

CITY OF BELLE MEADE, TENNESSEE

FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018

CITY OF BELLE MEADE, TENNESSEE

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JUNE 30, 2018

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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, 2018.

Responsibility and Controls

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

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

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

Audit Assurance

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

CITY OF BELLE MEADE, TENNESSEE

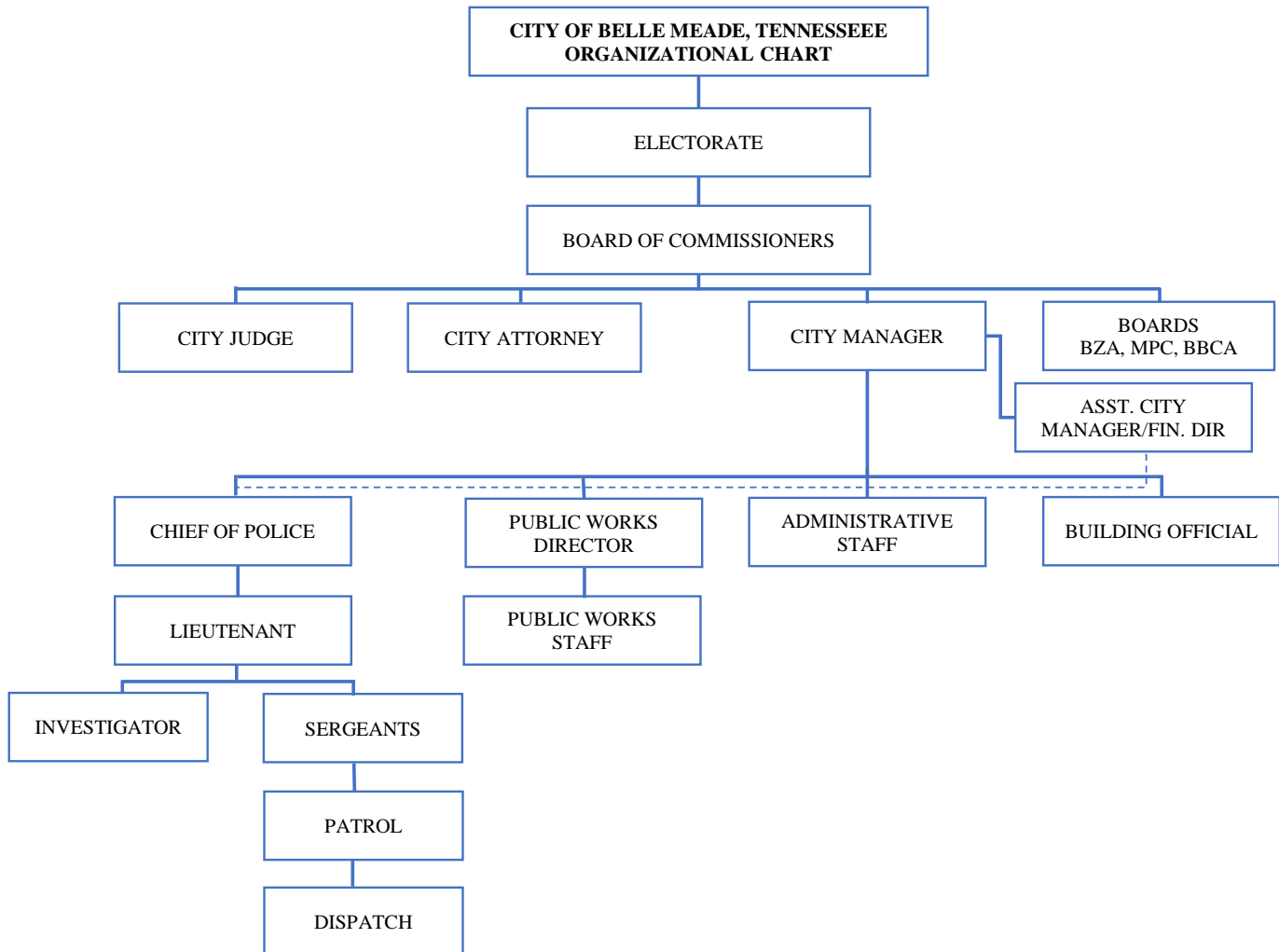
SCHEDULE OF CITY OFFICIALS

Elected Officials:

