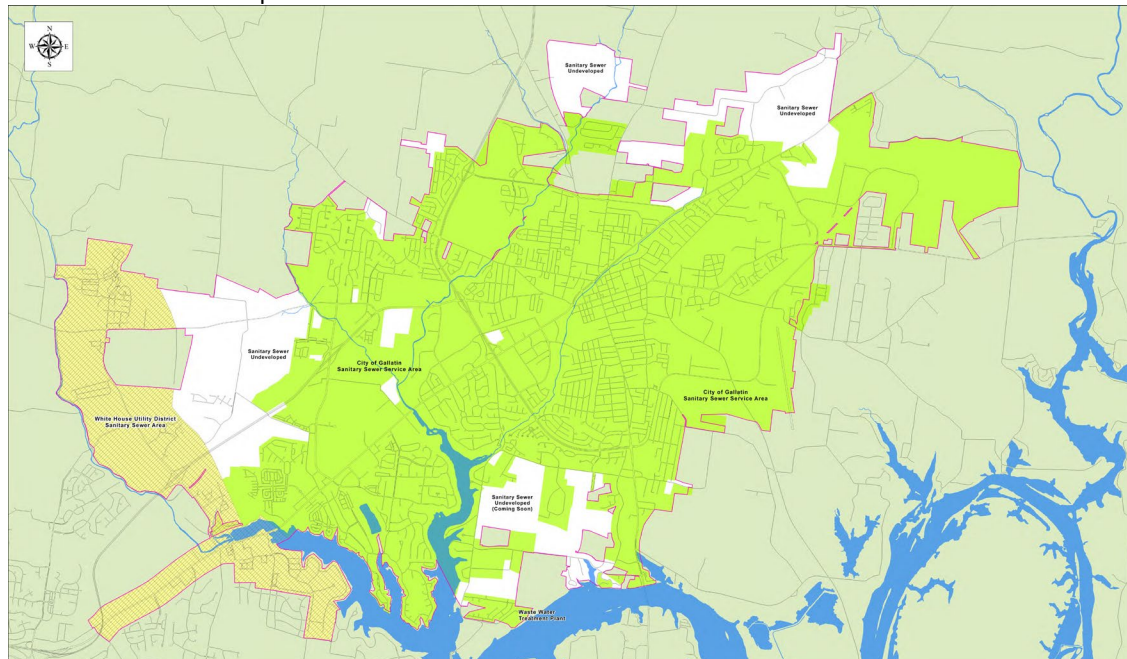
The City of Gallatin Public Utilities System provides water, natural gas and wastewater to residential, business and industrial customers in the City of Gallatin and other areas outside the City's corporate limits.

The City's water and wastewater service area covers the City of Gallatin and surrounding areas in Sumner County in Tennessee. About 91% of the System's water customers and about 98% of the System's wastewater customers are inside the Gallatin city limits.

Water Service Area Map



Wastewater Service Area Map



As of June 30, 2024, the water department was serving over 18,350 customers. The water department also provides water to the Town of Westmoreland and the Castalian Springs/Bethpage Utility District on a wholesale basis. The wastewater department currently furnishes service to approximately 15,750 customers. The wastewater department also accepts and treats a portion of the wastewater generated by the White House Utility District. Approximately 90 percent of the System’s customers are residential, and about 10 percent are commercial.

The City’s water treatment plant currently produces an average of 7 to 9 million gallons per day of high-quality drinking water depending on the season. It has the capacity to treat and pump 16 million gallons of water per day. Peak daily consumption in fiscal year 2024 was 11.605 MGD on June 15, 2024. Average daily consumption in fiscal year 2024 was 8.232 MGD. The source of water is the Cumberland River via Old Hickory Lake. The City’s water department operates and maintains approximately 356 miles of various sized water distribution mains, 15,300,000 gallons of storage capacity, 2,437 fire hydrants, and two water pumping facilities.

ACTIVE WATER CUSTOMERS

YEAR	CUSTOMERS
2024	18,364
2023	17,659
2022	17,055
2021	16,506
2020	15,799
2019	15,266
2018	14,954
2017	14,452
2016	14,133
2015	14,706
2014	13,591
2013	14,121
2012	13,891
2011	13,711

WATER SALES

YEAR	SALES
2024	\$11,511,023
2023	\$11,039,526
2022	\$10,139,555
2021	\$9,509,197
2020	\$9,384,371
2019	\$8,982,849
2018	\$8,804,849
2017	\$8,675,629
2016	\$8,609,736
2015	\$7,901,030
2014	\$7,361,284
2013	\$7,061,727
2012	\$6,739,509
2011	\$6,734,202

The Gallatin wastewater treatment plant has the capacity to hydraulically treat approximately 30 million gallons per day and an organic loading capacity to treat 12.5 million gallons per day. It currently treats an average flow of 7.342 million gallons per day. The plant uses an activated sludge process and chlorine disinfection, designed to treat domestic, commercial, and industrial wastewater prior to discharge. Sludge generated at the plant is applied as a soil amendment to agricultural land through an outside contractor.

The wastewater collection system consists of 289 miles of sanitary sewer lines and 46 pumping stations.

