

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
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JUNE 30, 2015

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CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

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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, 2015.

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. KraftCPAs PLLC, 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 unmodified opinion of our independent auditors, KraftCPAs PLLC, is included in this report.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CITY OFFICIALS

Elected Officials:

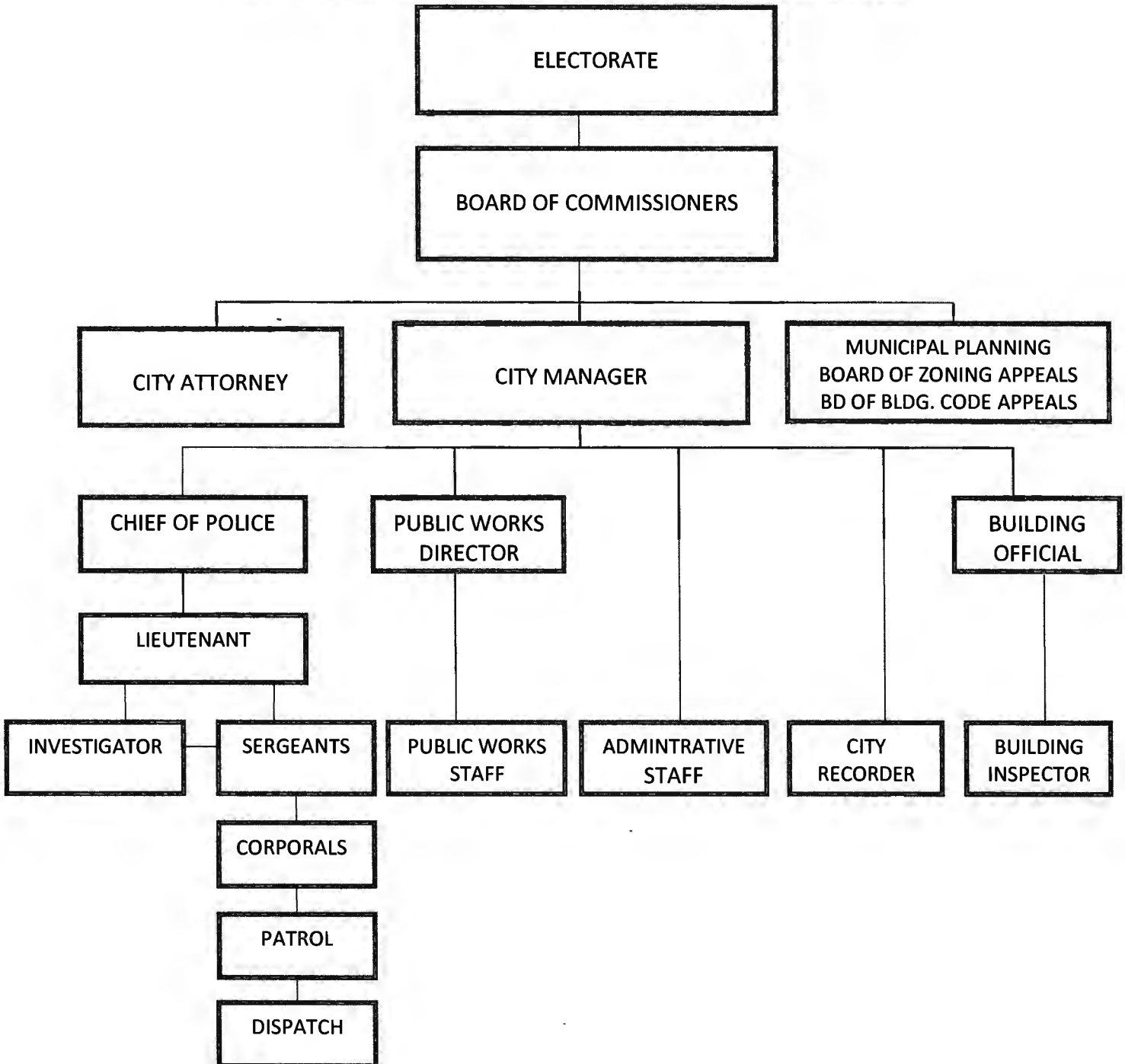
James V. Hunt	-	Mayor/Commissioner
Cathy Altenbern	-	Vice-Mayor/Commissioner
Gray O. Thornburg	-	Commissioner
Boyd Bogle	-	Commissioner
Bob Weigel	-	Commissioner

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
Lyle Patterson	-	Building Official
William Brooks	-	City Judge



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



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Commissioners
City of Belle Meade, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, 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, 2015, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the Schedule of Funding Progress for the Local Government Group Insurance Plan, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, and the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on pages 42-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Meade's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules on pages 45 - 50 and page 52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Property Tax Rates and Assessments - Last Ten Fiscal Years on page 51 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the City of Belle Meade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Belle Meade's internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
December 16, 2015

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 years ended June 30, 2015. 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 2015:

- The combined revenues for 2015 totaled \$4,830,959 (including charges for services and operating grants and contributions on the Statement of Activities, which is a 11.81% increase from the previous year.
- The combined fund expenses for 2015 totaled \$3,822,417 on the Statement of Activities and \$4,160,205 on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net position for 2015 is \$16,707,988 of which \$7,085,956 was invested in capital assets. Total fund balance for all funds at June 30, 2015 was \$10,237,996. Detail of the classifications can be found on page 26 of this report and further explanation in the Notes to Financial Statements section of the report.

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 2015's activities?"

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

The statement of activities presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will 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 four individual governmental funds:

- General Fund (1)
- Special Revenue Funds (3)
 - Beautification Fund
 - State Street Aid Fund
 - Drug Fund

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 also encompasses waste collection (sanitation) and is the City's major governmental fund. 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. Information for waste collection (sanitation) is presented separately in the budget to actual comparison section as required by the State of Tennessee, but is not presented as a separate special revenue fund of the City as it does not meet the criteria of a special revenue fund under GASB Statement No. 54.

