

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INTRODUCTORY SECTION | |
| Letter of Introduction..... | i |
| Schedule of City Officials | ii |
| Organizational Chart | iii |
| FINANCIAL SECTION | |
| INDEPENDENT AUDITOR'S REPORT | 1 - 3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 - 13 |
| <u>BASIC FINANCIAL STATEMENTS:</u> | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities..... | 15 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 16 |
| Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 18 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund..... | 20 - 21 |
| Statement of Net Position - Proprietary Fund - Sewer Fund | 22 |

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

| <u>BASIC FINANCIAL STATEMENTS (CONTINUED):</u> | <u>PAGE</u> |
|---|-------------|
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Sewer Fund | 23 |
| Statement of Cash Flows - Proprietary Fund - Sewer Fund..... | 24 |
| Notes to Financial Statements..... | 25 - 48 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Schedule of Changes in Net Pension Liability (Asset) and Related Ratios..... | 49 |
| Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS | 50 |
| Schedule of Funding Progress - Local Government Group Insurance Plan | 51 |
| <u>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES</u> | |
| Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds | 52 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue Funds..... | 53 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - State Street Aid Fund | 54 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Beautification Fund | 55 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual Schedule - Waste Collection (Sanitation) | 56 |
| Schedule of Changes in Property Taxes Receivable | 57 |
| Schedule of Property Tax Rates and Assessments - Last Ten Years (unaudited) | 58 |
| Schedule of Expenditures of State Awards..... | 59 |

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

OTHER REPORTS SECTION

| | |
|---|---------|
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 60 - 61 |
| SCHEDULE OF PRIOR AUDIT FINDINGS | 62 |

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, 2017.

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

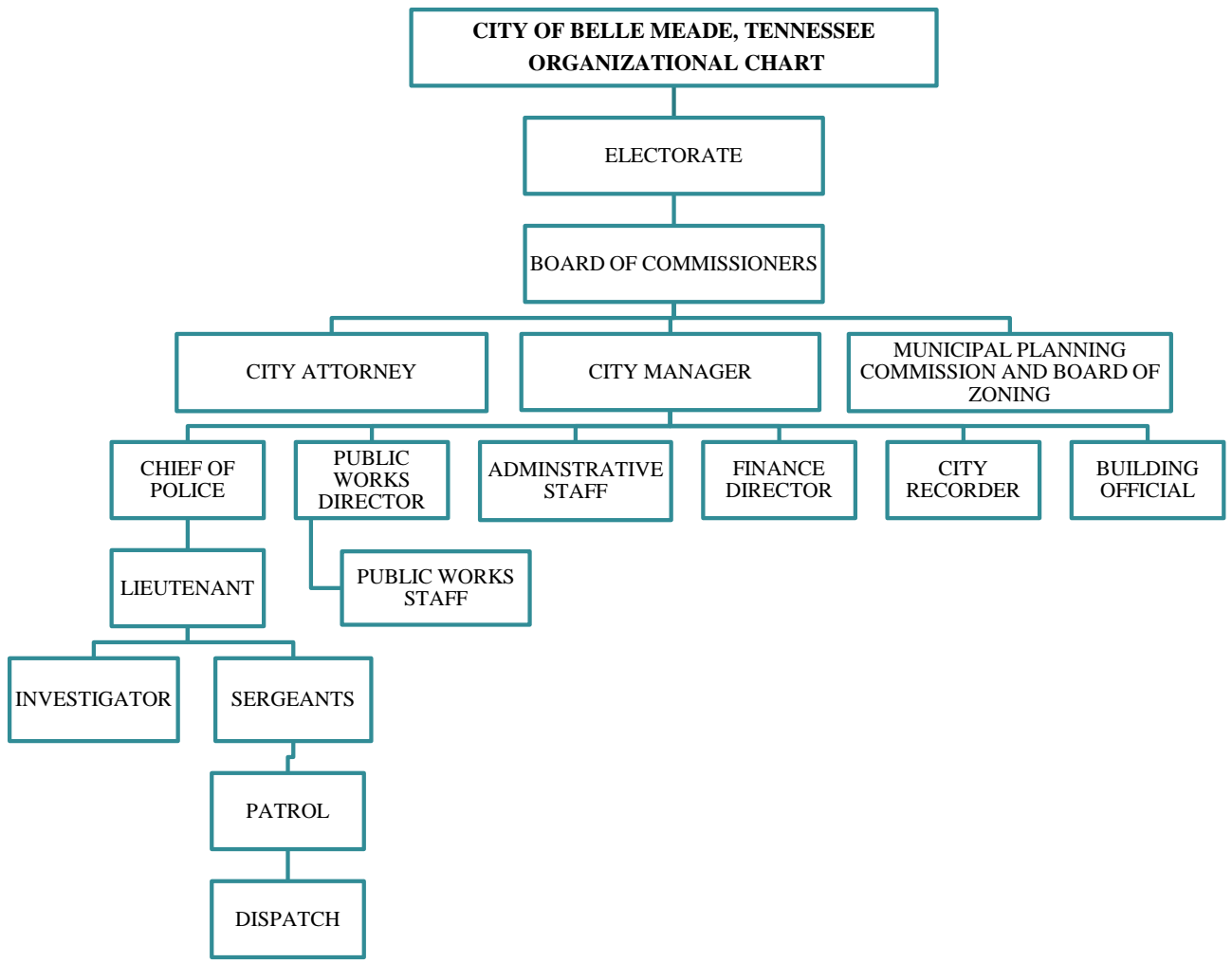
SCHEDULE OF CITY OFFICIALS

Elected Officials:

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

City Officials:

| | | |
|--|---|------------------------------|
| Beth Reardon | - | City Manager/Treasurer, CMFO |
| Aspen Collins | - | Finance Director, CMFO |
| Kemishia Sadler | - | City Recorder |
| Timothy Eads | - | Chief of Police |
| Bradley, Arant, Boult, Cummings, LLP Robert S. Patterson | - | City Attorney |
| Lyle Patterson | - | Building Official |
| Mark Beveridge | - | City Judge |



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, business-type 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, 2017, 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Belle Meade, Tennessee, as of June 30, 2017, 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 4-13, 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 49-51 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 52-57 and page 59 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 58 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.

Prior Year Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 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 20, 2017

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, 2017. 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 2017:

- The combined revenues for 2017 totaled \$6,191,617 (including charges for services and operating grants and contributions, less loss on disposition of capital assets, on the Statement of Activities), which is a 17.21% increase from the previous year.
- The combined fund expenses for 2017 totaled \$3,918,521 on the Statement of Activities and \$3,537,542 for governmental funds and \$431,978 for proprietary funds on the Statement of Revenues, Expenses and Changes in Net Position on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net position for 2017 is \$20,412,803 of which \$6,656,453 was invested in capital assets. Total fund balance for all governmental funds at June 30, 2017 was \$13,967,951. Total net position for all proprietary funds at June 30, 2017 was \$1,981,190. Detail of the governmental fund classifications can be found on page 32 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 2017'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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Belle Meade include general government, public safety, highways and streets, building inspection, stormwater, waste collection, boulevards and horticulture supplies and services. The business-type activities of the City include its sewer operations.

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.

Proprietary fund. The City of Belle Meade maintains only one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer fund.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

| | 2017 | | | 2016 | Change % |
|--------------------------------|-------------------------|--------------------------|---------------|-------------------------|----------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | |
| Current assets | \$ 15,337,480 | \$ 471,717 | \$ 15,809,197 | \$ 13,582,060 | * |
| Non-current assets | 5,142,890 | 1,513,563 | 6,656,453 | 6,664,542 | |
| Total assets | 20,480,370 | 1,985,280 | 22,465,650 | 20,246,602 | 10.96% |
| Deferred outflows of resources | 215,924 | - | 215,924 | 92,274 | 134.00% |
| Current liabilities | 79,739 | 2,054 | 81,793 | 117,887 | |
| Non-current liabilities | 820,741 | 2,036 | 822,777 | 566,991 | |
| Total liabilities | 900,480 | 4,090 | 904,570 | 684,878 | 32.08% |
| Deferred inflows of resources | 1,364,201 | - | 1,364,201 | 1,514,291 | -9.91% |
| Net Position: | | | | | |
| Invested in capital assets | 5,142,890 | 1,513,563 | 6,656,453 | 6,664,542 | |
| Restricted | 230,397 | - | 230,397 | 311,279 | |
| Unrestricted | 13,058,326 | 467,627 | 13,525,953 | 11,163,886 | * |
| Total Net Position | \$ 18,431,613 | \$ 1,981,190 | \$ 20,412,803 | \$ 18,139,707 | 12.53% |

*2016 accounts receivable from other governments and charges for services revenue were restated and increased by \$42,703 for June 30, 2016 sewer use charges not received before year end. The result was an increase in unrestricted fund balance at June 30, 2016 by the same amount.

