

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016

CITY OF BELLE MEADE, TENNESSEE

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CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016

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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, 2016.

Responsibility and Controls

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

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

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

Audit Assurance

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

CITY OF BELLE MEADE, TENNESSEE

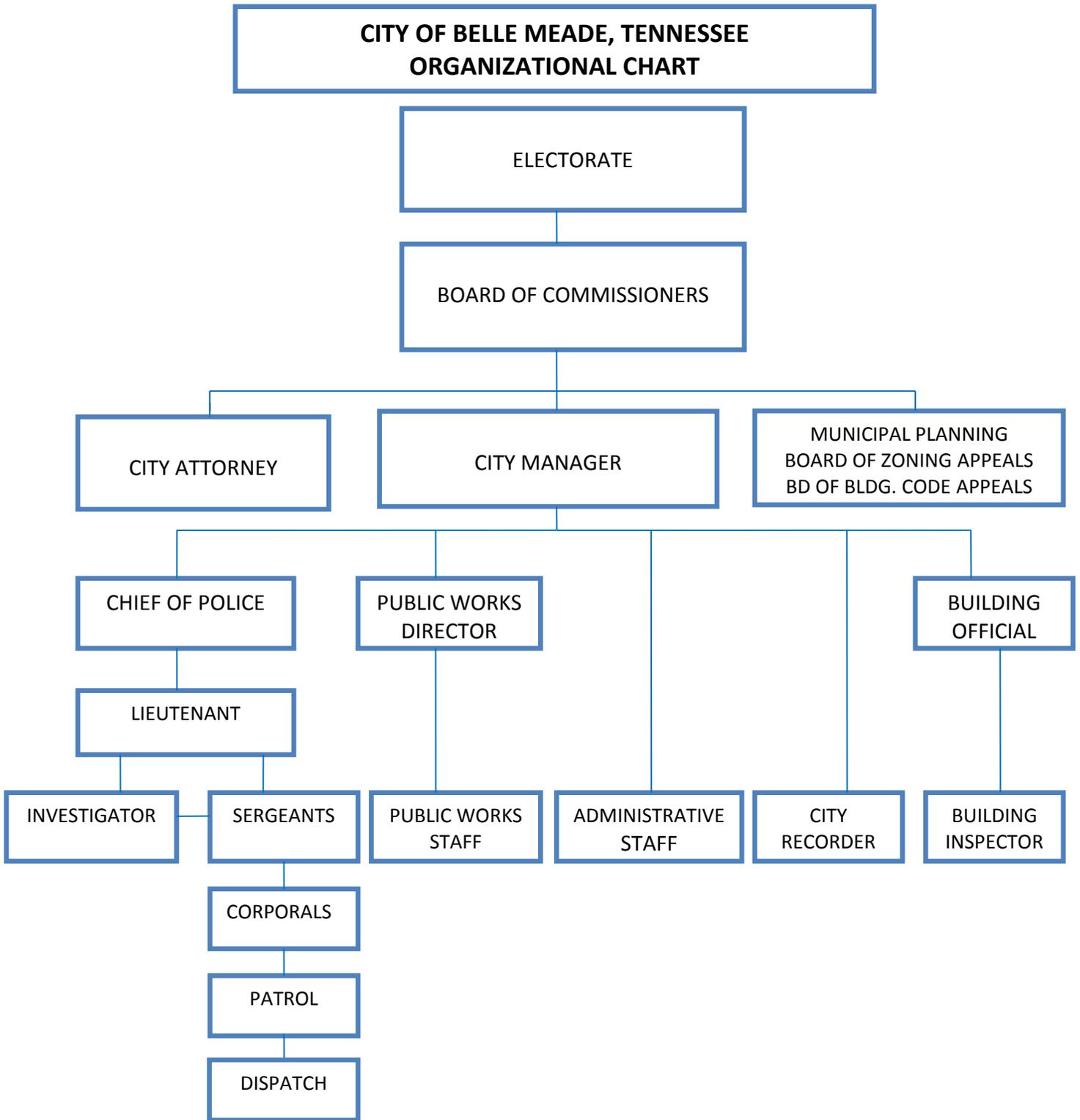
SCHEDULE OF CITY OFFICIALS

Elected Officials:

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

City Officials:

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



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, 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, 2016, 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, 2016, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12, the Schedule of Funding Progress for the Local Government Group Insurance Plan, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, and the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS on pages 44-46 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 47 - 52 and page 54 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 53 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 2015 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 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 21, 2016 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 21, 2016

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, 2016. 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 2016:

- The combined revenues for 2016 totaled \$5,239,733 (including charges for services and operating grants and contributions, less loss on disposition of capital assets, on the Statement of Activities), which is a 8.46% increase from the previous year.
- The combined fund expenses for 2016 totaled \$3,831,587 on the Statement of Activities and \$3,820,125 on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net position for 2016 is \$18,097,004 of which \$6,664,542 was invested in capital assets. Total fund balance for all funds at June 30, 2016 was \$12,031,347. Detail of the classifications can be found on page 27 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 2016'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

	2016	2015		Change %
Current assets	\$ 13,428,697	\$ 11,322,755		
Non-current assets	6,775,202	7,152,283	*	
Total assets	20,203,899	18,475,038		9.36%
Deferred outflows of resources	223,048	91,692		
Current liabilities	117,887	133,712		
Non-current liabilities	566,991	533,156		
Total liabilities	684,878	666,868		2.70%
Deferred inflows of resources	1,645,065	1,211,004	*	35.84%
Net Position:				
Invested in capital assets	6,664,542	7,085,956		
Restricted	311,279	224,321		
Unrestricted	11,121,183	9,378,581		
Total Net Position	\$ 18,097,004	\$ 16,688,858	*	8.44%

Summary Statement of Activities

	2016	2015		Change %
Revenues:				
General revenues	\$ 4,501,840	\$ 4,222,882		6.61%
Expenses:				
Operating expenses	3,831,587	3,841,547	*	
Less: Charges for services and operating/capital grants and contributions	(737,893)	(608,077)		
Net operating expenses	3,093,694	3,233,470		-4.32%
Change in net position	1,408,146	989,412	*	42.32%
Total net position, beginning of year	16,688,858	15,699,446		6.30%
Total net position, end of year	\$ 18,097,004	\$ 16,688,858	*	8.44%

*2015 numbers shown in MD&A have been adjusted for the restatement in Note 10, resulting from modifications made to the actuary's report that was used to compute 2015 net pension asset and related deferred inflows of resources under GASB 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*.

