

**CITY OF BELLE MEADE, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012**



CITY OF BELLE MEADE, TENNESSEE

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CITY OF BELLE MEADE, TENNESSEE

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## **INTRODUCTORY SECTION**

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

### **INTRODUCTION**

The City of Belle Meade (the “City”) is pleased to present its financial statements for the fiscal year ended June 30, 2012.

#### **Responsibility and Controls**

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

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

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

#### **Audit Assurance**

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

CITY OF BELLE MEADE, TENNESSEE  
SCHEDULE OF CITY OFFICIALS

Elected Officials:

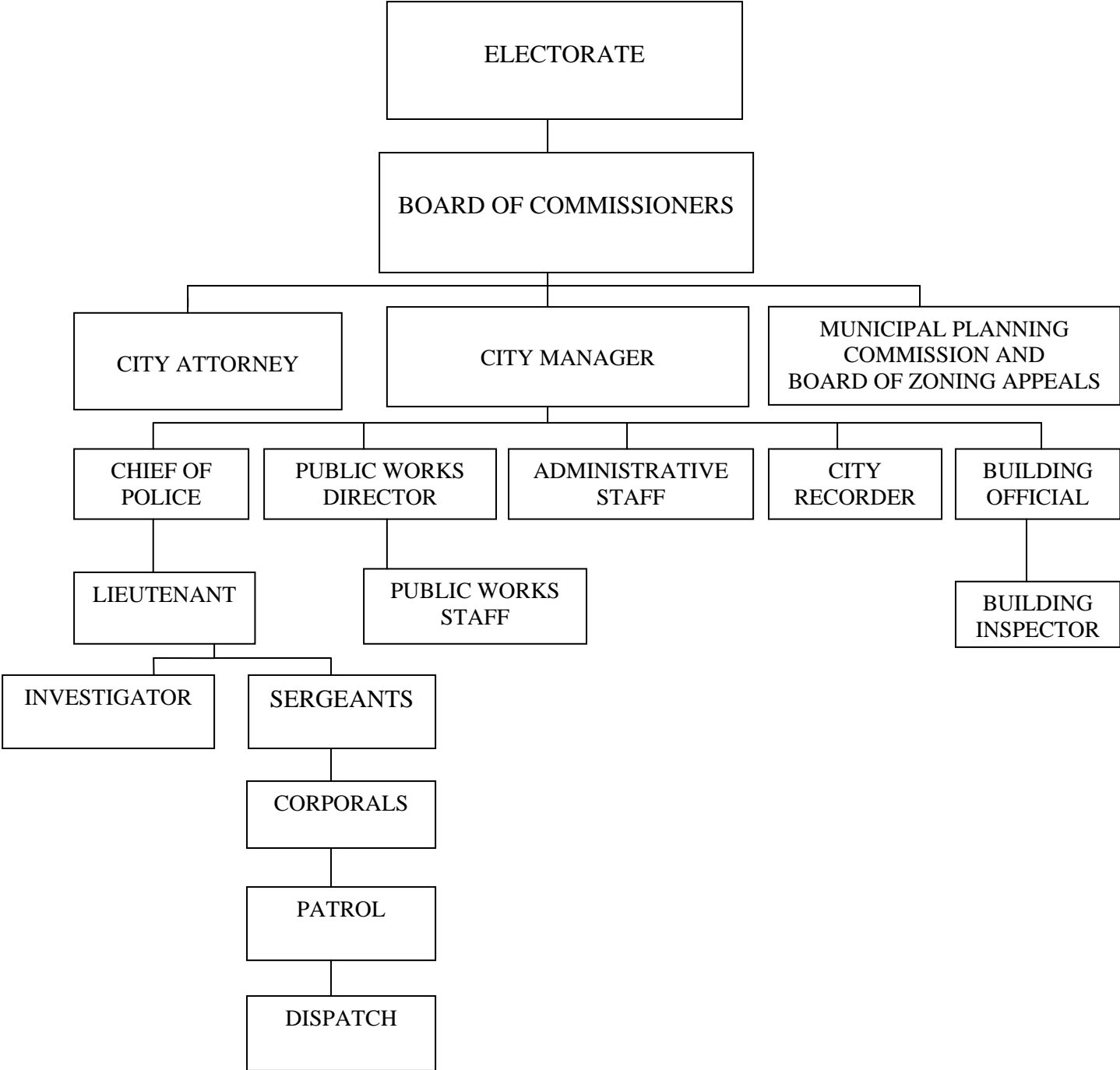
- Gray Thornburg - Mayor/Commissioner
- James Hunt - Vice-Mayor/Commissioner
- Steve Rick - Commissioner
- Ed Freeman - Commissioner
- Cathy Altenbern - Commissioner

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City Officials:

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

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



## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison schedules for the General Fund and Sanitation Fund of the City of Belle Meade, Tennessee (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison schedules for the General Fund and Sanitation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Accounting principles generally accepted in the United States of America require that the management's discussion, schedule of funding progress and analysis and budgetary comparison information on pages 6 through 15, page 45 and 49 through 50, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and schedules, and schedule of changes in property taxes receivable and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and schedules, and schedule of changes in property taxes receivable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and other supplementary information have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
December 13, 2012

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

This section of the City of Belle Meade's annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2012. 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 2012:

- The combined revenues for 2012 totaled \$4,117,448 (including charges for services and operating grants and contributions on the Statement of Activities, which is a 2.7% decrease from the previous year.
- The combined fund expenses for 2012 totaled \$3,608,540 on the Statement of Activities and \$3,506,956 on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net assets for 2012 were \$12,523,220 of which \$6,831,678 was invested in capital assets. Effective in fiscal year 2011, the Governmental Accounting Standards Board (GASB) required the reporting of five classifications of fund balance. Total fund balance for all funds at June 30, 2012 was \$5,898,604. Detail of the classifications can be found on page 12 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 2012's activities?"