Summary Statement of Activities

| | 2017 | | | 2016 | Change % |
|---|-------------------------|--------------------------|---------------|-------------------------|----------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | |
| Revenues: | | | | | |
| General revenues | \$ 5,092,784 | \$ 1,257 | \$ 5,094,041 | \$ 4,501,840 | 13.15% |
| Expenses: | | | | | |
| Operating expenses | 3,486,543 | 431,978 | 3,918,521 | 3,831,587 | |
| Less: Charges for services and operating/capital grants and contributions | (506,621) | (590,955) | (1,097,576) | (780,596) | * |
| Net operating expenses | 2,979,922 | (158,977) | 2,820,945 | 3,050,991 | -7.54% |
| Transfers | (1,820,956) | 1,820,956 | - | - | |
| Change in net position | 291,906 | 1,981,190 | 2,273,096 | 1,450,849 | * 56.67% |
| Total net position, beginning of year | 18,139,707 | - | 18,139,707 | 16,688,858 | 8.69% |
| Total net position, end of year | \$ 18,431,613 | \$ 1,981,190 | \$ 20,412,803 | \$ 18,139,707 | * 12.53% |

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

| | 2017 | | | 2016 | | Change % |
|---------------------------------------|-------------------------|--------------------------|--------------|-------------------------|---|----------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 339,519 | \$ 590,955 | \$ 930,474 | \$621,533 | * | |
| Operating grants and contributions | 167,102 | - | 167,102 | 159,063 | | |
| Total program revenues | 506,621 | 590,955 | 1,097,576 | 780,596 | | 40.61% |
| General revenues: | | | | | | |
| Taxes | 4,573,084 | - | 4,573,084 | 4,459,467 | | |
| Other | 278,749 | 1,257 | 280,006 | 386,116 | | |
| Loss on disposition of capital assets | 240,951 | - | 240,951 | (343,743) | | |
| Total general revenues | 5,092,784 | 1,257 | 5,094,041 | 4,501,840 | | 13.15% |
| | | | | | | |
| Total revenues | \$ 5,599,405 | \$ 592,212 | \$ 6,191,617 | \$ 5,282,436 | * | 17.21% |

*See page 6.

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

| Governmental Activities | 2017 | 2016 | Change % |
|--|--------------|--------------|----------|
| <u>Operating expenses, by department</u> | | | |
| General government | \$ 737,330 | \$ 640,150 | 15.18% |
| Public safety | 1,727,280 | 1,601,871 | 7.83% |
| Highways and streets | 274,575 | 431,540 | -36.37% |
| Building inspection | 104,588 | 84,588 | 23.64% |
| Stormwater | 148,136 | 144,595 | 2.45% |
| Sanitation and sewers | - | 436,304 | -100.00% |
| Waste collection | 390,483 | 390,589 | -0.03% |
| Boulevards | 68,675 | 78,067 | -12.03% |
| Other improvements | - | 798 | -100.00% |
| Horticulture supplies and services | 35,476 | 23,085 | 53.68% |
| Total expenses | \$ 3,486,543 | \$ 3,831,587 | -9.01% |
| | | | |
| <u>Business-Type Activities</u> | 2017 | 2016 | Change % |
| Sewer fund | 431,978 | - | 0.00% |

Financial Analysis of the City as a Whole

The change in total net position between fiscal years 2017 and 2016 as shown on the Summary Statement of Net Position was 12.53%. Over time, net assets may serve as a useful indicator of financial position. At the close of the fiscal year, the sum of assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,412,803. Unrestricted net position of \$13,525,953, an increase of over \$2.25 million dollars from 2016, represents the current net position available to support future operations and other expenditure items as funded by the Board of Commissioners.

Total assets increased by 10.96%, mainly resulting from an increase in cash and investments of \$2,030,218. Deferred outflows of resources increased by 134% in relation to TCRS pension contributions and other deferred charges related to pensions. Total liabilities increased by 32.08% mostly due to an increase in net pension liability of \$153,015 and an increase in compensated absences of \$63,771. Deferred inflows of resources decreased by 9.91% due largely to TCRS pension assumptions.

The Summary Statement of Activities compares 2017 and 2016 revenues and expenses on a full accrual basis. 2017 general revenues increased by 13.15% as a result of a gain from the disposition of capital assets of \$240,951. Program revenues in 2017 increased 40.61% due largely from an increase in sewer user fees as a result of an approved sewer rate increase. Rates were increased in order to assure fund self-sufficiency as required by state law. Total net operating expenses in 2017 increased by 2.27%. General government increased by 15.18% due to an additional full-time staff position. Public safety experienced an increase as a result of the police department replacing the vast majority of their cruiser fleet due to Volkswagen’s recall. Highways and Streets saw a decrease due to not having a paving project or refurbishing the street name signs and poles. Building Inspection department experienced an increase due to a temporary salary adjustment and the replacement of a vehicle. Horticulture supplies and services in the Beautification Fund experienced an increase of 53.68% due to irrigation costs that were previously paid by the General Fund. Irrigation costs did not increase, just the share of the costs paid from the Beautification Fund.

Capital Assets

Fiscal year 2017 as compared to fiscal year 2016:

At the end of fiscal year 2017, the City of Belle Meade had invested \$6,656,453 in land, buildings, infrastructure, equipment and construction in progress, down from \$6,664,542 at June 30, 2016. Net capital assets decreased by 0.12% in 2017. The table below summarizes the City’s investment in capital assets.

Major capital asset events during fiscal year 2017 included the following:

| | |
|---------------------------------------|--------------|
| Police cruiser fleet | \$ 358,650 |
| Volkswagen recalled police cruisers | \$ (383,370) |
| Disposal of remainder of police fleet | \$ (258,594) |

Capital Assets

| | 2017 | | | 2016 |
|-----------------------------------|-------------------------|--------------------------|--------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities |
| Land | \$ 15,000 | \$ - | \$ 15,000 | \$15,000 |
| Construction in progress | 153,922 | 11,050 | 164,972 | 127,914 |
| Infrastructure | 3,276,613 | - | 3,276,613 | 3,199,737 |
| Buildings | 2,568,879 | 454,647 | 3,023,526 | 2,568,879 |
| Improvements other than buildings | 1,310,140 | - | 1,310,140 | 1,307,640 |
| Equipment | 702,417 | 6,407,338 | 7,109,755 | 7,968,027 |
| Subtotal | 8,026,971 | 6,873,035 | 14,900,006 | 15,187,197 |
| Less: accumulated depreciation | (2,884,081) | (5,359,472) | (8,243,553) | (8,522,655) |
| Net Capital Assets | \$ 5,142,890 | \$ 1,513,563 | \$ 6,656,453 | \$ 6,664,542 |

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.

(From the Balance Sheet)

| | 2017 | 2016 | Change % |
|---|----------------------|----------------------|----------------|
| <u>Assets</u> | | | |
| Cash | \$ 307,833 | \$485,914 | -36.65% |
| Investments | 10,779,103 | 8,980,998 | 20.02% |
| Property taxes receivable | 1,297,392 | 1,281,851 | 1.21% |
| Accounts receivable | 8,308 | 47,019 * | -82.33% |
| Due from other funds | - | 14,731 | -100.00% |
| Due from other governments | 2,944,844 | 2,657,755 | 10.80% |
| Prepaid expenses | - | 7,854 | -100.00% |
| Inventories | - | 10,009 | -100.00% |
| Total Assets | 15,337,480 | 13,486,131 | 13.73% |
| <u>Liabilities</u> | | | |
| Accounts payable | 5,126 | 46,962 | -89.08% |
| Accrued liabilities | 52,114 | 44,876 | 16.13% |
| Due from other funds | - | 14,731 | 100.00% |
| Due to other governments | 22,499 | 26,049 | -13.63% |
| Total Liabilities | 79,739 | 132,618 | -39.87% |
| <u>Deferred inflows of resources</u> | | | |
| Deferred inflows - unavailable property taxes | 1,289,790 | 1,279,463 | 0.81% |
| <u>Fund Balance</u> | | | |
| Nonspendable | - | 17,863 | -100.00% |
| Restricted | 230,397 | 200,619 | 14.84% |
| Committed | - | - | 0.00% |
| Assigned | 5,009,065 | 6,569,769 | -23.76% |
| Unassigned | 8,728,489 | 5,285,799 * | 65.13% |
| Total Fund Balance | \$ 13,967,951 | \$ 12,074,050 | 15.69% |
| Unassigned fund balance as percent of total fund balances | 62.49% | 43.78% | |

*See page 6.

Governmental Fund Balance Classifications

| Fund Balance Designation | 2017 | 2016 |
|--------------------------|---------------|---------------|
| Nonspendable | \$ - | \$ 17,863 |
| Restricted | 230,397 | 200,619 |
| Committed | - | - |
| Assigned | 5,009,065 | 6,569,769 |
| Unassigned | 8,728,489 | 5,285,799 |
| Total Fund Balance | \$ 13,967,951 | \$ 12,074,050 |

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 Restricted fund balance of \$230,397 includes State Street Aid, Beautification and Drug Funds. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles, upgrades to infrastructure and an allowance for other capital improvements.

The following table shows an increase in the General Fund's fund balance of \$2,041,835 before transfers. The majority of this increase can be attributed to the spinoff of the sewer expenses into its own fund, the planned property tax increase and an unexpected increase in the Hall Tax payment. 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 \$29,778. The majority of this increase comes from contributions to the Beautification Fund from citizen donors.

