

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2014

CITY OF BELLE MEADE, TENNESSEE

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JUNE 30, 2014

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## **INTRODUCTORY SECTION**

## **CITY OF BELLE MEADE, TENNESSEE**

### **INTRODUCTION**

The City of Belle Meade (the “City”) is pleased to present its financial statements for the fiscal year ended June 30, 2014.

#### Responsibility and Controls

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

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

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

#### Audit Assurance

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

## **CITY OF BELLE MEADE, TENNESSEE**

### **SCHEDULE OF CITY OFFICIALS**

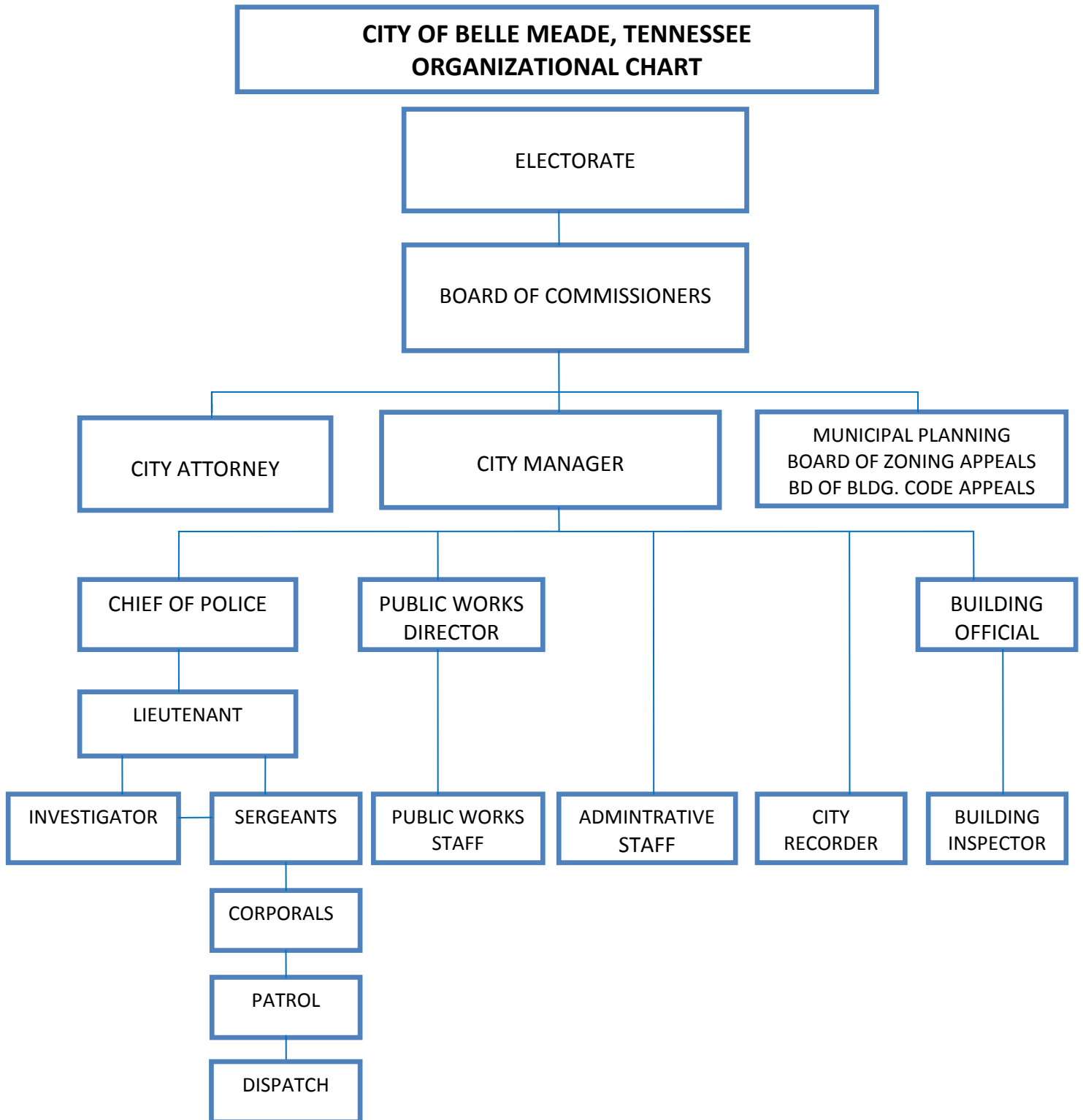
#### Elected Officials:

James V. Hunt	-	Mayor/Commissioner
Cathy Altenbern	-	Vice-Mayor/Commissioner
Gray O. Thornburg	-	Commissioner
Ed Freeman	-	Commissioner
Steve Rick	-	Commissioner

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#### City Officials:

Beth Reardon	-	City Manager/Treasurer
Linda Berner	-	City Recorder
Timothy Eads	-	Chief of Police
Bradley, Arant, Boult, Cummings, LLP Robert S. Patterson	-	City Attorney
Phil Buma	-	Building Official
William Brooks	-	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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

## OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Belle Meade, Tennessee, as of June 30, 2014, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and the Schedule of Funding Progress on page 39 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 40 - 45 and page 47 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 46 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 2013 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 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 17, 2014 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 17, 2014

## **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, 2014. 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 2014:

- The combined revenues for 2014 totaled \$4,320,791 (including charges for services and operating grants and contributions on the Statement of Activities, which is a 10.42% decrease from the previous year.
- The combined fund expenses for 2014 totaled \$3,696,018 on the Statement of Activities and \$3,336,808 on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net position for 2014 is \$15,855,400 of which \$6,799,770 was invested in capital assets. Effective in fiscal year 2011, the Governmental Accounting Standards Board (GASB) required the reporting of five classifications of fund balance. Total fund balance for all funds at June 30, 2014 was \$9,567,242. Detail of the classifications can be found on page 26 of this report and further explanation in the Notes to Financial Statements section of the report.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements help answer the question, "Is the City as a whole better off or worse off as a result of fiscal year 2014's activities?"

