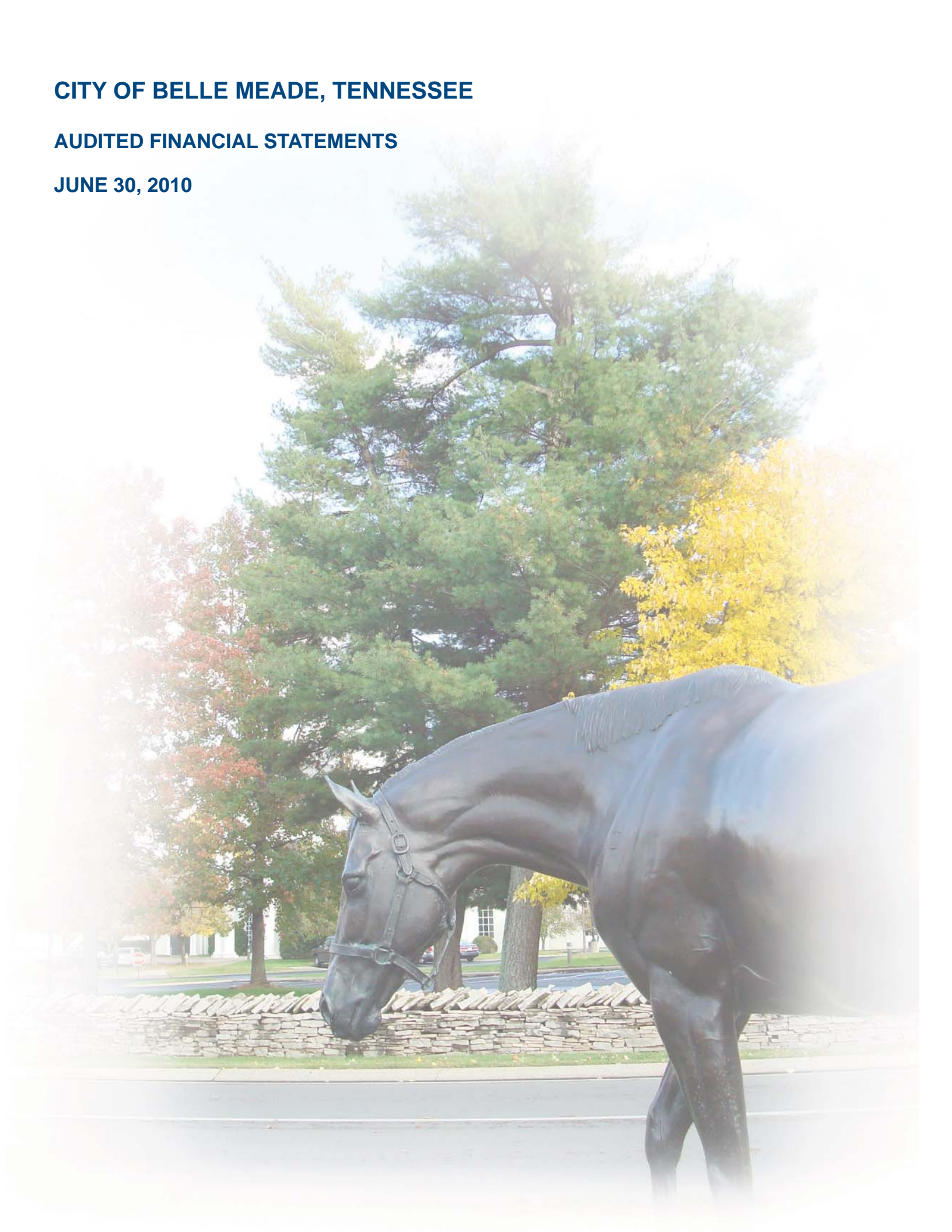


CITY OF BELLE MEADE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010



CITY OF BELLE MEADE, TENNESSEE

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CITY OF BELLE MEADE, TENNESSEE

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INTRODUCTORY SECTION

CITY OF BELLE MEADE, TENNESSEE

INTRODUCTION

The City of Belle Meade (the “City”) is pleased to present its financial statements for the fiscal year ended June 30, 2010.

Responsibility and Controls

The City is responsible for both the accuracy of the data presented in the financial statements and related reports as well as the completeness and fairness of the presentation, including all disclosures. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the financial records reflect only authorized transactions. Although limitations exist in any organization, management believes the system of internal accounting controls is designed with the intent to limit the risk of material weaknesses or irregularities.

The City’s commissioners, management and staff evaluate the system of internal accounting controls on an ongoing basis. Crosslin & Associates, P.C., the City’s independent auditors, also consider certain elements of the internal control in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the City’s operations are conducted according to the commissioners’ intentions and to a high standard of government ethics as expected by the citizens of Belle Meade. In management’s opinion, the financial statements present fairly, in all material respects, the City’s financial position and results of operations as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America. Management believes that all disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial affairs have been included.

Audit Assurance

The unqualified opinion of our independent auditors, Crosslin & Associates, P.C., is included in this report.

CITY OF BELLE MEADE, TENNESSEE
SCHEDULE OF CITY OFFICIALS

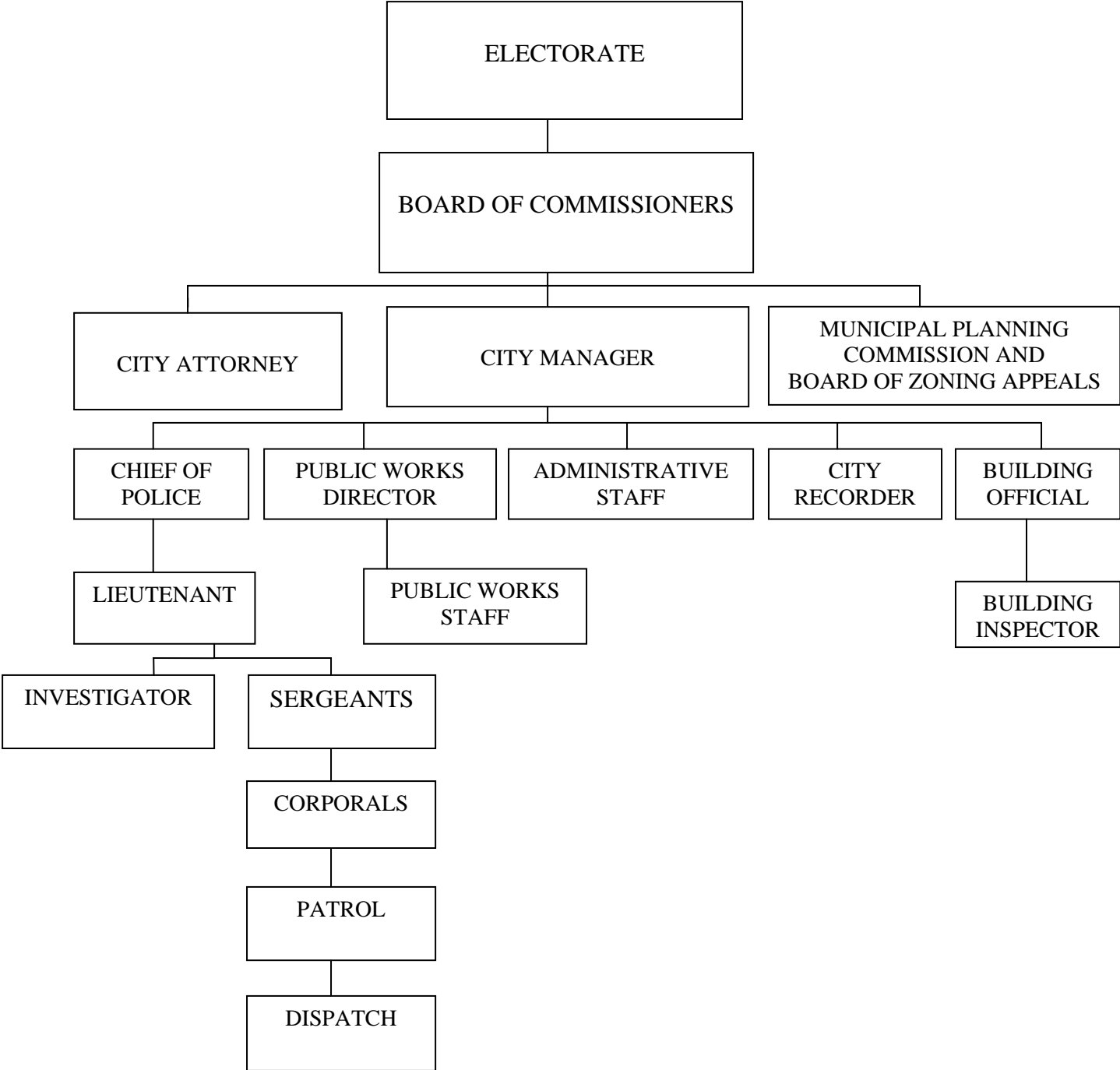
Elected Officials:

Gray Thornburg - Mayor/Commissioner
James Hunt - Vice-Mayor/Commissioner
Thomas Corcoran - Commissioner
George Crook - Commissioner
Cathy Altenbern - Commissioner

City Officials:

Beth Reardon - City Manager/Treasurer
Linda Berner - City Recorder
Timothy Eads - Chief of Police
Bradley, Arant,
Boult, Cummings, LLP
Robert S. Patterson - City Attorney
Terry Franklin - Building Official
George Bartlett - Public Works Director
William Brooks - City Judge

**CITY OF BELLE MEADE, TENNESSEE
ORGANIZATIONAL CHART**



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Commissioners
City of Belle Meade, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison schedules for the General Fund and Sanitation Fund of the City of Belle Meade, Tennessee (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee, as of June 30, 2010, and the respective changes in financial position, and the respective budgetary comparison schedules for the General Fund and Sanitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and City Commissioners
City of Belle Meade, Tennessee

The management's discussion and analysis and schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and other supplementary information have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

C. Maselin & Associates, P.C.

Nashville, Tennessee
November 9, 2010

CITY OF BELLE MEADE, TENNESSEE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Belle Meade's annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the introductory section of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal year 2010:

- The combined revenues for 2010 totaled \$4,131,058 (including charges for services, operating grants and contributions, and less the extraordinary item – flood loss) on the Statement of Activities, which is a 6.9% decrease from the previous year.
- The combined fund expenses for 2010 totaled \$4,039,048 on the Statement of Activities and \$3,739,849 on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net assets for 2010 were \$12,060,175 of which \$5,959,162 was invested in capital assets. A total of \$26,345 was restricted for Special Revenue Funds. The remainder, \$6,074,668 is listed as unrestricted on the Statement of Net Assets, but the Board of Commissioners has designated a substantial portion of this balance to be reserved for one-year's worth of operating expenses and ongoing vehicle, equipment and sewer system replacements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and supplementary information.