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

| | 2017 | | | 2016 | | |
|-------------------------------|----------------------|-------------------|----------------------|----------------------|-------------------|----------------------|
| | General Fund | Other Funds | Total | General Fund | Other Funds | Total |
| Revenues: | | | | | | |
| Taxes | \$ 1,303,984 | \$ - | \$ 1,303,984 | \$ 794,498 | \$ - | \$794,498 |
| Licenses and permits | 186,572 | - | 186,572 | 175,815 | - | 175,815 |
| Fines and forfeitures | 176,758 | - | 176,758 | 197,048 | - | 197,048 |
| Charges for services | 152,947 | - | 152,947 | 445,718 | - | 445,718 |
| Intergovernmental | 3,306,022 | 80,600 | 3,386,622 | 3,690,761 | 80,062 | 3,770,823 |
| Investment earnings | 53,767 | 101 | 53,868 | 39,974 | 90 | 40,064 |
| Other local revenues | 298,824 | 49,580 | 348,404 | 176,319 | 55,894 | 232,213 |
| Total revenues | 5,478,874 | 130,281 | 5,609,155 | 5,520,133 | 136,046 | 5,656,179 |
| Expenditures: | | | | | | |
| General government | 603,805 | - | 603,805 | 554,419 | - | 554,419 |
| Public safety | 1,946,966 | 164 | 1,947,130 | 1,586,525 | - | 1,586,525 |
| Highways and streets | 165,495 | 64,863 | 230,358 | 517,019 | 69,538 | 586,557 |
| Building inspection | 114,125 | - | 114,125 | 80,849 | - | 80,849 |
| Stormwater | 147,490 | - | 147,490 | 205,374 | - | 205,374 |
| Sanitation and sewers | - | - | - | 313,862 | - | 313,862 |
| Waste collection | 390,483 | - | 390,483 | 390,589 | - | 390,589 |
| Boulevards | 68,675 | - | 68,675 | 78,067 | - | 78,067 |
| Other improvements | - | - | - | - | 798 | 798 |
| Horticulture | - | 35,476 | 35,476 | - | 23,085 | 23,085 |
| Total expenditures | 3,437,039 | 100,503 | 3,537,542 | 3,726,704 | 93,421 | 3,820,125 |
| Excess (deficiency) | 2,041,835 | 29,778 | 2,071,613 | 1,793,429 | 42,625 | 1,836,054 |
| Other Sources (Uses): | | | | | | |
| Transfers In | - | - | - | - | - | - |
| Transfers Out | (177,712) | - | (177,712) | - | - | - |
| Total Other | (177,712) | - | (177,712) | - | - | - |
| Change in Fund Balance | 1,864,123 | 29,778 | 1,893,901 | 1,793,429 | 42,625 | 1,836,054 |
| Beginning Fund Balance | 11,873,431 | 200,619 | 12,074,050 | 10,080,002 | 157,994 | 10,237,996 |
| Ending Fund Balance | \$ 13,737,554 | \$ 230,397 | \$ 13,967,951 | \$ 11,873,431 | \$ 200,619 | \$ 12,074,050 |

Business-type activities. The focus of Belle Meade, Tennessee’s business-type activity distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s sewer enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include salaries and benefits, repairs and maintenance, operating supplies, insurance, depreciation and other operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sewer Fund which was created July 1, 2016 with an opening transfer as follows:

| | |
|-------------------------------------|---------------------|
| Cash | \$ 125,000 |
| Accounts receivable | 42,703 |
| Inventory | 10,009 |
| Capital assets, net | <u>1,643,244</u> |
| Total opening net position transfer | <u>\$ 1,820,956</u> |

The initial transfer of capital assets and inventory were associated with the utility infrastructure already in place. The accounts receivable was sewer user fees due for June, but not received until July. The initial cash transfer was a one-time grant contribution from the general fund in order to facilitate the proprietary fund on its course to self-sufficiency.

**Proprietary Funds
(From Statement of Net Position)**

| | 2017 | | |
|------------------------------|---------------------|---------------------|--------------|
| | Beginning of | | |
| | End of Year | Year | Change % |
| Cash | \$ 410,194 | \$ 125,000 | 228.16% |
| Receivables | 40,707 | 42,703 | -4.67% |
| Inventories | 20,816 | 10,009 | 107.97% |
| Investment in capital assets | 1,513,563 | 1,643,244 | -7.89% |
| Unrestricted Net Position | 467,627 | 177,712 | 163.14% |
| Total Net Position | \$ 1,981,190 | \$ 1,820,956 | 8.80% |

At the end of its first year as a stand-alone fund, total net position increased by 8.8% from the initial transfer. The increase mostly a result of an increase in cash and inventories of \$296,001.

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

The last of three scheduled increases to the sewer user rate for Belle Meade citizens took place in FY 2017. This was in preparation for the conversion of the Wastewater/Sewer Department to an enterprise fund by July 1, 2016, as mandated by state law. The Wastewater/Sewer Utility must be self-sufficient and is legally required to cover all of its costs, including depreciation, through fees and charges. The sewer user fee rate was increased to a level recommended by the consulting engineer to sustain the activities of the Utility for 5 years. In its first stand-alone year of operation, the Wastewater/Sewer Utility fund was self-sustaining as required by state law. The fund has capital projects budgeted in the upcoming fiscal year that will likely decrease its net position, but not put the fund at risk of being non-compliant with state law. The sewer user fee will be re-evaluated if necessary at the end of the 5-year period.

Late in FY 2016, the Governor signed into law the elimination of the Hall Tax, to be phased out over a six year period. The Mayor and Commissioners held three public meeting in June 2016 to discuss the budget shortfall due to this legislation and possible solutions to compensate for the expected decrease in revenue. After considering public comment and future needs of the City, the Commissioners voted 3 to 2 in favor of a property tax increase, from \$.2234 cents to \$.30 cents per \$100 of assessed value, which would replace the expected loss of revenue in FY 2017. The Commissioners passed *Resolution 2016-03-Endorsing the Annual Review of Hall Tax and Its Effect on the City's Proposed Budget and Property Tax Rate*. The Resolution states: "Each year, the projected loss of revenue from the Hall Tax will be compared to the need for additional property tax increases. Action, as budgets are presented and approved, will be taken to offset needed deficiencies. It is expected that eventually the entire loss of revenue will be replaced by Belle Meade property tax increases, although not necessarily in dollar amounts to mirror the decrease in Hall Tax, but in amounts needed to assure fiscal responsibility." In FY 2017, the Governor signed into law the IMPROVE Act. The legislation continues to phase out the Hall Tax. It also will increase revenue for the Street Aid Fund through the phase in of increased gasoline and diesel taxes.

The upcoming fiscal year will result in a spend-down of reserves with a planned \$1.9 million in capital improvements across the city. This includes the installation of a city-wide video surveillance system and sidewalks along Harding Place.