ACTIVE WASTEWATER CUSTOMERS

YEAR	CUSTOMERS
2024	15,755
2023	15,067
2022	14,538
2021	14,058
2020	13,534
2019	12,991
2018	12,739
2017	12,329
2016	11,970
2015	12,269
2014	12,004
2013	11,795
2012	11,619
2011	11,439

WASTEWATER SALES

YEAR	SALES
2024	\$8,246,794
2023	\$7,674,622
2022	\$7,080,040
2021	\$6,628,743
2020	\$6,420,655
2019	\$6,012,486
2018	\$5,840,277
2017	\$5,623,499
2016	\$5,443,203
2015	\$4,960,671
2014	\$4,773,403
2013	\$4,299,432
2012	\$4,102,490
2011	\$3,871,469

LARGEST WATER AND WASTEWATER CUSTOMERS

The ten largest water customers, as of June 30, 2024, in order of total usage are listed below. These customers represent 26.25% of the total water sales based on revenue.

LARGEST WATER CUSTOMERS

	2024 USAGE	2024 USER CHARGES	% OF TOTAL SALES
Castalian Springs/Bethpage Water Utility District	40,806,757	\$1,260,929	10.95%
Town of Westmoreland	20,272,522	649,781	5.64%
Hoeganaes	11,016,102	358,118	3.11%
Woolhawk (Meta)	7,151,279	232,605	2.02%
Sumner Regional Medical Center	3,104,522	101,086	0.87%
Sumner County Jail	2,913,776	94,792	0.82%
Volunteer State Community College	2,831,143	92,417	0.80%
Insteel Wire	2,520,629	82,015	0.71%
ABC Technologies	2,313,930	75,486	0.66%
Byron's Barbecue	2,274,092	74,097	0.64%
TOTAL:	95,204,752	\$3,021,325	26.25%

The ten largest wastewater customers, as of June 30, 2024, in order of total usage are listed below. These customers represent 23.71% of the total water sales based on revenue.

LARGEST WASTEWATER CUSTOMERS

	2024 USAGE	2024 USER CHARGES	% OF TOTAL SALES
White House Utility District	34,338,616	\$1,116,099	13.53%
Woolhawk (Meta)	7,151,279	232,605	2.82%
Sumner Regional Medical Center	3,104,522	101,086	1.23%
Sumner County Jail	2,913,776	94,792	1.15%
Insteel Wire	2,520,629	82,015	0.99%
Volunteer State Community College	2,363,679	77,129	0.94%
ABC Technologies	2,313,930	75,486	0.92%
Byron's Barbecue	2,274,092	74,097	0.90%
CIP	1,662,242	54,117	0.66%
Lenox Place	1,474,284	48,009	0.58%
TOTAL:	60,117,049	\$1,955,434	23.71%

WATER CONSUMPTION

For each of the fiscal years indicated, the following table sets forth the number of gallons of water sold to the City's customers.

YEAR	CONSUMPTION (gallons)
2024	2,192,638,523
2023	2,251,710,810
2022	2,036,212,583
2021	1,927,169,684
2020	1,917,398,042
2019	1,833,282,602
2018	1,803,030,674
2017	1,773,019,320
2016	1,743,679,804
2015	1,660,789,708
2014	1,695,070,000
2013	1,750,311,000
2012	1,828,717,915
2011	1,818,139,572

WASTEWATER USAGE

The following table illustrates the usage of wastewater customers for the years listed.

YEAR	CONSUMPTION (gallons of water metered to wastewater customers)
2024	1,620,373,658
2023	1,641,874,898
2022	1,503,465,233
2021	1,420,010,411
2020	1,393,001,714
2019	1,338,116,298
2018	1,282,023,821
2017	1,244,183,989
2016	1,234,799,021
2015	1,144,010,227
2014	1,167,019,000
2013	1,131,176,000
2012	1,103,340,240
2011	1,122,129,622

WATER AND WASTEWATER RATES

Water and wastewater rates charged customers effective July 1, 2024 appear in the table below.

	WATER	WASTEWATER
INSIDE CITY RATE		
Meter Charge	\$11.92 per month	\$11.92 per month
All Usage	\$3.25 per 100 cubic feet	\$3.25 per 100 cubic feet
OUTSIDE CITY RATE		
Meter Charge	\$17.88 per month	\$17.88 per month
All Usage	\$4.88 per 100 cubic feet	\$4.88 per 100 cubic feet

One cubic foot of water contains approximately 7.4805 gallons.

CONTRACTS

The City has in place water purchase contracts with the Castalian Springs/Bethpage Utility District and the Town of Westmoreland. The Castalian Springs/Bethpage Utility District contract states that the City will furnish potable water to the District at the City's "Inside City" rate, less a 5% discount. The contract with the Town of Westmoreland states that the City will furnish potable water to Westmoreland at the City's "Inside City" rate, less a \$0.045 per hundred cubic feet (\$0.06 per 1,000 gallons) discount.

The City has in place an ongoing contract to provide sewer treatment services to the White House Utility District at the "Residential – Inside City" rate for accepting and treating wastewater from the District. This contract (and amendments) includes service area and annexation agreements and includes the area from which the City would accept wastewater from the District at the stipulated rate. It does not include a term or duration of service.

WATER BILLING

The following table sets forth the annual water billings of the System, prior to sales adjustments, for the years listed.

YEAR	TOTAL
2024	\$11,511,023
2023	\$11,039,526
2022	\$10,139,555
2021	\$9,509,197
2020	\$9,471,472
2019	\$9,415,989
2018	\$8,934,935
2017	\$8,886,379
2016	\$8,618,575
2015	\$7,818,903
2014	\$7,494,609
2013	\$7,061,727
2012	\$6,741,532
2011	\$6,734,202

WASTEWATER BILLING

The following table sets forth the annual wastewater billings of the System, prior to sales adjustments, for the years listed.