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

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

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

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

The City maintains a total of five individual governmental funds:

- General Fund (1)
- Special Revenue Funds (4)
  - Sanitation Fund
  - 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 and Sanitation Fund are the City's major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation for non-major governmental funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

**FINANCIAL ANALYSIS OF THE CITY OF BELLE MEADE**

**Summary Statement of Net Assets**

	2011	2012	Change %
Current Assets	\$ 6,899,854	\$ 6,990,009	
Non-current Assets	6,924,703	6,845,057	
<b>Total Assets</b>	<b>13,824,557</b>	<b>13,835,066</b>	<b>0.08%</b>
Current Liabilities	1,611,742	1,091,404	
Non-current Liabilities	198,503	220,441	
<b>Total Liabilities</b>	<b>1,810,245</b>	<b>1,311,845</b>	<b>-27.53%</b>
Net Assets:			
Invested in Capital Assets	6,912,468	6,831,678	
Restricted	18,324	18,840	
Unrestricted	5,083,520	5,672,702	
<b>Total Net Assets</b>	<b>\$ 12,014,312</b>	<b>\$ 12,523,220</b>	<b>4.24%</b>

**Summary Statement of Activities**

	2011	2012	Change %
Revenues:			
General Revenues	\$ 2,672,325	\$ 3,499,385	30.95%
Extraordinary Item - Flood Gain	390,409	-	
Expenses:			
Operating Expenses	4,277,330	3,608,540	
Less: Charges for Services and Operating Grants and Contributions	(1,168,733)	(618,063)	
<b>Net Operating Expenses</b>	<b>3,108,597</b>	<b>2,990,477</b>	<b>-3.80%</b>
<b>Change in Net Assets</b>	<b>(45,863)</b>	<b>508,908</b>	<b>-1209.63%</b>
<b>Total Net Assets, Beginning of Year</b>	<b>12,060,175</b>	<b>12,014,312</b>	<b>-0.38%</b>
<b>Total Net Assets, End of Year</b>	<b>\$ 12,014,312</b>	<b>\$ 12,523,220</b>	<b>4.24%</b>

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

	2011	2012	Change %
Program Revenues:			
Charges for Services	\$ 453,500	\$ 469,529	
Operating Grants and Contributions	715,233	148,534	
Total Program Revenues	1,168,733	618,063	-47.12%
General Revenues:			
Taxes	2,616,994	3,411,080	
Other	55,331	88,305	
Total General Revenues	2,672,325	3,499,385	30.95%
Extraordinary Item - Flood Gain	390,409	-	
Total Revenues	\$ 4,231,467	\$ 4,117,448	-2.69%

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

	2011	2012	Change %
Operating Expenses, by Department			
General Government	\$ 651,951	\$ 604,190	-7.33%
Public Safety	1,572,333	1,513,408	-3.75%
Building Inspection	122,063	125,275	2.63%
Highways and Streets	894,637	420,126	-53.04%
Stormwater	-	41,318	
Sanitation and Sewer	943,850	807,090	-14.49%
Parks and Boulevards	76,371	78,133	2.31%
Horticulture Supplies and Services	16,125	19,000	17.83%
Total Revenues	\$ 4,277,330	\$ 3,608,540	-15.64%

The change in total net assets between fiscal years 2011 and 2012 as shown on the Summary Statement of Net Assets was 4.24%. Unrestricted net assets of \$5,672,702, an increase of almost \$600,000 from 2011, represent the current net assets available to support future operations and other expenditure items as funded by the Board of Commissioners.

The Summary Statement of Activities compares 2011 and 2012 revenues and expenses on a full accrual basis. 2012 revenues increased by almost 31%, primarily due to the fact that the City received more in state income tax appropriations and the stormwater user fee was a new source of revenue. Investment earnings dropped by 38% from 2011. This follows a 46% drop in investment revenues in 2011 from 2010 revenues. The main source of investment income is from deposits in the State of Tennessee Local Government Investment Pool. The Pool's interest rate in June 2012 was 0.13%. Other income sources from property taxes, state shared taxes, permits and fines had relatively mild fluctuations as compared to the prior fiscal year.

Total expenses in 2012 were down more than 15% from 2011. The most significant departmental decrease (53%) was in Highways and Streets, due to having no snow and ice removal costs in 2012 and the fact that FY 2011 included expenses of almost \$200,000 for street re-striping. Program revenues decreased by 47% because FY 2011 included the one-time payment from Metro Nashville for the paving of Belle Meade Boulevard.

### **Capital Assets**

*Fiscal year 2012 as compared to fiscal year 2011:*

At the end of fiscal year 2012, the City of Belle Meade had invested \$6,831,678 in land, buildings, infrastructure, equipment and construction in progress, down slightly from \$6,912,468 at June 30, 2011. Net capital assets decreased by 1.2% in 2012 primarily due to current year depreciation expense.

### **Capital Assets**

	2011	2012
Land	\$ 15,000	\$ 15,000
Construction in Progress	35,850	35,850
Infrastructure	8,338,355	8,468,064
Buildings	2,559,721	2,559,721
Improvements Other Than Buildings	1,301,730	1,307,640
Equipment	897,254	1,073,892
Subtotal	13,147,910	13,460,167
Less Accumulated Depreciation	(6,235,442)	(6,628,489)
Net Capital Assets	\$ 6,912,468	\$ 6,831,678

### **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)**

	2011	2012	Change %
<u>Assets</u>			
Cash	\$ 81,056	\$ 134,968	66.51%
Investments	5,093,532	5,844,296	14.74%
Property Taxes Receivable	963,805	962,615	-0.12%
Due From Other Governments	749,395	312	-99.96%
Accounts Receivable	6,712	42,122	527.56%
Inventories	5,354	5,695	6.37%
<b>Total Assets</b>	<b>6,899,854</b>	<b>6,990,008</b>	<b>1.31%</b>
<u>Liabilities</u>			
Accounts Payable	615,409	104,014	-83.10%
Accrued Liabilities	30,575	25,538	-16.47%
Due To Other Governments	15,878	10,384	-34.60%
Deferred Revenue - Property Taxes	949,880	951,468	0.17%
Deferred Revenue - FEMA and TEMA	241,161	-	-100.00%
<b>Total Liabilities</b>	<b>1,852,903</b>	<b>1,091,404</b>	<b>-41.10%</b>
<u>Fund Balances</u>			
Nonspendable	5,354	5,695	6.37%
Restricted	12,970	13,145	1.35%
Committed	48,050	67,643	40.78%
Assigned	4,187,000	4,187,000	0.00%
Unassigned	793,577	1,625,121	104.78%
<b>Total Fund Balances</b>	<b>\$ 5,046,951</b>	<b>\$ 5,898,604</b>	<b>16.87%</b>
Unassigned Fund Balance as Percent of Total Fund Balances	15.72%	27.55%	

The normal operations of the City for the year 2012 were relatively consistent with those of 2011. As a result, no material differences were noted in the Statement of Net Assets, other than (1) the increase in Investments as a result of higher Hall Tax revenues, and (2) changes in Due From Other Governments and Current Liabilities, which were directly related to the paving of Belle Meade Boulevard in 2011. A few items in the above Governmental Funds table show a significant percentage change. Accounts Receivable has a 527.56% increase, which is related to the sale of surplus property (three police vehicles) during the year and the receipt of payment several days into the new fiscal year. Deferred Revenue – FEMA and TEMA, shows a decrease of 100%, due to the fact that all flood-related grants were successfully closed in fiscal year 2012.



### Governmental Fund Balance Classifications

Fund Balance Designation	2011	2012
Nonspendable	\$ 5,354	\$ 5,695
Restricted	12,970	13,145
Committed	48,050	67,643
Assigned	4,187,000	4,187,000
Unassigned	793,577	1,625,121
<b>Total Fund Balances</b>	<b>\$ 5,046,951</b>	<b>\$ 5,898,604</b>

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 \$5,695 is Inventory. The restricted fund balance of \$13,145 is State Street Aid and Drug Funds and the committed fund balance of \$67,643 is the Beautification Fund. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles and upgrades to the sewer system.