Major Revenues by Source
(From the Statement of Activities)

	2016	2015	Change %
Program revenues:			
Charges for services	\$ 578,830	\$438,285	
Operating grants and contributions	159,063	169,792	
Total program revenues	737,893	608,077	21.35%
General revenues:			
Taxes	4,459,467	3,920,739	
Other	386,116	302,143	
Loss on disposition of capital assets	(343,743)	-	
Total general revenues	4,501,840	4,222,882	6.61%
Total revenues	\$ 5,239,733	\$ 4,830,959	8.46%

Detail of Operating Expenses
(From the Statement of Activities)

	2016	2015	Change %
<u>Operating expenses, by department</u>			
General government	\$ 640,150	\$ 618,439	3.51%
Public safety	1,601,871	1,613,319	-0.71%
Highways and streets	431,540	342,932	25.84%
Building inspection	84,588	128,595	-34.22%
Stormwater	144,595	166,832	-13.33%
Sanitation and sewers	436,304	409,048	6.66%
Waste collection	390,589	418,642	-6.70%
Boulevards	78,067	110,139	-29.12%
Other improvements	798	-	0.00%
Horticulture supplies and services	23,085	14,471	59.53%
Total expenses	\$ 3,831,587	\$ 3,822,417	0.24%

Financial Analysis of the City as a Whole

The change in total net position between fiscal years 2016 and 2015 as shown on the Summary Statement of Net Position was 8.44%. Over time, net assets may serve as a useful indicator of financial position. At the close of the fiscal year, the sum of assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,097,004. Unrestricted net position of \$11,121,183, an increase of over \$1.5 million dollars from 2015, 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 2016 and 2015 revenues and expenses on a full accrual basis. 2016 general revenues increased by 6.61%. Program revenues in 2016 increased 21.35% due largely from an increase in sewer user fees as a result of an approved sewer rate increase. Total net operating expenses in 2016 had minimal change from 2015, less than one quarter of one percent. Highways and Streets saw an increase due to a paving project and refurbishing the street name signs and poles. Building Inspection department experienced a decrease due to reducing staff from two to one. Parkways and Boulevards expenses showed a decrease in 2016 due to no capital improvements (tree planting).

Capital Assets

Fiscal year 2016 as compared to fiscal year 2015:

At the end of fiscal year 2016, the City of Belle Meade had invested \$6,664,542 in land, buildings, infrastructure, equipment and construction in progress, down from \$7,085,956 at June 30, 2015. Net capital assets decreased by 5.9% in 2016. The table below summarizes the City's investment in capital assets.

Major capital asset events during fiscal year 2016 included the following:

Sewer system equipment	\$ 80,435
Royal Oaks Pl. Drainage Infrastructure Impr.	\$ 74,875
Street resurfacing	\$ 249,514
Sale of Richland Creek Property	\$ (370,000)

Capital Assets

	2016	2015
Land	\$ 15,000	\$385,000
Construction in progress	127,914	127,914
Infrastructure	9,960,600	9,524,798
Buildings	2,568,879	2,568,879
Improvements other than buildings	1,307,640	1,307,640
Equipment	1,207,164	1,176,361
Subtotal	15,187,197	15,090,592
Less: accumulated depreciation	(8,522,655)	(8,004,636)
Net Capital Assets	\$ 6,664,542	\$ 7,085,956

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)**

	2016	2015	Change %
<u>Assets</u>			
Cash	\$ 485,914	\$694,005	-29.98%
Investments	8,980,998	6,985,239	28.57%
Property taxes receivable	1,281,851	955,138	34.21%
Accounts receivable	4,316	13,785	-68.69%
Due from other funds	14,731	14,253	3.35%
Due from other governments	2,657,755	2,663,445	-0.21%
Prepaid expenses	7,854	2,643	197.16%
Inventories	10,009	8,500	17.75%
Total Assets	13,443,428	11,337,008	18.58%
<u>Liabilities</u>			
Accounts payable	46,962	76,616	-38.70%
Accrued liabilities	44,876	34,948	28.41%
Due from other funds	14,731	14,253	100.00%
Due to other governments	26,049	22,148	17.61%
Total Liabilities	132,618	147,965	-10.37%
<u>Deferred inflows of resources</u>			
Deferred inflows - unavailable property taxes	1,279,463	951,047	34.53%
<u>Fund Balance</u>			
Nonspendable	17,863	11,143	60.31%
Restricted	200,619	157,994	26.98%
Committed	-	-	0.00%
Assigned	6,569,769	6,724,729	-2.30%
Unassigned	5,243,096	3,344,130	56.79%
Total Fund Balance	\$ 12,031,347	\$ 10,237,996	17.52%
Unassigned fund balance as percent of total fund balances	43.58%	32.66%	

Governmental Fund Balance Classifications

Fund Balance Designation	2016	2015
Nonspendable	\$ 17,863	\$11,143
Restricted	200,619	157,994
Committed	-	-
Assigned	6,569,769	6,724,729
Unassigned	5,243,096	3,344,130
Total Fund Balance	\$ 12,031,347	\$ 10,237,996

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 \$17,863 is inventory and prepaid expenses. The Restricted fund balance of \$200,619 includes State Street Aid, Beautification and Drug Funds. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles, upgrades to infrastructure and an allowance for other capital improvements.

The following table shows an increase in the General Fund's fund balance of \$1,750,726. The majority of this increase can be attributed to a greater than budgeted amount of Hall Tax revenue receipts. 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 \$42,625. The majority of this increase comes from contributions to the Beautification Fund from citizen donors.