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 Position

	2015	2014		Change %
Current assets	\$ 11,322,755	\$ 10,613,881		
Non-current assets	7,305,326	6,799,770		
Total assets	18,628,081	17,413,651		6.97%
Deferred outflows of resources	91,692	-		
Current liabilities	133,712	93,712		
Non-current liabilities	533,156	511,612		
Total liabilities	666,868	605,324		10.17%
Deferred inflows of resources	1,344,917	952,927		41.14%
Net Position:				
Invested in capital assets	7,085,956	6,799,770		
Restricted	28,458	27,196		
Unrestricted	9,593,574	9,028,434		
Total Net Position	\$ 16,707,988	\$ 15,855,400	*	5.38%

Summary Statement of Activities

	2015	2014		Change %
Revenues:				
General revenues	\$ 4,222,882	\$ 3,819,159		10.57%
Expenses:				
Operating expenses	3,822,417	3,696,018		
Less: Charges for services and operating/capital grants and contributions	(608,077)	(501,632)		
Net operating expenses	3,214,340	3,194,386		0.62%
Change in net position	1,008,542	624,773		61.43%
Total net position, beginning of year *	15,699,446	15,230,627		3.08%
Total net position, end of year	\$ 16,707,988	\$ 15,855,400	*	5.38%

*2014 net position shown in MD&A does not reflect the opening adjustment that was made to adopt GASB 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, reflected in Note 10 of the financial statements.

**Major Revenues by Source
(From the Statement of Activities)**

	2015	2014	Change %
Program revenues:			
Charges for services	\$ 438,285	\$ 384,577	
Operating grants and contributions	169,792	117,055	
Total program revenues	608,077	501,632	21.22%
General revenues:			
Taxes	3,920,739	3,564,957	
Other	302,143	254,202	
Total general revenues	4,222,882	3,819,159	10.57%
Total revenues	\$ 4,830,959	\$ 4,320,791	11.81%

**Detail of Operating Expenses
(From the Statement of Activities)**

	2015	2014	Change %
<u>Operating expenses, by department</u>			
General government	\$ 618,439	\$ 585,355	5.65%
Public safety	1,613,319	1,624,034	-0.66%
Highways and streets	342,932	388,037	-11.62%
Building inspection	128,595	101,188	27.09%
Stormwater	166,832	60,540	175.57%
Sanitation and sewers	409,048	390,147	4.84%
Waste collection	418,642	414,511	1.00%
Boulevards	110,139	104,948	4.95%
Horticulture supplies and services	14,471	27,258	-46.91%
Total expenses	\$ 3,822,417	\$ 3,696,018	3.42%

Financial Analysis of the City as a Whole

The change in total net position between fiscal years 2015 and 2014 as shown on the Summary Statement of Net Position was 5.38% (6.42% including the effects of GASB Statement No. 68 adoption detailed in Note 10). Over time, net assets may serve as a useful indicator of financial position. At the close of the fiscal year, assets exceeded liabilities and deferred inflows of resources by \$16,707,988. Unrestricted net position of \$9,593,574, an increase of over \$0.7 million dollars from 2014, represents the current net position available to support future operations and other expenditure items as funded by the Board of Commissioners.

The Summary Statement of Activities compares 2015 and 2014 revenues and expenses on a full accrual basis. 2015 general revenues increased by 10.57%. Program revenues in 2015 increased 21.22% due largely from increased stormwater user fee revenue from commercial properties in the City, an increase in sewer user fees as a result of an approved sewer rate increase, and higher than normal grant revenue from the Governor's Highway Safety Office. Total net operating expenses in 2015 had minimal change from 2014. The biggest increase was seen in Stormwater, due to the Signal Hill Drive drainage infrastructure project.

Capital Assets

Fiscal year 2015 as compared to fiscal year 2014:

At the end of fiscal year 2015, the City of Belle Meade had invested \$7,085,956 in land, buildings, infrastructure, equipment and construction in progress, up from \$6,799,770 at June 30, 2014. Net capital assets increased by 4.2% in 2015. The table below summarizes the City's investment in capital assets.

Major capital asset events during fiscal year 2015 included the following:

Sewer service truck	\$ 59,082
Sewer system equipment	\$ 80,251
Street resurfacing	\$ 259,757
Signal Hill drainage Improvements	\$ 284,080

Capital Assets

	2015	2014
Land	\$ 385,000	\$ 385,000
Construction in progress	127,914	97,026
Infrastructure	9,524,798	8,793,516
Buildings	2,568,879	2,568,879
Improvements other than buildings	1,307,640	1,307,640
Equipment	1,176,361	1,163,220
Subtotal	15,090,592	14,315,281
Less: accumulated depreciation	(8,004,636)	(7,515,511)
Net Capital Assets	\$ 7,085,956	\$ 6,799,770

Financial Analysis of the Government's Funds

The City of 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.

**Governmental Funds
(From the Balance Sheet)**

	2015	2014	Change %
<u>Assets</u>			
Cash	\$ 694,005	\$ 151,496	358.10%
Investments	6,985,239	7,340,001	-4.83%
Property taxes receivable	955,138	956,430	-0.14%
Accounts receivable	13,785	5,642	144.33%
Due from other funds	14,253	13,819	3.14%
Due from other governments	2,663,445	2,148,998	23.94%
Prepaid expenses	2,643	2,340	12.95%
Inventories	8,500	8,974	-5.28%
Total Assets	11,337,008	10,627,700	6.67%
<u>Liabilities</u>			
Accounts payable	76,616	53,167	44.10%
Accrued liabilities	34,948	32,510	7.50%
Due from other funds	14,253	13,819	100.00%
Due to other governments	22,148	8,035	175.64%
Total Liabilities	147,965	107,531	37.60%
<u>Deferred inflows of resources</u>			
Deferred inflows - unavailable property taxes	951,047	952,927	-0.20%
<u>Fund Balance</u>			
Nonspendable	11,143	11,314	-1.51%
Restricted	28,458	27,196	4.64%
Committed	129,536	95,513	35.62%
Assigned	6,724,729	7,331,181	-8.27%
Unassigned	3,344,130	2,102,038	59.09%
Total Fund Balance	\$ 10,237,996	\$ 9,567,242	7.01%
Unassigned fund balance as percent of total fund balances	32.66%	21.97%	