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

City Officials:

Beth Reardon	-	City Manager/Treasurer, CMFO
Aspen Collins	-	Finance Director, CMFO
Charlotte Hunter	-	City Recorder
Timothy Eads	-	Chief of Police
Miller & Martin PLLC Doug Berry	-	City Attorney
Lyle Patterson	-	Building Official
Mark Beveridge	-	City Judge



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belle Meade, Tennessee, as of June 30, 2018, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS, and the Schedule of Changes in Total Other Post Employment Benefits Liability and Related Ratios - Local Government Group Insurance Plan on pages 52-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund statements and schedules on pages 55-60 and page 62 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Property Tax Rates and Assessments - Last Ten Fiscal Years on page 61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on or provide any assurance on it.

Prior Year Comparative Information

We have previously audited the City's 2017 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2017. In our opinion, the summarized comparative information selectively presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018 on our consideration of the City of Belle Meade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Belle Meade's internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
December 19, 2018

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

This section of the City of Belle Meade's annual financial report presents our discussion and analysis of financial performance during the fiscal years ended June 30, 2018. 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 2018:

- The combined revenues for 2018 totaled \$5,494,441 (including charges for services and operating grants and contributions, less loss on disposition of capital assets, on the Statement of Activities), which is a 11.26% decrease from the previous year.
- The combined fund expenses for 2018 totaled \$4,167,490 on the Statement of Activities with \$3,693,638 for governmental funds and \$473,852 for proprietary funds on the Statement of Revenues, Expenses and Changes in Net Position on the Statement of Revenues, Expenditures and Changes in Fund Balances.
- Total net position for 2018 is \$21,834,119 of which \$7,422,969 was invested in capital assets. Total fund balance for all governmental funds at June 30, 2018 was \$14,401,841. Total net position for all proprietary funds at June 30, 2018 was \$2,073,566. Detail of the governmental fund classifications can be found on page 32 of this report and further explanation in the Notes to Financial Statements section of the report.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements help answer the question, "Is the City as a whole better off or worse off as a result of fiscal year 2018's activities?"

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

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

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

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

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

The City maintains a total of four individual governmental funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	2018			2017			Change %
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Current assets	\$ 15,856,995	\$ 663,949	\$ 16,520,944	\$ 15,337,480	\$ 471,717	\$ 15,809,197	
Non-current assets	5,981,896	1,459,674	7,441,570	5,142,890	1,513,563	6,656,453	
Total assets	21,838,891	2,123,623	23,962,514	20,480,370	1,985,280	22,465,650	6.66%
Deferred outflows of resources	269,728	-	269,728	298,573	-	298,573	-9.66%
Current liabilities	106,064	47,049	153,113	79,739	2,054	81,793	
Non-current liabilities	597,467	3,008	600,475	820,741	2,036	822,777	
Total liabilities	703,531	50,057	753,588	900,480	4,090	904,570	-16.69%
Deferred inflows of resources	1,644,535	-	1,644,535	1,446,850	-	1,446,850	13.66%
Net Position:							
Invested in capital assets	5,963,295	1,459,674	7,422,969	5,142,890	1,513,563	6,656,453	
Restricted	285,292	-	285,292	230,397	-	230,397	
Unrestricted	13,511,966	613,892	14,125,858	13,058,326	467,627	13,525,953	*
Total Net Position	\$ 19,760,553	\$ 2,073,566	\$ 21,834,119	\$ 18,431,613	\$ 1,981,190	\$ 20,412,803	6.96%