Contacting the City of Belle Meade's Finance Director

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, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | | | <u>2016</u> |
|---|------------------------------------|-------------------------------------|-------------------------------------|--|
| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL PRIMARY GOVERNMENT</u> | <u>TOTAL PRIMARY GOVERNMENT (RESTATED)</u> |
| ASSETS | | | | |
| Cash | \$ 307,833 | \$ 410,194 | \$ 718,027 | \$ 485,914 |
| Investments | 10,779,103 | - | 10,779,103 | 8,980,998 |
| Property tax receivable | 1,297,392 | - | 1,297,392 | 1,281,851 |
| Accounts receivable | 8,308 | - | 8,308 | 4,316 |
| Due from other governments | 2,944,844 | 40,707 | 2,985,551 | 2,700,458 |
| Prepaid expenses | - | - | - | 7,854 |
| Inventories | - | 20,816 | 20,816 | 10,009 |
| Net pension asset | - | - | - | 110,660 |
| Capital assets: | | | | |
| Land | 15,000 | - | 15,000 | 15,000 |
| Construction in progress | 153,922 | 11,050 | 164,972 | 127,914 |
| Infrastructure | 3,276,613 | - | 3,276,613 | 3,199,737 |
| Buildings and equipment | 4,581,436 | 6,861,985 | 11,443,421 | 11,844,546 |
| Accumulated depreciation | <u>(2,884,081)</u> | <u>(5,359,472)</u> | <u>(8,243,553)</u> | <u>(8,522,655)</u> |
| Total assets | <u>20,480,370</u> | <u>1,985,280</u> | <u>22,465,650</u> | <u>20,246,602</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pension contributions | <u>215,924</u> | <u>-</u> | <u>215,924</u> | <u>92,274</u> |
| LIABILITIES | | | | |
| Accounts payable | 5,126 | 300 | 5,426 | 46,962 |
| Accrued liabilities | 52,114 | 1,754 | 53,868 | 44,876 |
| Due to other governments | 22,499 | - | 22,499 | 26,049 |
| Long-term liabilities: | | | | |
| Compensated absences | 280,726 | 2,036 | 282,762 | 218,991 |
| Net pension liability | 153,015 | - | 153,015 | - |
| Other post employment benefits | <u>387,000</u> | <u>-</u> | <u>387,000</u> | <u>348,000</u> |
| Total liabilities | <u>900,480</u> | <u>4,090</u> | <u>904,570</u> | <u>684,878</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Assessed and unlevied property taxes | 1,289,790 | - | 1,289,790 | 1,279,463 |
| Deferred inflows related to pension assumptions | <u>74,411</u> | <u>-</u> | <u>74,411</u> | <u>234,828</u> |
| Total deferred inflows of resources | <u>1,364,201</u> | <u>-</u> | <u>1,364,201</u> | <u>1,514,291</u> |
| NET POSITION | | | | |
| Investment in capital assets | 5,142,890 | 1,513,563 | 6,656,453 | 6,664,542 |
| Restricted for: | | | | |
| Street repairs | 54,555 | - | 54,555 | 38,818 |
| Beautification | 175,842 | - | 175,842 | 161,637 |
| Other purposes | - | - | - | 110,824 |
| Unrestricted - assigned for operations and capital assets | 5,009,065 | - | 5,009,065 | 6,569,769 |
| Unrestricted | <u>8,049,261</u> | <u>467,627</u> | <u>8,516,888</u> | <u>4,594,117</u> |
| NET POSITION | <u>\$ 18,431,613</u> | <u>\$ 1,981,190</u> | <u>\$ 20,412,803</u> | <u>\$ 18,139,707</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| FUNCTIONS/PROGRAMS | 2017 | | | | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION | | | 2016 |
|---|---------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|-------------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | TOTAL PRIMARY GOVERNMENT (RESTATED) |
| Primary Government: | | | | | | | | |
| General government | \$ 737,330 | \$ - | \$ - | \$ - | \$ (737,330) | \$ - | \$ (737,330) | \$ (640,150) |
| Public safety | 1,727,280 | 51,250 | 31,040 | - | (1,644,990) | - | (1,644,990) | (1,540,595) |
| Highways and streets | 274,575 | - | 86,482 | - | (188,093) | - | (188,093) | (345,554) |
| Building inspection | 104,588 | 186,572 | - | - | 81,984 | - | 81,984 | 91,227 |
| Stormwater | 148,136 | 101,697 | - | - | (46,439) | - | (46,439) | (42,808) |
| Sanitation and sewers | - | - | - | - | - | - | - | (136,217) |
| Waste collection | 390,483 | - | - | - | (390,483) | - | (390,483) | (390,589) |
| Boulevards | 68,675 | - | - | - | (68,675) | - | (68,675) | (78,067) |
| Other improvements | - | - | - | - | - | - | - | (798) |
| Horticulture supplies and services | 35,476 | - | 49,580 | - | 14,104 | - | 14,104 | 32,560 |
| Total primary government | \$ 3,486,543 | \$ 339,519 | \$ 167,102 | \$ - | (2,979,922) | - | (2,979,922) | (3,050,991) |
| Business-Type Activities | | | | | | | | |
| Sewer Fund | \$ 431,978 | \$ 590,955 | \$ - | \$ - | - | 158,977 | 158,977 | - |
| General Revenues: | | | | | | | | |
| Property taxes | | | | | 1,298,418 | - | 1,298,418 | 965,400 |
| Payments in lieu of taxes | | | | | 5,566 | - | 5,566 | 4,218 |
| Mixed drink tax | | | | | 74,666 | - | 74,666 | 57,510 |
| TVA in lieu of tax | | | | | 32,856 | - | 32,856 | 34,172 |
| Sales tax | | | | | 241,341 | - | 241,341 | 235,533 |
| Income tax | | | | | 2,826,523 | - | 2,826,523 | 3,087,812 |
| Franchise tax | | | | | 92,308 | - | 92,308 | 73,400 |
| Beer tax | | | | | 1,406 | - | 1,406 | 1,422 |
| Fines and forfeitures | | | | | 176,758 | - | 176,758 | 197,048 |
| Gain (loss) on disposal of capital assets | | | | | 240,951 | - | 240,951 | (343,743) |
| Unrestricted investment earnings | | | | | 53,868 | 1,257 | 55,125 | 40,064 |
| Other local revenue | | | | | 48,123 | - | 48,123 | 149,004 |
| Total general revenues | | | | | 5,092,784 | 1,257 | 5,094,041 | 4,501,840 |
| Transfers | | | | | (1,820,956) | 1,820,956 | - | - |
| Change in net position | | | | | 291,906 | 1,981,190 | 2,273,096 | 1,450,849 |
| Net position - beginning | | | | | 18,139,707 | - | 18,139,707 | 16,688,858 |
| Net position - ending | | | | | \$ 18,431,613 | \$ 1,981,190 | \$ 20,412,803 | \$ 18,139,707 |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | | | <u>2016</u> | |
|--|----------------------|-----------------------|---------------------------------|---------------------------------|-------------------|
| | <u>GENERAL</u> | <u>NONMAJOR FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> | <u>(RESTATED)</u> |
| ASSETS | | | | | |
| Cash | \$ 90,082 | \$ 217,751 | \$ 307,833 | \$ 485,914 | |
| Investments | 10,779,103 | - | 10,779,103 | 8,980,998 | |
| Receivables: | | | | | |
| Property tax | 1,297,392 | - | 1,297,392 | 1,281,851 | |
| Accounts | 8,308 | - | 8,308 | 47,019 | |
| Due from other funds | - | - | - | 14,731 | |
| Due from other governments | 2,930,833 | 14,011 | 2,944,844 | 2,657,755 | |
| Prepaid expenses | - | - | - | 7,854 | |
| Inventories | - | - | - | 10,009 | |
| TOTAL ASSETS | <u>\$ 15,105,718</u> | <u>\$ 231,762</u> | <u>\$ 15,337,480</u> | <u>\$ 13,486,131</u> | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 3,761 | \$ 1,365 | \$ 5,126 | \$ 46,962 | |
| Accrued liabilities | 52,114 | - | 52,114 | 44,876 | |
| Due to other funds | - | - | - | 14,731 | |
| Due to other governments | 22,499 | - | 22,499 | 26,049 | |
| TOTAL LIABILITIES | <u>78,374</u> | <u>1,365</u> | <u>79,739</u> | <u>132,618</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable property taxes | 1,289,790 | - | 1,289,790 | 1,279,463 | |
| FUND BALANCE: | | | | | |
| Fund balance: | | | | | |
| Nonspendable | - | - | - | 17,863 | |
| Restricted for street repairs | - | 54,555 | 54,555 | 38,818 | |
| Restricted for drug enforcement and education | - | - | - | 164 | |
| Restricted for beautification | - | 175,842 | 175,842 | 161,637 | |
| Assigned for operations and capital assets | 5,009,065 | - | 5,009,065 | 6,569,769 | |
| Unassigned | 8,728,489 | - | 8,728,489 | 5,285,799 | |
| TOTAL FUND BALANCE | <u>13,737,554</u> | <u>230,397</u> | <u>13,967,951</u> | <u>12,074,050</u> | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 15,105,718</u> | <u>\$ 231,762</u> | <u>\$ 15,337,480</u> | <u>\$ 13,486,131</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | <u>2016</u> (RESTATED) |
|---|----------------------|---------------------------|
| Total Governmental Funds Fund Balance | \$ 13,967,951 | \$ 12,074,050 |
| Amounts reported for governmental activities in the statements 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 sheets | 5,142,890 | 6,664,542 |
| Net pension asset (liability) in governmental activities is not a financial resource (current liability) and therefore is not reported in the governmental funds balance sheets | (153,015) | 110,660 |
| Employer pension contributions made since the measurement date have been expensed in the governmental funds balance sheets but are shown as deferred outflows of resources in governmental activities; additionally other pension related deferred outflows are not financial resources of governmental funds | 215,924 | 92,274 |
| Deferred inflows of resources related to pensions are not financial liabilities and therefore are not reported in the governmental funds balance sheets | (74,411) | (234,828) |
| 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 sheets | (387,000) | (348,000) |
| 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 sheets | <u>(280,726)</u> | <u>(218,991)</u> |
| Net Position of Governmental Activities | <u>\$ 18,431,613</u> | <u>\$ 18,139,707</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, 2017

| | <u>2017</u> | | <u>2016</u> | |
|---|----------------------|---------------------------|---|--|
| | <u>GENERAL</u> | <u>NONMAJOR FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS (RESTATED)</u> |
| REVENUES | | | | |
| Taxes | \$ 1,303,984 | \$ - | \$ 1,303,984 | \$ 972,054 |
| Licenses and permits | 186,572 | - | 186,572 | 175,815 |
| Fines and forfeitures | 176,758 | - | 176,758 | 197,048 |
| Charges for services | 152,947 | - | 152,947 | 445,718 |
| Intergovernmental | 3,306,022 | 80,600 | 3,386,622 | 3,593,267 |
| Uses of money and property | 53,767 | 101 | 53,868 | 40,064 |
| Other | 298,824 | 49,580 | 348,404 | 232,213 |
| TOTAL REVENUES | <u>5,478,874</u> | <u>130,281</u> | <u>5,609,155</u> | <u>5,656,179</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 603,805 | - | 603,805 | 554,419 |
| Public safety | 1,946,966 | 164 | 1,947,130 | 1,586,525 |
| Highways and streets | 165,495 | 64,863 | 230,358 | 586,557 |
| Building inspection | 114,125 | - | 114,125 | 80,849 |
| Stormwater | 147,490 | - | 147,490 | 205,374 |
| Sanitations and sewers | - | - | - | 313,862 |
| Waste collection | 390,483 | - | 390,483 | 390,589 |
| Boulevards | 68,675 | - | 68,675 | 78,067 |
| Other improvements | - | - | - | 798 |
| Horticulture supplies and services | - | 35,476 | 35,476 | 23,085 |
| TOTAL EXPENDITURES | <u>3,437,039</u> | <u>100,503</u> | <u>3,537,542</u> | <u>3,820,125</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>2,041,835</u> | <u>29,778</u> | <u>2,071,613</u> | <u>1,836,054</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(177,712)</u> | <u>-</u> | <u>(177,712)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(177,712)</u> | <u>-</u> | <u>(177,712)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 1,864,123 | 29,778 | 1,893,901 | 1,836,054 |
| FUND BALANCE, BEGINNING OF YEAR | <u>11,873,431</u> | <u>200,619</u> | <u>12,074,050</u> | <u>10,237,996</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 13,737,554</u> | <u>\$ 230,397</u> | <u>\$ 13,967,951</u> | <u>\$ 12,074,050</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, 2017
(WITH COMPARATIVE TOTALS FOR 2015)

| | <u>2017</u> | <u>2016</u> (RESTATED) |
|---|-------------------|---------------------------|
| Net Change in Fund Balance - Governmental Funds | \$ 1,893,901 | \$ 1,836,054 |
| <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 | 486,281 | 516,189 |
| Depreciation expense | (354,939) | (563,860) |
| Gain (loss) on disposition of capital assets | 240,951 | (343,743) |
| Proceeds recognized in fund statements | (250,701) | (30,000) |
| <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> | | |
| | 91,451 | 92,274 |
| <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 | (61,735) | 1,165 |
| Transfer of capital assets to the Sewer Fund | (1,643,244) | - |
| Actuarially determined pension expense | (71,059) | (22,230) |
| Change in accrual for other post employment benefits obligation | <u>(39,000)</u> | <u>(35,000)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 291,906</u> | <u>\$ 1,450,849</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, 2017