YEAR	TOTAL
2024	\$8,246,794
2023	\$7,674,622
2022	\$7,080,040
2021	\$6,629,742
2020	\$6,493,905
2019	\$6,295,926
2018	\$5,928,238
2017	\$6,124,020
2016	\$5,578,612
2015	\$4,871,430
2014	\$4,773,403
2013	\$4,299,432
2012	\$4,102,489
2011	\$3,871,469

MANAGEMENT

The Public Utilities System is supervised by David Kellogg. Mr. Kellogg is a 1989 graduate of Middle Tennessee State University. He began his utility career in 1989 in Industrial Monitoring with the Town of Smyrna. His tenure with the City spans 35 years and various positions with the City of Gallatin Department of Public Utilities; beginning as a Program Administrator in 1990, then as Utility Operations Support Coordinator (1999-2006), Utility Operations Manager (2006), Assistant Superintendent of Public Utilities (2006-2021), to his current position as Superintendent of Public Utilities. He is responsible for the direction of all water, wastewater and natural gas utility functions of the City under the general supervision of the Mayor and City Council.

The System employs 100 people. Forty-six are employees of the water department; twenty-nine of the wastewater department, and twenty-five are employed by the gas department.

CYBER-SECURITY

The City utilizes various computer system and network technology to perform many of its vital operations and services. Such operations and services include the storage and transmission of sensitive information, and as a result, the City may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may inadvertently occur due to employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject the City to legal action. The City has had two known ransomware attacks as a result of a user clicking on an e-mailed link. Both attacks were resolved with data retrieved from the City's reliable backup system. To mitigate against such risks, the City has invested in a software platform which has the ability to phish users and provide remedial training when necessary. The City also partners with an outside firm which monitors certain aspects of the City's infrastructure and immediately reports any anomalies. The City has adopted and implemented written and software-based policies and procedures related to cyber-security. Quarterly, phishing campaigns are conducted to monitor how well the procedures are being followed. Remedial training is provided when users "fail" a phishing test. The City also maintains Privacy Network Liability and Data Breach Expense Coverage insurance policies. The Privacy and Network Security Liability policy covers \$700,000/\$1,000,000 per occurrence and the Data Breach Expense Coverage policy is \$250,000 per occurrence sublimit. The latter includes cyber extension optional coverage which adds ransomware, social engineering and data restoration expenses.

Gallatin Public Utilities maintains its own information technology infrastructure and is governed by separate policies and procedures. The Department partners with a third-party vendor to monitor the Department's computer infrastructure, and to report any abnormal conditions or anomalies. The Department utilizes an Endpoint Detection and Response (EDR) security platform as part of its cybersecurity measures. The EDR platform provides continuous monitoring, collects and stores data, and uses behavioral AI to detect threats. In the event a threat (Virus, Malware, Ransomware) is detected on a device, the EDR agent can automatically quarantine the threat and reverse the effects of the attack. The platform also performs website filtering and protection, automatic installation of OS security patches and updates. The Department also utilizes a hosted e-mail system, which provides email Threat Protection which blocks virus containing e-mails and eliminates most spam and junk mail. Servers and critical workstations are backed up nightly to a hosted and monitored off-site data center.

The cybersecurity component for the System was also evaluated during the Risk and Resilience Assessment required as part of the America's Water Infrastructure Act of 2018. A cyber-security plan was adopted June 2023.

MISCELLANEOUS

There are no formal efforts to enter into contracts with private parties for the operation of all or part of the public works system.

REVENUE AND EXPENSES STATEMENT COMPARISON AND DEBT SERVICE COVERAGE

The Revenues and Expenses comparison for the System set forth below has been derived from the audited financial statements for the years presented.