Summary Statement of Activities

	2018			2017			Change %
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Revenues:							
General revenues	\$ 4,408,774	\$ 12,544	\$ 4,421,318	\$ 5,092,784	\$ 1,257	\$ 5,094,041	-13.21%
Expenses:							
Operating expenses	3,693,638	473,852	4,167,490	3,486,543	431,978	3,918,521	
Less: Charges for services and operating/capital grants and contributions	(525,939)	(553,684)	(1,079,623)	(506,621)	(590,955)	(1,097,576)	
Net operating expenses	3,167,699	(79,832)	3,087,867	2,979,922	(158,977)	2,820,945	9.46%
Transfers	-	-	-	(1,820,956)	1,820,956	-	#DIV/0!
Change in net position	1,241,075	92,376	1,333,451	291,906	1,981,190	2,273,096	-41.34%
Total net position, beginning of year	18,519,478	1,981,190	20,500,668	* 18,139,707	-	18,139,707	13.02%
Total net position, end of year	\$ 19,760,553	\$ 2,073,566	\$ 21,834,119	\$ 18,431,613	\$ 1,981,190	\$ 20,412,803	* 6.96%

*2017 unrestricted governmental activities net position was restated in conjunction with the adoption of GASB Statement No. 75, *Accounting and Reporting for Other Post Employment Benefits Other Than Pensions*. Amounts shown in the 2017 column for governmental activities are the original audited numbers presented in the prior year audit report and have not been adjusted for purposes of management's discussion and analysis.

Major Revenues by Source
(From the Statement of Activities)

	2018			2017			Change %
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total	
Program revenues:							
Charges for services	\$ 333,285	\$ 553,684	\$ 886,969	\$ 339,519	\$ 590,955	\$ 930,474	
Operating grants and contributions	192,654	-	192,654	167,102	-	167,102	
Total program revenues	525,939	553,684	1,079,623	506,621	590,955	1,097,576	-1.64%
General revenues:							
Taxes	4,002,900	-	4,002,900	4,573,084	-	4,573,084	
Other	405,874	6,044	411,918	278,749	1,257	280,006	
Loss on disposition of capital assets	-	-	-	240,951	-	240,951	
Total general revenues	4,408,774	6,044	4,414,818	5,092,784	1,257	5,094,041	-13.33%
Total revenues	\$ 4,934,713	\$ 559,728	\$ 5,494,441	\$ 5,599,405	\$ 592,212	\$ 6,191,617	-11.26%

Detail of Operating Expenses
(From the Statement of Activities)

Governmental Activities	2018	2017	Change %
<u>Operating expenses, by department</u>			
General government	\$ 760,174	\$ 737,330	3.10%
Public safety	1,727,304	1,727,280	0.00%
Highways and streets	318,035	274,575	15.83%
Building inspection	91,040	104,588	-12.95%
Stormwater	224,799	148,136	51.75%
Waste collection	426,236	390,483	9.16%
Boulevards	72,049	68,675	4.91%
Horticulture supplies and services	74,001	35,476	108.59%
Total expenses	\$ 3,693,638	\$ 3,486,543	5.94%
<u>Business-Type Activities</u>	2018	2017	Change %
Sewer fund	473,852	431,978	9.69%

Financial Analysis of the City as a Whole

The change in total net position between fiscal years 2018 and 2017 as shown on the Summary Statement of Net Position was 6.96%. Over time, net assets may serve as a useful indicator of financial position. At the close of the fiscal year, the sum of assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,834,119. Unrestricted net position of \$14,125,858, an increase of \$599,905 from 2017, represents the current net position available to support future operations and other expenditure items as funded by the Board of Commissioners.

Total assets increased by 6.66%, mainly resulting from an increase in cash and investments of \$1,285,600. Deferred outflows of resources decreased by 9.66% in relation to TCRS pension contributions and other deferred charges related to pensions and other post-employment benefits. Total liabilities decreased by 16.69%.

The Summary Statement of Activities compares 2018 and 2017 revenues and expenses on a full accrual basis. 2018 general revenues decreased by 13.21%. In 2017, the City disposed of \$240,951 in capital assets. The remaining decrease is a result of a reduction in Hall Income Tax revenue. Total net operating expenses in 2018 increased by 9.46%. Highways and Streets saw an increase of 15.83% due to the purchase of a vehicle and undergoing an extensive paving project. The Building Inspection department experienced a decrease of 12.95%. In 2017, there was an increase due to a temporary salary adjustment and the replacement of a vehicle. These items were not a factor in 2018. Horticulture supplies and services in the Beautification Fund experienced an increase of 108.59% due to a couple of projects conducted on Page Road lot and Belle Meade Boulevard. Finally, Stormwater increased by 51.75% due to a stormwater rerouting project on Belle Meade Boulevard.