The following table on page 13 shows an increase in the General Fund's fund balance of \$831,885. This is mostly the result of higher than anticipated Hall Tax revenues, not having any expensive snow removal costs during the winter of 2012, and reducing the residential trash and recycle collection contract from twice-a-week to once-a-week pickup. The fund balance of Other Funds, which consist of the State Street Aid, Beautification and Drug Funds, reflects an increase of \$19,768. The majority of this increase is within the Beautification Fund. Contributions received in FY 2012 will be combined with those expected in FY 2013 to finance upcoming improvements to the Belle Meade Boulevard medians.

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

	2011			2012		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
<b>Revenues:</b>						
Taxes	\$ 2,624,742	\$ 80,448	\$ 2,705,190	\$ 3,418,863	\$ 75,869	\$ 3,494,732
Licenses and Permits	94,102	-	94,102	104,365	-	104,365
Fines and Forfeitures	182,410	-	182,410	187,446	-	187,446
Charges for Services	176,988	-	176,988	177,718	-	177,718
Investment earnings	12,708	72	12,780	7,886	63	7,949
Intergovernmental	508,234	-	508,234	7,570	-	7,570
Other Local Revenues	96,398	50,524	146,922	113,574	38,525	152,099
<b>Total Revenues</b>	<b>3,695,582</b>	<b>131,044</b>	<b>3,826,626</b>	<b>4,017,422</b>	<b>114,457</b>	<b>4,131,879</b>
<b>Expenditures:</b>						
General Government	575,255	293	575,548	546,420	141	546,561
Public Safety	1,451,618	-	1,451,618	1,645,174	-	1,645,174
Highways and Streets	657,406	697,198	1,354,604	249,168	75,548	324,716
Building Inspection	121,837	-	121,837	143,970	-	143,970
Stormwater	-	-	-	41,318	-	41,318
Sanitation and Sewers	304,346	583,749	888,095	305,179	402,905	708,084
Boulevards	76,371	-	76,371	78,133	-	78,133
Horticulture	-	16,125	16,125	-	19,000	19,000
<b>Total Expenditures</b>	<b>3,186,833</b>	<b>1,297,365</b>	<b>4,484,198</b>	<b>3,009,362</b>	<b>497,594</b>	<b>3,506,956</b>
<b>Excess (Deficiency)</b>	<b>508,749</b>	<b>(1,166,321)</b>	<b>(657,572)</b>	<b>1,008,060</b>	<b>(383,137)</b>	<b>624,923</b>
<b>Other Sources (Uses):</b>						
Transfers In	-	1,200,996	1,200,996	-	402,905	402,905
Transfers Out	(1,200,996)	-	(1,200,996)	(402,905)	-	(402,905)
<b>Total Other</b>	<b>(1,200,996)</b>	<b>1,200,996</b>	<b>-</b>	<b>(402,905)</b>	<b>402,905</b>	<b>-</b>
<b>Extraordinary (Loss)</b>						
Gain	(531,458)	-	(531,458)	226,730	-	226,730
<b>Change in Fund Balance</b>	<b>(1,223,705)</b>	<b>34,675</b>	<b>(1,189,030)</b>	<b>831,885</b>	<b>19,768</b>	<b>851,653</b>
<b>Beginning Fund Balance</b>	<b>6,209,636</b>	<b>26,345</b>	<b>6,235,981</b>	<b>4,985,931</b>	<b>61,020</b>	<b>5,046,951</b>
<b>Ending Fund Balance</b>	<b>\$ 4,985,931</b>	<b>\$ 61,020</b>	<b>\$ 5,046,951</b>	<b>\$ 5,817,816</b>	<b>\$ 80,788</b>	<b>\$ 5,898,604</b>

## **Budgetary Information**

Budgetary comparison schedules for the General and Sanitation funds can be found in the Basic Financial Statements section. Schedules for other special revenue funds are found in the Supplementary Information section of this Report. There are several line items that have significant variations between original and amended budget amounts and the actual revenue or expenditure totals, as shown on the Statement of Revenue, Expenditures, and changes in Fund Balances-Budget to Actual-General Fund, found 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 emergency-type expenditures. The most significant budget amendments for fiscal year 2012 included increasing the Hall Tax revenues by \$739,123, increasing Fines and Forfeitures by \$12,000, decreasing interest income by \$4,700, and adding the revenue item for Stormwater User Fees for \$91,800. On the expenditure side, amendments to the Streets Department had a budget decrease of \$155,600 as a result of no expenses incurred for snow and ice removal. A line item was added for Stormwater expenditures in the amount of \$70,000.

## **Other Major Funds**

In addition to the General Fund, the City reports the Sanitation Fund as a major fund. The Sanitation Fund consists of activities related to residential solid waste collection and brush and chipper service. These services are contracted to outside vendors who provide all labor and equipment as required. The Sanitation Fund generates no revenues and is funded from monies transferred from the General Fund.

## **Economic Factors and Next Year's Budget**

The City of Belle Meade's Board of Commissioners and management staff considered many factors when adopting the fiscal year 2012-2013 budget. The Unassigned fund balance increased at fiscal 2012 year-end due to higher than anticipated Hall Tax revenues, the addition of the Stormwater User Fee, and several expense line items seeing a decrease. The staff and Commissioners were mindful of the current economic situation and some declining revenue collections at the state and local levels when setting the budget. The Commissioners and the Budget and Finance Committee predicted the economic fallout occurring at the end of 2008 would be felt for several years and correctly anticipated an increase in the Hall Tax revenue for the 2012 budget year. Their recommendation for FY 2013 Hall Tax revenue is conservative, being slightly lower than the previous year collections. The 2013 budget includes several new capital items and one capital improvement project, with the intention of maintaining a strong reserve fund in the event revenues continue to decline in the upcoming years. Six new diesel powered police vehicles will replace higher mileage 2007 models in the fleet; new street signs will be designed and installed, guided by the Federal government's recommendation for visibility and reflectivity; a stormwater project on Walnut Drive is proposed; the sewer department will complete the air relief valve replacement and sewer manhole rehabilitation project; and Herbert Place and a portion of Deer Park Drive will be repaved.

A capital budget was added to the budgeting process with the 2013 budget. The capital budget includes proposed capital items for the budget year and projections for each department for the four years going forward. This is a valuable planning tool for the commissioners and management staff.