CITY OF GALLATIN, TENNESSEE Statement of Revenues, Expenses and Changes in Net Position Water and Sewer Fund for the year ended June 30,							
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues							
Charges for Services	\$14,593,834	\$14,794,799	\$15,818,259	\$16,082,801	\$ 17,142,670	\$ 18,723,929	\$ 19,390,493
Late Payment Charges/Forfeited Discounts	159,433	146,868	97,336	122,552	130,496	128,457	150,598
Other Revenues from Operations	<u>461,246</u>	<u>452,306</u>	<u>412,956</u>	<u>362,609</u>	<u>364,840</u>	<u>273,907</u>	<u>1,009,532</u>
Total Operating Revenues	15,214,513	15,393,973	16,328,551	16,567,962	17,638,006	19,126,293	20,550,623
Operating Expenses							
Water Plant	1,565,246	1,652,522	1,713,192	1,679,756	1,722,442	2,729,294	2,597,703
Transmission and Distribution	2,007,513	1,304,873	1,206,549	1,751,029	1,752,444	2,477,257	1,821,800
Customer Service and Collection	579,597	648,325	708,148	687,690	744,127	779,212	815,991
General Administration	1,102,879	1,076,330	1,250,697	1,194,711	1,300,051	1,444,118	1,549,217
Sewer Collection	1,117,508	1,304,536	1,135,727	1,216,181	1,259,734	1,216,513	1,068,015
Sewer System Rehab	614,681	550,613	346,337	356,227	402,471	521,631	451,674
Sewer Treatment and Disposal	1,477,907	1,676,326	1,871,321	1,854,706	2,091,723	1,799,249	2,443,902
Sewer Pretreatment	81,403	88,239	88,906	89,720	91,924	101,138	108,099
Depreciation and Amortization	<u>3,283,149</u>	<u>3,481,919</u>	<u>4,327,394</u>	<u>3,609,566</u>	<u>4,363,986</u>	<u>4,783,198</u>	<u>4,274,033</u>
Total Operating Expenses	11,829,883	11,783,683	12,648,271	12,439,586	13,728,902	15,851,610	15,130,434
Income from Operations	3,384,630	3,610,290	3,680,280	4,128,376	3,909,104	3,274,683	5,420,189
Non-operating Revenues (Expenses)							
Interest and Other Income	66,934	41,830	39,062	64,139	43,459	306,916	944,970
Tap Fees	1,524,568	741,302	804,281	1,671,152	1,197,106	722,672	1,825,106 ^
Amortization of Bond Premiums	173,626	173,626	173,626	257,752	258,822	365,733	303,004
Amortization of Loss on Refunding	(87,805)	(87,805)	-				(174,618)
Interest and Other Expenses	(1,371,590)	(1,623,988)	(1,504,806)	(1,118,718)	(1,650,386)	(1,350,662)	(1,082,399)
Other Gains and Losses				<u>102,725</u>	<u>97,005</u>	<u>(60,591)</u>	
Total Non-operating Revenues (Expenses)	305,733	(755,035)	(487,837)	977,050	(53,994)	(15,932)	1,816,063
Income (Loss) before Contributions and Transfers	3,690,363	2,855,255	3,192,443	5,105,426	3,855,110	3,258,751	7,236,252
Capital Contributions	2,817,964	3,261,661	8,400,000	1,998,362	3,779,101	1,531,140	6,414,182
Transfers in - ARPA Fund						178,579	
Transfers Out - In Lieu of Taxes	<u>(517,760)</u>	<u>(437,702)</u>	<u>(482,961)</u>	<u>(489,229)</u>	<u>(476,032)</u>	<u>(362,330)</u>	<u>(367,188)</u>
Increase in Net Position	5,990,567	5,679,214	11,109,482	6,614,559	7,158,179	4,606,140	13,283,246
Net Position - July 1	85,590,536	85,029,293	91,581,015	102,690,497	109,305,056	116,463,235	121,069,375
Prior Period Adjustment	<u>(6,551,810)</u>	<u>872,508</u>					
Net Position - June 30	<u>\$85,029,293</u>	<u>\$91,581,015</u>	<u>\$102,690,497</u>	<u>109,305,056</u>	<u>\$ 116,463,235</u>	<u>\$ 121,069,375</u>	<u>\$ 134,352,621</u>

^Beginning with the 2024 Fiscal Year, tap fees are reported as operating revenues in the City's Annual Comprehensive Financial Report.

DEBT SERVICE COVERAGE

CITY OF GALLATIN, TENNESSEE
DEBT SERVICE COVERAGE
WATER AND SEWER FUND
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Pro Forma^</u>		
							<u>2025</u>	<u>2026</u>	<u>2027</u>
Total Operating Revenues	\$15,393,973	\$16,328,551	\$16,567,962	\$17,638,006	\$20,155,881	\$23,320,699	\$24,721,199	\$25,215,623	\$25,719,935
Operating Expenses	<u>(8,301,764)</u>	<u>(8,320,877)</u>	<u>(8,830,020)</u>	<u>(9,364,916)</u>	<u>(11,068,412)</u>	<u>(10,856,401)</u>	<u>(11,182,093)</u>	<u>(11,629,377)</u>	<u>(12,094,552)</u>
Revenues Available for Debt Service	\$7,092,209	\$8,007,674	\$7,737,942	\$8,273,090	\$9,087,469	\$12,464,298	\$13,539,106	\$13,586,246	\$13,625,384
Annual Debt Service Requirement	\$3,056,336	\$3,043,911	\$3,035,086	\$2,360,589	\$3,700,981	\$3,724,772	\$3,733,577	\$5,723,442 *	\$5,721,829 *
Debt Service Coverage (x)	2.3205	2.6307	2.5495	3.5047	2.4554	3.3463	3.6263	2.3738	2.3813

Assumptions for pro forma years 2025-2027:

FY2025 Operating Revenues includes the second phase of implementation of rate and charge revisions recommended in the City's 2023 cost of service study. A 2025 study is underway.

FY2026 and FY2027 Operating Revenues assume 2% growth and do not include rate and charge revision recommendations resulting from the 2025 rate study.

Assumes 4% growth annually in Operating Expenses during pro forma years.

**Preliminary.*

ESTIMATED CAPITAL PROJECTS NEEDS FOR THE NEXT FIVE FISCAL YEARS

The following is excerpted from the City's ten-year capital plan and reflects estimated capital improvement needs for water and wastewater projects for the current and next five fiscal years. It is expected that projects will be funded by a mix of cash and debt.