Capital Assets

Fiscal year 2018 as compared to fiscal year 2017:

At the end of fiscal year 2018, the City of Belle Meade had invested \$7,422,969 in land, buildings, infrastructure, equipment and construction in progress, up from \$6,656,453 at June 30, 2017. Net capital assets increased by \$766,516 in 2018. The table below summarizes the City's investment in capital assets.

Major capital asset events during fiscal year 2018 included the following:

Construction in Progress	\$568,817
(sidewalks, video surveillance system, and Hillwood Bridge replacement)	
Replacement of Vehicles	\$122,507
Paving/Stormwater Infrastructure Projects	\$625,570

Capital Assets

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Construction in progress	675,778	58,011	733,789	153,922	11,050	164,972
Infrastructure	3,902,183	-	3,902,183	3,276,613	-	3,276,613
Buildings	2,568,879	454,647	3,023,526	2,568,879	454,647	3,023,526
Improvements other than buildings	1,310,140	-	1,310,140	1,310,140	-	1,310,140
Equipment	934,633	6,496,523	7,431,156	901,311	6,407,338	7,308,649
Subtotal	9,406,613	7,009,181	16,415,794	8,225,865	6,873,035	15,098,900
Less: accumulated depreciation	(3,443,318)	(5,549,507)	(8,992,825)	(3,082,975)	(5,359,472)	(8,442,447)
Net Capital Assets	\$ 5,963,295	\$ 1,459,674	\$ 7,422,969	\$ 5,142,890	\$ 1,513,563	\$ 6,656,453

Financial Analysis of the Government's Funds

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

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

(From the Balance Sheet)

	2018	2017	Change %
<u>Assets</u>			
Cash	\$ 682,065	\$ 307,833	121.57%
Investments	11,487,799	10,779,103	6.57%
Property taxes receivable	1,309,574	1,297,392	0.94%
Accounts receivable	12,338	8,308	48.51%
Due from other governments	2,365,219	2,944,844	-19.68%
Total Assets	15,856,995	15,337,480	3.39%
<u>Liabilities</u>			
Accounts payable	34,799	5,126	578.87%
Accrued liabilities	55,400	52,114	6.31%
Due to other governments	15,865	22,499	-29.49%
Total Liabilities	106,064	79,739	33.01%
<u>Deferred inflows of resources</u>			
Deferred inflows - unavailable property taxes	1,349,090	1,289,790	4.60%
<u>Fund Balance</u>			
Nonspendable	-	-	0.00%
Restricted	266,691	230,397	15.75%
Committed	-	-	0.00%
Assigned	5,302,822	5,009,065	5.86%
Unassigned	8,832,328	8,728,489	1.19%
Total Fund Balance	\$ 14,401,841	\$ 13,967,951	3.11%
Unassigned fund balance as percent of total fund balances	61.33%	62.49%	

Governmental Fund Balance Classifications

Fund Balance Designation	2018	2017
Nonspendable	\$ -	\$ -
Restricted	266,691	230,397
Committed	-	-
Assigned	5,302,822	5,009,065
Unassigned	8,832,328	8,728,489
Total Fund Balance	\$ 14,401,841	\$ 13,967,951

In accordance with GASB Statement 54, the City is required to report fund balance within five specific classifications, so that reporting will be more consistent and comparable between similar governmental entities. The definition of each classification can be found in the Notes to Financial Statements section of this report. The Restricted fund balance of \$266,691 includes State Street Aid, Beautification and Drug Funds. The Assigned classification is made up of commissioner-designated amounts for one-year's operating expenses, replacement of equipment and vehicles, upgrades to infrastructure and an allowance for other capital improvements.

The following table shows an increase in the General Fund's fund balance of \$397,596 before transfers. The General Fund is the chief operating fund of the City. The majority of this increase can be attributed to savings realized on the procurement of major projects budgeted in the 2018 fiscal year. The fund balance of Other Funds, which consist of the State Street Aid, Beautification and Drug Funds, reflects an increase of \$36,294. The majority of this increase comes from contributions to the Beautification Fund from citizen donors and the increase in gasoline taxes from the IMPROVE Act.