| | <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 | \$ 1,280,229 | \$ 1,280,229 | \$ 1,282,775 | \$ 2,546 |
| Property taxes delinquent | - | - | 7,039 | 7,039 |
| Personal property taxes | 1,800 | 3,344 | 3,344 | - |
| Public utility property tax | 2,440 | 2,352 | 2,351 | (1) |
| Interest and penalties - property taxes | 1,723 | 1,723 | 2,909 | 1,186 |
| Electric in lieu of taxes | 4,800 | 4,800 | 5,566 | 766 |
| | <u>1,290,992</u> | <u>1,292,448</u> | <u>1,303,984</u> | <u>11,536</u> |
| Total taxes | | | | |
| INTERGOVERNMENTAL | | | | |
| State sales tax | 230,868 | 230,868 | 241,341 | 10,473 |
| State income tax | 1,575,000 | 1,575,000 | 2,826,523 | 1,251,523 |
| Franchise taxes | 80,000 | 80,000 | 92,308 | 12,308 |
| Beer tax | 1,400 | 1,400 | 1,406 | 6 |
| Petroleum special tax | 5,900 | 5,900 | 5,882 | (18) |
| TVA in-lieu of taxes | 34,170 | 32,855 | 32,856 | 1 |
| Mixed drink tax | 52,911 | 52,911 | 74,666 | 21,755 |
| | <u>1,980,249</u> | <u>1,978,934</u> | <u>3,274,982</u> | <u>1,296,048</u> |
| Total intergovernmental | | | | |
| LICENSES AND PERMITS | <u>144,600</u> | <u>176,936</u> | <u>186,572</u> | <u>9,636</u> |
| FINES AND FORFEITURES | <u>211,605</u> | <u>172,100</u> | <u>176,758</u> | <u>4,658</u> |
| CHARGES FOR SERVICES | | | | |
| Stormwater usage fees | 101,800 | 101,800 | 101,697 | (103) |
| Public safety charges for services | 40,500 | 46,307 | 51,250 | 4,943 |
| | <u>142,300</u> | <u>148,107</u> | <u>152,947</u> | <u>4,840</u> |
| Total charges for services | | | | |
| MISCELLANEOUS | | | | |
| Interest income on investments | 40,000 | 54,000 | 53,767 | (233) |
| Contributions, dues | 19,000 | 26,500 | 26,753 | 253 |
| Sale of equipment - surplus property | 45,800 | 260,000 | 264,201 | 4,201 |
| Other revenues | 1,636 | 6,000 | 7,870 | 1,870 |
| State grant - highway safety | 20,000 | 28,000 | 31,040 | 3,040 |
| | <u>126,436</u> | <u>374,500</u> | <u>383,631</u> | <u>9,131</u> |
| Total miscellaneous | | | | |
| TOTAL REVENUES | <u>3,896,182</u> | <u>4,143,025</u> | <u>5,478,874</u> | <u>1,335,849</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, 2017

| | <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: | \$ 588,960 | \$ 617,281 | \$ 603,805 | \$ (13,476) |
| Public safety | 2,124,130 | 2,035,758 | 1,946,966 | (88,792) |
| Highways and streets | 428,998 | 184,618 | 165,495 | (19,123) |
| Building inspection | 102,211 | 119,434 | 114,125 | (5,309) |
| Stormwater | 191,460 | 161,000 | 147,490 | (13,510) |
| Waste collection | 387,607 | 392,307 | 390,483 | (1,824) |
| Boulevards | 72,200 | 70,000 | 68,675 | (1,325) |
| | | | | - |
| TOTAL EXPENDITURES | <u>3,895,566</u> | <u>3,580,398</u> | <u>3,437,039</u> | <u>(143,359)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>616</u> | <u>562,627</u> | <u>2,041,835</u> | <u>1,479,208</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out - cash | - | - | (125,000) | 125,000 |
| Transfers out - opening balances of accounts receivable and inventory for Sewer Fund | - | - | <u>(52,712)</u> | <u>52,712</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | <u>(177,712)</u> | <u>(177,712)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 616</u> | <u>\$ 562,627</u> | 1,864,123 | <u>\$ 1,301,496</u> |
| FUND BALANCE - BEGINNING OF YEAR | | | <u>11,873,431</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 13,737,554</u> | |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - SEWER FUND

JUNE 30, 2017

ASSETS

| | | |
|----------------------------|----|------------------|
| Cash | \$ | 410,194 |
| Receivables: | | |
| Due from other governments | | 40,707 |
| Inventories | | <u>20,816</u> |
| TOTAL CURRENT ASSETS | | 471,717 |
| CAPITAL ASSETS, NET | | <u>1,513,563</u> |
| TOTAL ASSETS | | <u>1,985,280</u> |

LIABILITIES

CURRENT LIABILITIES

| | | |
|------------------------------|--|--------------|
| Accounts payable | | 300 |
| Accrued liabilities | | 1,754 |
| Accrued compensated absences | | <u>2,036</u> |
| TOTAL CURRENT LIABILITIES | | <u>4,090</u> |

NET POSITION

| | | |
|------------------------------|----|------------------|
| Investment in capital assets | | 1,513,563 |
| Unrestricted | | <u>467,627</u> |
| TOTAL NET POSITION | \$ | <u>1,981,190</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND - SEWER FUND

FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 590,955 |
| | <u>590,955</u> |
| OPERATING EXPENSES | |
| Salaries and benefits | 49,523 |
| Repair and maintenance | 42,812 |
| Operating supplies | 86,637 |
| Insurance | 5,344 |
| Depreciation | 240,191 |
| Other operating expenses | 7,471 |
| | <u>431,978</u> |
| TOTAL OPERATING EXPENSES | |
| | <u>158,977</u> |
| OPERATING INCOME | |
| | <u>158,977</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 1,257 |
| | <u>1,257</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | |
| | <u>1,257</u> |
| CHANGE IN NET POSITION BEFORE TRANSFERS | 160,234 |
| TRANSFERS | |
| Transfer in - cash | 125,000 |
| Transfer in - opening net position for accounts receivable, inventory and capital assets | 1,695,956 |
| | <u>1,695,956</u> |
| TOTAL TRANSFERS | |
| | <u>1,820,956</u> |
| CHANGE IN NET POSITION | 1,981,190 |
| NET POSITION - BEGINNING OF YEAR | <u>-</u> |
| NET POSITION - END OF YEAR | <u>\$ 1,981,190</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND - SEWER FUND

FOR THE YEAR ENDED JUNE 30, 2017

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Charges for services | \$ 592,951 |
| Payments to suppliers | (198,504) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>394,447</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Transfer from General Fund | <u>125,000</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | <u>125,000</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of property, plant and equipment | <u>(110,510)</u> |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(110,510)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>1,257</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,257</u> |
| NET CHANGE IN CASH | 410,194 |
| CASH - BEGINNING OF YEAR | <u>-</u> |
| CASH - END OF YEAR | <u>\$ 410,194</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES | |
| Operating income | <u>\$ 158,977</u> |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 240,191 |
| Changes in operating assets and liabilities | |
| Due from other governments | 1,996 |
| Inventories | (10,807) |
| Accounts payable | 300 |
| Accrued liabilities | 1,754 |
| Accrued post retirement benefits | <u>2,036</u> |
| TOTAL ADJUSTMENTS | <u>235,470</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 394,447</u> |

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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, 2017 or 2016.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Current liabilities are assigned to the fund from which they will be paid.

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.

The City reports the following proprietary fund:

Sewer Fund - The Sewer Fund was created July 1, 2016 and reports the activities and accounts of sewer activity within the City. All activities necessary to provide these services are accounted for in such a manner to show a profit or loss similar to comparable private enterprises.

Additionally, the City utilizes the following other governmental fund type:

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.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions are those charges between various functions whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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.

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 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. Any unencumbered appropriations lapse at the end of each year.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017

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.

Investments

Investments consist of certificates of deposit at amortized cost and pooled funds in the State of Tennessee Local Government Investment Pool ("LGIP" or "Pool"), which is maintained and operated by the State of Tennessee in accordance with applicable State laws and regulations. Because the Pool is considered a qualified external investment pool, participants are guaranteed consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

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 proprietary fund statements, inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Current period expense for pension contributions is recorded in the individual fund where the employees' salary is recorded. For purposes of recording the net pension asset/liability and related pension deferred inflows and outflows on the entity-wide financial statements, all activity is recorded in governmental activities.

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 |

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 relate to contributions made into the pension plan after the measurement date and the difference between projected and actual earnings on plan investments.

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 and proprietary fund statements, a 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 ("OPEB") represents the actuarially determined liability resulting from the cumulative difference between annual required contributions to the plan and actual premium payments. For purposes of recording OPEB liabilities at year-end, all employees are included in governmental activities.

Fund Balance

In accordance with applicable standards, 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:

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

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.

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.

Reclassifications

Certain prior year comparative balances have been reclassified to conform to current year presentation. These reclassifications do not have an impact on changes in net position/fund balance as previously stated.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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 2017 and 2016, 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, the carrying amount and corresponding bank balances of deposits were as follows:

| | <u>2017</u> | | <u>2016</u> | |
|---------------------------|------------------------------|--|------------------------------|--|
| | <u>Deposits Per Bank</u> | <u>Carrying Amount Per Books</u> | <u>Deposits Per Bank</u> | <u>Carrying Amount Per Books</u> |
| Cash and cash equivalents | <u>\$ 797,159</u> | <u>\$ 718,027</u> | <u>\$ 493,864</u> | <u>\$ 485,914</u> |

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2016.