PROJECT DESCRIPTION	ESTIMATED PROJECT CONSTRUCTION COST	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
WATER PROJECTS							
Water Treatment Plant Expansion Projects							
New Raw Water Intake and Pumps	\$25,000,000.00	\$10,000,000.00	\$15,000,000.00				
New Water Treatment Facility	\$80,000,000.00		\$5,000,000.00	\$15,000,000.00	\$40,000,000.00	\$20,000,000.00	
Engineering, Design, Inspection	\$10,000,000.00	\$500,000.00	\$500,000.00	\$3,500,000.00	\$4,000,000.00	\$1,500,000.00	
5 MG Water Storage Tank - Sugartree	\$8,000,000.00						
West Side Secondary Feed - 12" and 16" Water Main	\$3,000,000.00	\$1,500,000.00	\$1,500,000.00				
Water Main Replacement - Dobbins Pike	\$1,800,000.00			\$900,000.00	\$900,000.00		
8" & 10" Water Main Replacement - South Water Avenue	\$800,000.00	\$800,000.00					
12" Water Main Replacement - Belvedere Drive	\$850,000.00						
12" Water Main Replacement - Blythe Avenue	\$1,600,000.00				\$600,000.00	\$1,000,000.00	
12" Water Main Replacement - Long Hollow Pike	\$825,000.00						
Water Main and Storage Tank - Highway 109 North	\$16,500,000.00						\$5,000,000.00
10" Water Main Replacement - Plantation Way	\$800,000.00						\$800,000.00
Water Main Replacement - Hartsville Pike	\$750,000.00	\$750,000.00					
8" Water Main Replacement - Lock 4 Road	\$3,250,000.00						
8" Water Main Replacement - Hidden Cove Court	\$725,000.00						\$725,000.00
8" Water Main Replacement - East Eastland Avenue	\$500,000.00						
Tulip Circle Pressure Zone Conversion	\$800,000.00	\$800,000.00					
4" Water Main Replacement - Hollywood Boulevard	\$350,000.00		\$350,000.00				
4" Water Main Replacement - Sunset Boulevard	\$250,000.00		\$250,000.00				
2" Water Main Replacement - East Smith Street			\$150,000.00				
2" Water Main Replacement - Steam Plant Road	\$2,500,000.00	\$750,000.00	\$1,000,000.00	\$750,000.00			
2" Water Main Replacement - Oleander Drive	\$175,000.00	\$175,000.00					
2" Water Main Replacement - Iris Drive	\$75,000.00	\$75,000.00					
2" Water Main Replacement - Tulip Circle	\$100,000.00	\$100,000.00					
2" Water Main Replacement - Morningside Drive	\$125,000.00		\$125,000.00				
2" Water Main Replacement - West Main Street	\$325,000.00		\$325,000.00				
2" Water Main Replacement - Woods Ferry Circle	\$125,000.00			\$125,000.00			
2" Water Main Replacement - Kirkpatrick Drive	\$125,000.00			\$125,000.00			
Fire Hydrant Maintenance & Painting	\$500,000.00	\$250,000.00					\$250,000.00
Pump Station Upgrade - Grandview	\$150,000.00				\$150,000.00		
Timberlane Pump Station - Remove/Replace	\$100,000.00						
District Metered Areas (DMA) Development	\$500,000.00						
Fire Hydrant Installations	\$75,000.00						\$25,000.00
Water Main Replacements							
Valve Insertions	\$180,000.00			\$60,000.00		\$60,000.00	
Check Valve Installation - Albright Lane, Dobbins Pike	\$100,000.00			\$100,000.00			
TOTAL WATER PROJECTS	\$160,955,000.00	\$15,700,000.00	\$24,200,000.00	\$20,560,000.00	\$45,650,000.00	\$22,560,000.00	\$6,800,000.00

PROJECT DESCRIPTION	ESTIMATED PROJECT CONSTRUCTION COST	FY 2024-2025	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
WASTEWATER PROJECTS							
Wastewater Treatment Plant Expansion	\$45,000,000.00						
Lock 4 Road Sewer Installation - South	\$500,000.00	\$250,000.00	\$250,000.00				
Pump Station Upgrade - Lakeshore Drive	\$250,000.00	\$250,000.00					
Pump Station Upgrade - Cairo Road	\$1,500,000.00			\$750,000.00	\$750,000.00		
Pump Station Upgrade - Steam Plant Road	\$1,500,000.00				\$750,000.00	\$750,000.00	
Force Main Replacement/Upgrade - #1 Pump Station	\$11,000,000.00						
Phase 1 - Peach Valley Road to WWTP		\$2,500,000.00	\$2,500,000.00				
Phase 2 - Number 1 Pump Station to Lake Point Accesss				\$3,500,000.00	\$2,500,000.00		
Pump Station Upgrade - Lake Park	\$150,000.00						\$150,000.00
Gravity Sewer Extension & Hoeganaes Pump Station Abandonment	\$200,000.00		\$100,000.00	\$100,000.00			
Gravity Sewer Extension & Wembley Court Pump Station Abandonment	\$300,000.00		\$150,000.00	\$150,000.00			
Pump Station Upgrade - East Camp Creek	\$5,500,000.00						
Pump Station Upgrade - Rankin Branch	\$7,500,000.00						\$3,000,000.00
East Camp Creek Force Main Upgrade	\$1,800,000.00						
12" Sanitary Sewer - Long Hollow Pike	\$2,000,000.00			\$1,000,000.00	\$1,000,000.00		
Wastewater Flow Equalization Facility - "B" Basin	\$8,000,000.00					\$8,000,000.00	
Sanitary Sewer Rehabilitation	\$5,000,000.00			\$2,500,000.00			\$2,500,000.00
TOTAL WASTEWATER PROJECTS	\$90,200,000.00	\$3,000,000.00	\$3,000,000.00	\$8,000,000.00	\$5,000,000.00	\$8,750,000.00	\$5,650,000.00

DEMOGRAPHIC AND FINANCIAL INFORMATION

LOCATION

Incorporated in 1801, Gallatin (the “City”) is the county seat of Sumner County and is located in the northern middle portion of the State of Tennessee, approximately twenty-five miles northeast of Nashville. Sumner County is on the Tennessee/Kentucky border. To the south, Sumner County is bordered by Davidson and Wilson Counties. Trousdale and Macon Counties make up the eastern border, and Robertson County lies to the west. Sumner County is part of the Nashville Metropolitan Statistical Area. The City is within a day’s drive of 75% of the nation and within 500 miles of most major cities east of the Mississippi River.