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

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

**Fund financial statements.** The fund financial statements provide more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and other legal requirements.

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

The City maintains a total of four individual governmental funds:

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

General Fund information is presented separately in two basic financial reports: (1) the governmental fund balance sheet and (2) the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The General Fund also encompasses waste collection (sanitation) and is the City's major governmental fund. Data from the other governmental funds are combined into a single, aggregated presentation for non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Information for waste collection (sanitation) is presented separately in the budget to actual comparison section as required by the State of Tennessee, but is not presented as a separate special revenue fund of the City as it does not meet the criteria of a special revenue fund under GASB Statement No. 54.

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

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

## FINANCIAL ANALYSIS OF THE CITY OF BELLE MEADE

### Summary Statement of Net Position

	2014	2013		Change %
Current assets	\$ 10,613,881	\$ 9,624,888		
Non-current assets	6,799,770	7,118,332		
Total assets	17,413,651	16,743,220		4.00%
Current liabilities	93,712	94,126		
Non-current liabilities	511,612	470,964		
Total liabilities	605,324	565,090		7.12%
Deferred inflows of resources	952,927	947,503		0.57%
Net Position:				
Invested in capital assets	6,799,770	7,118,332		
Restricted	27,196	26,246		
Unrestricted	9,028,434	8,086,049		
Total Net Position	\$ 15,855,400	\$ 15,230,627		4.10%

### Summary Statement of Activities

	2014		2013	Change %
Revenues:				
General revenues	\$ 3,819,159		\$ 3,974,059	-3.90%
Expenses:				
Operating expenses	3,696,018		3,812,710	
Less: Charges for services and operating/capital grants and contributions	(501,632)		(849,200)	
Net operating expenses	3,194,386		2,963,510	7.79%
Change in net position	624,773		1,010,549	-38.17%
Total net position, beginning of year	15,230,627		14,220,078	7.11%
Total net position, end of year	\$ 15,855,400		\$ 15,230,627	4.10%

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

	2014	2013	Change %
Program revenues:			
Charges for services	\$ 384,577	\$ 347,123	
Operating grants and contributions	117,055	132,077	
Capital grants and contributions	-	370,000	
Total program revenues	501,632	849,200	-40.93%
General revenues:			
Taxes	3,564,957	3,693,569	
Other	254,202	280,490	
Total general revenues	3,819,159	3,974,059	-3.90%
Total revenues	\$ 4,320,791	\$ 4,823,259	-10.42%

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

	2014	2013	Change %
<u>Operating expenses, by department</u>			
General government	\$ 585,355	\$ 658,432	-11.10%
Public safety	1,624,034	1,595,110	1.81%
Highways and streets	388,037	466,159	-16.76%
Building inspection	101,188	131,796	-23.22%
Stormwater	60,540	49,487	22.34%
Sanitation and sewers	390,147	399,838	-2.42%
Waste collection	414,511	407,267	1.78%
Boulevards	104,948	84,712	23.89%
Horticulture supplies and services	27,258	19,909	36.91%
Total expenses	\$ 3,696,018	\$ 3,812,710	-3.06%

**Financial Analysis of the City as a Whole**

The change in total net position between fiscal years 2014 and 2013 as shown on the Summary Statement of Net Position was 4.10%. Over time, net assets may serve as a useful indicator of financial position. At the close of the fiscal year, assets exceeded liabilities and deferred inflows of resources by \$15,855,400. Unrestricted net position of \$9,028,434, an increase of over \$0.9 million dollars from 2013, represents the current net position available to support future operations and other expenditure items as funded by the Board of Commissioners.

The Summary Statement of Activities compares 2014 and 2013 revenues and expenses on a full accrual basis. 2014 general revenues decreased by 3.90%. Program revenues in 2014 decreased 40.93% due to a capital contribution of land in fiscal year 2013. Total net operating expenses in 2014 had minimal change from 2013.

## **Capital Assets**

*Fiscal year 2014 as compared to fiscal year 2013:*

At the end of fiscal year 2014, the City of Belle Meade had invested \$6,799,770 in land, buildings, infrastructure, equipment and construction in progress, down from \$7,118,332 at June 30, 2013. Net capital assets decreased by 4.5% in 2014. The table below summarizes the City's investment in capital assets.

Major capital asset events during F/Y 2014 included the following:

(2) Police Vehicles, equipped	\$ 60,152
Sewer system equipment	\$ 82,871
Street signs, R-O-W Improvements	\$ 17,438
Glen Eden/Jackson Blvd Intersection Impr.	\$ 37,733

### **Capital Assets**

	2014	2013
Land	\$ 385,000	\$ 385,000
Construction in progress	97,026	46,245
Infrastructure	8,793,516	8,687,253
Buildings	2,568,879	2,568,879
Improvements other than buildings	1,307,640	1,307,640
Equipment	1,163,220	1,138,041
Subtotal	14,315,281	14,133,058
Less: accumulated depreciation	(7,515,511)	(7,014,726)
Net Capital Assets	\$ 6,799,770	\$ 7,118,332