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

	2016			2015		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Revenues:						
Taxes	\$ 4,467,827	\$ 80,062	\$ 4,547,889	\$3,930,943	\$76,882	\$4,007,825
Licenses and permits	175,815	-	175,815	174,597	-	174,597
Fines and forfeitures	197,048	-	197,048	208,710	-	208,710
Charges for services	403,015	-	403,015	263,688	-	263,688
Intergovernmental	17,432	-	17,432	38,545	-	38,545
Investment earnings	39,974	90	40,064	11,567	69	11,636
Other local revenues	176,319	55,894	232,213	77,533	48,425	125,958
Total revenues	5,477,430	136,046	5,613,476	4,705,583	125,376	4,830,959
Expenditures:						
General government	554,419	-	554,419	585,062	-	585,062
Public safety	1,586,525	-	1,586,525	1,568,146	-	1,568,146
Highways and streets	517,019	69,538	586,557	529,260	75,620	604,880
Building inspection	80,849	-	80,849	127,012	-	127,012
Stormwater	205,374	-	205,374	405,868	-	405,868
Sanitation and sewers	313,862	-	313,862	325,985	-	325,985
Waste collection	390,589	-	390,589	418,642	-	418,642
Boulevards	78,067	-	78,067	110,139	-	110,139
Other improvements	-	798	798	-	-	-
Horticulture	-	23,085	23,085	-	14,471	14,471
Total expenditures	3,726,704	93,421	3,820,125	4,070,114	90,091	4,160,205
Excess (deficiency)	1,750,726	42,625	1,793,351	635,469	35,285	670,754
Other Sources (Uses):						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other	-	-	-	-	-	-
Change in Fund Balance	1,750,726	42,625	1,793,351	635,469	35,285	670,754
Beginning Fund Balance	10,080,002	157,994	10,237,996	9,444,533	122,709	9,567,242
Ending Fund Balance	\$ 11,830,728	\$ 200,619	\$ 12,031,347	\$ 10,080,002	\$ 157,994	\$ 10,237,996

Budgetary Information

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

Currently Known Factors Effecting Future Years

After the second of three scheduled increases to the sewer user rate for Belle Meade citizens in FY 2015 and 2016, the Commissioners approved the third rate increase for fiscal year 2017. This was in preparation for the conversion of the Wastewater/Sewer Department to an enterprise fund by July 1, 2016, as mandated by state law. As an enterprise fund, the Wastewater/Sewer Utility must be self-sufficient and is legally required to cover all of its costs, including depreciation, through fees and charges. The sewer user fee rate was increased to a level recommended by the consulting engineer to sustain the activities of the Utility for 5 years.

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

The Volkswagen emissions scandal and resulting Emissions Settlement and Buyback Program will affect the City's police vehicle fleet. After researching the options, Police Chief Eads recommended to the Commissioners that the City participate in the Settlement and Buyback Program. The City owns 12 Passat TDI vehicles, all of which qualify for the Buyback Program. Late in FY 2016, the City received \$12,000 in gift cards from Volkswagen that could be used towards vehicle maintenance or any other needs. The estimated buyback amount totaling \$242,750 will be used to offset the purchase of 12 new police vehicles.

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, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2016</u>	<u>2015 (RESTATED)</u>
ASSETS		
Cash	\$ 485,914	\$ 694,005
Investments	8,980,998	6,985,239
Property tax receivable	1,281,851	955,138
Accounts receivable	4,316	13,785
Due from other governments	2,657,755	2,663,445
Prepaid expenses	7,854	2,643
Inventories	10,009	8,500
Net pension asset	110,660	66,327
Capital assets:		
Land	15,000	385,000
Construction in progress	127,914	127,914
Infrastructure	9,960,600	9,524,798
Buildings and equipment	5,083,683	5,052,880
Accumulated depreciation	<u>(8,522,655)</u>	<u>(8,004,636)</u>
Total assets	<u>20,203,899</u>	<u>18,475,038</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension contributions	<u>223,048</u>	<u>91,692</u>
LIABILITIES		
Accounts payable	46,962	76,616
Accrued liabilities	44,876	34,948
Due to other governments	26,049	22,148
Long-term liabilities:		
Compensated absences	218,991	220,156
Other post employment benefits	<u>348,000</u>	<u>313,000</u>
Total liabilities	<u>684,878</u>	<u>666,868</u>
DEFERRED INFLOWS OF RESOURCES		
Assessed and unlevied property taxes	1,279,463	951,047
Deferred inflows related to pension assumptions	<u>365,602</u>	<u>259,957</u>
Total deferred inflows of resources	<u>1,645,065</u>	<u>1,211,004</u>
NET POSITION		
Investment in capital assets	6,664,542	7,085,956
Restricted for:		
Street repairs	38,818	28,294
Beautification	161,637	129,536
Other purposes	110,824	66,491
Unrestricted - assigned for operations and capital assets	6,569,769	6,724,729
Unrestricted	<u>4,551,414</u>	<u>2,653,852</u>
NET POSITION	<u>\$ 18,097,004</u>	<u>\$ 16,688,858</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

FUNCTIONS/PROGRAMS	2016				2015	
	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)	NET (EXPENSE)	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION	REVENUE AND CHANGE IN NET POSITION - RESTATED
				GOVERNMENTAL ACTIVITIES	GOVERNMENTAL ACTIVITIES	
Primary Government:						
General government	\$ 640,150	\$ -	\$ -	\$ (640,150)	\$ (618,439)	
Public safety	1,601,871	43,844	17,432	(1,540,595)	(1,548,676)	
Highways and streets	431,540	-	85,986	(345,554)	(260,110)	
Building inspection	84,588	175,815	-	91,227	46,002	
Stormwater	144,595	101,787	-	(42,808)	(65,406)	
Sanitation and sewers	436,304	257,384	-	(178,920)	(292,014)	
Waste collection	390,589	-	-	(390,589)	(418,642)	
Boulevards	78,067	-	-	(78,067)	(110,139)	
Other improvements	798	-	-	(798)	-	
Horticulture supplies and services	23,085	-	55,645	32,560	33,954	
Total primary government	<u>\$ 3,831,587</u>	<u>\$ 578,830</u>	<u>\$ 159,063</u>	<u>\$ (3,093,694)</u>	<u>\$ (3,233,470)</u>	
General Revenues:						
Property taxes				965,400	956,581	
Payments in lieu of taxes				4,218	4,801	
Mixed drink tax				57,510	51,524	
TVA in lieu of tax				34,172	33,751	
Sales tax				235,533	220,545	
Income tax				3,087,812	2,569,806	
Franchise tax				73,400	82,338	
Beer tax				1,422	1,393	
Fines and forfeitures				197,048	208,710	
Loss on disposal of capital assets				(343,743)	-	
Unrestricted investment earnings				40,064	11,636	
Other local revenue				149,004	81,797	
Total general revenues				<u>4,501,840</u>	<u>4,222,882</u>	
Change in net position				1,408,146	989,412	
Net position - beginning, as restated				<u>16,688,858</u>	<u>15,699,446</u>	
Net position - ending				<u>\$ 18,097,004</u>	<u>\$ 16,688,858</u>	