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

	2018			2017		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Revenues:						
Taxes	\$ 1,316,599	\$ -	\$ 1,316,599	\$ 1,303,984	\$ -	\$1,303,984
Licenses and permits	176,562	-	176,562	186,572	-	186,572
Fines and forfeitures	211,096	-	211,096	176,758	-	176,758
Charges for services	156,723	-	156,723	152,947	-	152,947
Intergovernmental	2,703,929	97,651	2,801,580	3,306,022	80,600	3,386,622
Investment earnings	132,823	216	133,039	53,767	101	53,868
Other local revenues	58,156	80,958	139,114	298,824	49,580	348,404
Total revenues	4,755,888	178,825	4,934,713	5,478,874	130,281	5,609,155
Expenditures:						
General government	633,823	-	633,823	603,805	-	603,805
Public safety	1,939,068	-	1,939,068	1,946,966	164	1,947,130
Highways and streets	994,517	67,781	1,062,298	165,495	64,863	230,358
Building inspection	85,024	-	85,024	114,125	-	114,125
Stormwater	208,324	-	208,324	147,490	-	147,490
Waste collection	426,236	-	426,236	390,483	-	390,483
Boulevards	71,300	749	72,049	68,675	-	68,675
Horticulture	-	74,001	74,001	-	35,476	35,476
Total expenditures	4,358,292	142,531	4,500,823	3,437,039	100,503	3,537,542
Excess (deficiency)	397,596	36,294	433,890	2,041,835	29,778	2,071,613
Other Sources (Uses):						
Transfers Out	-	-	-	(177,712)	-	(177,712)
Total Other	-	-	-	(177,712)	-	(177,712)
Change in Fund Balance	397,596	36,294	433,890	1,864,123	29,778	1,893,901
Beginning Fund Balance	13,737,554	230,397	13,967,951	11,873,431	200,619	12,074,050
Ending Fund Balance	\$ 14,135,150	\$ 266,691	\$ 14,401,841	\$ 13,737,554	\$ 230,397	\$ 13,967,951

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

Proprietary Funds
(From Statement of Net Position)

	2018	2017	Change %
Cash	\$ 70,565	\$ 23,937	194.79%
Investments	542,301	386,257	40.40%
Receivables	41,044	40,707	0.83%
Inventories	10,039	20,816	-51.77%
Current assets	663,949	471,717	40.75%
Capital assets, net	1,459,674	1,513,563	-3.56%
Total assets	\$ 2,123,623	\$ 1,985,280	6.97%
Current liabilities	\$ 50,057	\$ 4,090	1123.89%
Investment in capital assets	1,459,674	1,513,563	-3.56%
Unrestricted net position	613,892	467,627	31.28%
Total Net Position	\$ 2,073,566	\$ 1,981,190	4.66%

At the end of its second year as a stand-alone fund, total net position increased by 4.66%. This is mostly a result of an increase in cash. Current liabilities increased drastically due to a large accounts payable balance billed after the 2018 fiscal year end.

Budgetary Information

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

Currently Known Factors Effecting Future Years

The Wastewater/Sewer Utility must be self-sufficient and is legally required to cover all of its costs, including depreciation, through fees and charges. The sewer user fee rate was increased to a level recommended by the consulting engineer to sustain the activities of the Utility for 5 years. In its first two stand-alone year of operation, the Wastewater/Sewer Utility fund was self-sustaining as required by state law. The fund is currently undertaking capital projects that will likely decrease its net position, but not put the fund at risk of being non-compliant with state law. The sewer user fee will be revaluated at the end of the 5-year period.