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 LGIP and in repurchase agreements. The Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the Pool qualifies as a 2a-7 like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. There are no limitations on withdrawals or maximum transaction amounts on funds held in the Pool. 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, 2017

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, 2017. The Pool does not have a credit rating.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the years ended June 30 was as follows:

| Governmental Activities | 2017 | | | | |
|--|----------------------|----------------|--------------------|------------------|-------------------|
| | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| <u>Capital assets not being depreciated:</u> | | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ - | \$ 15,000 |
| Construction in progress | 127,914 | 57,858 | (31,850) | - | 153,922 |
| Total capital assets not being depreciated | <u>142,914</u> | <u>57,858</u> | <u>(31,850)</u> | <u>-</u> | <u>168,922</u> |
| <u>Capital assets being depreciated:</u> | | | | | |
| Buildings | 2,568,879 | - | - | - | 2,568,879 |
| Improvements other than building | 1,307,640 | 2,500 | - | - | 1,310,140 |
| Equipment | 7,968,027 | 380,897 | (6,798,141) | (848,366) | 702,417 |
| Infrastructure: | | | | | |
| Drainage and drainage improvements | 697,477 | 17,038 | 31,850 | - | 746,365 |
| Road and road improvements | 2,502,260 | 27,988 | - | - | 2,530,248 |
| | <u>15,044,283</u> | <u>428,423</u> | <u>(6,766,291)</u> | <u>(848,366)</u> | <u>7,858,049</u> |

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 3 - CAPITAL ASSETS (CONTINUED)

| Governmental Activities (continued) | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
|---|----------------------|--------------------|-----------------------|---------------------|---------------------|
| <u>Less accumulated depreciation:</u> | | | | | |
| Buildings | \$ (891,620) | \$ (83,199) | | \$ - | \$ (974,819) |
| Improvements other than buildings | (1,097,956) | (56,043) | | - | (1,153,999) |
| Equipment | (6,062,061) | (135,162) | 5,154,897 | 838,616 | (203,710) |
| Infrastructure: | | | | | |
| Drainage and drainage improvements | (83,284) | (17,685) | - | - | (100,969) |
| Road and road improvements | (387,734) | (62,850) | - | - | (450,584) |
| Total accumulated depreciation | <u>(8,522,655)</u> | <u>(354,939)</u> | <u>5,154,897</u> | <u>838,616</u> | <u>(2,884,081)</u> |
| Total governmental activities capital assets, net | <u>\$ 6,664,542</u> | <u>\$ 131,342</u> | <u>\$ (1,643,244)</u> | <u>\$ (9,750)</u> | <u>\$ 5,142,890</u> |
| 2016 | | | | | |
| Governmental Activities | Beginning Balance | Additions | Transfers | Retirements | Ending Balance |
| <u>Capital assets not being depreciated:</u> | | | | | |
| Land | \$ 385,000 | \$ - | \$ - | \$ (370,000) | \$ 15,000 |
| Construction in progress | 127,914 | - | - | - | 127,914 |
| Total capital assets not being depreciated | <u>512,914</u> | <u>-</u> | <u>-</u> | <u>(370,000)</u> | <u>142,914</u> |
| <u>Capital assets being depreciated:</u> | | | | | |
| Buildings | 2,568,879 | - | - | - | 2,568,879 |
| Improvements other than building | 1,307,640 | - | - | - | 1,307,640 |
| Equipment | 7,841,844 | 175,767 | - | (49,584) | 7,968,027 |
| Infrastructure: | | | | | |
| Drainage and drainage improvements | 622,602 | 74,875 | - | - | 697,477 |
| Road and road improvements | 2,236,713 | 265,547 | - | - | 2,502,260 |
| | <u>14,577,678</u> | <u>516,189</u> | <u>-</u> | <u>(49,584)</u> | <u>15,044,283</u> |
| <u>Less accumulated depreciation:</u> | | | | | |
| Buildings | (808,463) | (83,157) | - | - | (891,620) |
| Improvements other than buildings | (1,041,300) | (56,656) | - | - | (1,097,956) |
| Equipment | (5,759,801) | (348,101) | - | 45,841 | (6,062,061) |
| Infrastructure: | | | | | |
| Drainage and drainage improvements | (67,563) | (15,721) | - | - | (83,284) |
| Road and road improvements | (327,509) | (60,225) | - | - | (387,734) |
| Total accumulated depreciation | <u>(8,004,636)</u> | <u>(563,860)</u> | <u>-</u> | <u>45,841</u> | <u>(8,522,655)</u> |
| Total governmental activities capital assets, net | <u>\$ 7,085,956</u> | <u>\$ (47,671)</u> | <u>\$ -</u> | <u>\$ (373,743)</u> | <u>\$ 6,664,542</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

| <u>Business-Type Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|--------------------|---------------------------|
| <u>Capital assets not being depreciated:</u> | | | | | |
| Land | \$ - | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | - | 11,050 | - | - | 11,050 |
| Total capital assets not being depreciated | - | 11,050 | - | - | 11,050 |
| <u>Capital assets being depreciated:</u> | | | | | |
| Buildings | - | - | 454,647 | - | 454,647 |
| Equipment | - | 99,460 | 6,343,494 | (35,616) | 6,407,338 |
| Total capital assets being depreciated | - | 99,460 | 6,798,141 | (35,616) | 6,861,985 |
| Less accumulated depreciation for: | | | | | |
| Buildings | - | (15,327) | (163,717) | - | (179,044) |
| Equipment | - | (224,864) | (4,991,180) | 35,616 | (5,180,428) |
| Total accumulated depreciation | - | (240,191) | (5,154,897) | 35,616 | (5,359,472) |
| Total business-type activities capital assets, net | \$ - | \$ (129,681) | \$ 1,643,244 | \$ - | \$ 1,513,563 |

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

| | <u>2017</u> | <u>2016</u> |
|-----------------------|-------------------|-------------------|
| General government | \$ 101,942 | \$ 67,702 |
| Public safety | 100,011 | 114,767 |
| Highways and streets | 130,292 | 119,540 |
| Building inspection | 5,009 | 4,482 |
| Stormwater | 17,685 | 14,096 |
| Sanitation and sewers | - | 243,273 |
| | <u>\$ 354,939</u> | <u>\$ 563,860</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 4 - COMPENSATED ABSENCES

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

| | <u>2017</u> | | | |
|--|------------------------------|-------------------|--------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
| Liability for accrued sick pay and annual leave | <u>\$ 218,991</u> | <u>\$ 139,527</u> | <u>\$ (75,756)</u> | <u>\$ 282,762</u> |

| | <u>2016</u> | | | |
|--|------------------------------|-------------------|---------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
| Liability for accrued sick pay and annual leave | <u>\$ 220,156</u> | <u>\$ 136,347</u> | <u>\$ (137,512)</u> | <u>\$ 218,991</u> |

NOTE 5 - COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the years ended June 30, 2017 and 2016.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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 publicly 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 dates, the following employees were covered by the benefit terms:

| | <u>June 30,</u> <u>2016</u> | <u>June 30,</u> <u>2015</u> |
|--|--------------------------------|--------------------------------|
| Inactive employees or beneficiaries currently receiving benefits | 19 | 19 |
| Inactive employees entitled to but not yet receiving benefits | 20 | 20 |
| Active employees | <u>25</u> | <u>26</u> |
| | <u>64</u> | <u>65</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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 years ended June 30, 2017 and 2016, employer contributions for the City were \$91,451 and \$92,274, respectively, 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, 2015 and 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, 2015 and 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, 2016 and 2015 actuarial valuations 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, 2017

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 for both valuation years:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|---------------------------------------|---|--------------------------|
| U.S. equity | 6.46 % | 33 % |
| Developed market international equity | 6.26 % | 17 % |
| Emerging market international equity | 6.40 % | 5 % |
| Private equity and strategic lending | 4.61 % | 8 % |
| U.S. fixed income | 0.98 % | 29 % |
| Real estate | 4.73 % | 7 % |
| Short-term securities | 0.00 % | <u>1 %</u> |
| | | <u>100 %</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, 2017

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

| | <u>Increase (Decrease)</u> | | |
|--|------------------------------------|--|--|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability (Asset)</u> |
| | (a) | (b) | (a) - (b) |
| BALANCE AT JUNE 30, 2014 | \$ 3,672,848 | \$ 3,739,175 | \$ (66,327) |
| CHANGES FOR THE YEAR: | | | |
| Service cost | 80,926 | - | 80,926 |
| Interest | 275,075 | - | 275,075 |
| Differences between expected and actual experience - restated | (196,101) | - | (196,101) |
| Contributions - employer | - | 91,490 | (91,490) |
| Contributions - employee | - | 203 | (203) |
| Net investment income | - | 113,900 | (113,900) |
| Benefit payments, including refunds of employee contributions | (172,212) | (172,212) | - |
| Administrative expense | - | (1,360) | 1,360 |
| Net changes | <u>(12,312)</u> | <u>32,021</u> | <u>(44,333)</u> |
| BALANCE AT JUNE 30, 2015 | <u>\$ 3,660,536</u> | <u>\$ 3,771,196</u> | <u>\$ (110,660)</u> |
| CHANGES FOR THE YEAR: | | | |
| Service cost | 81,165 | - | 81,165 |
| Interest | 273,868 | - | 273,868 |
| Differences between expected and actual experience | 96,424 | - | 96,424 |
| Contributions - employer | - | 90,838 | (90,838) |
| Contributions - employee | - | - | - |
| Net investment income | - | 98,817 | (98,817) |
| Benefit payments, including refunds of employee contributions | (180,267) | (180,267) | - |
| Administrative expense | - | (1,873) | 1,873 |
| Net changes | <u>271,190</u> | <u>7,515</u> | <u>263,675</u> |
| BALANCE AT JUNE 30, 2016 | <u>\$ 3,931,726</u> | <u>\$ 3,778,711</u> | <u>\$ 153,015</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 6 - PENSION PLAN (CONTINUED)