Governmental Fund Balance Classifications

Fund Balance Designation	2015	2014
Nonspendable	\$ 11,143	\$ 11,314
Restricted	28,458	27,196
Committed	129,536	95,513
Assigned	6,724,729	7,331,181
Unassigned	3,344,130	2,102,038
Total Fund Balance	\$ 10,237,996	\$ 9,567,242

In accordance with GASB Statement 54, the City is required to report fund balance within five specific classifications, so that reporting will be more consistent and comparable between similar governmental entities. The definition of each classification can be found in the Notes to Financial Statements section of this report. The Nonspendable classification of \$11,143 is inventory and prepaid expenses. The Restricted fund balance of \$28,458 is State Street Aid and Drug Funds and the Committed fund balance of \$129,536 is the Beautification Fund. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles and upgrades to the sewer system.

The following table shows an increase in the General Fund's fund balance of \$635,469. The General Fund is the chief operating fund of the City. The fund balance of Other Funds, which consist of the State Street Aid, Beautification and Drug Funds, reflects an increase of \$35,285. The majority of this increase is contributions to the Beautification Fund from citizen donors.

Governmental Funds
(From the Statement of Revenues, Expenditures, and Changes in Fund Balances)

	2015			2014		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Revenues:						
Taxes	\$ 3,930,943	\$ 76,882	\$ 4,007,825	\$ 3,567,684	\$ 75,339	\$ 3,643,023
Licenses and permits	174,597	-	174,597	165,007	-	165,007
Fines and forfeitures	208,710	-	208,710	163,496	-	163,496
Charges for services	263,688	-	263,688	219,570	-	219,570
Intergovernmental	38,545	-	38,545	2,801	-	2,801
Investment earnings	11,567	69	11,636	6,801	66	6,867
Other local revenues	77,533	48,425	125,958	81,112	38,915	120,027
Total revenues	4,705,583	125,376	4,830,959	4,206,471	114,320	4,320,791
Expenditures:						
General government	585,062	-	585,062	496,547	56	496,603
Public safety	1,568,146	-	1,568,146	1,507,233	-	1,507,233
Highways and streets	529,260	75,620	604,880	264,116	74,371	338,487
Building inspection	127,012	-	127,012	93,951	-	93,951
Stormwater	405,868	-	405,868	98,472	-	98,472
Sanitation and sewers	325,985	-	325,985	255,345	-	255,345
Waste collection	418,642	-	418,642	414,511	-	414,511
Boulevards	110,139	-	110,139	104,948	-	104,948
Horticulture	-	14,471	14,471	-	27,258	27,258
Total expenditures	4,070,114	90,091	4,160,205	3,235,123	101,685	3,336,808
Excess (deficiency)	635,469	35,285	670,754	971,348	12,635	983,983
Other Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other	-	-	-	-	-	-
Change in Fund Balance	635,469	35,285	670,754	971,348	12,635	983,983
Beginning Fund Balance	9,444,533	122,709	9,567,242	8,473,185	110,074	8,583,259
Ending Fund Balance	\$ 10,080,002	\$ 157,994	\$ 10,237,996	\$ 9,444,533	\$ 122,709	\$ 9,567,242

Budgetary Information

Budgetary comparison schedules for the General fund can be found in the Basic Financial Statements section. Schedules for other special revenue funds and the waste collection (sanitation) component of the General Fund are found in the Supplementary Information section of this Report. There are several line items that may 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 in the Basic Financial Statements. The Commissioners revise the budget mid-year and near fiscal year-end with approval of a Budget Amendment Resolution. Most amendments result from unexpected changes in revenues and unforeseen or emergency-type expenditures. Those who are familiar with the budget process in non-government organizations may find it unusual for the City's budget to be amended several times during a fiscal year. The budget is passed by the Commissioners by ordinance, therefore establishing it as law for the current fiscal year. Under that ordinance, staff cannot spend more than what was approved by the Commissioners. When changes in revenue or expenditures do occur, they must first be approved by amending the original ordinance, so that the staff has the legal authorization to make changes in revenue collections or expense disbursements.

Currently Known Factors Effecting Future Years

After an initial increase in fiscal year 2015 to the sewer rate for Belle Meade citizens, the Commissioners approved the second of three increases to the rate for fiscal year 2016. This was in preparation for the conversion of the Wastewater/Sewer Department (now a part of the General Fund) to an enterprise fund by July 1, 2016, as mandated by state law. As an enterprise fund, the Wastewater/Sewer Department must be self-sufficient and is legally required to cover all of its costs, including depreciation, through fees and charges.

Several months after the close of fiscal year 2015, the City held a public auction of the Richland Creek property on Deer Park Drive that was previously donated several years ago. The City had spent \$24,360 on the first of several planned invasive plant removal and eradication treatments on the property. The property sold for \$30,000 and will once again be subject to property taxes. The new owner is required by contract for the next three years to maintain the property and continue the removal of non-native and invasive plant species.