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	2016		2015	
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 298,175	\$ 187,739	\$ 485,914	\$ 694,005
Investments	8,980,998	-	8,980,998	6,985,239
Receivables:				
Property tax	1,281,851	-	1,281,851	955,138
Accounts	4,316	-	4,316	13,785
Due from other funds	-	14,731	14,731	14,253
Due from other governments	2,657,755	-	2,657,755	2,663,445
Prepaid expenses	7,854	-	7,854	2,643
Inventories	10,009	-	10,009	8,500
TOTAL ASSETS	\$ 13,240,958	\$ 202,470	\$ 13,443,428	\$ 11,337,008
 LIABILITIES				
Accounts payable	\$ 45,111	\$ 1,851	\$ 46,962	\$ 76,616
Accrued liabilities	44,876	-	44,876	34,948
Due to other funds	14,731	-	14,731	14,253
Due to other governments	26,049	-	26,049	22,148
TOTAL LIABILITIES	130,767	1,851	132,618	147,965
 DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	1,279,463	-	1,279,463	951,047
 FUND BALANCE:				
Fund balance:				
Nonspendable	17,863	-	17,863	11,143
Restricted for street repairs	-	38,818	38,818	28,294
Restricted for drug enforcement and education	-	164	164	164
Restricted for beautification	-	161,637	161,637	129,536
Assigned for operations and capital assets	6,569,769	-	6,569,769	6,724,729
Unassigned	5,243,096	-	5,243,096	3,344,130
TOTAL FUND BALANCE	11,830,728	200,619	12,031,347	10,237,996
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 13,240,958	\$ 202,470	\$ 13,443,428	\$ 11,337,008

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, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Total Governmental Funds Fund Balance	\$ 12,031,347	\$ 10,237,996
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets	6,664,542	7,085,956
Net pension asset in governmental activities is not a financial resource and therefore is not reported in the governmental funds balance sheets	110,660	66,327
Employer pension contributions made since the measurement date have been expensed in the governmental funds balance sheets but are shown as deferred outflows of resources in governmental activities, along with differences between actual and expected pension plan earnings	223,048	91,692
Deferred inflows of resources caused by actuarial assumptions that result in an actuarial gain are not a financial resource and therefore are not reported in the governmental funds balance sheets	(365,602)	(259,957)
Net other post employment benefits obligation in governmental activities is not a current liability and is therefore are not reported in the governmental funds balance sheets	(348,000)	(313,000)
Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheets	<u>(218,991)</u>	<u>(220,156)</u>
Net Position of Governmental Activities	<u>\$ 18,097,004</u>	<u>\$ 16,688,858</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, 2016

	2016		2015	
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 4,467,827	\$ 80,062	\$ 4,547,889	\$ 4,007,825
Licenses and permits	175,815	-	175,815	174,597
Fines and forfeitures	197,048	-	197,048	208,710
Charges for services	403,015	-	403,015	263,688
Intergovernmental	17,432	-	17,432	38,545
Uses of money and property	39,974	90	40,064	11,636
Other	176,319	55,894	232,213	125,958
TOTAL REVENUES	5,477,430	136,046	5,613,476	4,830,959
EXPENDITURES				
Current:				
General government	554,419	-	554,419	585,062
Public safety	1,586,525	-	1,586,525	1,568,146
Highways and streets	517,019	69,538	586,557	604,880
Building inspection	80,849	-	80,849	127,012
Stormwater	205,374	-	205,374	405,868
Sanitations and sewers	313,862	-	313,862	325,985
Waste collection	390,589	-	390,589	418,642
Boulevards	78,067	-	78,067	110,139
Other improvements	-	798	798	-
Horticulture supplies and services	-	23,085	23,085	14,471
TOTAL EXPENDITURES	3,726,704	93,421	3,820,125	4,160,205
EXCESS OF REVENUES OVER EXPENDITURES	1,750,726	42,625	1,793,351	670,754
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	1,750,726	42,625	1,793,351	670,754
FUND BALANCE, BEGINNING OF YEAR	10,080,002	157,994	10,237,996	9,567,242
FUND BALANCE, END OF YEAR	\$ 11,830,728	\$ 200,619	\$ 12,031,347	\$ 10,237,996

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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balance - Governmental Funds	\$ 1,793,351	\$ 670,754
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:</p>		
Acquisition of capital assets	516,189	887,004
Depreciation expense	(563,860)	(600,818)
Loss on disposition of capital assets	(343,743)	-
Proceeds recognized in fund statements	(30,000)	-
<p>Payments to the pension plan after the measurement date are treated as a deferred outflow of resources in the statement of net assets, whereas in the governmental funds, a pension expense is reported when due</p>		
	92,274	91,692
<p>Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:</p>		
Change in accrual for compensated absences	1,165	6,456
Actuarially determined pension expense	(22,230)	(37,676)
Change in accrual for other post employment benefits obligation	(35,000)	(28,000)
Change in Net Position of Governmental Activities	<u>\$ 1,408,146</u>	<u>\$ 989,412</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, 2016

	<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	\$ 951,047	\$ 956,047	\$ 956,082	\$ 35
Property taxes delinquent	-	-	2,211	2,211
Personal property taxes	1,700	1,700	1,841	141
Public utility property tax	2,649	2,649	2,440	(209)
Interest and penalties - property taxes	1,671	2,571	2,826	255
Intergovernmental:				
State sales tax	213,600	224,100	235,533	11,433
State income tax	2,000,000	2,400,000	3,087,812	687,812
Franchise taxes	76,000	76,000	73,400	(2,600)
Beer tax	1,380	1,380	1,422	42
Petroleum special tax	5,970	5,970	5,924	(46)
TVA in-lieu of taxes	33,342	33,342	34,172	830
Mixed drink tax	43,905	43,905	57,510	13,605
Electric in lieu of taxes	4,800	4,200	4,218	18
Other	3,028	2,428	2,436	8
Total taxes	<u>3,339,092</u>	<u>3,754,292</u>	<u>4,467,827</u>	<u>713,535</u>
LICENSES AND PERMITS	<u>157,655</u>	<u>171,155</u>	<u>175,815</u>	<u>4,660</u>
FINES AND FORFEITURES	<u>190,607</u>	<u>196,407</u>	<u>197,048</u>	<u>641</u>
CHARGES FOR SERVICES				
Sewer use fee/charges	267,328	257,328	257,384	56
Stormwater usage fees	100,874	100,874	101,787	913
Public safety charges for services	<u>45,000</u>	<u>43,000</u>	<u>43,844</u>	<u>844</u>
Total charges for services	<u>413,202</u>	<u>401,202</u>	<u>403,015</u>	<u>1,813</u>
MISCELLANEOUS				
Interest income on investments	24,420	38,420	39,974	1,554
Contributions, dues	14,000	30,000	30,049	49
Sales of materials	33,200	86,700	86,820	120
Sale of equipment - surplus property	16,500	6,000	6,000	-
Other revenues	1,632	53,232	53,450	218
State grant - highway safety	<u>20,000</u>	<u>17,500</u>	<u>17,432</u>	<u>(68)</u>
Total miscellaneous	<u>109,752</u>	<u>231,852</u>	<u>233,725</u>	<u>1,873</u>
TOTAL REVENUES	<u>4,210,308</u>	<u>4,754,908</u>	<u>5,477,430</u>	<u>722,522</u>