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:

| | Measurement Date - June 30, 2016 | | |
|--------------------------------------|----------------------------------|--------------------------|---------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | (6.5%) | (7.5%) | (8.5%) |
| City's net pension liability (asset) | \$ <u>615,853</u> | \$ <u>153,015</u> | \$ <u>(239,433)</u> |
| | Measurement Date - June 30, 2015 | | |
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | (6.5%) | (7.5%) | (8.5%) |
| City's net pension liability (asset) | \$ <u>320,554</u> | \$ <u>(110,660)</u> | \$ <u>(475,948)</u> |

Pension Expense

For the year ended June 30, 2017 and 2016, the City recognized pension expense of \$71,059 and \$22,230, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2017 | |
|---|----------------------------------|---------------------------------|
| | Deferred Outflow of Resources | Deferred Inflow of Resources |
| Differences between expected and actual experience | \$ - | \$ 74,411 |
| Net difference between projected and actual earnings on pension plan investments | 124,473 | - |
| Contributions subsequent to the measurement date of June 30, 2016 | <u>91,451</u> | <u>-</u> |
| Total | <u>\$ 215,924</u> | <u>\$ 74,411</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 6 - PENSION PLAN (CONTINUED)

| | <u>2016</u> | |
|---|--|---|
| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ 188,472 |
| Net difference between projected and actual earnings on pension plan investments | - | 46,356 |
| Contributions subsequent to the measurement date of June 30, 2015 | <u>92,274</u> | <u>-</u> |
| Total | <u>\$ 92,274</u> | <u>\$ 234,828</u> |

The amount shown above for Contributions subsequent to the measurement date of June 30, 2016 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> | |
|----------------------------|------------|
| 2018 | \$ (7,867) |
| 2019 | (7,867) |
| 2020 | 51,177 |
| 2021 | 18,483 |
| 2022 | (17,637) |
| Thereafter | 13,775 |

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

Effective July 1, 2014, the City's participation in the TCRS defined benefit pension plan was closed to new employees. The City adopted a new resolution at this time to become a participating employer in the State of Tennessee 401(k) Plan. All new employees hired after this date who are 18 years of age or older and render 40 or more hours of service per week as defined in the plan document are enrolled into the 401(k) plan. Every employee must contribute a mandatory 2% of gross wages each pay period, with the City contributing 5% of gross wages. The City will also match up to 3% of employee's elective contributions. Employees are fully vested after five years (20% after each year of service). During 2017, the City contributed \$1,436 to the 401(k) plan (\$1,416 for the 2016 fiscal year).

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017, retired plan members prior to age 65 contribute (on average) 40.5% of premiums and the City contributes (on average) 59.5% of premiums. For active plan members, members contribute (on average) 35% of premiums and the City contributes (on average) 65% of premiums.

Annual OPEB cost and Net OPEB obligation

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Annual required contribution | \$ 46,000 | \$ 45,000 |
| Interest | 13,000 | 12,000 |
| Adjustment to the annual required contribution | <u>(13,000)</u> | <u>(12,000)</u> |
| Annual OPEB cost | 46,000 | 45,000 |
| Amount of contribution | <u>(7,000)</u> | <u>(10,000)</u> |
| Increase in net OPEB obligation | 39,000 | 35,000 |
| Net OPEB obligation - beginning of year | <u>348,000</u> | <u>313,000</u> |
| Net OPEB obligation - end of year | <u>\$ 387,000</u> | <u>\$ 348,000</u> |

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017 | \$ 46,000 | 15.22% | \$ 387,000 |
| June 30, 2016 | 45,000 | 22.22% | 348,000 |
| June 30, 2015 | 40,000 | 30.00% | 313,000 |

Funded Status and Funding Progress

The funded status of the plan as of the valuation date was as follows:

| | | |
|---|--------------|--------------|
| Actuarial valuation date | July 1, 2015 | July 1, 2013 |
| Actuarial accrued liability (AAL) | \$ 368,000 | \$ 290,000 |
| Actuarial value of plan assets | \$ - | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 368,000 | \$ 290,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | \$ 1,306,994 | \$ 1,241,000 |
| UAAL as a percentage of covered payroll | 28.16% | 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, 2017

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially. The rate decreases to 6% in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.7% by fiscal year 2050. 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 - TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

| <u>Transfer to</u> | <u>Transfer from General Fund</u> | <u>Transfer from Governmental Activities</u> | <u>Total</u> |
|--------------------|---------------------------------------|--|---------------------|
| Sewer Fund | \$ <u>177,712</u> | \$ <u>1,643,243</u> | \$ <u>1,820,955</u> |

The sewer fund was established July 1, 2016 as a separate proprietary fund type. Transfers to this fund were to establish opening asset balances which were recorded as part of the general fund in the prior year and include \$42,703 of accounts receivable, \$10,009 of inventory. Additionally, the general fund transferred \$125,000 in cash as a one-time grant, which was approved by resolution of the Mayor and Board of Commissioners. In the governmental-wide statement of activities, opening net capital asset balances related to sewer operations was also transferred to the newly formed fund.

NOTE 9 - COMMITMENTS AND UNCERTAINTIES

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 9 - COMMITMENTS AND UNCERTAINTIES (CONTINUED)

Hall Income Tax

In late fiscal year 2016, the Tennessee Governor signed into law the elimination of the Hall Tax, to be phased out over a six year period. The City conducted a series of public meetings to address this loss of revenue and developed a plan to increase the property tax rates to offset this loss for fiscal year 2017. The Commissioners have not proposed an increase for 2018, but will continue to re-evaluate the need for additional revenue in the future.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

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 financial reporting 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.

NOTE 11 - ADJUSTMENT TO PRIOR YEAR NET POSITION/FUND BALANCE

Prior year net position/fund balances has been adjusted to include the sewer fees for the month ending June 30, 2016 not received by the City as additional accounts receivable from other governments and charges for service revenue for the year then ended. The effect of this revision on the City's net position/fund balances as of July 1, 2016 is as follows:

| | <u>Governmental Activities</u> | <u>Governmental Funds</u> | <u>General Fund</u> |
|---|------------------------------------|-------------------------------|----------------------|
| Net position/fund balance, as previously reported | \$ 18,097,004 | \$ 12,031,347 | \$ 11,830,728 |
| To record accounts receivable and revenue for sewer services at June 30, 2016 | <u>42,703</u> | <u>42,703</u> | <u>42,703</u> |
| Beginning net position/fund balance, as restated | <u>\$ 18,139,707</u> | <u>\$ 12,074,050</u> | <u>\$ 11,873,431</u> |

(This page left blank intentionally)

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>2015</u> | <u>2016</u> |
|--|-------------------------|-------------------------|-------------------------|
| <u>TOTAL PENSION LIABILITY</u> | | | |
| Service cost | \$ 78,695 | \$ 80,926 | \$ 81,165 |
| Interest | 264,079 | 275,075 | 273,868 |
| Changes in benefit terms | - | - | - |
| Differences between actual & expected experience | (27,181) | (196,101) | 96,424 |
| Change of assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(170,198)</u> | <u>(172,212)</u> | <u>(180,267)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 145,395 | (12,312) | 271,190 |
| TOTAL PENSION LIABILITY - BEGINNING | <u>3,527,453</u> | <u>3,672,848</u> | <u>3,660,536</u> |
| TOTAL PENSION LIABILITY - ENDING (A) | <u>\$ 3,672,848</u> | <u>\$ 3,660,536</u> | <u>\$ 3,931,726</u> |
| <u>PLAN FIDUCIARY NET POSITION</u> | | | |
| Contributions - employer | \$ 71,089 | \$ 91,490 | \$ 90,838 |
| Contributions - employee | - | 203 | - |
| Net investment income | 538,990 | 113,900 | 98,817 |
| Benefit payments, including refunds of employee contributions | (170,198) | (172,212) | (180,267) |
| Administrative expense | <u>(1,116)</u> | <u>(1,360)</u> | <u>(1,873)</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 438,765 | 32,021 | 7,515 |
| PLAN FIDUCIARY NET POSITION - BEGINNING | <u>3,300,410</u> | <u>3,739,175</u> | <u>3,771,196</u> |
| PLAN FIDUCIARY NET POSITION - ENDING (B) | <u>3,739,175</u> | <u>3,771,196</u> | <u>3,778,711</u> |
| NET PENSION LIABILITY (ASSET) - ENDING (A)-(B) | <u>\$ (66,327)</u> | <u>\$ (110,660)</u> | <u>\$ 153,015</u> |
| Plan fiduciary net position as a percentage of total pension liability | 101.81 % | 103.02 % | 96.11 % |
| Covered-employee payroll | \$ 1,306,781 | \$ 1,306,994 | \$ 1,297,688 |
| Net pension liability (asset) as a percentage of covered-employee payroll | (5.08) % | (8.47) % | 11.79 % |