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.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 694,005
Investments	6,985,239
Property tax receivable	955,138
Accounts receivable	13,785
Due from other governments	2,663,445
Prepaid expenses	2,643
Inventories	8,500
Net pension asset	219,370
Capital assets:	
Land	385,000
Construction in progress	127,914
Infrastructure	9,524,798
Buildings and equipment	5,052,880
Accumulated depreciation	<u>(8,004,636)</u>
Total assets	<u>18,628,081</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension contributions	<u>91,692</u>
LIABILITIES	
Accounts payable	76,616
Accrued liabilities	34,948
Due to other governments	22,148
Long-term liabilities:	
Compensated absences	220,156
Other post employment benefits	<u>313,000</u>
Total liabilities	<u>666,868</u>
DEFERRED INFLOWS OF RESOURCES	
Assessed and unlevied property taxes	951,047
Deferred inflows related to pension assumptions	<u>393,870</u>
Total deferred inflows of resources	<u>1,344,917</u>
NET POSITION	
Investment in capital assets	7,085,956
Restricted for:	
Street repairs	28,294
Drug enforcement and education	164
Unrestricted - assigned for operations and capital assets	6,724,729
Unrestricted	<u>2,868,845</u>
NET POSITION	<u>\$ 16,707,988</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION
					GOVERNMENTAL ACTIVITIES
Primary Government:					
General government	\$ 618,439	\$ -	\$ -	\$ -	\$ (618,439)
Public safety	1,613,319	45,228	38,545	-	(1,529,546)
Highways and streets	342,932	-	82,822	-	(260,110)
Building inspection	128,595	174,597	-	-	46,002
Stormwater	166,832	101,426	-	-	(65,406)
Sanitation and sewers	409,048	117,034	-	-	(292,014)
Waste collection	418,642	-	-	-	(418,642)
Boulevards	110,139	-	-	-	(110,139)
Horticulture supplies and services	14,471	-	48,425	-	33,954
Total primary government	<u>\$ 3,822,417</u>	<u>\$ 438,285</u>	<u>\$ 169,792</u>	<u>\$ -</u>	<u>(3,214,340)</u>
General Revenues:					
Taxes:					
Property taxes					956,581
Payments in lieu of taxes					4,801
Mixed drink tax					51,524
TVA in lieu of tax					33,751
Sales tax					220,545
Income tax					2,569,806
Franchise tax					82,338
Beer tax					1,393
Fines and forfeitures					208,710
Unrestricted investment earnings					11,636
Other local revenue					81,797
Total general revenues					<u>4,222,882</u>
Change in net position					1,008,542
Net position - beginning, as restated					<u>15,699,446</u>
Net position - ending					<u>\$ 16,707,988</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>GENERAL</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash	\$ 548,472	\$ 145,533	\$ 694,005
Investments	6,985,239	-	6,985,239
Receivables:			
Property tax	955,138	-	955,138
Accounts	13,785	-	13,785
Due from other funds	-	14,253	14,253
Due from other governments	2,663,445	-	2,663,445
Prepaid expenses	2,643	-	2,643
Inventories	8,500	-	8,500
TOTAL ASSETS	<u>\$ 11,177,222</u>	<u>\$ 159,786</u>	<u>\$ 11,337,008</u>
LIABILITIES			
Accounts payable	\$ 74,824	\$ 1,792	\$ 76,616
Accrued liabilities	34,948	-	34,948
Due to other funds	14,253	-	14,253
Due to other governments	22,148	-	22,148
TOTAL LIABILITIES	<u>146,173</u>	<u>1,792</u>	<u>147,965</u>
DEFERRED INFLOWS OF RESOURCES - unavailable property taxes	<u>951,047</u>	<u>-</u>	<u>951,047</u>
FUND BALANCE:			
Fund balance:			
Nonspendable	11,143	-	11,143
Restricted for street repairs	-	28,294	28,294
Restricted for drug enforcement and education	-	164	164
Committed for beautification	-	129,536	129,536
Assigned for operations and capital assets	6,724,729	-	6,724,729
Unassigned	3,344,130	-	3,344,130
TOTAL FUND BALANCE	<u>10,080,002</u>	<u>157,994</u>	<u>10,237,996</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 11,177,222</u>	<u>\$ 159,786</u>	<u>\$ 11,337,008</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2015

Total Governmental Funds Balances	\$ 10,237,996
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 governmental funds Balance Sheet	7,085,956
Net pension asset in governmental activities is not a financial resource and therefore is not reported in the governmental funds Balance Sheet	219,370
Employer pension contributions made since the measurement date are deferred outflows of resources in governmental activities but have been expensed in the governmental funds Balance Sheet	91,692
Deferred inflows of resources caused by actuarial assumptions that result in an actuarial gain are not a financial resource and therefore are not reported in the governmental funds Balance Sheet	(393,870)
Net other post employment benefits obligation in governmental activities is not a current liability and is therefore are not reported in the governmental funds Balance Sheet	(313,000)
Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds Balance Sheet	<u>(220,156)</u>
Net Position of Governmental Activities	<u>\$ 16,707,988</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, 2015