(continued on next page)

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
Current:				
General government:	\$ 559,837	\$ 552,347	\$ 554,419	\$ 2,072
Public safety	1,715,718	1,603,218	1,586,525	(16,693)
Highways and streets	665,474	528,574	517,019	(11,555)
Building inspection	86,545	84,545	80,849	(3,696)
Stormwater	229,960	213,960	205,374	(8,586)
Sanitation and sewers	258,832	319,332	313,862	(5,470)
Waste collection	391,907	391,907	390,589	(1,318)
Boulevards	89,200	82,200	78,067	(4,133)
	<u>3,997,473</u>	<u>3,776,083</u>	<u>3,726,704</u>	<u>(49,379)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>212,835</u>	<u>978,825</u>	<u>1,750,726</u>	<u>771,901</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>\$ 212,835</u>	<u>\$ 978,825</u>	<u>1,750,726</u>	<u>\$ 771,901</u>
FUND BALANCE - BEGINNING OF YEAR			<u>10,080,002</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,830,728</u>	

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the City.

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, 2016 or 2015.

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, expenditures related to compensated absences and other post employment benefits are recorded only when a payment is due.

Budgets and Budgetary Accounting

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

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

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Expenditures Over Budget In Individual Funds

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

Purchasing Laws - City Departments

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

Property Taxes Receivable

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

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

Investments

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

Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories are made up of repair and replacement parts for equipment. In the 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.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Asset/Liability

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

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress

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

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

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

Compensated Absences

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

Other Post Employment Benefits

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

Fund Balance

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

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

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

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

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

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

Use of Estimates

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

Reclassifications

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits

The City's deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City's financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral for the City. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

During fiscal 2016 and 2015, the City's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool and the Federal Depository Insurance Corporation (FDIC). At June 30, the carrying amount and corresponding bank balances of deposits were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>	<u>Deposits Per Bank</u>	<u>Carrying Amount Per Books</u>
Cash and cash equivalents	\$ 493,864	\$ 485,914	\$ 738,237	\$ 694,005

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2015.

Investments

The City is authorized by statute to make direct investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies. These investments may not have a maturity greater than two years. The City may make investments with longer maturities if various restrictions set out in State law are followed. The City is also authorized to make investments in the LGIP and in repurchase agreements. The Pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the Pool qualifies as a 2a-7 like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. There are no limitations on withdrawals or maximum transaction amounts on funds held in the Pool. Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (continued)

Investments consist of amounts invested in LGIP and Certificates of Deposits. LGIP is an interest bearing account insured and regulated by the State. The fair value of the City's position in LGIP is the same as the value of the pool shares. The pool contains investments in collateralized C.D.'s, U.S. Treasury Securities and Repurchase Agreements backed by U.S. Treasury Securities. None of the investments in the pool belong solely to any one participant in the investment pool. All C.D.'s are FDIC insured and have rolling maturity dates.

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

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

NOTE 3 - CAPITAL ASSETS

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

	<u>2016</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$385,000	\$ -	\$ (370,000)	\$ 15,000
Construction in progress	<u>127,914</u>	<u>-</u>	<u>-</u>	<u>127,914</u>
Total capital assets not being depreciated	<u>512,914</u>	<u>-</u>	<u>(370,000)</u>	<u>142,914</u>

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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	\$622,602	\$ 74,875	\$ -	\$ 697,477
Road and road improvements	2,236,713	265,547	-	2,502,260
Sewer system	<u>6,665,483</u>	<u>117,830</u>	<u>(22,450)</u>	<u>6,760,863</u>
Total infrastructure	<u>9,524,798</u>	<u>458,252</u>	<u>(22,450)</u>	<u>9,960,600</u>
Less accumulated depreciation:				
Drainage and drainage improvements	(67,563)	(15,721)	-	(83,284)
Road and road improvements	(327,509)	(60,225)	-	(387,734)
Sewer system	<u>(4,894,654)</u>	<u>(243,273)</u>	<u>20,309</u>	<u>(5,117,618)</u>
Total accumulated depreciation	<u>(5,289,726)</u>	<u>(319,219)</u>	<u>20,309</u>	<u>(5,588,636)</u>
Total infrastructure, net	<u>4,235,072</u>	<u>139,033</u>	<u>(2,141)</u>	<u>4,371,964</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>1,176,361</u>	<u>57,937</u>	<u>(27,134)</u>	<u>1,207,164</u>
Total other capital assets being depreciated	<u>5,052,880</u>	<u>57,937</u>	<u>(27,134)</u>	<u>5,083,683</u>
Less accumulated depreciation for:				
Buildings	(808,463)	(83,157)	-	(891,620)
Improvements other than buildings	(1,041,300)	(56,656)	-	(1,097,956)
Equipment	<u>(865,147)</u>	<u>(104,828)</u>	<u>25,532</u>	<u>(944,443)</u>
Total accumulated depreciation	<u>(2,714,910)</u>	<u>(244,641)</u>	<u>25,532</u>	<u>(2,934,019)</u>
Total other capital assets being depreciated, net	<u>2,337,970</u>	<u>(186,704)</u>	<u>(1,602)</u>	<u>2,149,664</u>
Total governmental activities capital assets, net	<u>\$ 7,085,956</u>	<u>\$ (47,671)</u>	<u>\$ (373,743)</u>	<u>\$ 6,664,542</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	2015			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$385,000	\$ -	\$ -	\$ 385,000
Construction in progress	97,026	66,136	(35,248)	127,914
Total capital assets not being depreciated	482,026	66,136	(35,248)	512,914
<u>Infrastructure:</u>				
Drainage and drainage improvements	\$273,523	\$349,079	\$ -	\$ 622,602
Road and road improvements	1,968,670	268,043	-	2,236,713
Sewer system	6,551,323	139,333	(25,173)	6,665,483
Total infrastructure	8,793,516	756,455	(25,173)	9,524,798
Less accumulated depreciation:				
Drainage and drainage improvements	(56,800)	(10,763)	-	(67,563)
Road and road improvements	(273,249)	(54,260)	-	(327,509)
Sewer system	(4,694,742)	(225,085)	25,173	(4,894,654)
Total accumulated depreciation	(5,024,791)	(290,108)	25,173	(5,289,726)
Total infrastructure, net	3,768,725	466,347	-	4,235,072
<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	1,163,220	99,661	(86,520)	1,176,361
Total other capital assets being depreciated	5,039,739	99,661	(86,520)	5,052,880
Less accumulated depreciation for:				
Buildings	(725,306)	(83,157)	-	(808,463)
Improvements other than buildings	(984,315)	(56,985)	-	(1,041,300)
Equipment	(781,099)	(170,568)	86,520	(865,147)
Total accumulated depreciation	(2,490,720)	(310,710)	86,520	(2,714,910)
Total other capital assets being depreciated, net	2,549,019	(211,049)	-	2,337,970
Total governmental activities capital assets, net	<u>\$ 6,799,770</u>	<u>\$ 321,434</u>	<u>\$ (35,248)</u>	<u>\$ 7,085,956</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