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|---------------|---------------|---------------|---------------|
| Actuarial determined contribution | \$ 71,089 | \$ 91,490 | \$ 90,838 | \$ 91,451 |
| Contributions in relation to the actuarial determined contribution | <u>71,089</u> | <u>91,490</u> | <u>90,838</u> | <u>91,451</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | |
| Covered-employee payroll | \$ 1,306,781 | \$ 1,306,994 | \$ 1,297,688 | \$ 1,246,600 |
| Contributions as a percentage covered employee payroll | 5.44 % | 7.00 % | 7.00 % | 7.34 % |

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 2016 were calculated based on the July 1, 2015 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, |
| 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, 2017

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability ("AAL") - Entry Age (b) | Unfunded AAL ("UAAL") (b) - (a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c) |
|--------------------------------|---|--|--|----------------------------|---------------------------|---|
| July 1, 2015 | \$ - | \$ 368,000 | \$ 368,000 | 0.00% | \$ 1,306,994 | 28.16% |
| 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% |

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BELLE MEADE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | TOTAL NONMAJOR GOVERNMENTAL FUNDS | 2016 |
|---|-----------------------|-------------------|-------------|--|----------------------------|
| | SPECIAL REVENUE FUNDS | | | | TOTAL NONMAJOR FUNDS |
| | STATE STREET AID | BEAUTIFICATION | DRUG | | |
| ASSETS | | | | | |
| Cash | \$ 40,544 | \$ 177,207 | \$ - | \$ 217,751 | \$ 187,739 |
| Due from other funds | - | - | - | - | 14,731 |
| Due from other governments | 14,011 | - | - | 14,011 | - |
| TOTAL ASSETS | \$ 54,555 | \$ 177,207 | \$ - | \$ 231,762 | \$ 202,470 |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ 1,365 | \$ - | \$ 1,365 | \$ 1,851 |
| TOTAL LIABILITIES | - | 1,365 | - | 1,365 | 1,851 |
| COMMITMENTS AND CONTINGENCIES | | | | | |
| FUND BALANCES | | | | | |
| Restricted for street repairs | 54,555 | - | - | 54,555 | 38,818 |
| Restricted for drug enforcement and education | - | - | - | - | 164 |
| Restricted for beautification | - | 175,842 | - | 175,842 | 161,637 |
| TOTAL FUND BALANCES | 54,555 | 175,842 | - | 230,397 | 200,619 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 54,555 | \$ 177,207 | \$ - | \$ 231,762 | \$ 202,470 |

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | 2016 | |
|------------------------------------|---------------------|-------------------|-------------|--|--|
| | SPECIAL REVENUE | | | TOTAL NONMAJOR GOVERNMENTAL FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
| | STATE STREET AID | BEAUTIFICATION | DRUG | | |
| REVENUES | | | | | |
| Contributions | \$ - | \$ 49,580 | \$ - | \$ 49,580 | \$ 55,645 |
| Intergovernmental: | | | | | |
| Gasoline and motor fuel tax | 55,293 | - | - | 55,293 | 54,875 |
| Three cent tax | 16,446 | - | - | 16,446 | 16,368 |
| Gas 1989 tax | 8,861 | - | - | 8,861 | 8,819 |
| Interest income | - | 101 | - | 101 | 90 |
| Other revenues | - | - | - | - | 249 |
| TOTAL REVENUES | 80,600 | 49,681 | - | 130,281 | 136,046 |
| EXPENDITURES | | | | | |
| Repair and maintenance - roads | 64,863 | - | - | 64,863 | 69,538 |
| Other improvements | - | - | - | - | 798 |
| Other expenses | - | - | 164 | 164 | - |
| Horticulture supplies and services | - | 35,476 | - | 35,476 | 23,085 |
| TOTAL EXPENDITURES | 64,863 | 35,476 | 164 | 100,503 | 93,421 |
| NET CHANGE IN FUND BALANCE | 15,737 | 14,205 | (164) | 29,778 | 42,625 |
| FUND BALANCE, BEGINNING OF YEAR | 38,818 | 161,637 | 164 | 200,619 | 157,994 |
| FUND BALANCE, END OF YEAR | <u>\$ 54,555</u> | <u>\$ 175,842</u> | <u>\$ -</u> | <u>\$ 230,397</u> | <u>\$ 200,619</u> |

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, 2017

| | <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 | \$ 81,536 | \$ 79,000 | \$ 55,293 | \$ (23,707) |
| Three cent tax | - | - | 16,446 | 16,446 |
| Gas 1989 tax | - | - | 8,861 | 8,861 |
| TOTAL REVENUES | <u>81,536</u> | <u>79,000</u> | <u>80,600</u> | <u>1,600</u> |
| EXPENDITURES | | | | |
| Repair and maintenance - roads | <u>71,832</u> | <u>71,200</u> | <u>64,863</u> | <u>(6,337)</u> |
| TOTAL EXPENDITURES | <u>71,832</u> | <u>71,200</u> | <u>64,863</u> | <u>(6,337)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 9,704</u> | <u>\$ 7,800</u> | 15,737 | <u>\$ 7,937</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>38,818</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 54,555</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, 2017

| | <u>ORIGINAL BUDGETED AMOUNTS</u> | <u>FINAL BUDGETED AMOUNT</u> | <u>ACTUAL</u> | <u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u> |
|------------------------------------|--|--------------------------------------|-------------------|--|
| REVENUES | | | | |
| Contribution | \$ 48,500 | \$ 47,050 | \$ 49,580 | \$ 2,530 |
| Interest income | 70 | 98 | 101 | 3 |
| | <u>48,570</u> | <u>47,148</u> | <u>49,681</u> | <u>2,533</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Horticulture supplies and services | 43,880 | 36,600 | 35,476 | (1,124) |
| | <u>43,880</u> | <u>36,600</u> | <u>35,476</u> | <u>(1,124)</u> |
| TOTAL EXPENDITURES | | | | |
| NET CHANGE IN FUND BALANCE | <u>\$ 4,690</u> | <u>\$ 10,548</u> | 14,205 | <u>\$ 3,657</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>161,637</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 175,842</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, 2017

| | <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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Waste collection | <u>387,607</u> | <u>392,307</u> | <u>390,483</u> | <u>(1,824)</u> |
| TOTAL EXPENDITURES | <u>387,607</u> | <u>392,307</u> | <u>390,483</u> | <u>(1,824)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(387,607)</u> | <u>(392,307)</u> | <u>(390,483)</u> | <u>1,824</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 387,607 | 392,307 | 390,483 | (1,824) |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>387,607</u> | <u>392,307</u> | <u>390,483</u> | <u>(1,824)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>-</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ -</u> | |

⁽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, 2017

| <u>Tax Year</u> | <u>BALANCE JUNE 30, 2016</u> | <u>LEVY</u> | <u>COLLECTIONS</u> | <u>PENALTIES AND INTEREST</u> | <u>BALANCE JUNE 30, 2017</u> |
|---------------------|----------------------------------|---------------------|-----------------------|--|----------------------------------|
| 2016 | \$ - | \$ 1,289,790 | \$ (1,282,188) | \$ - | \$ 7,602 |
| 2015 | 2,388 | - | (2,388) | - | - |
| 2014 | - | - | - | - | - |
| 2013 | - | - | - | - | - |
| 2012 | - | - | - | - | - |
| Total | <u>\$ 2,388</u> | <u>\$ 1,289,790</u> | <u>\$ (1,284,576)</u> | <u>\$ -</u> | 7,602 |
| | | | | Deferred inflow of resources for 2017 levy | <u>1,289,790</u> |
| | | | | | <u>\$ 1,297,392</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 Per \$100</u> | <u>Appraised Value of Property</u> | <u>Assessed Value of Property</u> |
|----------------------|-------------------------------|--|---------------------------------------|
| 2017 | \$ 0.3000 | \$ 1,747,737,633 | \$ 429,821,460 |
| 2016 | \$ 0.2243 | 1,698,580,503 | 426,193,655 |
| 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 |

* The fiscal year listed corresponds to the preceding tax year levy (2017 would represent the 2016 tax levy). This represents the period for which the taxes were levied.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

| <u>Grant Description</u> | <u>Grant Number</u> | <u>Grant Period</u> | <u>State Grant Amount</u> | <u>Accrued (Deferred) 7/1/2016</u> | <u>Receipts</u> | <u>Expenditures</u> | <u>Accrued (Deferred) 6/30/2017</u> |
|--|-------------------------|-------------------------|-----------------------------------|--|------------------|---------------------|---|
| STATE AWARDS: | | | | | | | |
| <u>State of Tennessee</u> | | | | | | | |
| Passed through the Governor's Highway Safety Office: | | | | | | | |
| Network Coordinator Grant | PT-16-24 | 10-1-15 to 9-30-16 | \$ 15,000 | \$ - | \$ 9,785 | \$ 9,785 | \$ - |
| Network Coordinator Grant | PT-17-05/402 | 10-1-16 to 9-30-17 | \$ 20,000 | - | 13,191 | 16,255 | 3,064 |
| High Visibility Enforcement Grant | 154AL-16-111 | 10-1-15 to 9-30-16 | \$ 5,000 | - | 5,000 | 5,000 | - |
| Total Governor's Highway Safety Office | | | | - | 27,976 | 31,040 | 3,064 |
| TOTAL EXPENDITURES OF STATE AWARDS | | | | <u>\$ -</u> | <u>\$ 27,976</u> | <u>\$ 31,040</u> | <u>\$ 3,064</u> |

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Belle Meade, Tennessee (the "City") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, business-type 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, 2017, 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 20, 2017.

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 20, 2017

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2017

There were no prior year findings.