	<u>GENERAL</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 3,930,943	\$ 76,882	\$ 4,007,825
Licenses and permits	174,597	-	174,597
Fines and forfeitures	208,710	-	208,710
Charges for services	263,688	-	263,688
Intergovernmental	38,545	-	38,545
Uses of money and property	11,567	69	11,636
Other	77,533	48,425	125,958
	<u>4,705,583</u>	<u>125,376</u>	<u>4,830,959</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General government	585,062	-	585,062
Public safety	1,568,146	-	1,568,146
Highways and streets	529,260	75,620	604,880
Building inspection	127,012	-	127,012
Stormwater	405,868	-	405,868
Sanitations and sewers	325,985	-	325,985
Waste collection	418,642	-	418,642
Boulevards	110,139	-	110,139
Horticulture supplies and services	-	14,471	14,471
	<u>4,070,114</u>	<u>90,091</u>	<u>4,160,205</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	<u>635,469</u>	<u>35,285</u>	<u>670,754</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCE	635,469	35,285	670,754
FUND BALANCE, BEGINNING OF YEAR	<u>9,444,533</u>	<u>122,709</u>	<u>9,567,242</u>
FUND BALANCE, END OF YEAR	<u>\$ 10,080,002</u>	<u>\$ 157,994</u>	<u>\$ 10,237,996</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balance - Governmental Funds	\$ 670,754
<p>Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:</p>	
Acquisition of capital assets	887,004
Depreciation expense	(600,818)
<p>Payments to the pension plan after the measurement date are treated as a deferred outflow of resources in the Statement of Net Assets, whereas in the governmental funds, a pension expense is reported when due</p>	
	91,692
<p>Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:</p>	
Change in accrual for compensated absences	6,456
Change in pension plan earnings	(18,546)
Change in accrual for other post employment benefits obligation	<u>(28,000)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,008,542</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>OVER</u>
				<u>(UNDER)</u>
REVENUES				
Taxes:				
Property taxes	\$ 952,926	\$ 952,926	\$ 948,814	\$ (4,112)
Property taxes delinquent	-	-	2,070	2,070
Personal property taxes	1,600	1,600	1,712	112
Public utility property tax	2,100	2,100	2,649	549
Interest and penalties - property taxes	1,906	900	1,336	436
Intergovernmental:				
State sales tax	201,600	201,600	220,545	18,945
State income tax	2,000,000	2,200,000	2,569,806	369,806
Franchise taxes	62,000	62,000	82,338	20,338
Beer tax	1,408	1,408	1,393	(15)
Petroleum special tax	5,952	5,952	5,940	(12)
TVA in-lieu of taxes	32,216	32,216	33,751	1,535
Mixed drink tax	33,840	42,840	51,524	8,684
Electric in lieu of taxes	4,870	4,870	4,801	(69)
Other	<u>2,200</u>	<u>3,900</u>	<u>4,264</u>	<u>364</u>
Total taxes	<u>3,302,618</u>	<u>3,512,312</u>	<u>3,930,943</u>	<u>418,631</u>
LICENSES AND PERMITS	<u>149,775</u>	<u>167,375</u>	<u>174,597</u>	<u>7,222</u>
FINES AND FORFEITURES	<u>165,570</u>	<u>202,570</u>	<u>208,710</u>	<u>6,140</u>
CHARGES FOR SERVICES				
Sewer use fee/charges	112,112	112,112	117,034	4,922
Stormwater usage fees	100,874	89,874	101,426	11,552
Public safety charges for services	<u>54,000</u>	<u>54,000</u>	<u>45,228</u>	<u>(8,772)</u>
Total charges for services	<u>266,986</u>	<u>255,986</u>	<u>263,688</u>	<u>7,702</u>
MISCELLANEOUS				
Interest income on investments	7,080	10,080	11,567	1,487
Contributions, dues	13,000	18,500	19,009	509
Sales of materials	43,600	43,600	42,539	(1,061)
Sale of equipment - surplus property	9,000	12,500	12,500	-
Other revenues	4,072	3,572	3,485	(87)
State grant - highway safety	<u>50,000</u>	<u>30,000</u>	<u>38,545</u>	<u>8,545</u>
Total miscellaneous	<u>126,752</u>	<u>118,252</u>	<u>127,645</u>	<u>9,393</u>
TOTAL REVENUES	<u>4,011,701</u>	<u>4,256,495</u>	<u>4,705,583</u>	<u>449,088</u>

(continued on next page)

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
Current:				
General government:	\$ 557,322	\$ 589,122	\$ 585,062	\$ (4,060)
Public safety	1,965,254	1,621,114	1,568,146	(52,968)
Highways and streets	497,146	539,534	529,260	(10,274)
Building inspection	131,217	129,417	127,012	(2,405)
Stormwater	479,460	478,495	405,868	(72,627)
Sanitation and sewers	309,442	334,042	325,985	(8,057)
Waste collection	426,049	426,049	418,642	(7,407)
Boulevards	92,900	112,260	110,139	(2,121)
				-
TOTAL EXPENDITURES	<u>4,458,790</u>	<u>4,230,033</u>	<u>4,070,114</u>	<u>(159,919)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(447,089)</u>	<u>26,462</u>	<u>635,469</u>	<u>609,007</u>
OTHER FINANCING USES				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (447,089)</u>	<u>\$ 26,462</u>	<u>635,469</u>	<u>\$ 609,007</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,444,533</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,080,002</u>	

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Belle Meade, Tennessee, (the “City”) 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 (“GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

Government-wide Financial Statements

The government-wide financial statements include a statement of net position 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 position. Net position is reported in three categories:

Investment 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, 2015.

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

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on sources and uses of current financial resources.

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. A governmental fund's assets plus deferred outflows of resources less the sum of liabilities plus deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

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.

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 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 (CONTINUED)

JUNE 30, 2015

NOTE 1 - 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.

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. However, expenditures related to compensated absences and other post employment benefits are recorded only when a payment is due.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

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.

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 use 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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Expenditures Over Budget In Individual Funds

There were no actual expenditures that exceeded the amount appropriated in the budget of the funds.

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.

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 inflows of resources to reflect amounts not available as of June 30. Taxes become delinquent and begin accumulating interest and penalty the following March 1.

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. These are shown as unrestricted net position in the government wide statements.

Net Pension Asset/Liability

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources - Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Deferred outflows of resources arise when resources used pertain to future reporting periods. Deferred outflows of resources at June 30, 2015 relate to contributions made into the pension plan after the measurement date.

Deferred inflows of resources representing 50% of the estimated Hall Income Tax revenues for taxes on investment earnings for the period from January 1 - June 30 of the current fiscal year have not been recorded as receivable or deferred inflows of resources at June 30 because these amounts cannot be reasonably estimated.

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, a long-term liability for compensated absences (vacation and sick pay) has been recorded representing the City's commitment to fund such costs with future financial resources.

Other Post Employment Benefits

The City provides post employment health insurance benefits to eligible retirees between the ages of 55 and 65. The City pays a portion of eligible retiree current year premiums based on length of service, but does not fund the plan for future retirements. The balance shown as a liability for other post employment benefits represents the actuarially determined liability resulting from the cumulative difference between annual required contributions to the plan and actual premium payments.