In 2017, the Governor signed into law the IMPROVE Act. The legislation continues to phase out the Hall Tax. It also produced revenue for the Street Aid Fund through the phase in of increased gasoline and diesel taxes. In preparation of the elimination of the Hall Tax, The Commissioners passed *Resolution 2016-03-Endorsing the Annual Review of Hall Tax and Its Effect on the City's Proposed Budget and Property Tax Rate*. The Resolution states: "Each year, the projected loss of revenue from the Hall Tax will be compared to the need for additional property tax increases. Action, as budgets are presented and approved, will be taken to offset needed deficiencies. It is expected that eventually the entire loss of revenue will be replaced by Belle Meade property tax increases, although not necessarily in dollar amounts to mirror the decrease in Hall Tax, but in amounts needed to assure fiscal responsibility." The Commission also increased the role of the Budget and Finance Committee to assist in making recommendations as to how the City should manage the offset of the Hall Income Tax revenue.

Contacting the City of Belle Meade's Finance Director

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

Currently Known Factors Effecting Future Years

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CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
ASSETS			
Cash	\$ 682,065	\$ 70,565	\$ 752,630
Investments	11,487,799	542,301	12,030,100
Property tax receivable	1,309,574	-	1,309,574
Accounts receivable	12,338	-	12,338
Due from other governments	2,365,219	41,044	2,406,263
Inventories	-	10,039	10,039
Net pension asset	18,601	-	18,601
Capital assets:			
Land	15,000	-	15,000
Construction in progress	675,778	58,011	733,789
Infrastructure	3,902,183	-	3,902,183
Buildings and equipment	4,813,652	6,951,170	11,764,822
Accumulated depreciation	(3,443,318)	(5,549,507)	(8,992,825)
Total assets	<u>21,838,891</u>	<u>2,123,623</u>	<u>23,962,514</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	267,016	-	267,016
Deferred outflows related to other post employment benefits	<u>2,712</u>	<u>-</u>	<u>2,712</u>
Total deferred outflows of resources	<u>269,728</u>	<u>-</u>	<u>269,728</u>
LIABILITIES			
Accounts payable	34,799	44,917	79,716
Accrued liabilities	55,400	2,132	57,532
Due to other governments	15,865	-	15,865
Long-term liabilities:			
Compensated absences	280,092	3,008	283,100
Other post employment benefits	<u>317,375</u>	<u>-</u>	<u>317,375</u>
Total liabilities	<u>703,531</u>	<u>50,057</u>	<u>753,588</u>
DEFERRED INFLOWS OF RESOURCES			
Assessed and unlevied property taxes	1,349,090	-	1,349,090
Deferred inflows related to pensions	281,342	-	281,342
Deferred inflows related to other post employment benefits	<u>14,103</u>	<u>-</u>	<u>14,103</u>
Total deferred inflows of resources	<u>1,644,535</u>	<u>-</u>	<u>1,644,535</u>
NET POSITION			
Investment in capital assets	5,963,295	1,459,674	7,422,969
Restricted for:			
Street repairs	84,425	-	84,425
Beautification	182,266	-	182,266
Other purposes	18,601	-	18,601
Unrestricted - assigned for operations and capital assets	5,302,822	-	5,302,822
Unrestricted	<u>8,209,144</u>	<u>613,892</u>	<u>8,823,036</u>
NET POSITION	<u>\$ 19,760,553</u>	<u>\$ 2,073,566</u>	<u>\$ 21,834,119</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
General government	\$ 760,174	\$ -	\$ -	\$ -	\$ (760,174)	\$ -	\$ (760,174)
Public safety	1,727,304	54,968	11,769	-	(1,660,567)	-	(1,660,567)
Highways and streets	318,035	-	103,510	-	(214,525)	-	(214,525)
Building inspection	91,040	176,562	-	-	85,522	-	85,522
Stormwater	224,799	101,755	-	-	(123,044)	-	(123,044)
Waste collection	426,236	-	-	-	(426,236)	-	(426,236)
Boulevards	72,049	-	-	-	(72,049)	-	(72,049)
Horticulture supplies and services	74,001	-	77,375	-	3,374	-	3,374
Total primary government	<u>\$ 3,693,638</u>	<u>\$ 333,285</u>	<u>\$ 192,654</u>	<u>\$ -</u>	<u>(3,167,699)</u>	<u>-</u>	<u>(3,167,699)</u>
Business-Type Activities							