The economy is based on local retail, manufacturing, agriculture and additional employment opportunities in the Nashville area.

The City encompasses thirty-two square miles.

A Mayor/City Council governs the City. The City Council is composed of two at-large members and five district seats elected to four-year terms. The Mayor is elected for four-year terms.

Celebrated as a model for the rest of the world when Reader’s Digest named the City the “Nicest Place in America” in its November 2017 issue, Gallatin is an exceptional place that serves as the epicenter of trust and community spirit as the contest parameters stated. The City provides a wide range of services characteristic of similar jurisdictions in the State including public safety (police and fire protection), water, wastewater and gas, street, sanitation, recreation, public improvements, planning and zoning and general administrative services.

The City has 427 full-time employees.

POPULATION

According to a recently completed certified special census figure, the City’s population is 50,192 and has increased 12.7% since 2020 and 116% since 2000. The following table presents information related to population growth in the City. A comparison with Sumner County, the State of Tennessee and the United States illustrates growth relative to these entities.

	2024	2020	2010	2000	1990
City of Gallatin, Special Census	50,192	44,431	30,278	23,230	18,794
Sumner County	211,721 ¹	196,281	160,645	130,449	103,281
Tennessee	7,227,750 ¹	6,910,840	6,346,105	5,689,283	4,877,185
United States	340,110,988 ¹	331,449,281	308,745,538	281,421,906	248,709,873

Source: United States Bureau of Census

¹ Estimates

INCOME, CONSTRUCTION AND HOUSING

SUMNER COUNTY, TENNESSEE	
Median Household Income, 2023 ¹	\$86,005
Per Capita Personal Income, 2023 ³	\$67,865
Total Taxable Residential Parcels, 2023 ²	89,833
Total Households, 2023 ¹	76,706
Median Home Value, 2023 ²	\$364,000
Persons Below Poverty (%), 2020 ¹	8.9%

¹ United States Bureau of Census

² Tennessee Tax Aggregate Report

³ Bureau of Economic Analysis, Current Release Personal Income Summary

CITY OF GALLATIN, TENNESSEE	
Per Capita Income, 2023 ¹	\$39,790
Median Household Income, 2023 ¹	\$73,589
Total Taxable Residential Parcels, 2023 ²	20,361
Total Households, 2023 ¹	18,663
Median Home Value, 2023 ¹	\$343,700
Persons Below Poverty (%), 2020 ¹	12.5%

¹ United States Bureau of Census. Note: Estimate is not comparable to other geographic levels due to methodology differences between different data sources.

² Tennessee Tax Aggregate Report

The table below shows data based on home sales in 2023 compiled by the Tennessee Housing Development Agency. Data accounts for the sales prices of new and existing homes sold in 2023 only.

	SUMNER COUNTY	TENNESSEE
Number of New Home Sales	1,226	20,136
Average Price of New Homes Sold	\$510,974	\$537,662
Number of Existing Homes Sold	2,409	75,770
Average Price of Existing Homes Sold	\$467,759	\$380,419
All Homes Sold	3,635	95,906
Average Price of All Homes Sold	\$482,334	\$413,433

Source: Tennessee Housing Development Agency

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT DATA

Set forth below are the average annual unemployment rates for the State of Tennessee and Sumner County for the years 2015 through January 2025.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 ¹
TENNESSEE	5.6%	4.7%	3.7%	3.5%	3.3%	7.5%	4.5%	3.4%	3.3%	3.4%	3.7%
SUMNER CO.	4.6%	3.9%	3.0%	2.8%	2.6%	6.5%	3.5%	2.7%	2.6%	2.8%	3.2%

Source: United States Bureau of Labor Statistics

¹ Figures are preliminary and reflect the month of January only.

LARGEST EMPLOYERS

Set forth below is a partial list of major employers in the City, their product/service, and the approximate number of employees. There can be no assurance that any employer listed below will continue to be located in the City or will continue employment at the level stated. No independent investigation has been made of, and no representation can be made as to the stability or financial condition of the companies listed below.

EMPLOYER (YEAR ESTABLISHED)	APPROXIMATE EMPLOYMENT	PRODUCT/SERVICE
Sumner County Board of Education	4,440	Public Education
Gap, Inc. (1996)	2,388	Clothing Distribution
Sumner Regional Medical Center/Highpoint Health	1,129	Medical Center
Sumner County Government	973	Local Government
Volunteer State Community College (1972)	820	Two-Year Public College
ABC Technologies (1987)	750	Tier I Automotive Supplier
Wal-Mart	450	Retail
City of Gallatin	427	Local Municipal Government
Serv-Pro (1968)*	438	Restoration Franchise
YAPP USA	378	Tier I Automotive Supplier
NIC Global (2016)	275	Precision Stamping Electric
Simpson Strong Tie (2007)	240	Fasteners Manufacturing
Hoeganaes (1980)	215	Powdered Metals
Beretta USA (2016)	180	Arms Manufacturing
Stanley Black & Decker	180	Plastic Injection Molding
ITW/Stamptech Fasteners (1988)	173	Automotive Fasteners
West Rock (1968)	155	Packaging Product Manufacturing
Salga Plastics	145	Tier I Automotive Supplier
TVA Gallatin Fossil Plant (1953)	134	Electric Power Generation
Garrott Bros. Concrete	127	Concrete Plant
Charles C. Parks (1934)	102	Distribution