Fund Balance

In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners level of decision-making authority, through City ordinance, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Board of Commissioners remove or change the commitment by taking the same action it employed to impose the commitment.

Assigned - Amounts that are constrained by the City's intent as determined by the Commission or City Manager to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The City's policy is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

Use of Estimates

The preparation of the City's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 2 - CASH AND CASH EQUIVALENTS

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 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 2015, the City's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool and the Federal Depository Insurance Corporation (FDIC). At June 30, 2015, the carrying amount and corresponding bank balances of deposits were as follows:

	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>
Cash and cash equivalents	\$ 738,237	\$ 694,005

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, 2015.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (continued)

Investments consist of amounts invested in LGIP and Certificates of Deposits. LGIP is an interest bearing account insured and regulated by the State. The fair value of the City's position in 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. All C.D.'s are FDIC insured and have rolling maturity dates.

Credit risk is the risk of loss due to the failure of the investment issuer or backer; interest rate risk is the risk that the market value of investments in the portfolio will fall due to changes in market interest rates. The City does not have formal policies for these risks but mitigates the risk by using various financial institutions and invests only in the LGIP fund with fixed net asset values.

For purposes of disclosing interest rate risk on the deposits held by LGIP, interest rate risk is based on the average maturity of the pool's investments, which was one hundred eleven days at June 30, 2015. The Pool does not have a credit rating.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 385,000	\$ -	\$ -	\$ 385,000
Construction in progress	<u>97,026</u>	<u>66,136</u>	<u>(35,248)</u>	<u>127,914</u>
Total capital assets not being depreciated	<u>482,026</u>	<u>66,136</u>	<u>(35,248)</u>	<u>512,914</u>

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Infrastructure:</u>				
Drainage and drainage improvements	\$ 273,523	\$ 349,079	\$ -	\$ 622,602
Road and road improvements	1,968,670	268,043	-	2,236,713
Sewer system	<u>6,551,323</u>	<u>139,333</u>	<u>(25,173)</u>	<u>6,665,483</u>
Total infrastructure	<u>8,793,516</u>	<u>756,455</u>	<u>(25,173)</u>	<u>9,524,798</u>
Less accumulated depreciation:				
Drainage and drainage improvements	(56,800)	(10,763)	-	(67,563)
Road and road improvements	(273,249)	(54,260)	-	(327,509)
Sewer system	<u>(4,694,742)</u>	<u>(225,085)</u>	<u>25,173</u>	<u>(4,894,654)</u>
Total accumulated depreciation	<u>(5,024,791)</u>	<u>(290,108)</u>	<u>25,173</u>	<u>(5,289,726)</u>
Total infrastructure, net	<u>3,768,725</u>	<u>466,347</u>	<u>-</u>	<u>4,235,072</u>
<u>Other capital assets being depreciated:</u>				
Buildings	2,568,879	-	-	2,568,879
Improvements other than building	1,307,640	-	-	1,307,640
Equipment	<u>1,163,220</u>	<u>99,661</u>	<u>(86,520)</u>	<u>1,176,361</u>
Total other capital assets being depreciated	<u>5,039,739</u>	<u>99,661</u>	<u>(86,520)</u>	<u>5,052,880</u>
Less accumulated depreciation for:				
Buildings	(725,306)	(83,157)	-	(808,463)
Improvements other than buildings	(984,315)	(56,985)	-	(1,041,300)
Equipment	<u>(781,099)</u>	<u>(170,568)</u>	<u>86,520</u>	<u>(865,147)</u>
Total accumulated depreciation	<u>(2,490,720)</u>	<u>(310,710)</u>	<u>86,520</u>	<u>(2,714,910)</u>
Total other capital assets being depreciated, net	<u>2,549,019</u>	<u>(211,049)</u>	<u>-</u>	<u>2,337,970</u>
Total governmental activities capital assets, net	<u>\$ 6,799,770</u>	<u>\$ 321,434</u>	<u>\$ (35,248)</u>	<u>\$ 7,085,956</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

General government	\$	56,540
Public safety		189,093
Highways and streets		115,821
Building inspection		4,482
Stormwater		9,797
Sanitation and sewers		<u>225,085</u>
	<u>\$</u>	<u>600,818</u>

NOTE 4 - COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Liability for accrued sick pay and annual leave	<u>\$ 226,612</u>	<u>\$ 138,011</u>	<u>\$ (144,467)</u>	<u>\$ 220,156</u>

NOTE 5 - COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the year ended June 30, 2015.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 6 - PENSION PLAN

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>27</u>
	<u>63</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not contribute to the plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the City were \$91,692 based on a rate of 7 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26 %	17.00 %
Emerging market international equity	6.40 %	5.00 %
Private equity and strategic lending	4.61 %	8.00 %
U.S. fixed income	0.98 %	29.00 %
Real estate	4.73 %	7.00 %
Short-term securities	-	1.00 %
		<u>100.00 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Belle Meade will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2013	\$ 3,527,453	\$ 3,300,410	\$ 227,043
CHANGES FOR THE YEAR:			
Service cost	78,695	-	78,695
Interest	264,079	-	264,079
Differences between expected and actual experience	(180,224)	-	(180,224)
Contributions - employer	-	71,089	(71,089)
Net investment income	-	538,990	(538,990)
Benefit payments, including refunds of employee contributions	(170,198)	(170,198)	-
Administrative expense	-	(1,116)	1,116
Net changes	(7,648)	438,765	(446,413)
BALANCE AT JUNE 30, 2014	<u>\$ 3,519,805</u>	<u>\$ 3,739,175</u>	<u>\$ (219,370)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Rate (7.5%)	1% Increase (8.5%)
City's net pension liability (asset)	<u>\$ 202,958</u>	<u>\$ (219,370)</u>	<u>\$ (576,671)</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 6 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2015, the City recognized pension expense of \$18,546.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 157,696
Net difference between projected and actual earnings on pension plan investments	-	236,174
Contributions subsequent to the measurement date of June 30, 2014	<u>91,692</u>	<u>-</u>
Total	<u>\$ 91,692</u>	<u>\$ 393,870</u>

The amount shown above for Contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (81,572)
2017	(81,572)
2018	(81,572)
2019	(81,572)
2020	(22,528)
Thereafter	(45,054)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The City 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 TCA 8-27-207 (local governments). Prior to reaching the age of 65, all members have the option of choosing from three Preferred Provider Organizations (PPO) for healthcare benefits: Partnership PPO, Standard PPO, or Limited PPO. 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>.