## **Financial Analysis of the Government's Funds**

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

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



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

	2014	2013	Change %
<u>Assets</u>			
Cash	\$ 151,496	\$ 138,929	9.05%
Investments	7,340,001	5,973,200	22.88%
Property taxes receivable	956,430	955,388	0.11%
Accounts receivable	5,642	24,341	-76.82%
Due from other funds	13,819	-	100.00%
Prepaid expenses	2,340	-	100.00%
Due from other governments	2,148,998	2,524,321	-14.87%
Inventories	8,974	8,709	3.04%
<b>Total Assets</b>	<b>10,627,700</b>	<b>9,624,888</b>	<b>10.42%</b>
<u>Liabilities</u>			
Accounts payable	53,167	59,606	-10.80%
Accrued liabilities	32,510	27,155	19.72%
Due from other funds	13,819	-	100.00%
Due to other governments	8,035	7,365	9.10%
<b>Total Liabilities</b>	<b>107,531</b>	<b>94,126</b>	<b>14.24%</b>
<u>Deferred inflows of resources</u>			
Deferred inflows - property taxes	952,927	947,503	0.57%
<u>Fund Balance</u>			
Nonspendable	11,314	8,709	29.91%
Restricted	27,196	26,246	3.62%
Committed	95,513	83,828	13.94%
Assigned	7,331,181	6,074,000	20.70%
Unassigned	2,102,038	2,390,476	-12.07%
<b>Total Fund Balance</b>	<b>\$ 9,567,242</b>	<b>\$ 8,583,259</b>	<b>11.46%</b>
Unassigned fund balance as percent of total fund balances	21.97%	27.85%	

### Governmental Fund Balance Classifications

Fund Balance Designation	2014	2013
Nonspendable	\$ 11,314	\$ 8,709
Restricted	27,196	26,246
Committed	95,513	83,828
Assigned	7,331,181	6,074,000
Unassigned	2,102,038	2,390,476
Total Fund Balance	\$ 9,567,242	\$ 8,583,259

In accordance with GASB Statement 54, the City is required to report fund balance within five specific classifications, so that reporting will be more consistent and comparable between similar governmental entities. The definition of each classification can be found in the Notes to Financial Statements section of this report. The Nonspendable classification of \$11,314 is Inventory. The Restricted fund balance of \$27,196 is State Street Aid and Drug Funds and the Committed fund balance of \$95,513 is the Beautification Fund. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles and upgrades to the sewer system.

The following table shows an increase in the General Fund's fund balance of \$971,348. 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 \$12,635. The majority of this increase is contributions to the Beautification Fund from citizen donors.

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

	2014			2013		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<b>Revenues:</b>						
Taxes	\$ 3,567,684	\$ 75,339	\$ 3,643,023	\$ 3,696,194	\$ 74,950	\$ 3,771,144
Licenses and permits	165,007	-	165,007	148,780	-	148,780
Fines and forfeitures	163,496	-	163,496	172,727	-	172,727
Charges for services	219,570	-	219,570	198,343	-	198,343
Intergovernmental	2,801	-	2,801	21,086	-	21,086
Investment earnings	6,801	66	6,867	8,903	53	8,956
Other local revenues	81,112	38,915	120,027	96,182	36,041	132,223
<b>Total revenues</b>	<b>4,206,471</b>	<b>114,320</b>	<b>4,320,791</b>	<b>4,342,215</b>	<b>111,044</b>	<b>4,453,259</b>
<b>Expenditures:</b>						
General government	496,547	56	496,603	546,441	-	546,441
Public safety	1,507,233	-	1,507,233	1,640,390	-	1,640,390
Highways and streets	264,116	74,371	338,487	457,063	75,252	532,315
Building inspection	93,951	-	93,951	137,277	-	137,277
Stormwater	98,472	-	98,472	49,487	-	49,487
Sanitation and sewers	255,345	-	255,345	272,043	-	272,043
Waste collection	414,511	-	414,511	407,267	-	407,267
Boulevards	104,948	-	104,948	84,712	-	84,712
Horticulture	-	27,258	27,258	-	19,909	19,909
<b>Total expenditures</b>	<b>3,235,123</b>	<b>101,685</b>	<b>3,336,808</b>	<b>3,594,680</b>	<b>95,161</b>	<b>3,689,841</b>
<b>Excess (deficiency)</b>	<b>971,348</b>	<b>12,635</b>	<b>983,983</b>	<b>747,535</b>	<b>15,883</b>	<b>763,418</b>
<b>Other Sources (Uses):</b>						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
<b>Total Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Fund Balance</b>	<b>971,348</b>	<b>12,635</b>	<b>983,983</b>	<b>747,535</b>	<b>15,883</b>	<b>763,418</b>
<b>Beginning Fund Balance</b>	<b>8,473,185</b>	<b>110,074</b>	<b>8,583,259</b>	<b>7,725,650</b>	<b>94,191</b>	<b>7,819,841</b>
<b>Ending Fund Balance</b>	<b>\$ 9,444,533</b>	<b>\$ 122,709</b>	<b>\$ 9,567,242</b>	<b>\$ 8,473,185</b>	<b>\$ 110,074</b>	<b>\$ 8,583,259</b>

## **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.

## **Currently Known Factors Effecting Future Years**

During fiscal year 2014, the City engaged an engineer to perform a financial analysis of its sewer collections system. Sewer rates for the Belle Meade customers had not been adjusted from the original \$0.45/100 cubic feet that was established in the early 1980s when the sewer grinder pump system was installed. This sewer rate, along with permit fees, sales of pumps and tap fees fund the operation, maintenance and administration of the collection system, and any shortfalls are covered through property taxes. The report prepared by the engineer concluded that sewer revenues, exclusive of property taxes, were not sufficient to fund the majority of expenses, including personnel, repairs, equipment, professional services, capital improvements, and miscellaneous. In comparison to other middle Tennessee sewer utility systems, Belle Meade's sewer rate was well below the average. After review and evaluation of the report, the Commissioners approved a new rate of \$0.90/100 cubic feet to be effective after July 1, 2014. The report indicated this would produce an increase of just under \$5.00 per month to the average customer bill, while almost doubling the city's annual revenue from \$52,000 to \$102,000. Average annual expenses are \$158,000.