## **Other Information**

In October 2011, the commissioners approved Ordinance 2011-11, thereby establishing a stormwater user fee to be applied to all residential properties in Belle Meade, excluding vacant lots. It was the intent of the commissioners to use these fees to supplement the ongoing costs of the City's stormwater management program, including the administration, operation, maintenance and improvement of the stormwater system. Since 2003, and up until the adoption of the user fee, the City's General Fund provided 100% funding of all stormwater expenses. User fee revenues will allow the City to address increasing expenses and the list of proposed projects and improvements to the stormwater system that were delayed due to budget constraints. The City plans to continue to use some General Fund monies to supplement the costs of the stormwater management program each year. Property owners are invoiced for the user fee annually at the same time property tax notices are mailed in October. User fee revenue will be used to support the stormwater management program, which includes but is not limited to: administering the NPDES permit, drainage maintenance, monthly street sweeping, annual and emergency creek debris removal maintenance, monitoring and sampling for water quality, and planning, design and construction of facility improvements.

In January 2012, the commissioners conducted their first ever retreat at a local conference center. Using data from a citizen survey conducted in fall 2011, the commissioners developed a Strategic Plan for the City. Five long-term goals were established after much discussion at the two-day retreat:

- Develop a Capital Outlay Plan (long-term budget for major capital expenditures)
- Stabilize revenue stream (study a plan to handle uncertainty of the Hall Income Tax)
- Review City pension plan and develop a defined contribution plan for new employees
- Develop a permanent solution to the land use issue for the Warner Park lot
- Review Zoning and Building Code issues.

The commissioners want to make the retreat an annual event whereby the Strategic Plan can be reviewed and updated according to the needs of the City and its citizens.

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

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

## **BASIC FINANCIAL STATEMENTS**

CITY OF BELLE MEADE, TENNESSEE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 134,968	\$ 81,056
Investments	1,657,296	906,532
Investments - assigned for operations and capital assets	4,187,000	4,187,000
Property taxes receivable	962,615	963,805
Due from other governments	312	749,395
Accounts receivable	42,122	6,712
Inventories	<u>5,695</u>	<u>5,354</u>
Total current assets	<u>6,990,008</u>	<u>6,899,854</u>
<b>Noncurrent assets</b>		
Capital assets not being depreciated:		
Land	15,000	15,000
Construction in Progress	35,850	35,850
Capital assets, net of accumulated depreciation:		
Infrastructure	8,468,064	8,338,355
Buildings and equipment	<u>4,941,253</u>	<u>4,758,705</u>
Total capital assets	13,460,167	13,147,910
Less: accumulated depreciation	<u>(6,628,489)</u>	<u>(6,235,442)</u>
Net capital assets	6,831,678	6,912,468
Net OPEB asset	<u>13,379</u>	<u>12,235</u>
Total noncurrent assets	<u>6,845,057</u>	<u>6,924,703</u>
<b>TOTAL ASSETS</b>	<u>13,835,065</u>	<u>13,824,557</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	104,014	615,409
Accrued liabilities	25,538	30,575
Due to other governments	10,384	15,878
Deferred revenue - Property Taxes	<u>951,468</u>	<u>949,880</u>
Total current liabilities	1,091,404	1,611,742
<b>Noncurrent liabilities:</b>		
Compensated absences	<u>220,441</u>	<u>198,503</u>
<b>TOTAL LIABILITIES</b>	<u>1,311,845</u>	<u>1,810,245</u>
<b>COMMITMENTS (Note I)</b>	-	-
<b>NET ASSETS</b>		
Invested in capital assets	6,831,678	6,912,468
Restricted - Nonexpendable	5,695	5,354
Restricted - State Street Aid and Drug	13,145	12,970
Unrestricted - assigned for operations and capital assets	4,187,000	4,187,000
Unrestricted	<u>1,485,702</u>	<u>896,520</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 12,523,220</u>	<u>\$ 12,014,312</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(with comparative totals for 2011)

	2012				Net (Expense) Revenue and Changes in Net Assets	2011 Net (Expense) Revenue and Changes in Net Assets
	<u>Program Revenues</u>					
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<b>Functions/Programs</b>						
Governmental activities:						
General government	\$ 604,190	\$ -	\$ 20,564	\$ -	\$ (583,626)	\$ (634,781)
Building inspection	125,275	104,365	-	-	(20,910)	(27,961)
Sanitation and sewers	807,090	54,007	-	-	(753,083)	(894,857)
Stormwater	41,318	92,151	-	-	50,833	-
Public safety	1,513,408	219,006	-	-	(1,294,402)	(1,261,928)
Boulevards	78,133	-	-	-	(78,133)	(76,371)
Highways and streets	420,126	-	89,445	-	(330,681)	(247,098)
Horticulture supplies and services	<u>19,000</u>	<u>-</u>	<u>38,525</u>	<u>-</u>	<u>19,525</u>	<u>34,399</u>
	<u>\$ 3,608,540</u>	<u>\$ 469,529</u>	<u>\$ 148,534</u>	<u>\$ -</u>	<u>(2,990,477)</u>	<u>(3,108,597)</u>
General Revenues:						
Taxes:						
Property taxes					955,248	957,745
Payments in lieu of taxes					4,897	4,869
Mixed drink tax					30,191	31,971
TVA in lieu tax					33,644	33,120
Sales tax					196,548	194,747
Income tax					2,189,123	1,393,007
Beer tax					1,429	1,535
Fees and commissions					1,777	1,430
Investment earnings					7,950	12,780
Other local revenues					<u>78,578</u>	<u>41,121</u>
Total general revenues					3,499,385	2,672,325
Extraordinary item - flood gain					<u>-</u>	<u>390,409</u>
Change in net assets					508,908	(45,863)
Net assets - July 1					<u>12,014,312</u>	<u>12,060,175</u>
Net assets - June 30					<u>\$ 12,523,220</u>	<u>\$ 12,014,312</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012  
(with comparative totals for 2011)

	2012			2011	
	General Fund	Sanitation Fund	Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 54,180	\$ -	\$ 80,788	\$ 134,968	\$ 81,056
Investments	1,657,296	-	-	1,657,296	906,532
Investments - assigned for operations and capital assets	4,187,000	-	-	4,187,000	4,187,000
Property taxes receivable	962,615	-	-	962,615	963,805
Due from other governments	312	-	-	312	749,395
Accounts receivable	42,122	-	-	42,122	6,712
Inventories	5,695	-	-	5,695	5,354
	<u>\$ 6,909,220</u>	<u>\$ -</u>	<u>\$ 80,788</u>	<u>\$ 6,990,008</u>	<u>\$ 6,899,854</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 104,014	\$ -	\$ -	\$ 104,014	\$ 615,409
Accrued liabilities	25,538	-	-	25,538	30,575
Due to other governments	10,384	-	-	10,384	15,878
Deferred revenue - property taxes	951,468	-	-	951,468	949,880
Deferred revenue - FEMA & TEMA	-	-	-	-	241,161
	<u>1,091,404</u>	<u>-</u>	<u>-</u>	<u>1,091,404</u>	<u>1,852,903</u>
Fund balances:					
Nonspendable - inventories	5,695	-	-	5,695	5,354
Restricted - State street aid and drug	-	-	13,145	13,145	12,970
Committed - beautification	-	-	67,643	67,643	48,050
Assigned - operations and capital assets	4,187,000	-	-	4,187,000	4,187,000
Unassigned	1,625,121	-	-	1,625,121	793,577
	<u>5,817,816</u>	<u>-</u>	<u>80,788</u>	<u>5,898,604</u>	<u>5,046,951</u>
Total liabilities and fund balances	<u>\$ 6,909,220</u>	<u>\$ -</u>	<u>\$ 80,788</u>	<u>\$ 6,990,008</u>	<u>\$ 6,899,854</u>

See accompanying notes to financial statements.