The financial statements provide both long-term and short-term information about the City of Belle Meade's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The City of Belle Meade's basic financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements and notes.

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 government-wide statements help answer the question, "Is the City as a whole better off or worse off as a result of fiscal year 2010's activities?"

The statement of net assets presents information on all of the City of Belle Meade's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund financial statements. The fund financial statements provide more detail than the government-wide 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 and other legal requirements.

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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing and operational requirements. These funds are reported under the modified accrual basis of accounting which generally measures cash and all financial assets that can be readily converted to cash. Capital assets and other long-term assets and liabilities are presented in the government-wide financial statements.

The City maintains a total of six individual governmental funds:

- General Fund (1)
- Special Revenue Funds (4)
 - Sanitation Fund
 - Beautification Fund
 - State Street Aid Fund
 - Drug Fund
- Capital Projects Fund (1)

General Fund information is presented separately in two basic financial reports: (1) the governmental fund balance sheet and (2) the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The General Fund, Sanitation Fund, and Capital Projects Fund are the City's major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation for non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report immediately following the financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that adds to and supports the information provided in the financial statements and in the notes. Additional statistical information may be found following the financial statements and the notes.

FINANCIAL ANALYSIS OF THE CITY OF BELLE MEADE

Summary Statement of Net Assets

| | 2009 | 2010 | Change % |
|----------------------------|---------------|---------------|----------|
| Current Assets | \$ 6,522,460 | \$ 7,565,801 | |
| Non-current Assets | 6,690,319 | 5,968,463 | |
| Total Assets | 13,212,779 | 13,534,264 | 2.43% |
| Current Liabilities | 1,066,758 | 1,291,726 | |
| Non-current Liabilities | 177,856 | 182,363 | |
| Total Liabilities | 1,244,614 | 1,474,089 | 18.44% |
| Net Assets: | | | |
| Invested in capital assets | 6,684,995 | 5,959,162 | |
| Restricted | 29,443 | 26,345 | |
| Unrestricted | 5,253,727 | 6,074,668 | |
| Total Net Assets | \$ 11,968,165 | \$ 12,060,175 | 0.77% |

Summary Statement of Activities

| | 2009 | 2010 | Change % |
|---|---------------|---------------|----------|
| Revenues: | | | |
| General revenues | \$ 3,899,916 | \$ 3,550,992 | -8.95% |
| Extraordinary Item - Flood Loss | - | (35,598) | |
| Expenses: | | | |
| Operating expenses | 4,220,352 | 4,039,048 | |
| Less: Charges for Services and operating grants and contributions | (537,076) | (615,664) | |
| Net Operating Expenses | 3,683,276 | 3,423,384 | -4.30% |
| Change in Net Assets | 216,640 | 92,010 | -57.53% |
| Total net assets, beginning of year | 11,751,525 | 11,968,165 | 1.84% |
| Total net assets, end of year | \$ 11,968,165 | \$ 12,060,175 | 0.77% |

Major Revenues by Source
(From the Statement of Activities)

| | 2009 | 2010 | % Change |
|------------------------------------|--------------|-------------|----------|
| Program Revenues: | | | |
| Charges for Services | \$ 414,324 | \$ 484,217 | |
| Operating Grants & Contrib. | 122,752 | 131,447 | |
| Total Program Revenues | 537,076 | 615,664 | 14.63% |
| General Revenues: | | | |
| Taxes | 3,702,024 | 3,474,575 | |
| Other | 197,892 | 76,417 | |
| Total General Revenues | 3,899,916 | 3,550,992 | -8.95% |
| Extraordinary Item – Flood Loss | - | (35,598) | |
| Total Revenues | \$ 4,436,992 | \$4,131,058 | -6.90% |

Detail of Operating Expenses
(From the Statement of Activities)

| | 2009 | 2010 | % Change |
|------------------------------------|--------------|--------------|----------|
| Operating Expenses, by Department: | | | |
| General Government | \$ 939,846 | \$ 597,461 | -36.43% |
| Public Safety | 1,597,361 | 1,762,603 | 10.34% |
| Building Inspection | 125,997 | 127,403 | 1.12% |
| Highways & Streets | 477,177 | 589,399 | 23.52% |
| Sanitation & Sewer | 968,015 | 874,801 | -9.63% |
| Parkways & Boulevards | 82,868 | 69,210 | -16.48% |
| Horticulture Supplies & Services | 29,088 | 18,171 | -37.53% |
| Total operating expenses | \$ 4,220,352 | \$ 4,039,048 | -4.30% |

The change in total net assets between fiscal years 2009 and 2010 as shown on the Summary Statement of Net Assets was minimal at less than 1%. Unrestricted net assets of \$6,074,668, an increase of just over \$820,000 from 2009, represent the current net assets available to support future operations and other expenditure items as funded by the Board of Commissioners.

The Summary Statement of Activities compares 2009 and 2010 revenues and expenses on a full accrual basis. 2010 revenues decreased by almost 9%, primarily due to the fact that City received less in state income tax appropriations and investment earnings than the previous year. Investment earnings dropped by 77% from 2009. This follows a 52.8% drop in interest revenues in 2009 from 2008 revenues. The main source of investment income is from deposits in the State of Tennessee Local Government Investment Pool. The Pool's interest rate in June 2008 was 2.30%, compared to June 2010 at 0.24%. Other income sources from property taxes, state shared taxes, permits and fines had relatively small fluctuations as compared to the prior fiscal year.

Capital Assets

Fiscal year 2010 as compared to fiscal year 2009:

At the end of fiscal year 2010, the City of Belle Meade had invested \$5,959,162 in land, buildings, infrastructure, equipment and construction in progress, down from \$6,684,995 at June 30, 2009.

Capital Assets

| | 2009 | 2010 |
|----------------------------------|--------------|--------------|
| Capital Assets: | | |
| Land | \$ 15,000 | \$ 15,000 |
| Construction In Progress | 38,340 | 131,305 |
| Buildings | 2,497,427 | 2,071,187 |
| Improvements other than building | 1,271,558 | 1,301,730 |
| Equipment | 984,456 | 850,353 |
| Infrastructure | 7,247,000 | 7,410,363 |
| Subtotal | 12,053,781 | 11,779,938 |
| Less Accumulated Depreciation | (5,368,786) | (5,820,776) |
| Net Capital Assets | \$ 6,684,995 | \$ 5,959,162 |

Net capital assets decreased by 10.9% in 2010. The most significant reason for this decrease was that significant impairment was recognized during the year for assets damaged by the flood.

Financial Analysis of the Government's Funds

Belle Meade, Tennessee uses fund accounting to ensure and demonstrate compliance with legal requirements.

Governmental funds. The focus of Belle Meade, Tennessee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such fund information is useful in assessing Belle Meade, Tennessee's financing requirements. In particular, the unreserved general fund balance may serve as a useful measure of a government's net resources available for spending and available for contingencies at the end of the fiscal year.