	2016	2015
General government	\$ 67,702	\$ 56,540
Public safety	114,767	189,093
Highways and streets	119,540	115,821
Building inspection	4,482	4,482
Stormwater	14,096	9,797
Sanitation and sewers	243,273	225,085
	\$ 563,860	\$ 600,818

NOTE 4 - COMPENSATED ABSENCES

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

	2016			
	Beginning Balance	Additions	Reductions	Ending Balance
Liability for accrued sick pay and annual leave	\$ 220,156	\$ 136,347	\$ (137,512)	\$ 218,991
	2015			
	Beginning Balance	Additions	Reductions	Ending Balance
Liability for accrued sick pay and annual leave	\$ 226,612	\$ 138,011	\$ (144,467)	\$ 220,156

NOTE 5 - COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the years ended June 30, 2016 and 2015.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN

Plan Description

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

Benefits provided

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

Employees covered by benefit terms. At the measurement dates, the following employees were covered by the benefit terms:

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Inactive employees or beneficiaries currently receiving benefits	19	16
Inactive employees entitled to but not yet receiving benefits	20	21
Active employees	<u>26</u>	<u>27</u>
	<u>65</u>	<u>64</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN (CONTINUED)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not contribute to the plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the years ended June 30, 2016 and 2015, employer contributions for the City were \$92,274 and \$91,692, respectively, based on a rate of 7 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 and 2014 actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

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

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

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

Discount Rate

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
BALANCE AT JUNE 30, 2013	\$ 3,527,453	\$ 3,300,410	\$ 227,043
CHANGES FOR THE YEAR:			
Service cost	78,695	-	78,695
Interest	264,079	-	264,079
Differences between expected and actual experience - restated	(27,181)	-	(27,181)
Contributions - employer	-	71,089	(71,089)
Net investment income	-	538,990	(538,990)
Benefit payments, including refunds of employee contributions	(170,198)	(170,198)	-
Administrative expense	-	(1,116)	1,116
Net changes	<u>145,395</u>	<u>438,765</u>	<u>(293,370)</u>
BALANCE AT JUNE 30, 2014 - RESTATED	<u>\$ 3,672,848</u>	<u>\$ 3,739,175</u>	<u>\$ (66,327)</u>
CHANGES FOR THE YEAR:			
Service cost	80,926	-	80,926
Interest	275,075	-	275,075
Differences between expected and actual experience	(196,101)	-	(196,101)
Contributions - employer	-	91,490	(91,490)
Contributions - employee	-	203	(203)
Net investment income	-	113,900	(113,900)
Benefit payments, including refunds of employee contributions	(172,212)	(172,212)	-
Administrative expense	-	(1,360)	1,360
Net changes	<u>(12,312)</u>	<u>32,021</u>	<u>(44,333)</u>
BALANCE AT JUNE 30, 2015	<u>\$ 3,660,536</u>	<u>\$ 3,771,196</u>	<u>\$ (110,660)</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN (CONTINUED)

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

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

	Measurement Date - June 30, 2015		
	1% Decrease	Current Discount Rate	1% Increase
	(6.5%)	(7.5%)	(8.5%)
City's net pension liability (asset)	\$ 320,554	\$ (110,660)	\$ (475,948)
	Measurement Date - June 30, 2014		
	1% Decrease	Current Discount Rate	1% Increase
	(6.5%)	(7.5%)	(8.5%)
City's net pension liability (asset)	\$ 371,306	\$ (66,327)	\$ (438,931)

Pension Expense

For the year ended June 30, 2016 and 2015, the City recognized pension expense of \$22,230 and \$37,676, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	2016	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 188,472
Net difference between projected and actual earnings on pension plan investments	130,774	177,130
Contributions subsequent to the measurement date of June 30, 2015	92,274	-
Total	\$ 223,048	\$ 365,602

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 6 - PENSION PLAN (CONTINUED)

	2015	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 23,783
Net difference between projected and actual earnings on pension plan investments	-	236,174
Contributions subsequent to the measurement date of June 30, 2014	91,692	-
Total	\$ 91,692	\$ 259,957

The amount shown above for Contributions subsequent to the measurement date of June 30, 2015 will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:		
2017	\$	(57,762)
2018		(57,762)
2019		(57,762)
2020		1,282
2021		(31,412)
Thereafter		(31,412)

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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, 2016, retired plan members prior to age 65 contribute (on average) 38% of premiums and the City contributes (on average) 62% of premiums. For active plan members, members contribute (on average) 37% of premiums and the City contributes (on average) 63% of premiums.