In March, 2014, the commissioners approved the establishment of a stormwater user fee for the five commercial properties in Belle Meade (Belle Meade Mansion, Belle Meade Country Club, Immanuel Baptist Church, St. George's Episcopal Church, and The Temple). A user fee for all residential properties had been in effect since 2012. Stormwater user fees supplement the ongoing costs of the City's stormwater management program. Residential user fees generate approximately \$94,000 in revenue annually, and the addition of commercial properties will add almost \$6,900 annually. These funds are used solely for stormwater related purposes. The new user fee for commercial properties will be effective in the 2015 fiscal year.

## **Contacting the City of Belle Meade's Treasurer**

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

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

	GOVERNMENTAL ACTIVITIES	
	2014	2013
<b>ASSETS</b>		
Cash	\$ 151,496	\$ 138,929
Investments	7,340,001	5,973,200
Property tax receivable	956,430	955,388
Accounts receivable	5,642	24,341
Due from other governments	2,148,998	2,524,321
Prepaid expenses	2,340	-
Inventories	8,974	8,709
Capital assets:		
Land	385,000	385,000
Construction in progress	97,026	46,245
Infrastructure	8,793,516	8,687,253
Buildings and equipment	5,039,739	5,014,560
Accumulated depreciation	(7,515,511)	(7,014,726)
 Total assets	 17,413,651	 16,743,220
<b>LIABILITIES</b>		
Accounts payable	53,167	59,606
Accrued liabilities	32,510	27,155
Due to other governments	8,035	7,365
Long-term liabilities:		
Compensated absences	226,612	214,964
Other post employment benefits	285,000	256,000
 Total liabilities	 605,324	 565,090
<b>DEFERRED INFLOWS OF RESOURCES</b>	 952,927	 947,503
<b>NET POSITION</b>		
Investment in capital assets	6,799,770	7,118,332
Restricted for:		
Street repairs	27,032	26,064
Drug enforcement and education	164	182
Unrestricted - assigned for operations and capital assets	7,331,181	6,074,000
Unrestricted	1,697,253	2,012,049
 <b>NET POSITION</b>	 \$ 15,855,400	 \$ 15,230,627

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

FUNCTIONS/PROGRAMS	EXPENSES	2014			2013	
		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	GOVERNMENTAL ACTIVITIES
Primary Government:						
General government	\$ 585,355	\$ -	\$ -	\$ -	\$ (585,355)	\$ (288,432)
Public safety	1,624,034	62,110	2,801	-	(1,559,123)	(1,527,191)
Highways and streets	388,037	-	75,339	-	(312,698)	(391,209)
Building inspection	101,188	165,007	-	-	63,819	16,984
Stormwater	60,540	94,200	-	-	33,660	46,454
Sanitation and sewers	390,147	63,260	-	-	(326,887)	(344,269)
Waste collection	414,511	-	-	-	(414,511)	(407,267)
Boulevards	104,948	-	-	-	(104,948)	(84,712)
Horticulture supplies and services	27,258	-	38,915	-	11,657	16,132
Total primary government	\$ 3,696,018	\$ 384,577	\$ 117,055	\$ -	(3,194,386)	(2,963,510)
General Revenues:						
Taxes:						
Property taxes					962,343	953,099
Payments in lieu of taxes					4,772	4,872
Mixed drink tax					53,262	36,892
TVA in lieu of tax					32,217	33,208
Sales tax					208,051	201,283
Income tax					2,251,268	2,456,809
Franchise tax					45,707	-
Petroleum special tax					5,959	5,966
Beer tax					1,378	1,440
Fines and forfeitures					163,496	172,727
Unrestricted investment earnings					6,867	8,956
Other local revenue					83,839	98,807
Total general revenues					3,819,159	3,974,059
Change in net position					624,773	1,010,549
Net position - beginning					15,230,627	14,220,078
Net position - ending					\$ 15,855,400	\$ 15,230,627