City of Belle Meade, Tennessee
Governmental Funds

| | 2009 | 2010 | % Change |
|---|---------------------|---------------------|---------------|
| <u>Assets</u> | | | |
| Cash | \$ 29,443 | \$ 56,266 | 91.10% |
| Investments | 5,507,235 | 6,452,876 | 17.17% |
| Property Taxes Receivable | 952,645 | 971,572 | 1.99% |
| Due From Other Taxing | | | |
| Units/Governments | 4,977 | 38,094 | 665.40% |
| Accounts Receivable | 18,075 | 38,857 | 114.98% |
| Inventory | 10,085 | 8,136 | -19.33% |
| Total assets | 6,522,460 | 7,565,801 | 16.00% |
| <u>Liabilities</u> | | | |
| Accounts Payable | 58,426 | 284,522 | 386.98% |
| Accrued Liabilities | 61,565 | 30,515 | -50.43% |
| Due To Other Taxing | | | |
| Units/Governments | 2,590 | 21,591 | 733.63% |
| Deferred Revenue - Property Taxes | 944,177 | 955,098 | 1.16% |
| Deferred Revenue - FEMA, TEMA | - | 38,094 | 100.00% |
| Total liabilities | 1,066,758 | 1,329,820 | 24.66% |
| <u>Fund Balances</u> | | | |
| Reserved | 10,085 | 8,136 | -19.33% |
| Unreserved | 5,445,617 | 6,227,845 | 14.36% |
| Total fund balances | \$ 5,455,702 | \$ 6,235,981 | 14.30% |
| Unreserved fund balance as percent of total fund balances | 99.82% | 99.87% | -0.05% |

The operations of the City for the year 2010 were relatively consistent with those of 2009, until the “Great Flood” occurred on May 1, 2010. As a result, an extraordinary item for flood loss affected the Statement of Net Assets and was noted on the Statement of Activities. A few items in the above Governmental Fund Assets table show a significant percentage change. “Due from Other Taxing Units/Governments” has a 665.40% increase which is related to the estimated FEMA and TEMA grant funds due to the City for flood related projects recognized at June 30, 2010. “Accounts Receivable” shows a 114.98% increase due to outstanding invoices for police off-duty work related to the Metro Water Main Replacement Project. “Accounts Payable” is much higher than 2009 because this line item includes amounts owed to the contractor for changes and additions to City Hall that were not related to the flood reconstruction, such as additional office space and furniture in the Police Department, gas furnaces for the building, and safety protection in the dispatch office and courtroom. These items totaled \$73,906. In addition, \$144,160 was included in Accounts Payable for flood-related costs. “Accrued Liabilities” saw a decrease of 50% due to the timing of payrolls at year-end, with only a few days of salaries prior to June 30th being accrued. Finally, “Due to Other Taxing Units/Governments” showed a 733.63% increase that was due to a larger than normal amount (\$19,568) owed to the Tennessee Consolidated Retirement System for the month of June, which had three payroll dates instead of the usual two.

**Governmental Fund Balance Classifications
For Fiscal Years Ended June 30, 2009 and 2010**

| Fund Balance Designation | 2009 | 2010 |
|--------------------------------|--------------|--------------|
| Reserved/Designated for: | | |
| Inventories | \$ 10,085 | \$ 8,136 |
| Encumbrances | - | - |
| Reserve of fund balance | 10,085 | 8,136 |
| Unreserved | | |
| Undesignated | 5,416,174 | 6,201,500 |
| Special revenue funds | 29,443 | 26,345 |
| Unreserved fund balance | 5,445,617 | 6,227,845 |
| Total fund balance | \$ 5,455,702 | \$ 6,235,981 |

The increase in fund balance of \$780,279 is a result of the excess of revenue and other financing sources over expenditures and other financing uses for the period, as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances on pages 22 and 23 of this Report.

**Governmental Fund Revenue, Expenditures and Changes in Fund Balances
For Fiscal Years Ended June 30, 2009 and 2010**

| | FY 2009 | | | FY 2010 | | |
|--|---------------------|------------------|---------------------|---------------------|------------------|---------------------|
| | General | Other Funds | Total Funds | General | Other Funds | Total Funds |
| <u>Revenues</u> | | | | | | |
| Taxes | \$ 3,709,653 | \$ 77,334 | \$ 3,786,987 | \$ 3,481,865 | \$ 77,885 | \$ 3,559,750 |
| Licenses and Permits | 113,640 | - | 113,640 | 108,826 | - | 108,826 |
| Fines and Forfeitures | 194,257 | - | 194,257 | 129,703 | - | 129,703 |
| Charges for Current Services | 106,427 | - | 106,427 | 245,688 | - | 245,688 |
| Investment Earnings | 103,191 | 139 | 103,330 | 23,619 | 55 | 23,674 |
| Other Local Revenues | 98,626 | 33,725 | 132,351 | 66,394 | 32,621 | 99,015 |
| Total Revenues | 4,325,794 | 111,198 | 4,436,992 | 4,056,095 | 110,561 | 4,166,656 |
| <u>Expenditures</u> | | | | | | |
| General Government | 897,903 | 231 | 898,134 | 570,535 | 259 | 570,794 |
| Public Safety | 1,447,731 | - | 1,447,731 | 1,597,786 | - | 1,597,786 |
| Highways and Streets | 216,686 | 181,839 | 398,525 | 345,328 | 165,311 | 510,639 |
| Building Inspection | 123,093 | - | 123,093 | 124,529 | - | 124,529 |
| Sanitation and Sewers | 283,057 | 576,013 | 859,070 | 238,756 | 566,428 | 805,184 |
| Boulevards | 82,462 | - | 82,462 | 69,210 | - | 69,210 |
| Horticulture supplies and services | - | 29,088 | 29,088 | - | 18,171 | 18,171 |
| Total Expenditures | 3,050,932 | 787,171 | 3,838,103 | 2,946,144 | 750,169 | 3,696,313 |
| Excess (Deficit) of Revenues over expenditures | 1,274,862 | (675,973) | 598,889 | 1,109,951 | (639,608) | 470,343 |
| <u>Other Financing Sources/(Uses)</u> | | | | | | |
| Transfers in | - | 675,889 | 675,889 | - | 636,510 | 636,510 |
| Transfers out | (675,889) | - | (675,889) | (636,510) | - | (636,510) |
| Total Other Financing Sources/(Uses) | (675,889) | 675,889 | - | (636,510) | 636,510 | - |
| Extraordinary Item - Flood Gain | - | - | - | 309,936 | - | 309,936 |
| Net Change in Fund Balance | 598,973 | (84) | 598,889 | 783,377 | (3,098) | 780,279 |
| Beginning Fund Balance | 4,827,286 | 29,527 | 4,856,813 | 5,426,259 | 29,443 | 5,455,702 |
| Ending Fund Balance | \$ 5,426,259 | \$ 29,443 | \$ 5,455,702 | \$ 6,209,636 | \$ 26,345 | \$ 6,235,981 |

Budgetary Information

Budgetary comparison schedules for the General and Sanitation funds can be found in the Basic Financial Statements section. Schedules for other special revenue funds and the capital projects fund are found in the Supplementary Information section of this Report. There are several line items that have significant variations between original and amended budget amounts and the actual revenue or expenditure totals, as shown on the Statement of Revenue, Expenditures, and changes in Fund Balances-Budget to Actual-General Fund, found on pages 25 and 26. The Commissioners revised the budget near fiscal year-end with approval of a Budget Amendment Resolution. Most amendments result from unexpected changes in revenues and emergency-type expenditures. The most significant budget amendments for fiscal year 2010 included increasing the Hall Tax revenues by \$637,205, increasing sales tax collections by \$16,000, reducing Fines and Forfeitures by \$60,000, increasing Public Safety Charges for Services (police off-duty work) by over \$100,000 and decreasing interest income by \$58,000. On the expenditure side, amendments to General Government of almost \$100,000 included flood reconstruction items not covered by insurance and donations to Warner Parks and St. Georges Episcopal Church. The Police Department budget was increased by \$100,000 for off-duty wages paid to officers working the Metro Water Main Project, and the Streets Department had a budget increase for excess snow and ice removal charges.

Other Major Funds

In addition to the General Fund, the City reported the Sanitation Fund and Capital Projects Fund as major funds. The Sanitation Fund consists of activities related to residential solid waste collection and brush and chipper service. These services are contracted to outside vendors who provide all labor and equipment as required. The Capital Projects Fund consists of all major infrastructure improvements. Neither of these funds generate revenues and are funded from monies transferred from the General Fund.

Economic Factors and Next Year's Budget

The City of Belle Meade's Board of Commissioners and management staff considered many factors when adopting the fiscal year 2010-2011 budget. The unrestricted fund balance increased at fiscal year-end 2010 due to higher than anticipated Hall Tax revenues and fewer and less costly capital projects that were approved for 2010. The staff and Commissioners were mindful of the current economic situation and declining revenue collections at the state and local levels when setting the budget. Budgeted revenues for 2011 are \$470,000 less than 2010, primarily because of the expected decline in Hall Tax revenues, which are based upon 2009 tax returns. The Commissioners and the Budget and Finance Committee felt that the economic fallout occurring at the end of 2008 would be fully reflected in Hall Tax collections for budget year 2010-2011. The budget was designed with a few new capital items and one capital improvement project, with the intention of maintaining a strong reserve fund in the event revenues continue to decline in the upcoming years. Four vehicles (two police and two public works) will be added to the fleet, a new server and PCs will replace outdated equipment, and the deteriorated culvert on Chickering Lane will be replaced.

Many middle Tennessee cities and counties were deeply affected by the flood of May 1st and 2nd, 2010, and Belle Meade was no exception. City Hall sustained significant damage from approximately two and a half feet of water rushing through the building. Damages to the building, contents and vehicles totaled close to \$792,000. The additional costs to repair infrastructure, and provide debris removal and cleanup in the City afterwards, including rebuilding the historic stone wall along Harding Road, which had not begun as of June 30, 2010, was more than \$300,000. The City was fortunate to have flood insurance on its buildings and contents through the Tennessee Municipal League. The Federal Government declared a major disaster declaration for the State of Tennessee, allowing up to 90% public assistance on most approved flood-related projects. Out-of-pocket costs to the City from flood related items will not be significant. Although the doors to City Hall were physically shut for three months, the daily business of running the City did not stop. Staff set up offices less than a week after the flood in temporary trailers in the back parking lot and continued to provide services to the citizens of Belle Meade without interruption.

Other Information

In January 2010, Metro Water Services (MWS) began the Phase II Water System Improvements Project for water main replacements on Belle Meade Boulevard and portions of Jackson Boulevard, Gerald Place, and Glen Eden Drive. This ten-month project in Belle Meade was part of MWS' Clean Water Infrastructure Program to replace aging water lines that contributed to lower water pressure and service interruption issues in recent years.