Annual OPEB cost and Net OPEB obligation

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 45,000	\$ 40,000
Interest	12,000	11,000
Adjustment to the annual required contribution	<u>(12,000)</u>	<u>(11,000)</u>
Annual OPEB cost	45,000	40,000
Amount of contribution	<u>(10,000)</u>	<u>(12,000)</u>
Increase in net OPEB obligation	35,000	28,000
Net OPEB liability - beginning of year	<u>313,000</u>	<u>285,000</u>
Net OPEB obligation - end of year	<u>\$ 348,000</u>	<u>\$ 313,000</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Obligation at Year-End</u>
June 30, 2016	\$ 45,000	22.22%	\$ 348,000
June 30, 2015	40,000	30.00%	313,000
June 30, 2014	39,000	25.64%	285,000

Funded Status and Funding Progress

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

Actuarial valuation date	July 1, 2015	July 1, 2013
Actuarial accrued liability (AAL)	\$ 368,000	\$ 290,000
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 368,000	\$ 290,000
Actuarial Value of Assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 1,401,000	\$ 1,241,000
UAAL as a percentage of covered payroll	26.27%	23.37%

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

Actuarial Methods and Assumptions

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 7 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially. The rate decreases to 6% in fiscal year 2016 and then will be reduced by decrements to an ultimate rate of 4.7% by fiscal year 2050. The rate includes a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3%.

NOTE 8 - COMMITMENTS AND UNCERTAINTIES

Risk Management

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

Hall Income Tax

In late fiscal year 2016, the Tennessee Governor signed into law the elimination of the Hall Tax, to be phased out over a six year period. The City conducted a series of public meetings to address this loss of revenue and has developed a plan to increase the property tax rates to offset this loss for fiscal year 2017.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 10 - ADJUSTMENT TO PRIOR YEAR NET POSITION

Prior year net position has been adjusted due to a revision of the actuary's report used in calculating the net pension asset and corresponding deferred inflows of resources measured as of June 30, 2014 and reported for the year ended June 30, 2015 as it relates to the adoption of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The effect of this revision on the City's governmental activities net position as of July 1, 2015 is as follows:

Governmental activities net position, as previously reported	\$ 16,707,988
To record adjustments affecting net position at July 1, 2015:	
Net pension asset	(153,043)
Deferred inflows of resources	<u>133,913</u>
Beginning governmental activities net position, as restated	<u><u>\$ 16,688,858</u></u>

NOTE 11 - SUBSEQUENT EVENT

On July 1, 2016, pursuant to State law, the wastewater collection utility activities were converted from a department within the general fund to a separate enterprise fund. The City's general fund also transferred a one-time capital grant of \$125,000 to the new enterprise fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	2015	2014
<u>TOTAL PENSION LIABILITY</u>		
Service cost	\$ 80,926	\$ 78,695
Interest	275,075	264,079
Changes in benefit terms	-	-
Differences between actual & expected experience	(196,101)	(27,181)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(172,212)	(170,198)
NET CHANGE IN TOTAL PENSION LIABILITY	(12,312)	145,395
TOTAL PENSION LIABILITY - BEGINNING	3,672,848	3,527,453
TOTAL PENSION LIABILITY - ENDING (A)	\$ 3,660,536	\$ 3,672,848
<u>PLAN FIDUCIARY NET POSITION</u>		
Contributions - employer	\$ 91,490	\$ 71,089
Contributions - employee	203	-
Net investment income	113,900	538,990
Benefit payments, including refunds of employee contributions	(172,212)	(170,198)
Administrative expense	(1,360)	(1,116)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	32,021	438,765
PLAN FIDUCIARY NET POSITION - BEGINNING	3,739,175	3,300,410
PLAN FIDUCIARY NET POSITION - ENDING (B)	3,771,196	3,739,175
NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	\$ (110,660)	\$ (66,327)
Plan fiduciary net position as a percentage of total pension liability	103.02 %	101.81 %
Covered-employee payroll	\$ 1,306,994	\$ 1,306,781
Net pension liability (asset) as a percentage of covered-employee payroll	(8.47) %	(5.08) %

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

CITY OF BELLE MEADE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial determined contribution	\$ 71,089	\$ 91,490	\$ 92,274
Contributions in relation to the actuarial determined contribution	<u>71,089</u>	<u>91,490</u>	<u>92,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,306,781	\$ 1,306,994	\$ 1,306,994
Contributions as a percentage covered employee payroll	5.44 %	7.00 %	7.06 %

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

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS - LOCAL GOVERNMENT GROUP INSURANCE PLAN

JUNE 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") - Entry Age (b)</u>	<u>Unfunded AAL ("UAAL") (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u>
July 1, 2015	\$ -	\$ 368,000	\$ 368,000	0.00%	\$ 1,401,000	26.27%
July 1, 2013	-	290,000	290,000	0.00%	1,241,000	23.37%
July 1, 2011	-	511,000	511,000	0.00%	1,262,000	40.49%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BELLE MEADE, TENNESSEE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016
 (WITH COMPARATIVE TOTALS FOR 2015)

	2016			TOTAL NONMAJOR GOVERNMENTAL FUNDS	2015
	SPECIAL REVENUE FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STATE STREET AID	BEAUTIFICATION	DRUG		
ASSETS					
Cash	\$ 26,102	\$ 161,637	\$ -	\$ 187,739	\$ 145,533
Due from other funds	<u>14,567</u>	<u>-</u>	<u>164</u>	<u>14,731</u>	<u>14,253</u>
TOTAL ASSETS	<u>\$ 40,669</u>	<u>\$ 161,637</u>	<u>\$ 164</u>	<u>\$ 202,470</u>	<u>\$ 159,786</u>
LIABILITIES					
Accounts payable	\$ 1,851	\$ -	\$ -	\$ 1,851	\$ 1,792
TOTAL LIABILITIES	<u>1,851</u>	<u>-</u>	<u>-</u>	<u>1,851</u>	<u>1,792</u>
COMMITMENTS AND CONTINGENCIES					
FUND BALANCES					
Restricted for street repairs	38,818	-	-	38,818	28,294
Restricted for drug enforcement and education	-	-	164	164	164
Restricted for beautification	<u>-</u>	<u>161,637</u>	<u>-</u>	<u>161,637</u>	<u>129,536</u>
TOTAL FUND BALANCES	<u>38,818</u>	<u>161,637</u>	<u>164</u>	<u>200,619</u>	<u>157,994</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 40,669</u>	<u>\$ 161,637</u>	<u>\$ 164</u>	<u>\$ 202,470</u>	<u>\$ 159,786</u>