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014		2013	
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash	\$ 42,606	\$ 108,890	\$ 151,496	\$ 138,929
Investments	7,340,001	-	7,340,001	5,973,200
Receivables:				
Property tax	956,430	-	956,430	955,388
Accounts	5,642	-	5,642	24,341
Due from other funds	-	13,819	13,819	-
Due from other governments	2,148,998	-	2,148,998	2,524,321
Prepaid expenses	2,340	-	2,340	-
Inventories	8,974	-	8,974	8,709
<b>TOTAL ASSETS</b>	<u>\$ 10,504,991</u>	<u>\$ 122,709</u>	<u>\$ 10,627,700</u>	<u>\$ 9,624,888</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 53,167	\$ -	\$ 53,167	\$ 59,606
Accrued liabilities	32,510	-	32,510	27,155
Due to other funds	13,819	-	13,819	-
Due to other governments	8,035	-	8,035	7,365
<b>TOTAL LIABILITIES</b>	<u>107,531</u>	<u>-</u>	<u>107,531</u>	<u>94,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>952,927</u>	<u>-</u>	<u>952,927</u>	<u>947,503</u>
<b>FUND BALANCE:</b>				
Fund balance:				
Nonspendable	11,314	-	11,314	8,709
Restricted for street repairs	-	27,032	27,032	26,064
Restricted for drug enforcement and education	-	164	164	182
Committed for beautification	-	95,513	95,513	83,828
Assigned for operations and capital assets	7,331,181	-	7,331,181	6,074,000
Unassigned	2,102,038	-	2,102,038	2,390,476
<b>TOTAL FUND BALANCE</b>	<u>9,444,533</u>	<u>122,709</u>	<u>9,567,242</u>	<u>8,583,259</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 10,504,991</u>	<u>\$ 122,709</u>	<u>\$ 10,627,700</u>	<u>\$ 9,624,888</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, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
Total Governmental Funds Balances	\$ 9,567,242	\$ 8,583,259
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	6,799,770	7,118,332
Net other post employment benefits obligation in governmental activities is not a current liability and is therefore are not reported in the governmental funds Balance Sheet	(285,000)	(256,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds Balance Sheet	<u>(226,612)</u>	<u>(214,964)</u>
Net Position of Governmental Activities	<u>\$ 15,855,400</u>	<u>\$ 15,230,627</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, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 3,567,684	\$ 75,339	\$ 3,643,023	\$ 3,771,144
Licenses and permits	165,007	-	165,007	148,780
Fines and forfeitures	163,496	-	163,496	172,727
Charges for services	219,570	-	219,570	198,343
Intergovernmental	2,801	-	2,801	21,086
Uses of money and property	6,801	66	6,867	8,956
Other	81,112	38,915	120,027	132,223
<b>TOTAL REVENUES</b>	<b>4,206,471</b>	<b>114,320</b>	<b>4,320,791</b>	<b>4,453,259</b>
EXPENDITURES				
Current:				
General government	496,547	56	496,603	546,441
Public safety	1,507,233	-	1,507,233	1,640,390
Highways and streets	264,116	74,371	338,487	532,315
Building inspection	93,951	-	93,951	137,277
Stormwater	98,472	-	98,472	49,487
Sanitations and sewers	255,345	-	255,345	272,043
Waste collection	414,511	-	414,511	407,267
Boulevards	104,948	-	104,948	84,712
Horticulture supplies and services	-	27,258	27,258	19,909
<b>TOTAL EXPENDITURES</b>	<b>3,235,123</b>	<b>101,685</b>	<b>3,336,808</b>	<b>3,689,841</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>971,348</b>	<b>12,635</b>	<b>983,983</b>	<b>763,418</b>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>971,348</b>	<b>12,635</b>	<b>983,983</b>	<b>763,418</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>8,473,185</b>	<b>110,074</b>	<b>8,583,259</b>	<b>7,819,841</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 9,444,533</b>	<b>\$ 122,709</b>	<b>\$ 9,567,242</b>	<b>\$ 8,583,259</b>

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, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>												
<b>Net Change in Fund Balance - Governmental Funds</b>	\$ 983,983	\$ 763,418												
<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> <table><tr><td>Acquisition of capital assets</td><td style="text-align: right;">267,159</td><td style="text-align: right;">868,005</td></tr><tr><td>Depreciation expense</td><td style="text-align: right;">(585,721)</td><td style="text-align: right;">(581,351)</td></tr></table> <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> <table><tr><td>Change in accrual for compensated absences</td><td style="text-align: right;">(11,648)</td><td style="text-align: right;">5,477</td></tr><tr><td>Change in accrual for other post employment benefits obligation</td><td style="text-align: right;"><u>(29,000)</u></td><td style="text-align: right;"><u>(45,000)</u></td></tr></table>			Acquisition of capital assets	267,159	868,005	Depreciation expense	(585,721)	(581,351)	Change in accrual for compensated absences	(11,648)	5,477	Change in accrual for other post employment benefits obligation	<u>(29,000)</u>	<u>(45,000)</u>
Acquisition of capital assets	267,159	868,005												
Depreciation expense	(585,721)	(581,351)												
Change in accrual for compensated absences	(11,648)	5,477												
Change in accrual for other post employment benefits obligation	<u>(29,000)</u>	<u>(45,000)</u>												
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 624,773</u>	<u>\$ 1,010,549</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, 2014

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property taxes	\$ 947,408	\$ 950,408	\$ 951,908	\$ 1,500
Property taxes delinquent	-	-	2,164	2,164
Personal property taxes	1,400	1,400	1,613	213
Public utility property tax	2,150	2,150	2,103	(47)
Interest and penalties - property taxes	1,895	3,895	4,555	660
Intergovernmental:				
State sales tax	198,000	198,000	208,051	10,051
State income tax	2,000,000	2,000,000	2,251,268	251,268
Franchise taxes	43,900	40,000	45,707	5,707
Beer tax	1,439	1,439	1,378	(61)
Petroleum special tax	5,960	5,960	5,959	(1)
TVA in-lieu of taxes	33,327	32,027	32,217	190
Mixed drink tax	31,626	36,126	53,262	17,136
Electric in lieu of taxes	4,897	4,897	4,772	(125)
Other	1,900	1,900	2,727	827
Total taxes	3,273,902	3,278,202	3,567,684	289,482
LICENSES AND PERMITS	108,400	156,400	165,007	8,607
FINES AND FORFEITURES	182,000	162,000	163,496	1,496
CHARGES FOR SERVICES				
Sewer use fee/charges	53,000	58,000	63,260	5,260
Stormwater usage fees	94,000	94,000	94,200	200
Public safety charges for services	36,000	56,000	62,110	6,110
Total charges for services	183,000	208,000	219,570	11,570
MISCELLANEOUS				
Interest income on investments	8,000	7,000	6,801	(199)
Contributions, dues	14,000	14,000	15,349	1,349
Sales of materials	43,600	51,100	51,343	243
Sale of equipment - surplus property	40,000	10,000	9,949	(51)
Other revenues	3,162	3,162	4,471	1,309
State grant - highway safety	15,000	2,800	2,801	1
Total miscellaneous	123,762	88,062	90,714	2,652
TOTAL REVENUES	3,871,064	3,892,664	4,206,471	313,807