This Project was totally funded and managed by Metro Water Services. MWS and its contractor worked closely with Belle Meade staff when planning detours or road closures and addressing safety concerns. Belle Meade police officers were employed by MWS to provide off-duty safety and traffic enforcement for the duration of the project. At June 30, 2010, MWS estimated that all water lines would be installed and residential services connected by October or November of 2010. However, due to the timing of cold weather, MWS determined that repaving of all affected streets would not be completed until the spring of 2011.

Contacting the City of Belle Meade's Treasurer

This financial report is designed to provide Belle Meade citizens and other interested parties with a general overview of the City of Belle Meade's finances and to demonstrate the City's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the City of Belle Meade, 4705 Harding Road, Nashville, Tennessee 37205.

BASIC FINANCIAL STATEMENTS

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2010
(with comparative totals for and 2009)

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| | <u>Governmental</u> | <u>Governmental</u> |
| | <u>Activities</u> | <u>Activities</u> |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 56,266 | \$ 29,443 |
| Investments | 6,452,876 | 5,507,235 |
| Property taxes receivable | 971,572 | 952,645 |
| Due from other taxing units/governments | 38,094 | 4,977 |
| Accounts receivable | 38,857 | 18,075 |
| Inventories | <u>8,136</u> | <u>10,085</u> |
| Total current assets | <u>7,565,801</u> | <u>6,522,460</u> |
| Noncurrent assets | | |
| Capital assets not being depreciated: | | |
| Land | 15,000 | 15,000 |
| Construction in progress | 131,305 | 38,340 |
| Capital assets net of accumulated depreciation: | | |
| Infrastructure | 7,410,363 | 7,247,000 |
| Buildings and equipment | <u>4,223,270</u> | <u>4,753,441</u> |
| Total capital assets | 11,779,938 | 12,053,781 |
| Less: accumulated depreciation | <u>(5,820,776)</u> | <u>(5,368,786)</u> |
| Net capital assets | 5,959,162 | 6,684,995 |
| Net OPEB asset | <u>9,301</u> | <u>5,324</u> |
| Total noncurrent assets | <u>5,968,463</u> | <u>6,690,319</u> |
| TOTAL ASSETS | <u>13,534,264</u> | <u>13,212,779</u> |

| | 2010 Governmental <u>Activities</u> | 2009 Governmental <u>Activities</u> |
|---------------------------------------|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 284,522 | 58,426 |
| Accrued liabilities | 30,515 | 61,565 |
| Due to other taxing units/governments | 21,591 | 2,590 |
| Deferred revenue - property taxes | <u>955,098</u> | <u>944,177</u> |
| Total current liabilities | 1,291,726 | 1,066,758 |
| Noncurrent liabilities | | |
| Compensated absences | <u>182,363</u> | <u>177,856</u> |
| TOTAL LIABILITIES | <u>1,474,089</u> | <u>1,244,614</u> |
| COMMITMENTS (Note I) | - | - |
| NET ASSETS | | |
| Invested in capital assets | 5,959,162 | 6,684,995 |
| Restricted for: | | |
| State Street Aid | 12,577 | 8,288 |
| Beautification | 13,586 | 20,973 |
| Drug | 182 | 182 |
| Unrestricted | <u>6,074,668</u> | <u>5,253,727</u> |
| TOTAL NET ASSETS | <u>\$12,060,175</u> | <u>\$11,968,165</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| Functions/Programs | Program Revenues | | | | 2009 | 2009 |
|---------------------------------------|--------------------|----------------------------|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities | Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities |
| Governmental activities: | | | | | | |
| General government | \$ 597,461 | \$ - | \$ 14,621 | \$ - | \$(582,840) | \$(934,485) |
| Building inspection | 127,403 | 108,826 | - | - | (18,577) | (12,357) |
| Sanitation and sewers | 874,801 | 50,117 | - | - | (824,684) | (907,538) |
| Public safety | 1,762,603 | 325,274 | - | - | (1,437,329) | (1,357,154) |
| Boulevards | 69,210 | - | - | - | (69,210) | (82,868) |
| Highways and streets | 589,399 | - | 84,205 | - | (505,194) | (393,511) |
| Horticulture supplies and services | <u>18,171</u> | <u>-</u> | <u>32,621</u> | <u>-</u> | <u>14,450</u> | <u>4,637</u> |
| Total government | <u>\$4,039,048</u> | <u>\$484,217</u> | <u>\$131,447</u> | <u>\$ -</u> | <u>(3,423,384)</u> | <u>(3,683,276)</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | | 950,317 | 928,179 |
| Payments in lieu of taxes | | | | | 4,798 | 4,657 |
| Mixed drink tax | | | | | 29,088 | 28,396 |
| TVA in lieu tax | | | | | 32,375 | 28,222 |
| Sales tax | | | | | 187,333 | 195,942 |
| Income tax | | | | | 2,269,206 | 2,515,093 |
| Beer tax | | | | | 1,458 | 1,535 |
| Fees and commissions | | | | | 970 | 1,298 |
| Investment earnings | | | | | 23,674 | 103,330 |
| Other local revenues | | | | | <u>51,773</u> | <u>93,264</u> |
| Total general revenues | | | | | 3,550,992 | 3,899,916 |
| Extraordinary item - flood loss | | | | | <u>(35,598)</u> | <u>-</u> |
| Change in net assets | | | | | 92,010 | 216,640 |
| Net assets - July 1 | | | | | <u>11,968,165</u> | <u>11,751,525</u> |
| Net assets - June 30 | | | | | <u>\$ 12,060,175</u> | <u>\$ 11,968,165</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | | |
|--|--------------------|-----------------------------|--------------------|
| | General Fund | Capital Projects Fund | Sanitation Fund |
| ASSETS | | | |
| Cash | \$ 27,964 | \$ - | \$ - |
| Investments | 6,452,876 | - | - |
| Property taxes receivable | 971,572 | - | - |
| Due from other taxing units/governments | 38,094 | - | - |
| Accounts receivable | 38,857 | - | - |
| Inventories | 8,136 | - | - |
| Total assets | <u>\$7,537,499</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 282,565 | \$ - | \$ - |
| Accrued liabilities | 30,515 | - | - |
| Due to other taxing units/governments | 21,591 | - | - |
| Deferred revenue - property taxes | 955,098 | - | - |
| Deferred revenue - FEMA & TEMA | 38,094 | - | - |
| Total liabilities | <u>1,327,863</u> | - | - |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | 6,201,500 | - | - |
| Special revenue funds | - | - | - |
| Reserved for: | | | |
| Inventories | 8,136 | - | - |
| Total fund balances | <u>6,209,636</u> | - | - |
| Total liabilities and fund balances | <u>\$7,537,499</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>2010</u> | | |
|--|---|--------------------|
| <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> | <u>Total 2009</u> |
| \$28,302 | \$ 56,266 | \$ 29,443 |
| - | 6,452,876 | 5,507,235 |
| - | 971,572 | 952,645 |
| - | 38,094 | 4,977 |
| - | 38,857 | 18,075 |
| <u>-</u> | <u>8,136</u> | <u>10,085</u> |
| <u>\$28,302</u> | <u>\$7,565,801</u> | <u>\$6,522,460</u> |
| | | |
| \$ 1,957 | \$ 284,522 | \$ 58,426 |
| - | 30,515 | 61,565 |
| - | 21,591 | 2,590 |
| - | 955,098 | 944,177 |
| <u>-</u> | <u>38,094</u> | <u>-</u> |
| <u>1,957</u> | <u>1,329,820</u> | <u>1,066,758</u> |
| | | |
| - | 6,201,500 | 5,416,174 |
| 26,345 | 26,345 | 29,443 |
| <u>-</u> | <u>8,136</u> | <u>10,085</u> |
| <u>26,345</u> | <u>6,235,981</u> | <u>5,455,702</u> |
| <u>\$28,302</u> | <u>\$7,565,801</u> | <u>\$6,522,460</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010
(with comparative totals for 2009)

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| Total fund balances of governmental funds | \$ 6,235,981 | \$ 5,455,702 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. | 5,959,162 | 6,684,995 |
| Certain deferred revenues reported in the fund financial statements are recognized as revenues in governmental activities. | 38,094 | - |
| Net OPEB asset is not a receivable in the current period and therefore is not reported in the fund financial statements. | 9,301 | 5,324 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements. | <u>(182,363)</u> | <u>(177,856)</u> |
| Net assets of governmental activities | <u>\$ 12,060,175</u> | <u>\$ 11,968,165</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | | |
|--|-----------------|--------------------------|--------------------|
| | General Fund | Capital Projects Fund | Sanitation Fund |
| REVENUES | | | |
| Taxes | \$ 3,481,865 | \$ - | \$ - |
| Licenses and permits | 108,826 | - | - |
| Fines and forfeitures | 129,703 | - | - |
| Charges for current services | 245,688 | - | - |
| Investment earnings | 23,619 | - | - |
| Other local revenues | 66,394 | - | - |
| Total revenues | 4,056,095 | - | - |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 570,535 | - | - |
| Public safety | 1,597,786 | - | - |
| Highways and streets | 345,328 | 70,082 | - |
| Building inspection | 124,529 | - | - |
| Sanitation and sewers | 238,756 | - | 566,428 |
| Boulevards | 69,210 | - | - |
| Horticulture supplies and services | - | - | - |
| Total expenditures | 2,946,144 | 70,082 | 566,428 |
| Excess (deficiency) of revenues over (under) expenditures | 1,109,951 | (70,082) | (566,428) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 70,082 | 566,428 |
| Transfers out | (636,510) | - | - |
| Total other financing sources (uses) | (636,510) | 70,082 | 566,428 |
| EXTRAORDINARY ITEM | | | |
| Flood gain | 309,936 | - | - |
| Net change in fund balances | 783,377 | - | - |
| Fund balances - July 1 | 5,426,259 | - | - |
| Fund balances - June 30 | \$ 6,209,636 | \$ - | \$ - |