CITY OF BELLE MEADE, TENNESSEE  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012  
(with comparative totals for 2011)

	2012	2011
Total fund balances of governmental funds	\$ 5,898,604	\$ 5,046,951
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	6,831,678	6,912,468
Certain deferred revenues reported in the fund financial statements are recognized as revenues in governmental activities.	-	241,161
Net OPEB asset is not a receivable in the current period and therefore is not reported in the fund financial statements.	13,379	12,235
Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.	(220,441)	(198,503)
Net assets of governmental activities	\$ 12,523,220	\$ 12,014,312

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, 2012  
(with comparative totals for 2011)

	2012			2011	
	General Fund	Sanitation Fund	Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$3,418,863	\$ -	\$ 75,869	\$ 3,494,732	\$ 2,705,190
Licenses and permits	104,365	-	-	104,365	94,102
Fines and forfeitures	187,446	-	-	187,446	182,410
Charges for current services	177,718	-	-	177,718	176,988
Investment earnings	7,886	-	63	7,949	12,780
Intergovernmental	7,570	-	-	7,570	508,234
Other local revenues	113,574	-	38,525	152,099	146,922
<b>Total revenues</b>	<u>4,017,422</u>	<u>-</u>	<u>114,457</u>	<u>4,131,879</u>	<u>3,826,626</u>
<b>EXPENDITURES</b>					
Current:					
General government	546,420	-	141	546,561	575,548
Public safety	1,645,174	-	-	1,645,174	1,451,618
Highways and streets	249,168	-	75,548	324,716	1,354,604
Building inspection	143,970	-	-	143,970	121,837
Stormwater	41,318	-	-	41,318	-
Sanitation and sewers	305,179	402,905	-	708,084	888,095
Boulevards	78,133	-	-	78,133	76,371
Horticulture supplies and services	-	-	19,000	19,000	16,125
<b>Total expenditures</b>	<u>3,009,362</u>	<u>402,905</u>	<u>94,689</u>	<u>3,506,956</u>	<u>4,484,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,008,060</u>	<u>(402,905)</u>	<u>19,768</u>	<u>624,923</u>	<u>(657,572)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	402,905	-	402,905	1,200,996
Transfers out	(402,905)	-	-	(402,905)	(1,200,996)
<b>Total other financing sources (uses)</b>	<u>(402,905)</u>	<u>402,905</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXTRAORDINARY ITEM</b>					
Flood gain (loss)	<u>226,730</u>	<u>-</u>	<u>-</u>	<u>226,730</u>	<u>(531,458)</u>
<b>Net change in fund balances</b>	831,885	-	19,768	851,653	(1,189,030)
Fund balance - July 1	<u>4,985,931</u>	<u>-</u>	<u>61,020</u>	<u>5,046,951</u>	<u>6,235,981</u>
Fund balance - June 30	<u>\$5,817,816</u>	<u>\$ -</u>	<u>\$ 80,788</u>	<u>\$ 5,898,604</u>	<u>\$ 5,046,951</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012  
(with comparative totals for 2011)

	2012	2011
Net change in fund balances - governmental funds	\$ 851,653	\$ (1,189,030)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital expenditures	\$ 427,171	
Depreciation expense	<u>(507,961)</u>	
	(80,790)	953,306
Revenues in the statement of activities that do not provide current financial resources that are reported as deferred revenues in the funds.	-	203,067
Grant recoveries provided current financial resources in the governmental funds but were recognized in the prior year statement of activities.	(241,161)	-
Other post-employment benefit expenditures reported for governmental funds that represent a benefit that will not be realized in the current period.	1,144	2,934
Expenditures reported for governmental activities that do not require the use of current financial resources and therefore are not reported as expenditures for governmental funds. This is the change in compensated absences for the current year over the prior year.	<u>(21,938)</u>	<u>(16,140)</u>
Change in net assets of governmental activities	<u>\$ 508,908</u>	<u>\$ (45,863)</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
<b>TAXES</b>				
Property taxes	\$ 949,880	\$ 949,095	\$ 942,136	\$ (6,959)
Property taxes delinquent	-	-	6,959	6,959
Public utility property tax	2,110	2,110	2,157	47
Interest and penalties - property taxes	1,900	2,500	3,996	1,496
<b>State Tax Allocations</b>				
Sales tax	186,000	186,000	196,548	10,548
Income tax	1,450,000	2,189,123	2,189,123	-
Beer tax	1,520	1,400	1,429	29
Petroleum special	6,316	6,000	6,006	6
TVA in-lieu of taxes	31,239	31,239	33,644	2,405
Mixed drink	29,619	29,619	30,191	572
Telecommunications sales tax	-	-	162	162
Electric utility in-lieu of taxes	4,500	4,500	4,897	397
Other	1,240	1,700	1,615	(85)
Total taxes	<u>2,664,324</u>	<u>3,403,286</u>	<u>3,418,863</u>	<u>15,577</u>
 <b>LICENSES AND PERMITS</b>	 <u>93,375</u>	 <u>98,000</u>	 <u>104,365</u>	 <u>6,365</u>
 <b>FINES AND FORFEITURES</b>	 <u>168,000</u>	 <u>180,000</u>	 <u>187,446</u>	 <u>7,446</u>
 <b>CHARGES FOR SERVICES</b>				
Sewer user fee/charges	48,280	54,000	54,007	7
Stormwater user fees	-	91,800	92,151	351
Public safety charges for services	56,000	31,500	31,560	60
Total charges for services	<u>104,280</u>	<u>177,300</u>	<u>177,718</u>	<u>418</u>
 <b>MISCELLANEOUS</b>				
Interest income on investments	12,500	7,800	7,886	86
Contributions, dues	10,000	20,400	20,564	164
Sales of materials	84,400	80,625	81,699	1,074
Other revenues	63,038	4,700	11,311	6,611
State Grant - Highway Safety	-	-	7,570	7,570
Total miscellaneous	<u>169,938</u>	<u>113,525</u>	<u>129,030</u>	<u>15,505</u>
 Total revenues	 <u>3,199,917</u>	 <u>3,972,111</u>	 <u>4,017,422</u>	 <u>45,311</u>