(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, 2014

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
Current:				
General government:	\$ 506,540	\$ 514,040	\$ 496,547	\$ (17,493)
Public safety	1,666,404	1,561,404	1,507,233	(54,171)
Highways and streets	458,152	284,452	264,116	(20,336)
Building inspection	97,843	98,143	93,951	(4,192)
Stormwater	230,000	101,000	98,472	(2,528)
Sanitation and sewers	227,476	258,875	255,345	(3,530)
Waste collection	414,704	414,704	414,511	(193)
Boulevards	185,875	107,375	104,948	(2,427)
				-
TOTAL EXPENDITURES	<u>3,786,994</u>	<u>3,339,993</u>	<u>3,235,123</u>	<u>(104,870)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>84,070</u>	<u>552,671</u>	<u>971,348</u>	<u>418,677</u>
OTHER FINANCING USES				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 84,070</u>	<u>\$ 552,671</u>	971,348	<u>\$ 418,677</u>
FUND BALANCE - BEGINNING OF YEAR			<u>8,473,185</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,444,533</u>	

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City of Belle Meade, Tennessee, conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

Government-wide Financial Statements

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

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

**Investment in capital assets**, consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt (if applicable) that is attributable to the acquisition, construction, and improvement of those assets. The City had no outstanding debt as of June 30, 2014 and 2013.

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements and Measurement Focus

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

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

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

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

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

Additionally, the City utilizes the following other fund types:

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

Basis of Accounting

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Inflows of Resources - Deferred inflows of resources arises when assets are recognized before revenue recognition criteria have been satisfied.

In the basic financial statements, property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred inflow of resources in the amount of \$952,927.

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.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

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

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

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

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



CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

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

Excess of Expenditures Over Budget In Individual Funds

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

Inventories

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

In the fund financial statements, inventories are offset by a fund balance reserve, which indicates they do not constitute available spendable resources. These are shown as unrestricted net position in the government wide statements.

Compensated Absences

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

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

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

*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 other 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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes Receivable

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

In the governmental fund financial statements, revenues from property taxes are recognized in the period for which the taxes are levied, which is October 1 of the ensuing fiscal year. Property taxes receivable are presented on the balance sheet of governmental activities with offsetting deferred 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.

Capital Assets

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

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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.

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.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits (continued)

During fiscal 2014, 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, 2014, the carrying amount and corresponding bank balances of deposits were as follows:

	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>
Cash and cash equivalents	\$ 182,305	\$ 151,496

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, 2014.

Investments

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

Investments consist of amounts invested in LGIP. 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.

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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (continued)

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, 2014. The Pool does not have a credit rating.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 385,000	\$ -	\$ -	\$ 385,000
Construction in progress	<u>46,245</u>	<u>61,176</u>	<u>(10,395)</u>	<u>97,026</u>
Total capital assets not being depreciated	<u>431,245</u>	<u>61,176</u>	<u>(10,395)</u>	<u>482,026</u>

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Infrastructure:</u>				
Drainage and drainage improvements	\$ 264,138	\$ 9,385	\$ -	\$ 273,523
Road and road improvements	1,930,938	37,732	-	1,968,670
Sewer system	6,492,177	82,871	(23,725)	6,551,323
Total infrastructure	<u>8,687,253</u>	<u>129,988</u>	<u>(23,725)</u>	<u>8,793,516</u>
Less accumulated depreciation:				
Drainage and drainage improvements	(50,099)	(6,701)	-	(56,800)
Road and road improvements	(224,897)	(48,352)	-	(273,249)
Sewer system	<u>(4,500,319)</u>	<u>(218,148)</u>	<u>23,725</u>	<u>(4,694,742)</u>
Total accumulated depreciation	<u>(4,775,315)</u>	<u>(273,201)</u>	<u>23,725</u>	<u>(5,024,791)</u>
Total infrastructure, net	<u>3,911,938</u>	<u>(143,213)</u>	<u>-</u>	<u>3,768,725</u>
<u>Other capital assets being depreciated:</u>				
Buildings	2,568,879	-	-	2,568,879
Improvements other than building	1,307,640	-	-	1,307,640
Equipment	<u>1,138,041</u>	<u>86,390</u>	<u>(61,211)</u>	<u>1,163,220</u>
Total other capital assets being depreciated	<u>5,014,560</u>	<u>86,390</u>	<u>(61,211)</u>	<u>5,039,739</u>
Less accumulated depreciation for:				
Buildings	(642,149)	(83,157)	-	(725,306)
Improvements other than buildings	(874,684)	(170,842)	61,211	(984,315)
Equipment	<u>(722,578)</u>	<u>(58,521)</u>	<u>-</u>	<u>(781,099)</u>
Total accumulated depreciation	<u>(2,239,411)</u>	<u>(312,520)</u>	<u>61,211</u>	<u>(2,490,720)</u>
Total other capital assets being depreciated, net	<u>2,775,149</u>	<u>(226,130)</u>	<u>-</u>	<u>2,549,019</u>
Total governmental activities capital assets, net	<u>\$ 7,118,332</u>	<u>\$ (308,167)</u>	<u>\$ (10,395)</u>	<u>\$ 6,799,770</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

General government	\$	57,306
Public safety		191,506
Highways and streets		107,578
Building inspection		4,482
Stormwater		6,701
Sanitation and sewers		<u>218,148</u>
	\$	<u>585,721</u>

NOTE 4 - COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Liability for accrued sick pay and annual leave	<u>\$ 214,964</u>	<u>\$ 138,795</u>	<u>\$ (127,147)</u>	<u>\$ 226,612</u>

NOTE 5 - COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the year ended June 30, 2014.



CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 6 - PENSION PLAN

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The City has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to or 5% of annual covered payroll.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 5.44% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 6 - PENSION PLAN (CONTINUED)

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$71,089 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include the (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 10 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year</u> <u>Year Ending</u>	<u>Annual Pension</u> <u>Cost ("APC")</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2014	\$ 71,089	100%	\$ -
June 30, 2013	69,643	100%	-
June 30, 2012	106,485	100%	-

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.33% funded. The actuarial accrued liability ("AAL") for benefits was \$3.59 million, and the actuarial value of assets was \$3.42 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$0.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.24 million, and the ratio of the UAAL to the covered payroll was 13.52%.

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 6 - PENSION PLAN (CONTINUED)

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, 2013	\$ 3,423,000	\$ 3,591,000	\$ 168,000	95.32%	\$ 1,241,000	13.52%
July 1, 2011	3,200,000	3,200,000	-	100%	1,262,000	0%
July 1, 2009	2,651,000	2,651,000	-	100%	1,189,000	0%

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, 2014, retired plan members prior to age 65 contribute (on average) 41% of premiums and the City contributes (on average) 59% of premiums. For active plan members, members contribute (on average) 36% of premiums and the City contributes (on average) 64% of premiums.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Annual OPEB cost and Net OPEB Obligation

Annual required contribution	\$ 39,000
Interest	10,000
Adjustment to the annual required contribution	<u>(10,000)</u>
 Annual OPEB cost	 39,000
Amount of contribution	<u>(10,000)</u>
Increase in net OPEB obligation	29,000
Net OPEB liability - beginning of year	<u>256,000</u>
 Net OPEB obligation - end of year	 <u><u>\$ 285,000</u></u>

<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, 2014	\$ 39,000	25.64%	\$ 285,000
June 30, 2013	61,000	26.23%	256,000
June 30, 2012	61,000	39.34%	211,000

Funded Status and Funding Progress

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreases to 7% in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7% by fiscal year 2044. The rate includes a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3%.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to form the Tennessee Municipal League ("TML") Risk Pool, a public entity risk pool currently operating as a common risk management and insurance pool for its members. The City pays an annual premium to the TML Risk Pool for its insurance coverage. For the past three fiscal years, settlements have not exceeded insurance coverage.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 9 - PENDING ADOPTION OF NEW GASB STATEMENT

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from the comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for financial periods beginning after June 15, 2014. The City will implement this standard in the financial statements for the year ending June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2014

POLITICAL SUBDIVISION PENSION PLAN - TCRS

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, 2013	\$ 3,423,000	\$ 3,591,000	\$ 168,000	95.32%	\$ 1,241,000	13.52%
July 1, 2011	3,200,000	3,200,000	-	100%	1,262,000	0%
July 1, 2009	2,651,000	2,651,000	-	100%	1,189,000	0%

The Governmental Accounting Standards Board ("GASB") requires the plan to prepare a Schedule of Funding Progress using the entry age actuarial cost method.

LOCAL GOVERNMENT GROUP INSURANCE PLAN

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, 2013	\$ -	\$ 290,000	\$ 290,000	0.00%	\$ 1,241,000	23.37%
July 1, 2011	-	511,000	511,000	0.00%	1,262,000	40.49%
July 1, 2010	-	731,000	731,000	0.00%	1,189,000	61.48%



**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

CITY OF BELLE MEADE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>			<u>2013</u>	
	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL</u>	<u>TOTAL</u>
	<u>STATE</u>	<u>BEAUTIFICATION</u>	<u>DRUG</u>	<u>NONMAJOR</u>	<u>NONMAJOR</u>
	<u>STREET AID</u>			<u>GOVERNMENTAL</u>	<u>GOVERNMENTAL</u>
				<u>FUNDS</u>	<u>FUNDS</u>
ASSETS					
Cash	\$ 13,377	\$ 95,513	\$ -	\$ 108,890	\$ 96,446
Due from other funds	13,655	-	164	13,819	-
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,628</u>
TOTAL ASSETS	<u>\$ 27,032</u>	<u>\$ 95,513</u>	<u>\$ 164</u>	<u>\$ 122,709</u>	<u>\$ 110,074</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMMITMENTS AND CONTINGENCIES					
FUND BALANCES					
Restricted for street repairs	27,032	-	-	27,032	26,064
Restricted for drug enforcement and education	-	-	164	164	182
Committed for beautification	<u>-</u>	<u>95,513</u>	<u>-</u>	<u>95,513</u>	<u>83,828</u>
TOTAL FUND BALANCES	<u>27,032</u>	<u>95,513</u>	<u>164</u>	<u>122,709</u>	<u>110,074</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 27,032</u>	<u>\$ 95,513</u>	<u>\$ 164</u>	<u>\$ 122,709</u>	<u>\$ 110,074</u>