| 2010 | | |
|--|---|---------------------|
| <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> | <u>Total 2009</u> |
| \$ 77,885 | \$ 3,559,750 | \$ 3,786,987 |
| - | 108,826 | 113,640 |
| - | 129,703 | 194,257 |
| - | 245,688 | 106,427 |
| 55 | 23,674 | 103,330 |
| <u>32,621</u> | <u>99,015</u> | <u>132,351</u> |
| <u>110,561</u> | <u>4,166,656</u> | <u>4,436,992</u> |
| 259 | 570,794 | 898,134 |
| - | 1,597,786 | 1,447,731 |
| 95,229 | 510,639 | 398,525 |
| - | 124,529 | 123,093 |
| - | 805,184 | 859,070 |
| - | 69,210 | 82,462 |
| <u>18,171</u> | <u>18,171</u> | <u>29,088</u> |
| <u>113,659</u> | <u>3,696,313</u> | <u>3,838,103</u> |
| <u>(3,098)</u> | <u>470,343</u> | <u>598,889</u> |
| - | 636,510 | 675,889 |
| <u>-</u> | <u>(636,510)</u> | <u>(675,889)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>309,936</u> | <u>-</u> |
| (3,098) | 780,279 | 598,889 |
| <u>29,443</u> | <u>5,455,702</u> | <u>4,856,813</u> |
| <u>\$ 26,345</u> | <u>\$ 6,235,981</u> | <u>\$ 5,455,702</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for 2009)

| | 2010 | 2009 |
|--|------------------|-------------------|
| Net change in fund balances - governmental funds | \$ 780,279 | \$ 598,889 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> | | |
| Capital expenditures | \$ 399,096 | |
| Depreciation expense | <u>(577,200)</u> | |
| | (178,104) | (382,363) |
| Revenues in the statement of activities that do not provide current financial resources that are reported as deferred revenues in the funds. | 38,094 | - |
| Expenses for impairment losses in the statement of activities are not reported as expenditures in the funds. | (547,729) | - |
| Other post-employment benefit expenditures reported for governmental funds that represent a benefit that will not be realized in the current period. | 3,977 | 5,324 |
| Expenditures reported for governmental activities that do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds. This is the change in compensated absences for the current year over the prior year. | <u>(4,507)</u> | <u>(5,210)</u> |
| Change in net assets of governmental activities | <u>\$ 92,010</u> | <u>\$ 216,640</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| TAXES | | | | |
| Property taxes | \$ 920,290 | \$ 934,290 | \$ 930,997 | \$(3,293) |
| Property taxes delinquent | - | - | 13,533 | 13,533 |
| Public utility property tax | 2,356 | 2,356 | 2,148 | (208) |
| Interest and penalties - property taxes | 1,840 | 1,840 | 3,639 | 1,799 |
| State Tax Allocations | | | | |
| Sales tax | 168,000 | 184,000 | 187,333 | 3,333 |
| Income tax | 1,632,000 | 2,269,205 | 2,269,206 | 1 |
| Beer tax | 1,575 | 1,575 | 1,458 | (117) |
| State-City transportation | 6,323 | 6,323 | 6,320 | (3) |
| TVA replacement tax allocation | 26,654 | 30,654 | 32,375 | 1,721 |
| Payments from local units | 51,000 | - | - | - |
| Receipts in lieu of taxes; electric utility | 4,417 | 4,417 | 4,798 | 381 |
| Mixed drink | 26,016 | 27,466 | 29,088 | 1,622 |
| Other | - | 1,000 | 970 | (30) |
| Total taxes | <u>2,840,471</u> | <u>3,463,126</u> | <u>3,481,865</u> | <u>18,739</u> |
| LICENSES AND PERMITS | <u>93,384</u> | <u>97,684</u> | <u>108,826</u> | <u>11,142</u> |
| FINES AND FORFEITURES | <u>189,600</u> | <u>129,600</u> | <u>129,703</u> | <u>103</u> |
| CHARGES FOR SERVICES | | | | |
| Sewer User Fee/Charges | 55,780 | 52,780 | 50,117 | (2,663) |
| Public safety charges for services | <u>43,200</u> | <u>148,200</u> | <u>195,571</u> | <u>47,371</u> |
| Total charges for services | <u>98,980</u> | <u>200,980</u> | <u>245,688</u> | <u>44,708</u> |
| MISCELLANEOUS | | | | |
| Interest income on investments | 80,400 | 22,400 | 23,619 | 1,219 |
| Contributions, dues | 4,800 | 14,300 | 14,621 | 321 |
| Sales of materials | 63,000 | 47,000 | 46,159 | (841) |
| Other revenues | <u>63,238</u> | <u>5,238</u> | <u>5,614</u> | <u>376</u> |
| Total miscellaneous | <u>211,438</u> | <u>88,938</u> | <u>90,013</u> | <u>1,075</u> |
| Total revenues | <u>3,433,873</u> | <u>3,980,328</u> | <u>4,056,095</u> | <u>75,767</u> |

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND - Continued
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|---------------------|---|
| EXPENDITURES | | | | |
| General government | \$ 496,680 | \$ 595,274 | \$ 570,535 | \$ 24,739 |
| Public safety | 1,447,555 | 1,594,855 | 1,597,786 | (2,931) |
| Highways and streets | 262,495 | 417,245 | 345,328 | 71,917 |
| Building inspection | 128,141 | 124,141 | 124,529 | (388) |
| Sanitation and sewers | 295,462 | 278,712 | 238,756 | 39,956 |
| Boulevards | <u>82,790</u> | <u>75,790</u> | <u>69,210</u> | <u>6,580</u> |
| Total expenditures | <u>2,713,123</u> | <u>3,086,017</u> | <u>2,946,144</u> | <u>139,873</u> |
| OTHER FINANCING USES | | | | |
| Transfers out: | | | | |
| Capital projects fund | (135,000) | (71,000) | (70,082) | 918 |
| Sanitation fund | <u>(568,052)</u> | <u>(568,552)</u> | <u>(566,428)</u> | <u>2,124</u> |
| Total other financing uses | <u>(703,052)</u> | <u>(639,552)</u> | <u>(636,510)</u> | <u>3,042</u> |
| Total expenditures and other financing uses | <u>3,416,175</u> | <u>3,725,569</u> | <u>3,582,654</u> | <u>142,915</u> |
| (Deficit) excess of revenue over expenditures and other financing uses | 17,698 | 254,759 | 473,441 | 218,682 |
| EXTRAORDINARY ITEM | | | | |
| Flood gain | <u>-</u> | <u>-</u> | <u>309,936</u> | <u>309,936</u> |
| Net change in fund balances | 17,698 | 254,759 | 783,377 | 528,618 |
| Fund balance - July 1 | <u>3,799,497</u> | <u>5,119,537</u> | <u>5,426,259</u> | <u>306,722</u> |
| Fund balance - June 30 | <u>\$ 3,817,195</u> | <u>\$ 5,374,296</u> | <u>\$ 6,209,636</u> | <u>\$ 835,340</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - SANITATION FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|----------------------------|-------------------------|------------------|---|
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Dumpster services | 10,064 | 10,564 | 10,444 | 120 |
| Repair and maintenance | 152,892 | 152,892 | 150,888 | 2,004 |
| Trash collection and recycling | <u>405,096</u> | <u>405,096</u> | <u>405,096</u> | <u>-</u> |
| Total expenditures | <u>568,052</u> | <u>568,552</u> | <u>566,428</u> | <u>2,124</u> |
| Deficiency of revenues under expenditures | <u>(568,052)</u> | <u>(568,552)</u> | <u>(566,428)</u> | <u>2,124</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers In: | | | | |
| General fund | <u>568,052</u> | <u>568,552</u> | <u>566,428</u> | <u>2,124</u> |
| Total other financing sources | <u>568,052</u> | <u>568,552</u> | <u>566,428</u> | <u>2,124</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance - July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belle Meade, Tennessee, was incorporated in October, 1938. The City operates under a Commissioner - Manager form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Belle Meade, Tennessee, conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

Government-wide Financial Statements

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements, but are included in a separate set of financial statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying statement of net assets. Net assets are reported in three categories:

Invested in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt (if applicable) that is attributable to the acquisition, construction, and improvement of those assets. The City had no outstanding debt as of June 30, 2010.

Restricted net assets result from restrictions placed on net assets by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that have been obtained to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function of the City is self-financed or draws from general revenues. Internal activity is eliminated in the government-wide statement of activities.

Fund Financial Statements and Measurement Focus

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Fund financial statements report detailed information about the City. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all nonmajor funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on sources and uses of current financial resources.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The differences between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects.

Sanitation Fund - The Sanitation Fund is used to account for expenditures related to solid waste management.

Additionally, the City utilizes the following other fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within 60 days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

In the basic financial statements, property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue in the amount of \$955,098.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting

The City is required by State statute to adopt annual budgets. All budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances should not exceed appropriations authorized by the City Commission, and any authorized revisions. Final budgetary amounts presented in the financial statements represent amended amounts as authorized by the City Commission. Unencumbered appropriations lapse at the end of each year.