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. At June 30, 2015, retired plan members prior to age 65 contribute (on average) 38% of premiums and the City contributes (on average) 62% of premiums. For active plan members, members contribute (on average) 37% of premiums and the City contributes (on average) 63% of premiums.

Annual OPEB cost and Net OPEB Obligation

Annual required contribution	\$ 40,000
Interest	11,000
Adjustment to the annual required contribution	<u>(11,000)</u>
Annual OPEB cost	40,000
Amount of contribution	<u>(12,000)</u>
Increase in net OPEB obligation	28,000
Net OPEB liability - beginning of year	<u>285,000</u>
Net OPEB obligation - end of year	<u>\$ 313,000</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation at Year-End</u>
June 30, 2015	\$ 40,000	30.00%	\$ 313,000
June 30, 2014	39,000	25.64%	285,000
June 30, 2013	61,000	26.23%	256,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial valuation date	July 1, 2013
Actuarial accrued liability (AAL)	\$ 290,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 290,000
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 1,241,000
UAAL as a percentage of covered payroll	23.37%

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

In the July 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreases to 7% in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7% by fiscal year 2044. The rate includes a 2.5% 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 July 1, 2007. Payroll is assumed to grow at a rate of 3%.

NOTE 8 - 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.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application* - This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The new standard is not expected to have a significant impact on the City’s financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - These Statements make accounting and for other post-employment benefit plans consistent with the pension standards. Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Management has not determined the impact of this new standard on the City’s financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This statement establishes a hierarchy of generally accepted accounting principles for states and local governments to follow in preparing financial statements. Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The new standard is not expected to have a significant impact on the City's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* - This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) The gross dollar amount of taxes abated during the period and (3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The new standard is not expected to have a significant impact on the City's financial statements.

NOTE 10 - ADJUSTMENT TO PRIOR YEAR NET POSITION

Prior year net position has been adjusted due to the adoption of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement requires the liability of employers to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The requirements of this statement are effective for financial periods beginning after June 15, 2014. The effect of the adoption of this Statement on the City's governmental activities net position as of July 1, 2014 is as follows:

Governmental activities net position, as previously reported	\$ 15,855,400
To record adjustments due to implementation of GASB 68 affecting net position at July 1, 2014:	
Net pension liability	(227,043)
Deferred outflows of resources	<u>71,089</u>
Beginning governmental activities net position, as restated	<u>\$ 15,699,446</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION
PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>
<u>TOTAL PENSION LIABILITY</u>	
Service cost	\$ 78,695
Interest	264,079
Changes in benefit terms	-
Differences between actual & expected experience	(180,224)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(170,198)</u>
 NET CHANGE IN TOTAL PENSION LIABILITY	 (7,648)
TOTAL PENSION LIABILITY - BEGINNING	<u>3,527,453</u>
 TOTAL PENSION LIABILITY - ENDING (A)	 <u>\$ 3,519,805</u>
 <u>PLAN FIDUCIARY NET POSITION</u>	
Contributions - employer	\$ 71,089
Contributions - employee	-
Net investment income	538,990
Benefit payments, including refunds of employee contributions	(170,198)
Administrative expense	<u>(1,116)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 438,765
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>3,300,410</u>
 PLAN FIDUCIARY NET POSITION - ENDING (B)	 <u>\$ 3,739,175</u>
 NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	 <u>\$ (219,370)</u>
 Plan fiduciary net position as a percentage of total pension liability	 106.23 %
 Covered-employee payroll	 \$ 1,306,781
 Net pension liability (asset) as a percentage of covered-employee payroll	 16.79 %

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	2014	2015
Actuarial determined contribution	\$ 71,089	\$ 91,692
Contributions in relation to the actuarial determined contribution	71,089	91,692
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,306,781	\$ 1,309,889
Contributions as a percentage covered employee payroll	5.44 %	7.00 %

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.
Years will added to this schedule in future fiscal years until 10 years of information is available.

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS - LOCAL GOVERNMENT GROUP INSURANCE PLAN

JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") - Entry Age (b)</u>	<u>Unfunded AAL ("UAAL") (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u>
July 1, 2013	\$ -	\$ 290,000	\$ 290,000	0.00%	\$ 1,241,000	23.37%
July 1, 2011	-	511,000	511,000	0.00%	1,262,000	40.49%
July 1, 2010	-	731,000	731,000	0.00%	1,189,000	61.48%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BELLE MEADE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>STATE STREET AID</u>	<u>BEAUTIFICATION</u>	<u>DRUG</u>	
ASSETS				
Cash	\$ 15,997	\$ 129,536	\$ -	\$ 145,533
Due from other funds	<u>14,089</u>	<u>-</u>	<u>164</u>	<u>14,253</u>
TOTAL ASSETS	<u>\$ 30,086</u>	<u>\$ 129,536</u>	<u>\$ 164</u>	<u>\$ 159,786</u>
LIABILITIES				
Accounts payable	\$ 1,792	\$ -	\$ -	\$ 1,792
TOTAL LIABILITIES	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>1,792</u>
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Restricted for street repairs	28,294	-	-	28,294
Restricted for drug enforcement and education	-	-	164	164
Committed for beautification	<u>-</u>	<u>129,536</u>	<u>-</u>	<u>129,536</u>
TOTAL FUND BALANCES	<u>28,294</u>	<u>129,536</u>	<u>164</u>	<u>157,994</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 30,086</u>	<u>\$ 129,536</u>	<u>\$ 164</u>	<u>\$ 159,786</u>