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013	
	SPECIAL REVENUE			TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STATE STREET AID	BEAUTIFICATION	DRUG		
REVENUES					
Contributions	\$ -	\$ 38,915	\$ -	\$ 38,915	\$ 36,041
Intergovernmental:					
Gasoline and motor fuel tax	51,661	-	-	51,661	51,280
Three cent tax	15,387	-	-	15,387	15,384
Gas 1989 tax	8,291	-	-	8,291	8,286
Interest income	-	66	-	66	53
TOTAL REVENUES	<u>75,339</u>	<u>38,981</u>	<u>-</u>	<u>114,320</u>	<u>111,044</u>
EXPENDITURES					
Repair and maintenance - roads	74,371	-	-	74,371	75,252
Horticulture supplies and services	-	27,258	-	27,258	19,909
General government expense	-	38	18	56	-
TOTAL EXPENDITURES	<u>74,371</u>	<u>27,296</u>	<u>18</u>	<u>101,685</u>	<u>95,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>968</u>	<u>11,685</u>	<u>(18)</u>	<u>12,635</u>	<u>15,883</u>
NET CHANGE IN FUND BALANCE	968	11,685	(18)	12,635	15,883
FUND BALANCE, BEGINNING OF YEAR	<u>26,064</u>	<u>83,828</u>	<u>182</u>	<u>110,074</u>	<u>94,191</u>
FUND BALANCE, END OF YEAR	<u>\$ 27,032</u>	<u>\$ 95,513</u>	<u>\$ 164</u>	<u>\$ 122,709</u>	<u>\$ 110,074</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, 2014

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNTS	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES				
Intergovernmental:				
Gasoline and motor fuel tax	\$ 72,342	\$ 72,342	\$ 51,661	\$ (20,681)
Three cent tax	-	-	15,387	15,387
Gas 1989 tax	-	-	8,291	8,291
TOTAL REVENUES	<u>72,342</u>	<u>72,342</u>	<u>75,339</u>	<u>2,997</u>
EXPENDITURES				
Repair and maintenance - roads	<u>68,304</u>	<u>74,504</u>	<u>74,371</u>	<u>(133)</u>
TOTAL EXPENDITURES	<u>68,304</u>	<u>74,504</u>	<u>74,371</u>	<u>(133)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 4,038</u>	<u>\$ (2,162)</u>	968	<u>\$ 3,130</u>
FUND BALANCE, BEGINNING OF YEAR			<u>26,064</u>	
FUND BALANCE, END OF YEAR			<u>\$ 27,032</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, 2014

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES				
Contribution	\$ 36,600	\$ 38,815	\$ 38,915	\$ 100
Interest income	40	50	66	16
TOTAL REVENUES	36,640	38,865	38,981	116
EXPENDITURES				
Horticulture supplies and services	20,500	27,500	27,258	(242)
General government expense	-	-	38	38
TOTAL EXPENDITURES	20,500	27,500	27,296	(204)
NET CHANGE IN FUND BALANCE	\$ 16,140	\$ 11,365	11,685	\$ 320
FUND BALANCE, BEGINNING OF YEAR			83,828	
FUND BALANCE, END OF YEAR			\$ 95,513	

CITY OF BELLE MEADE, TENNESSEE

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

WASTE COLLECTION (SANITATION)

FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES				
Contribution	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Waste collection	414,704	414,704	414,511	(193)
TOTAL EXPENDITURES	414,704	414,704	414,511	(193)
EXCESS OF REVENUES OVER EXPENDITURES	(414,704)	(414,704)	(414,511)	193
OTHER FINANCING SOURCES (USES)				
Transfers in	414,704	414,704	414,511	(193)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	414,704	414,704	414,511	(193)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ -	

<sup>(1)</sup> 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, 2014

<u>Tax Year</u>	<u>BALANCE JUNE 30, 2013</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>PENALTIES AND INTEREST</u>	<u>BALANCE JUNE 30, 2014</u>
2013	\$ -	\$ 947,503	\$ (945,339)	\$ 173	\$ 2,337
2012	3,536	-	(3,002)	-	534
2011	2,282		(1,650)	-	632
2010	<u>2,067</u>	<u>-</u>	<u>(2,067)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,885</u>	<u>\$ 947,503</u>	<u>\$ (952,058)</u>	<u>\$ 173</u>	3,503
Deferred inflow of resources for 2014 levy					<u>952,927</u>
					<u>\$ 956,430</u>

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

<u>Fiscal Year</u>	<u>Tax Rate</u> <u>Per \$100</u>	<u>Appraised</u> <u>Value of Property</u>	<u>Assessed</u> <u>Value of Property</u>
2013	\$ 0.2243	\$ 1,691,816,803	\$ 424,696,155
2012	\$ 0.2290	1,648,505,358	413,756,479
2011	\$ 0.2290	1,656,960,258	415,488,177
2010	\$ 0.2290	1,653,195,758	414,794,717
2009	\$ 0.2290	1,644,926,158	412,621,483
2008	\$ 0.2600	1,448,669,414	363,858,648
2007	\$ 0.2600	1,396,836,614	350,900,448
2006	\$ 0.2600	1,391,284,464	389,139,264
2005	\$ 0.3500	1,387,628,142	346,705,854
2004	\$ 0.3500	1,032,550,937	258,228,578



CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Grant Description</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>State Grant Amount</u>	<u>Accrued (Deferred) 7/1/2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) 6/30/2014</u>
<b>STATE AWARDS:</b>							
<u>State of Tennessee</u>							
Passed through the Governor's Highway Safety Office:							
Network Coordinator Grant	PT 13-31	10-1-12 to 9-30-13	\$ 14,897	-	1,454	1,454	-
Network Coordinator Grant	PT-14-04	10-1-13 to 9-30-14	\$ 17,925	-	1,347	1,347	-
Total Governor's Highway Safety Office				\$ -	\$ 2,801	\$ 2,801	\$ -
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>				<u>\$ -</u>	<u>\$ 2,801</u>	<u>\$ 2,801</u>	<u>\$ -</u>

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of State Awards includes the grant activity of the City of Belle Meade, Tennessee and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of the State of Tennessee.

**OTHER REPORT SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee (the "City") as of and for the year ended June 30, 2014, 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 17, 2014.

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.

*Kraft CPAs PLLC*

Nashville, Tennessee  
December 17, 2014