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

1. Prior to June 30, the City Manager and Finance Committee submit to the City Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for all budgets.

The City Commission approves the operating budget for the fiscal year commencing on July 1. Total expenditures for each department are not permitted to exceed the total amount appropriated in the budget ordinance. The accompanying budgetary data also includes revisions for amendments authorized during the year. Departmental appropriations comprise a legal spending limit for governmental funds. All annual appropriations lapse at year-end.

CITY OF BELLE MEADE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Annual Budget serves from July 1 to the following June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustments of the City's performance. Furthermore, through the budget, the City Commission sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by program or department and are distributed monthly to the City Commission. Individual budgets are reviewed and analyzed for budgetary compliance and for unusual deviations from their expected normal expenditure pattern. Revenues are reviewed monthly and compared to expected rates of collections, and unusual revenue patterns are analyzed for changes in trends or possible unfavorable variances from budgeted amounts.

Excess of Expenditures Over Budget In Individual Funds

Actual expenditures exceeded the amount appropriated in the budget of the funds noted below:

| <u>Department</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess</u> |
|---------------------|----------------------------------|--------------------------------|---------------|
| General Fund - | | | |
| Public safety | \$1,594,855 | \$1,597,786 | \$(2,931) |
| Building inspection | 124,141 | 124,529 | (388) |

All of the above expenditures were approved by the Board of Commissioners subsequent to their approval of the final budget.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

Inventories are valued at the lower of cost or market on a “first-in, first-out” basis. Inventories are made up of repair and replacement parts for equipment. In the fund financial statements the cost is recorded as an expenditure at the time of purchase.

In the fund financial statements, inventories are offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets.

Compensated Absences

It is the policy of the City to permit employees to accumulate amounts of earned but unused sick pay benefits, which will be paid or credited to the employee’s retirement fund upon separation from service. In the governmental fund financial statements, the cost of sick pay benefits is not recognized until payments are made to employees. In the government-wide statements at June 30, 2010, a long-term liability for compensated absences of \$182,363 has been recorded representing the City’s commitment to fund such costs with future financial resources.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as a formal budgetary tool in the General Fund. Encumbrances do not constitute expenditures or liabilities and are recorded as reservations of fund balance in the fund financial statements with related expenditures being recorded in the subsequent year.

Purchasing Laws - City Departments

Purchasing for all City departments is governed by the Powers Under City Manager-Commission Charter, Section 6-19-104, T.C.A. and the Municipal Purchasing Law of 1983, Section 6-56-302 through 6-56-306, T.C.A. Section 6-19-104 delegates all purchasing authority to the City Manager. The City Manager is required to obtain competitive pricing for all purchases of \$1,000 or greater. Furthermore, if the purchase exceeds \$10,000, it must be awarded by majority vote by the Board of Commissioners after it is bid upon publicly.

Restricted/Unrestricted Resources

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

CITY OF BELLE MEADE, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes Receivable

Property taxes receivable and the related revenues are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date.

In the governmental fund financial statements, revenues from property taxes are recognized in the period for which the taxes are levied, which is October 1 of the ensuing fiscal year. Property taxes receivable are presented on the balance sheet of governmental activities with offsetting deferred revenue to reflect amounts not available as of June 30. Taxes become delinquent and begin accumulating interest and penalty the following March 1.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or estimated historical cost if actual cost is not available. Contributed capital assets are recorded at their estimated fair value on the date contributed. Capital assets include infrastructure capital assets consisting of the sewer system and its improvements, drainage and drainage improvements and road and road improvements. The City defines capital assets as assets with an initial, individual cost of more than the established amount, as listed below, and an estimated useful life in excess of one year.

| | |
|-----------------------------------|--------|
| Land | \$ 500 |
| Buildings | 10,000 |
| Improvements other than buildings | 5,000 |
| Infrastructure - Sewer system | 5,000 |
| Infrastructure | 10,000 |
| Equipment | 5,000 |

In the government-wide financial statements capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 30 years |
| Improvements other than buildings | 10 - 20 years |
| Infrastructure | 12 - 40 years |
| Equipment | 3 - 10 years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, with an individual cost of more than \$5,000 are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the results of operations.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements to provide an understanding of the changes in the financial position and operations of the City.

Construction in Progress

Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

Interfund Transactions

Quasi-external transactions are recognized as fund revenues and expenditures or expenses (as appropriate). Transactions which constitute reimbursement of expenditures (or expenses) initially made from the fund, which are properly applicable to another fund, are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures (or expenses) in the fund that is reimbursed.

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered residual equity transfers and all other transfers are treated as operating transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

B. CASH AND INVESTMENTS

Deposits

The City's deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City's financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

B. CASH AND INVESTMENTS - Continued

accounts and the required collateral for the City. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

During fiscal 2010, the City's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2010, the carrying amount and corresponding bank balances of deposits were as follows:

| | Deposits Per Bank | Carrying Amount Per Books |
|---------------------------|----------------------|------------------------------|
| Cash and cash equivalents | <u>\$119,426</u> | <u>\$56,266</u> |

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2010.

Investments

The City is authorized by statute to make direct investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies. These investments may not have a maturity greater than two years. The City may make investments with longer maturities if various restrictions set out in State law are followed. The City is also authorized to make investments in the Local Government Investment Pool of the State of Tennessee ("LGIP") and in repurchase agreements. Primary oversight for LGIP rests with the State of Tennessee Funding Board. LGIP is considered an SEC 2a-7 like account (SEC designation) and the City's amounts recorded in the Pool are reported at the fair value of its position in the Pool, which approximates the value of the Pool's shares at amortized cost. Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies.

Investments consist of amounts invested in LGIP.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

B. CASH AND INVESTMENTS - Continued

The City's investments in the Local Government Investment Pool ("LGIP") are not required to be categorized by accounting principles generally accepted in the United States of America. The LGIP is an interest bearing account insured and regulated by the State. The fair value of the City's position in the LGIP is the same as the value of the pool shares. The pool contains investments in collateralized C.D.'s, U.S. Treasury Securities and Repurchase Agreements backed by U.S. Treasury Securities. None of the investments in the pool belong solely to any one participant in the investment pool.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

| | <u>Balance</u> <u>July 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2010</u> |
|---|---------------------------------------|------------------|--------------------|------------------|--|
| <u>Governmental Activities:</u> | | | | | |
| Drainage and drainage improvements | \$ 196,546 | \$ 67,592 | \$ - | \$ - | \$ 264,138 |
| Road and road improvements | 935,723 | - | - | - | 935,723 |
| Sewer system | <u>6,114,731</u> | <u>95,771</u> | <u>-</u> | <u>-</u> | <u>6,210,502</u> |
| Total infrastructure | <u>7,247,000</u> | <u>163,363</u> | <u>-</u> | <u>-</u> | <u>7,410,363</u> |
| Less accumulated depreciation: | | | | | |
| Drainage and drainage improvements | (23,686) | (6,603) | - | - | (30,289) |
| Road and road improvements | (74,275) | (23,393) | - | - | (97,668) |
| Sewer system | <u>(3,649,351)</u> | <u>(220,262)</u> | <u>-</u> | <u>-</u> | <u>(3,869,613)</u> |
| Total accumulated depreciation | <u>(3,747,312)</u> | <u>(250,258)</u> | <u>-</u> | <u>-</u> | <u>(3,997,570)</u> |
| Total infrastructure, net | <u>3,499,688</u> | <u>(86,895)</u> | <u>-</u> | <u>-</u> | <u>3,412,793</u> |
| Capital assets not being depreciated: | | | | | |
| Land | 15,000 | - | - | - | 15,000 |
| Construction in progress | <u>38,340</u> | <u>95,455</u> | <u>-</u> | <u>(2,490)</u> | <u>131,305</u> |
| Total capital assets, not being depreciated | <u>53,340</u> | <u>95,455</u> | <u>-</u> | <u>(2,490)</u> | <u>146,305</u> |

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

C. CAPITAL ASSETS - Continued

| | <u>Balance</u> <u>July 1, 2009</u> | <u>Additions</u> | <u>Retirements</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2010</u> |
|---|---------------------------------------|--------------------|--------------------|------------------|--|
| Capital assets being depreciated: | | | | | |
| Buildings | 2,497,427 | 62,294 | (488,534) | - | 2,071,187 |
| Improvements other than buildings | 1,271,558 | 27,682 | - | 2,490 | 1,301,730 |
| Equipment | <u>984,456</u> | <u>50,302</u> | <u>(184,405)</u> | <u>-</u> | <u>850,353</u> |
| Total capital assets being depreciated | <u>4,753,441</u> | <u>140,278</u> | <u>(672,939)</u> | <u>2,490</u> | <u>4,223,270</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (308,449) | (85,015) | - | - | (393,464) |
| Improvements other than buildings | (649,653) | (63,029) | - | - | (712,682) |
| Equipment | <u>(663,372)</u> | <u>(178,898)</u> | <u>125,210</u> | <u>-</u> | <u>(717,060)</u> |
| Total accumulated depreciation | <u>(1,621,474)</u> | <u>(326,942)</u> | <u>125,210</u> | <u>-</u> | <u>(1,823,206)</u> |
| Total capital assets being depreciated, net | <u>3,131,967</u> | <u>(186,664)</u> | <u>(547,729)</u> | <u>2,490</u> | <u>2,400,064</u> |
| Total governmental activities capital assets, net | <u>\$ 6,684,995</u> | <u>\$(178,104)</u> | <u>\$(547,729)</u> | <u>\$ -</u> | <u>\$ 5,959,162</u> |

Depreciation expense related to governmental activities was charged to the following functions:

| | |
|-----------------------|------------------|
| General government | \$ 88,580 |
| Sanitation and sewers | 231,730 |
| Public safety | 179,277 |
| Highways and streets | <u>77,613</u> |
| | <u>\$577,200</u> |

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

D. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2010:

| | <u>Balance</u> <u>July 1, 2009</u> | <u>Net</u> <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2010</u> |
|---|---------------------------------------|--------------------------------|------------------|--|
| Liability for accrued sick pay and annual leave | <u>\$177,856</u> | <u>\$7,740</u> | <u>\$(3,233)</u> | <u>\$182,363</u> |

E. OPERATING TRANSFERS

Operating transfers among individual funds of the City for the fiscal year ended June 30, 2010, were as follows:

| <u>Transfer To</u> | <u>Transfer from</u> <u>General</u> <u>Fund</u> |
|-----------------------|---|
| Sanitation Fund | \$566,428 |
| Capital Projects Fund | <u>70,082</u> |
| Total | <u>\$636,510</u> |

Interfund transfers were used to fund operating deficits and various reimbursements. There were no interfund balances due to/from at June 30, 2010.

F. COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the year ended June 30, 2010.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

G. PENSION PLAN

Plan Description

Employees of the City of Belle Meade are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to or 5.0% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 11.45% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees. In an effort to significantly reduce the unfunded actuarial accrued liability, the City made an additional voluntary payment of \$400,000 to TCRS in 2009, which TCRS reflected as part of the City's annual required contribution and annual pension cost. Without the additional payment, the City's 2009 annual required contribution would have been 11.45% of annual covered payroll and the annual pension cost would have been \$135,739.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

G. PENSION PLAN - Continued

Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$159,406 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include the (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 14 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

| <u>Fiscal Year</u> <u>Year Ending</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage</u> <u>of APC</u> <u>Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|--|--|--|---|
| June 30, 2010 | \$159,406 | 100% | \$ - |
| June 30, 2009 | 535,739 | 100% | - |
| June 30, 2008 | 105,387 | 100% | - |

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 93.18% funded. The actuarial accrued liability (AAL) for benefits was \$2.85 million, and the actuarial value of assets was \$2.65 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.19 million, and the ratio of the UAAL to the covered payroll was 16.32%.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

G. PENSION PLAN - Continued

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

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

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|---|--|--|----------------------------|---------------------------|---|
| July 1, 2009 | \$2,651 | \$2,845 | \$194 | 93.18% | \$1,189 | 16.32% |
| July 1, 2007 | 2,258 | 2,735 | 477 | 82.56% | 1,082 | 44.09% |

H. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The City of Belle Meade participates in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-207 (local governments). Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

H. POSTEMPLOYMENT HEALTHCARE PLAN - Continued

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants. For plan members electing family coverage, plan members contribute on average 34.37% of premiums and Belle Meade contributes on average 65.63% of premiums. For plan members electing single coverage, plan members contribute on average 37.60% of premiums and Belle Meade contributes 62.40% of premiums.

| <u>Annual OPEB cost and Net OPEB Asset</u> | <u>Plan</u> |
|--|------------------|
| ARC | \$ 2,264 |
| Interest on the NPO | - |
| Adjustment to the ARC | <u>-</u> |
| Annual OPEB cost | 2,264 |
| Amount of contribution | <u>(6,241)</u> |
| Increase/Decrease in NPO | (3,977) |
| Net OPEB asset - beginning of year | <u>(5,324)</u> |
| Net OPEB asset - end of year | <u>\$(9,301)</u> |

| <u>Year End*</u> | <u>Plan</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Asset at Year-End</u> |
|------------------|------------------|-----------------------------|---|---|
| June 30, 2010 | Local Government | \$2,264 | 275.66% | \$9,301 |
| June 30, 2009 | Local Government | 2,532 | 310.27% | 5,324 |

*An additional year will be reported as data becomes available.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

H. POSTEMPLOYMENT HEALTHCARE PLAN - Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows (dollars in thousands):

| | |
|---|--------------|
| Actuarial valuation date | July 1, 2009 |
| Actuarial accrued liability (AAL) | \$523 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | \$523 |
| Actuarial Value of Assets as a % of the AAL | 0.00% |
| Covered payroll (active plan members) | \$6,500 |
| UAAL as a percentage of covered payroll | 8.05% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4% for fiscal year 2010. The trend will rise to 10% in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. The rate includes a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. COMMITMENTS AND CONTINGENCIES

Risk Management

The City 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. The City has joined together with other municipalities to form the Tennessee Municipal League (TML) Risk Pool, a public entity risk pool currently operating as a common risk management and insurance pool for its members. The City pays an annual premium to the TML Risk Pool for its insurance coverage. For the past three fiscal years, settlements have not exceeded insurance coverage.

Construction Commitments

As of June 30, 2010, the governmental activities of the City had commitments of \$501,993 for construction contracts for repairs to City Hall.

J. FLOOD ACTIVITY

The City experienced significant property damage in connection with heavy rainfall and flooding in early May 2010. The flooding resulted in the declaration of Belle Meade/Nashville as a Federal Disaster area by the Federal Emergency Management Agency.

The City's total estimated costs and insurance and grant recoveries relating to property damage and repair costs of the flood during 2010 and 2011 are expected to be as follows:

| | <u>Fiscal 2010</u> | <u>Fiscal 2011 (Unaudited Estimate)</u> | <u>Total (Unaudited Estimate)</u> |
|-----------------------------|--------------------|---|---|
| Restoration of City Hall | \$229,146 | \$ 563,002 | \$ 792,148 |
| Other flood costs | <u>43,536</u> | <u>271,910</u> | <u>315,446</u> |
| Total costs | <u>272,682</u> | <u>834,912</u> | <u>1,107,594</u> |
| Insurance proceeds | 582,618 | 209,530 | 792,148 |
| Grant recoveries | <u>-</u> | <u>299,674</u> | <u>299,674</u> |
| Total recoveries | <u>582,618</u> | <u>509,204</u> | <u>1,091,822</u> |
| Estimated cash expenditures | <u>\$309,936</u> | <u>\$(325,708)</u> | <u>\$(15,772)</u> |

CITY OF BELLE MEADE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

J. FLOOD ACTIVITY - Continued

Included in the total cost of the flood and anticipated to be incurred in fiscal 2011 is an amount estimated at \$233,000 related to repairing flood damage to the historic stone wall along Harding Road. The City has not included the 150-year-old wall in its capital assets.

An extraordinary loss of \$35,598 and an extraordinary gain of \$309,936 were recorded in the Government-wide Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, respectively.

The difference in the extraordinary item reported in the two above-mentioned statements (loss of \$35,598 - page 18 and gain of \$309,936 - page 23) results from using the full accrual basis of accounting (including impairment of Capital Assets) in the Government-wide Statement of Activities and the modified accrual basis of accounting in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances.

Activity recorded in the June 30, 2010 financial statements related to the flood is as follows:

| | <u>Government-wide Financial Statements</u> | <u>Governmental Funds Financial Statements</u> |
|---|---|--|
| Asset impairment before insurance recoveries | \$ 547,729 | |
| Insurance recoveries realized before June 30 | <u>(489,399)</u> | |
| Net impairment loss | (58,330) | |
| Replacement assets acquired before June 30 | - | \$(68,646) |
| Building repairs incurred before June 30 | - | (95,455) |
| General non-capital costs related to the flood incurred before June 30 | (108,581) | (108,581) |
| Insurance recoveries realized before June 30 | 93,219 | 582,618 |
| Estimated future FEMA grant recoveries (deferred in Governmental Funds Financial Statements) | <u>38,094</u> | <u>-</u> |
| Extraordinary flood (loss) gain | <u>\$(35,598)</u> | <u>\$ 309,936</u> |

The carrying amount of City Hall, which was idle at June 30, 2010, totaled \$2,025,174.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010

A. Schedule of Funding Progress

(Dollar amounts in thousands)

TCRS Pension Plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|---|---|--|----------------------------|---------------------------|---|
| July 1, 2009 | \$2,651 | \$2,845 | \$194 | 93.18% | \$1,189 | 16.32% |
| July 1, 2007 | 2,258 | 2,735 | 477 | 82.56% | 1,082 | 44.09% |

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

Local Government Group Insurance Plan

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|---|---|--|----------------------------|---------------------------|---|
| July 1, 2009 | \$ - | \$523 | \$523 | 0.00% | \$6,500 | 8.05% |
| July 1, 2007 | - | 321 | 321 | 0.00% | 6,510 | 4.94% |

An additional year will be reported as data becomes available.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010

| <u>Federal Grantor / Pass-Through Grantor / Cluster Title</u> | <u>CFDA Number</u> | <u>Contract Number</u> | <u>Balance June 30, 2009</u> | <u>Cash Receipts</u> | <u>Expenditures</u> | <u>Balance June 30, 2010</u> |
|--|------------------------|----------------------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| U.S. Department of Transportation/ TN Department of Transportation/ Highway Safety Cluster Total U.S. Department of Transportation | 20.600 / 20.601 | Z09214262 | \$1,246 | \$1,246 | \$ - | \$ - |
| U.S. Department of Homeland Security/ TN Emergency Management Agency/ Disaster Grants - Public Assistance Total U.S. Department of Homeland Security | 97.036 | N/A | - | - | <u>34,086</u> | <u>34,086</u> |
| | | | <u>\$1,246</u> | <u>\$1,246</u> | <u>\$34,086</u> | <u>\$34,086</u> |

Note: The schedule of expenditures of federal awards includes the federal grant activity of the City. The information in this schedule is presented in accordance with the requirements of the State of Tennessee.