**Corporate Headquarters*

Source: City of Gallatin Economic Development Agency and individual employers

The City's major employers include several corporate and regional headquarters including ServPro Industries, Beretta USA, and The Gap's largest distribution center worldwide. The City's designation as a Foreign Trade Zone encourages international commerce by deferring, reducing or eliminating tariffs on goods shipped to and from companies within the zone boundaries

RECENT DEVELOPMENTS

In the past four years, eight companies relocated to the City or launched there. Four companies completed, or have begun, expansions. The City's Foreign Trade Zone status and location in the United States helped land the United States manufacturing hub for TwentyThree, a Belgium-based company making components for large scale LED displays around the world. They invested \$3 million and added 10 jobs. Simpson Strong-Tie is expanding with a \$110 million new production facility that will add 37 new jobs. Tenn Properties began construction on a \$4 million, 90-acre business park for small to large manufacturing. Wil-Ro, a 50-year-old American company, acquired Turtleback Trailers, bringing it to Gallatin. NIC Global expanded with a \$2 million capital investment and 28 new jobs. Other new companies include DFM Arms, a firearm component company, launched in 2022 adding 11 jobs. Pavement Restorations, Inc. established its middle Tennessee office in Gallatin in 2023 bringing 15 jobs. Filter Joy opened in 2021 and expanded by adding Filter X in 2022 with a total of 25 jobs. They make and deliver HVAC filter replacements. Two other companies moved to Gallatin to join Axem, a gun parts manufacturer. They are Xtreme

Precision bringing 15 jobs and JL Billet bringing five jobs. Both manufacture gun parts. Axem built a new facility, doubling the size of its first facility in Gallatin, to accommodate these two new companies as well as their own growth. Axem added 34 jobs. Lastly, Marie Nicole Clothing expanded into a new facility. They design and sell children's clothing with a matching component for adults. They doubled employment to 40 in the expansion.

TRANSPORTATION

One of only six places in the United States, three major interstates converge in middle Tennessee, meaning that the City of Gallatin, Tennessee is within a one-day truck drive to 75% of all U.S. Markets as well as within 650 miles of 50% of the U.S. population. Highway systems in the area are rated among the nation's best, offering exceptional connections for freight and commuting. Combined with the area's outstanding air, rail, and waterway transportation options, it is easy to see why the region has become a draw for manufacturers, distributors, and corporate headquarters needing quick access to cities around the world.

Interstate 65 runs along Sumner County's western border. U.S. Highways 31E and 31W serve the City. State Routes 25, 52, 109, and 386 also provide convenient transportation.

Four and five lane State Route 109 connects Interstate 65 in Portland near the Kentucky state line with Interstate 40 in Lebanon/Mount Juliet (Wilson County). State Route 109 cuts 25 miles (and significant traffic congestion) off a commuter's trip by circumventing Nashville. Recent and current improvements on State Route 109 have significantly increased retail investment in the City, and a reduction in the number of vehicle accidents has been an immediate result.

The extension of State Route 386 (Vietnam Veterans Memorial Boulevard) from Hendersonville to Gallatin promotes efficient travel between Sumner County's two largest cities and provides increased access to other major roadways for improved connections throughout Sumner County.

In addition, the mainline of CSX Railroad bisects Sumner County, making rail service convenient and available to City industries.

The Cumberland River forms the southern border of the County and offers full river barge access to the Gulf of Mexico via the Ohio, Tennessee, and Mississippi Rivers. The U.S. Army Corps of Engineers maintains the channel depth at nine feet and numerous commercial operators use the river.

Commercial air service is accessible at the Nashville International Airport (BNA) served by fourteen airlines operating 450 daily flights in more than 65 non-stop markets. In the last fiscal year, Nashville International, or BNA, served more than 14.9 million passengers. It is the fourth fastest growing airport among the top 50 airports in North America. In 2024, it was the 29th busiest airport in the United States.

General aviation service is available at the Nashville Executive Airport at Sumner County (XNX). The Nashville Executive Airport at Sumner County completed an expansion of its runway to 6,300 feet in 2016. This is one of the longest general aviation runways in Tennessee. The Nashville Executive Airport at Sumner County provides on-site rental car service, aircraft rental and storage, along with jet and helicopter chartering. There are 11 corporate hangars, 40 T-hangars and 23 port-a-ports. The airport offers Part 61 and Part 141 flight instruction.

HEALTHCARE

Gallatin is home to the hub of Sumner Regional Medical Center (SRMC), one of the top-ranked health care facilities in middle Tennessee and the flagship hospital of the healthcare entity, HighPoint Health System. The Joint Commission on Accreditation of Health Care Organizations recognized SRMC as among the top 10% of hospitals in the country. The Tennessee Quality Award Program has presented its Tennessee Quality Commitment Award to SRMC as well.

SRMC is one of the largest non-government employers in Sumner County with over 1,000 employees and 300 physicians and provides quality care in cancer treatment, cardiac care, same-day surgery, orthopedics, diagnostics,

women's health, rehabilitation services and more. A 155-bed center, SRMC has all the primary services available. The fully staffed emergency department is equipped to handle most any trauma or cardiac problem. LIFEFLIGHT to Vanderbilt Medical Center in Nashville is provided on the SRMC grounds.

A recently added 200,000 square foot patient tower added 90 private rooms featuring wellness design, a new emergency department, a critical care unit, an imaging department and a new women's center.