CITY OF BELLE MEADE, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>				
General government	\$ 537,814	\$ 558,909	\$ 546,420	\$ 12,489
Public safety	1,668,230	1,651,385	1,645,174	6,211
Highways and streets	437,104	281,504	249,168	32,336
Building inspection	143,572	144,722	143,970	752
Stormwater	-	70,000	41,318	28,682
Sewers	316,937	308,637	305,179	3,458
Boulevards	<u>72,090</u>	<u>78,440</u>	<u>78,133</u>	<u>307</u>
 Total expenditures	 <u>3,175,747</u>	 <u>3,093,597</u>	 <u>3,009,362</u>	 <u>84,235</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>24,170</u>	 <u>878,514</u>	 <u>1,008,060</u>	 <u>(38,924)</u>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Sanitation fund	<u>(403,092)</u>	<u>(404,092)</u>	<u>(402,905)</u>	<u>1,187</u>
 Total other financing uses	 <u>(403,092)</u>	 <u>(404,092)</u>	 <u>(402,905)</u>	 <u>1,187</u>
 (Deficit) excess of revenue over expenditures and other financing uses	 (378,922)	 474,422	 605,155	 130,733
<b>EXTRAORDINARY ITEM</b>				
Flood gain	<u>-</u>	<u>-</u>	<u>226,730</u>	<u>226,730</u>
 Net change in fund balances	 (378,922)	 474,422	 831,885	 357,463
 Fund balance - July 1	 <u>4,985,931</u>	 <u>4,985,931</u>	 <u>4,985,931</u>	 <u>-</u>
 Fund balance - June 30	 <u>\$ 4,607,009</u>	 <u>\$ 5,460,353</u>	 <u>\$ 5,817,816</u>	 <u>\$ 357,463</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL - SANITATION FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Dumpster services	11,000	12,000	11,625	375
Repair and maintenance	152,392	152,392	151,580	812
Trash collection and recycling	<u>239,700</u>	<u>239,700</u>	<u>239,700</u>	<u>-</u>
Total expenditures	<u>403,092</u>	<u>404,092</u>	<u>402,905</u>	<u>1,187</u>
Deficiency of revenues under expenditures	(403,092)	(404,092)	(402,905)	1,187
OTHER FINANCING SOURCES				
Transfers in:				
General fund	<u>403,092</u>	<u>404,092</u>	<u>402,905</u>	<u>1,187</u>
Net change in fund balance	-	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-wide Financial Statements

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

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

**Invested in capital assets**, consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt (if applicable) that is attributable to the acquisition, construction, and improvement of those assets. The City had no outstanding debt as of June 30, 2012.

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

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



CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Financial Statements and Measurement Focus

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

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

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Additionally, the City utilizes the following other fund types:

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

Basis of Accounting

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

In the basic financial statements, property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue in the amount of \$951,468.

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

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Excess of Expenditures Over Budget In Individual Funds

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

Inventories

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

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

Compensated Absences

It is the policy of the City to permit employees to accumulate amounts of earned but unused sick pay benefits, which will be paid or credited to the employee's retirement fund upon separation from service. In the governmental fund financial statements, the cost of sick pay benefits is not recognized until payments are made to employees. In the government-wide statements at June 30, 2012, a long-term liability for compensated absences of \$220,441 has been recorded representing the City's commitment to fund such costs with future financial resources.

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

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

Purchasing Laws - City Departments

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

Fund Balance

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

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

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

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Mayor and Alderman 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.

CITY OF BELLE MEADE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Property Taxes Receivable

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

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

Capital Assets

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

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Comparative Data

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

Construction in Progress

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

Interfund Transactions

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

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



CITY OF BELLE MEADE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

B. CASH AND INVESTMENTS

Deposits

The City’s deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City’s financial institutions participate in the State of Tennessee Bank Collateral Pool. Banks participating in the Collateral Pool determine the aggregate balance of their public fund 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 2012, the City’s deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool. At June 30, 2012, the carrying amount and corresponding bank balances of deposits were as follows:

	Deposits Per Bank	Carrying Amount Per Books
Cash and cash equivalents	<u>\$190,713</u>	<u>\$134,968</u>

The difference between the deposits per bank and the carrying amount of cash per the books is due primarily to checks outstanding at June 30, 2012.

Investments

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

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

B. CASH AND INVESTMENTS - Continued

Investments consist of amounts invested in LGIP. The City's investments in LGIP are not required to be categorized by accounting principles generally accepted in the United States of America. 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.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	<u>35,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,850</u>
Total capital assets not being depreciated	<u>50,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,850</u>
Infrastructure:					
Drainage and drainage improvements	264,138	-	-	-	264,138
Road and road improvements	1,779,896	-	-	-	1,779,896
Sewer system	<u>6,294,321</u>	<u>129,709</u>	<u>-</u>	<u>-</u>	<u>6,424,030</u>
Total infrastructure	<u>8,338,355</u>	<u>129,709</u>	<u>-</u>	<u>-</u>	<u>8,468,064</u>
Less accumulated depreciation:					
Drainage and drainage improvements	( 36,892)	( 6,603)	-	-	( 43,495)
Road and road improvements	( 135,273)	( 44,497)	-	-	( 179,770)
Sewer system	<u>(4,085,153)</u>	<u>( 212,095)</u>	<u>-</u>	<u>-</u>	<u>(4,297,248)</u>
Total accumulated depreciation	<u>(4,257,318)</u>	<u>( 263,195)</u>	<u>-</u>	<u>-</u>	<u>(4,520,513)</u>
Total infrastructure, net	<u>4,081,037</u>	<u>( 133,486)</u>	<u>-</u>	<u>-</u>	<u>3,947,551</u>

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

C. CAPITAL ASSETS - Continued

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Other capital assets being depreciated:					
Buildings	2,559,721	-	-	-	2,559,721
Improvements other than buildings	1,301,730	5,910	-	-	1,307,640
Equipment	<u>897,254</u>	<u>291,552</u>	<u>(114,914)</u>	<u>-</u>	<u>1,073,892</u>
Total other capital assets being depreciated	<u>4,758,705</u>	<u>297,462</u>	<u>(114,914)</u>	<u>-</u>	<u>4,941,253</u>
Less accumulated depreciation for:					
Buildings	( 476,650)	( 82,546)	-	-	( 559,196)
Improvements other than buildings	( 775,711)	( 61,610)	-	-	( 837,321)
Equipment	<u>( 725,763)</u>	<u>( 100,610)</u>	<u>114,914</u>	<u>-</u>	<u>( 711,459)</u>
Total accumulated depreciation	<u>(1,978,124)</u>	<u>( 224,766)</u>	<u>114,914</u>	<u>-</u>	<u>(2,107,976)</u>
Total other capital assets being depreciated, net	<u>2,780,581</u>	<u>52,696</u>	<u>-</u>	<u>-</u>	<u>2,833,277</u>
 Total governmental activities capital assets, net	 <u>\$ 6,912,468</u>	 <u>\$ (80,790)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 6,831,678</u>

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

General government	\$ 79,265
Sanitation and sewers	227,567
Public safety	97,386
Zoning	1,900
Highways and streets	<u>101,843</u>
	<u>\$507,961</u>

CITY OF BELLE MEADE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

D. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2012</u>
Liability for accrued sick pay and annual leave	<u>\$198,503</u>	<u>\$53,158</u>	<u>\$(31,220)</u>	<u>\$220,441</u>

E. OPERATING TRANSFERS

Operating transfers among individual funds of the City for the fiscal year ended June 30, 2012, were as follows:

<u>Transfer to</u>	<u>Transfer from</u> <u>General Fund</u>
Sanitation Fund	<u>\$402,905</u>

Interfund transfers were used to fund operating deficits and various reimbursements. There were no interfund balances at June 30, 2012.

F. COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the year ended June 30, 2012.

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

G. PENSION PLAN

Plan Description

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

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

Funding Policy

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

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012, was 8.38% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF BELLE MEADE, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

G. PENSION PLAN - Continued

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$106,485 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include the (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5% annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 12 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Year Ending</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$106,485	100%	\$ -
June 30, 2011	106,568	100%	-
June 30, 2010	159,406	100%	-

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100% funded. The actuarial accrued liability ("AAL") for benefits was \$3.2 million, and the actuarial value of assets was \$3.2 million, resulting in no unfunded actuarial accrued liability ("UAAL"). The covered payroll (annual payroll of active employees covered by the plan) was \$1.26 million, and the ratio of the UAAL to the covered payroll was 0%.

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

G. PENSION PLAN - Continued

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (“AAL”) - Entry Age (b)	Unfunded AAL (“UAAL”) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2011	\$3,200	\$3,200	\$ -	100%	\$1,262	0%
July 1, 2009	2,651	2,651	-	100%	1,189	0%
July 1, 2007	2,258	2,258	-	100%	1,082	0%

H. 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 a preferred provider organization (“PPO”), point of service (“POS”), or health maintenance organization (“HMO”) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (“CAFR”). The CAFR is available on the state’s website at <http://tennessee.gov/finance/act/cafr.html>.

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

H. POSTEMPLOYMENT HEALTHCARE PLAN - Continued

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants. For plan members electing family coverage, plan members contribute on average 35.13% of premiums and the City contributes on average 64.87% of premiums. For plan members electing single coverage, plan members contribute on average 38.23% of premiums and the City contributes 61.77% of premiums.

Annual OPEB cost and Net OPEB Asset

ARC	\$ 1,686
Interest	-
Adjustment to the ARC	-
 Annual OPEB cost	 1,686
Amount of contribution	( 2,830)
Increase in net OPEB asset	( 1,144)
Net OPEB asset - beginning of year	(12,235)
 Net OPEB asset - end of year	 <u>\$(13,379)</u>

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributed</u>	<u>Net OPEB Asset at Year-End</u>
June 30, 2012	\$1,686	167.85%	\$13,379
June 30, 2011	2,216	232.40%	12,235
June 30, 2010	2,264	275.66%	9,301



CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

H. POSTEMPLOYMENT HEALTHCARE PLAN - Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2011
Actuarial accrued liability (AAL)	\$ 13
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 13
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$1,324
UAAL as a percentage of covered payroll	0.98%

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% for fiscal year 2012. The trend will decrease to 8.75% in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. 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 June 30, 2008.

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

I. COMMITMENTS AND CONTINGENCIES

Risk Management

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

J. FLOOD ACTIVITY

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

The City’s total costs and insurance and grant recoveries relating to property damage and repair costs of the flood during 2010 through 2012 is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Restoration of City Hall	\$229,146	\$ 563,002	\$ -	\$ 792,148
Other flood costs	<u>43,536</u>	<u>271,910</u>	<u>-</u>	<u>315,446</u>
Total costs	<u>272,682</u>	<u>834,912</u>	<u>-</u>	<u>1,107,594</u>
Insurance proceeds	582,618	205,422	-	788,040
Grant recoveries	<u>-</u>	<u>98,032</u>	<u>226,730</u>	<u>324,762</u>
Total recoveries	<u>582,618</u>	<u>303,454</u>	<u>226,730</u>	<u>1,112,802</u>
Cash gain (loss)	<u>\$309,936</u>	<u>\$(531,458)</u>	<u>\$226,730</u>	<u>\$ 5,208</u>

CITY OF BELLE MEADE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

J. FLOOD ACTIVITY - Continued

An extraordinary gain of \$226,730 was recorded in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances at June 30, 2012. This extraordinary event had no effect on the Government-wide Statement of Activities at June 30, 2012, as all activity related to the flood on the government-wide level was recorded in fiscal year 2011. The difference in the extraordinary item reported in the two above-mentioned statements (no gain on page 17 and gain of \$226,730 on page 20) results from using the full accrual basis of accounting in the Government-wide Statement of Activities and the modified accrual basis of accounting in the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BELLE MEADE, TENNESSEE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2012

A. Schedule of Funding Progress

(Dollar amounts in thousands)

TCRS Pension Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability ("AAL") - Entry Age (b)	Unfunded AAL ("UAAL") (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2011	\$3,200	\$3,200	\$ -	100%	\$1,262	0%
July 1, 2009	2,651	2,651	-	100%	1,189	0%
July 1, 2007	2,258	2,258	-	100%	1,082	0%

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

Local Government Group Insurance Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Accrued Liability ("AAL") - Entry Age (b)	Unfunded AAL ("UAAL") (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2011	\$ -	\$13	\$13	0%	\$1,324	0.98%
July 1, 2010	-	13	13	0%	1,460	0.89%
July 1, 2009	-	13	13	0%	1,335	0.97%

See independent auditors' report.