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2010
 (with comparative totals for 2009)

| | 2010 | | | | |
|--|--------------------------|------------------------|--------------|--|-----------------|
| | State Street Aid Fund | Beautification Fund | Drug Fund | Total Nonmajor Governmental Funds | Total 2009 |
| ASSETS | | | | | |
| Cash | <u>\$14,534</u> | <u>\$13,586</u> | <u>\$182</u> | <u>\$28,302</u> | <u>\$29,443</u> |
| Total assets | <u>\$14,534</u> | <u>\$13,586</u> | <u>\$182</u> | <u>\$28,302</u> | <u>\$29,443</u> |
| LIABILITIES | | | | | |
| Accounts payable | <u>\$ 1,957</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,957</u> | <u>\$ -</u> |
| Total liabilities | <u>1,957</u> | <u>-</u> | <u>-</u> | <u>1,957</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Unreserved | <u>12,577</u> | <u>13,586</u> | <u>182</u> | <u>26,345</u> | <u>29,443</u> |
| Total liabilities and fund balances | <u>\$14,534</u> | <u>\$13,586</u> | <u>\$182</u> | <u>\$28,302</u> | <u>\$29,443</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010
 (with comparative totals for 2009)

| | 2010 | | | | Total Nonmajor Governmental Funds | Total 2009 |
|---------------------------------------|--------------------------|------------------------|--------------|--|--|------------|
| | State Street Aid Fund | Beautification Fund | Drug Fund | Total Nonmajor Governmental Funds | Total 2009 | |
| REVENUES | | | | | | |
| Contributions | \$ - | \$ 32,621 | \$ - | \$ 32,621 | \$ 33,725 | |
| Gasoline and motor fuel tax | 77,885 | - | - | 77,885 | 77,334 | |
| Interest income | <u>5</u> | <u>50</u> | <u>-</u> | <u>55</u> | <u>139</u> | |
| Total revenues | <u>77,890</u> | <u>32,671</u> | <u>-</u> | <u>110,561</u> | <u>111,198</u> | |
| EXPENDITURES | | | | | | |
| Street lighting | 42,259 | - | - | 42,259 | 43,768 | |
| Repair and maintenance - roads | 25,210 | - | - | 25,210 | 24,620 | |
| Repair and maintenance - other | 5,873 | - | - | 5,873 | 13,575 | |
| Bank charges | 259 | - | - | 259 | 231 | |
| Horticulture supplies and services | - | 18,171 | - | 18,171 | 29,088 | |
| Other improvements | <u>-</u> | <u>21,887</u> | <u>-</u> | <u>21,887</u> | <u>-</u> | |
| Total expenditures | <u>73,601</u> | <u>40,058</u> | <u>-</u> | <u>113,659</u> | <u>111,282</u> | |
| Net change in fund balances | 4,289 | (7,387) | - | (3,098) | (84) | |
| Fund balance - July 1 | <u>8,288</u> | <u>20,973</u> | <u>182</u> | <u>29,443</u> | <u>29,527</u> | |
| Fund balance - June 30 | <u>\$12,577</u> | <u>\$ 13,586</u> | <u>\$182</u> | <u>\$ 26,345</u> | <u>\$ 29,443</u> | |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE - BEAUTIFICATION FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------------|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| Contributions | \$31,000 | \$ 32,500 | \$ 32,621 | \$ 121 |
| Interest income | <u>50</u> | <u>50</u> | <u>50</u> | <u>-</u> |
| Total revenues | <u>31,050</u> | <u>32,550</u> | <u>32,671</u> | <u>121</u> |
| EXPENDITURES | | | | |
| Parkways | 15,000 | 22,000 | 21,887 | 113 |
| Horticultural supplies and services | <u>15,650</u> | <u>18,200</u> | <u>18,171</u> | <u>29</u> |
| Total expenditures | <u>30,650</u> | <u>40,200</u> | <u>40,058</u> | <u>142</u> |
| Net change in fund balance | 400 | (7,650) | (7,387) | 263 |
| Fund balance - July 1 | <u>20,920</u> | <u>6,313</u> | <u>20,973</u> | <u>14,660</u> |
| Fund balance - June 30 | <u>\$21,320</u> | <u>\$(1,337)</u> | <u>\$ 13,586</u> | <u>\$14,923</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE - STATE STREET AID FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--------------------------------|----------------------------|-------------------------|-----------------|---|
| REVENUES | | | | |
| Gasoline and motor fuel tax | \$ 76,226 | \$ 76,226 | \$77,885 | \$ 1,659 |
| Interest income | <u>50</u> | <u>50</u> | <u>5</u> | <u>(45)</u> |
| Total revenues | <u>76,276</u> | <u>76,276</u> | <u>77,890</u> | <u>1,614</u> |
| EXPENDITURES | | | | |
| Street lighting | 45,000 | 43,000 | 42,259 | 741 |
| Repair and maintenance - roads | 30,880 | 30,880 | 25,210 | 5,670 |
| Repair and maintenance - other | - | - | 5,873 | (5,873) |
| Bank charges | <u>200</u> | <u>200</u> | <u>259</u> | <u>(59)</u> |
| Total expenditures | <u>76,080</u> | <u>74,080</u> | <u>73,601</u> | <u>479</u> |
| Net change in fund balance | 196 | 2,196 | 4,289 | 2,093 |
| Fund balance - July 1 | <u>(34,234)</u> | <u>(15,635)</u> | <u>8,288</u> | <u>23,923</u> |
| Fund balance - June 30 | <u>\$(34,038)</u> | <u>\$(13,439)</u> | <u>\$12,577</u> | <u>\$ 26,016</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
 BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|-------------------------|------------------------|---|
| REVENUES | \$ - | \$ - | \$ - | \$ - |
| EXPENDITURES | | | | |
| Landscaping, architect and other Improvements other than building | 55,000 <u>80,000</u> | 3,000 <u>68,000</u> | 2,490 <u>67,592</u> | 510 <u>408</u> |
| Total expenditures | <u>135,000</u> | <u>71,000</u> | <u>70,082</u> | <u>918</u> |
| Deficiency of revenues under expenditures | <u>(135,000)</u> | <u>(71,000)</u> | <u>(70,082)</u> | <u>918</u> |
| OTHER FINANCING SOURCES | | | | |
| Operating Transfers In: | | | | |
| General fund | <u>135,000</u> | <u>71,000</u> | <u>70,082</u> | <u>918</u> |
| Total other financing sources | <u>135,000</u> | <u>71,000</u> | <u>70,082</u> | <u>918</u> |
| Net change in fund balance | - | - | - | - |
| Fund balance - July 1 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance - June 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
JUNE 30, 2010

| <u>Tax Year</u> | <u>Balance June 30, 2009</u> | <u>Tax Levy</u> | <u>Collections</u> | <u>Adjustments</u> | <u>Penalties and Interest</u> | <u>Balance June 30, 2010</u> |
|-----------------|------------------------------|------------------|--------------------|--------------------|-------------------------------|------------------------------|
| 2009 | \$ - | \$944,177 | \$(930,644) | \$ - | \$1,083 | \$ 14,616 |
| 2008 | <u>8,468</u> | <u>-</u> | <u>(7,130)</u> | <u>-</u> | <u>520</u> | <u>1,858</u> |
| | <u>\$8,468</u> | <u>\$944,177</u> | <u>\$(937,774)</u> | <u>\$ -</u> | <u>\$1,603</u> | 16,474 |
| | | | | | | <u>955,098</u> |
| | | | | | | <u>\$971,572</u> |

Taxes are assessed as of January 1 and are due on October 1 each year. Taxes become delinquent on March 1 of the following year and a penalty of 2% accrues the first of each month taxes remain delinquent. Delinquent taxes may be collected by foreclosure proceedings through court ordered tax sales.

See accompanying notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE
 SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

| <u>Fiscal Year</u> | <u>Tax Rate Per \$100.000</u> | <u>Appraised Value of Property</u> | <u>Assessed Value of Property</u> |
|--------------------|-----------------------------------|--|---------------------------------------|
| 2010 | \$0.229 | \$1,653,195,758 | \$414,794,717 |
| 2009 | 0.229 | 1,644,926,158 | 412,621,483 |
| 2008 | 0.26 | 1,448,669,414 | 363,858,648 |
| 2007 | 0.26 | 1,396,836,614 | 350,900,448 |
| 2006 | 0.26 | 1,391,284,464 | 389,139,264 |
| 2005 | 0.35 | 1,387,628,142 | 346,705,854 |
| 2004 | 0.35 | 1,032,550,937 | 258,228,578 |
| 2003 | 0.35 | 1,003,816,437 | 251,044,953 |
| 2002 | 0.35 | 1,002,278,137 | 250,660,378 |
| 2001 | 0.43 | 973,735,437 | 243,832,478 |

See accompanying notes to financial statements.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Commissioners
City of Belle Meade, Tennessee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and City Commissioners
City of Belle Meade, Tennessee

Compliance and Other Matters

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

This report is intended solely for the information and use of the Budget and Finance Committee, management, and the City Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Creselin & Associates, P.C.

Nashville, Tennessee
November 9, 2010