CITY OF BELLE MEADE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STATE STREET AID	BEAUTIFICATION	DRUG	
REVENUES				
Contributions	\$ -	\$ 48,425	\$ -	\$ 48,425
Intergovernmental:				
Gasoline and motor fuel tax	52,711	-	-	52,711
Three cent tax	15,708	-	-	15,708
Gas 1989 tax	8,463	-	-	8,463
Interest income	-	69	-	69
TOTAL REVENUES	76,882	48,494	-	125,376
EXPENDITURES				
Repair and maintenance - roads	75,620	-	-	75,620
Horticulture supplies and services	-	14,471	-	14,471
TOTAL EXPENDITURES	75,620	14,471	-	90,091
NET CHANGE IN FUND BALANCE	1,262	34,023	-	35,285
FUND BALANCE, BEGINNING OF YEAR	27,032	95,513	164	122,709
FUND BALANCE, END OF YEAR	\$ 28,294	\$ 129,536	\$ 164	\$ 157,994

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNTS</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Intergovernmental:				
Gasoline and motor fuel tax	\$ 71,790	\$ 71,790	\$ 52,711	\$ (19,079)
Three cent tax	-	-	15,708	15,708
Gas 1989 tax	-	-	8,463	8,463
TOTAL REVENUES	<u>71,790</u>	<u>71,790</u>	<u>76,882</u>	<u>5,092</u>
EXPENDITURES				
Repair and maintenance - roads	<u>74,304</u>	<u>75,784</u>	<u>75,620</u>	<u>(164)</u>
TOTAL EXPENDITURES	<u>74,304</u>	<u>75,784</u>	<u>75,620</u>	<u>(164)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,514)</u>	<u>\$ (3,994)</u>	1,262	<u>\$ 5,256</u>
FUND BALANCE, BEGINNING OF YEAR			<u>27,032</u>	
FUND BALANCE, END OF YEAR			<u>\$ 28,294</u>	

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL

BEAUTIFICATION FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNT</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Contribution	\$ 37,000	\$ 48,000	\$ 48,425	\$ 425
Interest income	48	48	69	21
TOTAL REVENUES	<u>37,048</u>	<u>48,048</u>	<u>48,494</u>	<u>446</u>
EXPENDITURES				
Horticulture supplies and services	<u>61,675</u>	<u>26,675</u>	<u>14,471</u>	<u>(12,204)</u>
TOTAL EXPENDITURES	<u>61,675</u>	<u>26,675</u>	<u>14,471</u>	<u>(12,204)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,627)</u>	<u>\$ 21,373</u>	<u>34,023</u>	<u>\$ 12,650</u>
FUND BALANCE, BEGINNING OF YEAR			<u>95,513</u>	
FUND BALANCE, END OF YEAR			<u>\$ 129,536</u>	

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL ⁽¹⁾

WASTE COLLECTION (SANITATION)

FOR THE YEAR ENDED JUNE 30, 2015

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNT</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Contribution	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Waste collection	426,049	426,049	418,642	(7,407)
TOTAL EXPENDITURES	426,049	426,049	418,642	(7,407)
EXCESS OF REVENUES OVER EXPENDITURES	(426,049)	(426,049)	(418,642)	7,407
OTHER FINANCING SOURCES (USES)				
Transfers in	426,049	426,049	418,642	(7,407)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	426,049	426,049	418,642	(7,407)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ -	

⁽¹⁾ Under Tennessee Code Annotated (TCA) 68-211-874, the City is required to account for its solid waste removal activities in a separate fund. The City accounts for these activities in a separate Waste Collection Fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund financial statement reporting, the Waste Collection Fund is included as part of the General Fund. For purposes of this budgetary schedule, the waste collection activities are reported separately.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2015

<u>Tax Year</u>	<u>BALANCE JUNE 30, 2014</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>PENALTIES AND INTEREST</u>	<u>BALANCE JUNE 30, 2015</u>
2014	\$ -	\$ 952,927	\$ (950,858)	\$ 166	\$ 2,235
2013	2,337	-	(1,931)	90	496
2012	534	-	-	97	631
2011	<u>632</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>729</u>
Total	<u>\$ 3,503</u>	<u>\$ 952,927</u>	<u>\$ (952,789)</u>	<u>\$ 450</u>	4,091
				Deferred inflow of resources for 2015 levy	<u>951,047</u>
					<u>\$ 955,138</u>

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

<u>Fiscal Year *</u>	<u>Tax Rate</u> <u>Per \$100</u>	<u>Appraised</u> □ <u>Value of Property</u>	<u>Assessed</u> □ <u>Value of Property</u>
2015	\$ 0.2243	\$ 1,692,629,503	\$ 425,137,570
2014	\$ 0.2243	1,691,816,803	424,696,155
2013	\$ 0.2290	1,648,505,358	413,756,479
2012	\$ 0.2290	1,656,960,258	415,488,177
2011	\$ 0.2290	1,653,195,758	414,794,717
2010	\$ 0.2290	1,644,926,158	412,621,483
2009	\$ 0.2600	1,448,669,414	363,858,648
2008	\$ 0.2600	1,396,836,614	350,900,448
2007	\$ 0.2600	1,391,284,464	389,139,264
2006	\$ 0.3500	1,387,628,142	346,705,854

* The fiscal year listed corresponds to the preceding tax year levy (2015 would represent the 2014 tax levy). This represents the period for which the taxes were levied.

OTHER REPORT SECTION



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

The Honorable Mayor and Board of Commissioners
City of Belle Meade, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

PURPOSE OF THIS REPORT

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

Kraj+CPAs PLLC

Nashville, Tennessee
December 16, 2015

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2015

There were no prior year findings.