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
	SPECIAL REVENUE			TOTAL	TOTAL
	STATE STREET AID	BEAUTIFICATION	DRUG	NONMAJOR GOVERNMENTAL FUNDS	NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
Contributions	\$ -	\$ 55,645	\$ -	\$ 55,645	\$ 48,425
Intergovernmental:					
Gasoline and motor fuel tax	54,875	-	-	54,875	52,711
Three cent tax	16,368	-	-	16,368	15,708
Gas 1989 tax	8,819	-	-	8,819	8,463
Interest income	-	90	-	90	69
Other revenues	-	249	-	249	-
TOTAL REVENUES	80,062	55,984	-	136,046	125,376
EXPENDITURES					
Repair and maintenance - roads	69,538	-	-	69,538	75,620
Other improvements	-	798	-	798	-
Horticulture supplies and services	-	23,085	-	23,085	14,471
TOTAL EXPENDITURES	69,538	23,883	-	93,421	90,091
NET CHANGE IN FUND BALANCE	10,524	32,101	-	42,625	35,285
FUND BALANCE, BEGINNING OF YEAR	28,294	129,536	164	157,994	122,709
FUND BALANCE, END OF YEAR	\$ 38,818	\$ 161,637	\$ 164	\$ 200,619	\$ 157,994

CITY OF BELLE MEADE, TENNESSEE

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

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNTS</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Intergovernmental:				
Gasoline and motor fuel tax	\$ 76,440	\$ 76,440	\$ 54,875	\$ (21,565)
Three cent tax	-	-	16,368	16,368
Gas 1989 tax	-	-	8,819	8,819
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	<u>76,440</u>	<u>76,440</u>	<u>80,062</u>	<u>3,622</u>
EXPENDITURES				
Repair and maintenance - roads	<u>69,636</u>	<u>69,636</u>	<u>69,538</u>	<u>(98)</u>
TOTAL EXPENDITURES		<u>69,636</u>	<u>69,538</u>	<u>(98)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 76,440</u>	<u>\$ 6,804</u>	10,524	<u>\$ 3,720</u>
FUND BALANCE, BEGINNING OF YEAR			<u>28,294</u>	
FUND BALANCE, END OF YEAR			<u>\$ 38,818</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, 2016

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNT</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Contribution	\$ 46,200	\$ 55,200	\$ 55,645	\$ 445
Interest income	65	65	90	25
Other revenues	-	-	249	249
TOTAL REVENUES	<u>46,265</u>	<u>55,265</u>	<u>55,984</u>	<u>719</u>
EXPENDITURES				
Other improvements	31,000	1,000	798	(202)
Horticulture supplies and services	<u>21,085</u>	<u>24,085</u>	<u>23,085</u>	<u>(1,000)</u>
TOTAL EXPENDITURES	<u>52,085</u>	<u>25,085</u>	<u>23,883</u>	<u>(1,202)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,820)</u>	<u>\$ 30,180</u>	32,101	<u>\$ 1,921</u>
FUND BALANCE, BEGINNING OF YEAR			<u>129,536</u>	
FUND BALANCE, END OF YEAR			<u>\$ 161,637</u>	

CITY OF BELLE MEADE, TENNESSEE

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

WASTE COLLECTION (SANITATION)

FOR THE YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNT</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Contribution	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Waste collection	391,907	391,907	390,589	(1,318)
TOTAL EXPENDITURES	<u>391,907</u>	<u>391,907</u>	<u>390,589</u>	<u>(1,318)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(391,907)</u>	<u>(391,907)</u>	<u>(390,589)</u>	<u>1,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	391,907	391,907	390,589	(1,318)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>391,907</u>	<u>391,907</u>	<u>390,589</u>	<u>(1,318)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE, END OF YEAR			<u>\$ -</u>	

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

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2016

<u>Tax Year</u>	<u>BALANCE JUNE 30, 2015</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>PENALTIES AND INTEREST</u>	<u>BALANCE JUNE 30, 2016</u>
2015	\$ -	\$ 955,952	\$ (953,564)	\$ -	\$ 2,388
2014	2,235	-	(2,235)	-	-
2013	496	-	(496)	-	-
2012	631	-	(631)	-	-
2011	729	-	(729)	-	-
Total	<u>\$ 4,091</u>	<u>\$ 955,952</u>	<u>\$ (957,655)</u>	<u>\$ -</u>	2,388
				Deferred inflow of resources for 2016 levy	<u>1,279,463</u>
					<u>\$ 1,281,851</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>
2016	\$ 0.2243	\$ 1,698,580,503	\$ 426,193,655
2015	\$ 0.2243	1,692,629,503	425,137,570
2014	\$ 0.2243	1,691,816,803	424,696,155
2013	\$ 0.2290	1,648,505,358	413,756,479
2012	\$ 0.2290	1,656,960,258	415,488,177
2011	\$ 0.2290	1,653,195,758	414,794,717
2010	\$ 0.2290	1,644,926,158	412,621,483
2009	\$ 0.2600	1,448,669,414	363,858,648
2008	\$ 0.2600	1,396,836,614	350,900,448
2007	\$ 0.2600	1,391,284,464	389,139,264

* The fiscal year listed corresponds to the preceding tax year levy (2016 would represent the 2015 tax levy). This represents the period for which the taxes were levied.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

<u>Grant Description</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>State Grant Amount</u>	<u>Accrued (Deferred) 7/1/2015</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) 6/30/2016</u>	
STATE AWARDS:								
<u>State of Tennessee</u>								
Passed through the Governor's Highway Safety Office:								
Network Coordinator Grant	PT-15-04	10-1-14 to 9-30-15	\$ 14,972	\$ -	\$ 9,943	\$ 9,943	\$ -	
Network Coordinator Grant	PT-16-24	10-1-15 to 9-30-16	\$ 15,000	\$ -	\$ 2,407	\$ 2,407	\$ -	
High Visibility Enforcement Grant	15Al-15-148	10-1-14 to 9-30-15	\$ 5,083	\$ -	\$ 5,083	\$ 5,083	\$ -	
High Visibility Enforcement Grant	15AL-16-111	10-1-15 to 9-30-16	\$ 5,000	\$ -	\$ -	\$ -	\$ -	
Total Governor's Highway Safety Office					-	17,433	17,433	-
TOTAL EXPENDITURES OF STATE AWARDS					<u>\$ -</u>	<u>\$ 17,433</u>	<u>\$ 17,433</u>	<u>\$ -</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Belle Meade, Tennessee (the "City") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

OTHER REPORT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2016, 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 21, 2016.

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 21, 2016

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2016

There were no prior year findings.