## **SUPPLEMENTARY INFORMATION**

CITY OF BELLE MEADE, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor / Cluster Title	CFDA Number	Contract Number	Accrued Balance June 30, 2011	Cash Receipts	Expenditures	Accrued Balance June 30, 2012
US Department of Transportation/ TN Department of Transportation/ Highway Safety Cluster Total US Department of Transportation	20.600	Z11GHS251	\$ 5,634	\$ 7,825	\$ 2,191	\$ -
U.S Department of Homeland Security/ TN Emergency Management Agency/ Disaster Grants - Public Assistance Total U.S. Department of Homeland Security - Flood	97.036	N/A	209,126	210,653	1,527	-
U.S Department of Homeland Security/ TN Emergency Management Agency/ Disaster Grants - Public Assistance Total U.S. Department of Homeland Security - Windstorm	97.036	N/A	7,540	7,540	-	-
Subtotal			<u>216,666</u>	<u>218,193</u>	<u>1,527</u>	<u>-</u>
			<u>\$ 222,300</u>	<u>\$ 226,018</u>	<u>\$ 3,718</u>	<u>\$ -</u>

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

CITY OF BELLE MEADE, TENNESSEE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS  
 JUNE 30, 2012  
 (with comparative totals for 2011)

	2012			2011	
	State Street Aid Fund	Beautification Fund	Drug Fund	Total nonmajor Governmental Funds	Total nonmajor Governmental Funds
<b>ASSETS</b>					
Cash	\$ 12,963	\$ 67,643	\$ 182	\$ 80,788	\$ 61,020
Total assets	<u>\$ 12,963</u>	<u>\$ 67,643</u>	<u>\$ 182</u>	<u>\$ 80,788</u>	<u>\$ 61,020</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	12,963	-	182	13,145	12,970
Committed	<u>-</u>	<u>67,643</u>	<u>-</u>	<u>67,643</u>	<u>48,050</u>
Total fund balances	<u>12,963</u>	<u>67,643</u>	<u>182</u>	<u>80,788</u>	<u>61,020</u>
Total liabilities and fund balances	<u>\$ 12,963</u>	<u>\$ 67,643</u>	<u>\$ 182</u>	<u>\$ 80,788</u>	<u>\$ 61,020</u>

See accompanying notes to financial statements.



CITY OF BELLE MEADE, TENNESSEE  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (with comparative totals for 2011)

	2012			2011	
	State Street Aid Fund	Beautification Fund	Drug Fund	Total nonmajor Governmental Funds	Total nonmajor Governmental Funds
<b>REVENUES</b>					
Contributions	\$ -	\$ 38,525	\$ -	\$ 38,525	\$ 50,524
Gasoline and motor fuel tax	51,918	-	-	51,918	55,004
Gas 3 cent tax	15,565	-	-	15,565	16,535
Gas 1989 tax	8,386	-	-	8,386	8,909
Interest income	1	62	-	63	72
<b>Total revenues</b>	<u>75,870</u>	<u>38,587</u>	<u>-</u>	<u>114,457</u>	<u>131,044</u>
<b>EXPENDITURES</b>					
Street lighting	46,339	-	-	46,339	45,149
Repair and maintenance - roads	29,209	-	-	29,209	34,802
Bank charges	147	(6)	-	141	293
Horticulture supplies and services	-	19,000	-	19,000	16,125
<b>Total expenditures</b>	<u>75,695</u>	<u>18,994</u>	<u>-</u>	<u>94,689</u>	<u>96,369</u>
Net change in fund balances	175	19,593	-	19,768	34,675
Fund balance - July 1	<u>12,788</u>	<u>48,050</u>	<u>182</u>	<u>61,020</u>	<u>26,345</u>
Fund balance - June 30	<u>\$ 12,963</u>	<u>\$ 67,643</u>	<u>\$ 182</u>	<u>\$ 80,788</u>	<u>\$ 61,020</u>

See accompanying notes to financials statements.

CITY OF BELLE MEADE, TENNESSEE  
SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE - STATE STREET AID FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
Gasoline and motor fuel tax	\$ 77,674	\$ 74,000	\$ 51,918	\$ (22,082)
Gas 3 cent tax	-	-	15,565	15,565
Gas 1989 tax	-	-	8,386	8,386
Interest income	<u>5</u>	<u>5</u>	<u>1</u>	<u>(4)</u>
 Total revenues	 <u>77,679</u>	 <u>74,005</u>	 <u>75,870</u>	 <u>1,865</u>
 <b>EXPENDITURES</b>				
Street lighting	45,600	46,400	46,339	61
Repair and maintenance - roads	28,000	29,850	29,209	641
Bank charges	<u>290</u>	<u>150</u>	<u>147</u>	<u>3</u>
 Total expenditures	 <u>73,890</u>	 <u>76,400</u>	 <u>75,695</u>	 <u>705</u>
 Net change in fund balance	 3,789	 (2,395)	 175	 2,570
 Fund balance - July 1	 <u>12,788</u>	 <u>12,788</u>	 <u>12,788</u>	 <u>-</u>
 Fund balance - June 30	 <u>\$ 16,577</u>	 <u>\$ 10,393</u>	 <u>\$ 12,963</u>	 <u>\$ 2,570</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON SCHEDULE - BEAUTIFICATION FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Contributions	\$ 42,000	\$ 38,000	\$ 38,525	\$ 525
Interest income	<u>40</u>	<u>40</u>	<u>62</u>	<u>22</u>
Total revenues	<u>42,040</u>	<u>38,040</u>	<u>38,587</u>	<u>547</u>
<b>EXPENDITURES</b>				
Bank charges	-	-	(6)	6
Horticulture supplies and services	17,700	20,000	19,000	1,000
Improvements other than building	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>59,700</u>	<u>20,000</u>	<u>18,994</u>	<u>1,006</u>
Net change in fund balance	(17,660)	18,040	19,593	1,553
Fund balance - July 1	<u>48,050</u>	<u>48,050</u>	<u>48,050</u>	<u>-</u>
Fund balance - June 30	<u>\$ 30,390</u>	<u>\$ 66,090</u>	<u>\$ 67,643</u>	<u>\$ 1,553</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE  
 SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE  
 YEAR ENDED JUNE 30, 2012

Tax Year	Balance June 30, 2011	Tax Levy	Collections	Adjustments	Penalties and Interest	Balance June 30, 2012
2011	\$ -	\$ 951,468	\$ (944,509)	\$ -	\$ 557	\$ 7,516
2010	<u>13,925</u>	<u>-</u>	<u>(11,174)</u>	<u>-</u>	<u>880</u>	<u>3,631</u>
	<u>\$ 13,925</u>	<u>\$ 951,468</u>	<u>\$ (955,683)</u>	<u>\$ -</u>	<u>\$ 1,437</u>	11,147
Deferred property tax revenues for 2012 accrued						<u>951,468</u>
Total property taxes receivable						<u>\$ 962,615</u>

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

## **OTHER SUPPLEMENTARY INFORMATION**

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

<u>Fiscal Year</u>	<u>Tax Rate Per \$100</u>	<u>Appraised Value of Property</u>	<u>Assessed Value of Property</u>
2012	\$ 0.229	\$ 1,648,505,358	\$ 413,756,479
2011	0.229	1,656,960,258	415,488,177
2010	0.229	1,653,195,758	414,794,717
2009	0.229	1,644,926,158	412,621,483
2008	0.260	1,448,669,414	363,858,648
2007	0.260	1,396,836,614	350,900,448
2006	0.260	1,391,284,464	389,139,264
2005	0.350	1,387,628,142	346,705,854
2004	0.350	1,032,550,937	258,228,578
2003	0.350	1,003,816,437	251,044,953

See independent auditors' report.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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



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

### Compliance and Other Matters

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

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

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
December 13, 2012