SRMC expanded in Sumner County by completing a state-of-the-art emergency room at Sumner Station in Gallatin. Offered at the Sumner Station location is adult and pediatric emergency medical services 24 hours a day, 7 days a week, 365 days per year. The location offers on-site diagnostic imaging, an on-site laboratory for instant lab results, and experienced and highly skilled ER physicians and staff. Also at Sumner Station is the Carpenter Cancer Center fully staffed with board certified professionals offering a broad range of resources, support mechanisms and ancillary services to help manage the many components of treatment.

EDUCATION

Gallatin is part of the Sumner County School system ("SCSS"). SCSS includes five STEM schools which make up 5% of all STEM schools in the State of Tennessee.

The county-wide school system employs over 4,400.

In addition to public schools, there are more than ten private and parochial elementary and secondary educational opportunities for students in Sumner County with a combined enrollment of approximately 1,500.

Located in Gallatin, **Volunteer State Community College** is one of the thirteen community colleges in the Tennessee Board of Regents system and has an enrollment of approximately 11,300 students. The two-year college offers more than 100 academic programs in five major divisions. The College is careful to partner with business and industry in the community to ensure workforce training to meet the needs of the regional economy. The college prepares Tennesseans to enter the workforce immediately or to continue their academic success at a university. In addition to traditional degree and certificate programs, non-credit continuing education classes, opportunities to serve the community, travel-study and work-based learning are offered.

Volunteer State is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools, has eligibility certification by the U.S. Office of Education, and is approved by the State Department of Education for Veterans Education.

In 2016, Volunteer State launched a mechatronics technology associate degree program with a commitment to invest \$2.3 million in building a new lab, equipment, and training. The lab was opened in fall of 2019.

Welch College is a private four-year Christian college founded in 1942 by the National Association of Free Will Baptists. The college currently serves 366 students and is the national college of the Free Will Baptist denomination. Welch College moved its campus to Gallatin in 2017 to offer its students a small campus community with all the advantages of a thriving metropolitan area. It is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate, baccalaureate, and masters degrees. The college is also accredited by the Commission on Accreditation of the Association for Biblical Higher Education to grant degrees at the associate, bachelors, and masters levels. The college offers more than 40 four-year degree programs, has a 9:1 student/teacher ratio, and requires its students to provide community service.

Welch College was ranked #10 in *U.S. News and World Report's* Best Value Schools list for 2025. It was ranked #10 in *U.S. News and World Report's* list of best Regional Colleges in the South for 2025.

The Middle Tennessee Reconnect Community is an 11-county collaborative effort dedicated to supporting the 200,000 adults in the region who attended college but did not receive a degree and are now aspiring to earn their degree. As part of the initiative, all Tennessee adults can attend and earn a diploma or certificate at any of the six Tennessee Colleges of Applied Technology (TCATs) in Middle Tennessee completely free of tuition and fees. The joint effort includes public and private nonprofit higher education institutions; the region's three workforce development boards; and community and employer partners. The goal is to ensure each adult has access to resources necessary to start and finish a college degree. The initiative is supported by a grant from Lumina Foundation and through Tennessee reconnect, the state's strategy to help adults enter higher education to gain new skills, enter jobs that pay well or advance in their current workplace.

According to a 2023 census survey, an estimated 89.7% of the City's population has attained an educational level at high school graduate or higher. 32% have attained a bachelor's degree or higher.

FISCAL YEAR

The City operates on a fiscal year that commences July 1 and ends June 30.

EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City (exclusive of the electric utility) administers an IRC Section 401k plan with a Roth option. Employees of the City's Municipal Services departments, Water and Sewer Utility Fund, and Natural Gas Utility Fund are eligible to participate in the plan. 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 management or administration of the plan, which is delegated to the City of Gallatin Pension Committee. The Pension Committee has designated a third-party administrator.

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. The City's maximum contribution to the plan is defined as up to 9% of an eligible employee's annual compensation.

For additional information regarding the funding status of the City's retirement programs and those of the electric utility, please refer to the Notes to Financial Statements located in the Annual Comprehensive Financial Report attached as Appendix C.

BASIS OF ACCOUNTING AND PRESENTATION OF FUNDS

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.

The City reports the following major governmental fund:

General Fund—The general fund is the city'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:

Electric Fund—The electric fund accounts for the activities of the City's electric distribution operations.

Water and Sewer Fund—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.

Gas Fund—The gas fund accounts for the activities of the government’s gas distribution operations.

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APPENDIX E
BOND COUNSEL OPINION

_____, 2025

City Council of the City of Gallatin, Tennessee
Gallatin, Tennessee

[Underwriter]

Re: City of Gallatin, Tennessee Water and Sewer Revenue Improvement Bonds, Series 2025

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Gallatin, Tennessee (the "Issuer") of \$_____ Water and Sewer Revenue Improvement Bonds, Series 2025, dated the date hereof (the "Series 2025 Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Series 2025 Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the City Council of the Issuer authorizing the Series 2025 Bonds (the "Resolution") has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer.

3. The principal of and interest on the Series 2025 Bonds are payable solely from and secured by a pledge of the Net Revenues (as defined in the Resolution) to be derived from the operation of the water and wastewater system of the Issuer. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2025 Bonds.

4. Interest on the Series 2025 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2025 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2025 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause interest on the Series 2025 Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2025 Bonds. The Issuer has covenanted to comply with all such requirements.

5. Under existing law, the Series 2025 Bonds and the income therefrom are exempt from all present state, City and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Series 2025 Bonds during the period such Series 2025 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2025 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

The rights of the owners of the Series 2025 Bonds and the enforceability of the Series 2025 Bonds and the Resolution authorizing the Series 2025 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equity principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2025 Bonds. Further, we express no opinion herein regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,