Sewer fund	<u>\$ 473,852</u>	<u>\$ 553,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>79,832</u>	<u>79,832</u>
General Revenues:							
Property taxes					1,311,137	-	1,311,137
Payments in lieu of taxes					5,462	-	5,462
Mixed drink tax					64,976	-	64,976
TVA in lieu of tax					33,021	-	33,021
Sales tax					248,174	-	248,174
Income tax					2,247,837	-	2,247,837
Franchise tax					90,935	-	90,935
Beer tax					1,358	-	1,358
Fines and forfeitures					211,096	-	211,096
Gain on disposal of capital assets					-	6,500	6,500
Unrestricted investment earnings					133,039	6,044	139,083
Other local revenue					61,739	-	61,739
Total general revenues					4,408,774	12,544	4,421,318
Change in net position					1,241,075	92,376	1,333,451
Net position - beginning - restated (governmental activities)					18,519,478	1,981,190	20,500,668
Net position - ending					<u>\$ 19,760,553</u>	<u>\$ 2,073,566</u>	<u>\$ 21,834,119</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
ASSETS					
Cash	\$ 425,280	\$ 256,785	\$ 682,065	\$ 307,833	
Investments	11,487,799	-	11,487,799	10,779,103	
Receivables:					
Property tax	1,309,574	-	1,309,574	1,297,392	
Accounts	12,338	-	12,338	8,308	
Due from other governments	2,348,067	17,152	2,365,219	2,944,844	
TOTAL ASSETS	<u>\$ 15,583,058</u>	<u>\$ 273,937</u>	<u>\$ 15,856,995</u>	<u>\$ 15,337,480</u>	
LIABILITIES					
Accounts payable	\$ 27,553	\$ 7,246	\$ 34,799	\$ 5,126	
Accrued liabilities	55,400	-	55,400	52,114	
Due to other governments	15,865	-	15,865	22,499	
TOTAL LIABILITIES	<u>98,818</u>	<u>7,246</u>	<u>106,064</u>	<u>79,739</u>	
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues - property taxes collected in advance	42,950	-	42,950	-	
Unavailable property taxes	1,306,140	-	1,306,140	1,289,790	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,349,090</u>	<u>-</u>	<u>1,349,090</u>	<u>1,289,790</u>	
FUND BALANCE:					
Fund balance:					
Nonspendable	-	-	-	-	
Restricted for street repairs	-	84,425	84,425	54,555	
Restricted for beautification	-	182,266	182,266	175,842	
Assigned for operations and capital assets	5,302,822	-	5,302,822	5,009,065	
Unassigned	8,832,328	-	8,832,328	8,728,489	
TOTAL FUND BALANCE	<u>14,135,150</u>	<u>266,691</u>	<u>14,401,841</u>	<u>13,967,951</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 15,583,058</u>	<u>\$ 273,937</u>	<u>\$ 15,856,995</u>	<u>\$ 15,337,480</u>	

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u> (RESTATED)
Total Governmental Funds Fund Balance	\$ 14,401,841	\$ 13,967,951
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets	5,963,295	5,142,890
Net pension asset (liability) in governmental activities is not a financial resource (current liability) and therefore is not reported in the governmental funds balance sheets	18,601	(153,015)
Employer pension and other post retirement benefit contributions made since the measurement date have been expensed in the governmental funds balance sheets but are shown as deferred outflows of resources in governmental activities; additionally other pension and other post employment benefit related deferred outflows are not financial resources of governmental funds	269,728	298,573
Deferred inflows of resources related to pensions and other post employment benefits are not financial liabilities and therefore are not reported in the governmental funds balance sheets	(295,445)	(157,060)
Net other post employment benefits obligation in governmental activities is not a current liability and is therefore are not reported in the governmental funds balance sheets	(317,375)	(299,135)
Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds balance sheets	<u>(280,092)</u>	<u>(280,726)</u>
Net Position of Governmental Activities	<u>\$ 19,760,553</u>	<u>\$ 18,519,478</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	GENERAL	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,316,599	\$ -	\$ 1,316,599	\$ 1,303,984
Licenses and permits	176,562	-	176,562	186,572
Fines and forfeitures	211,096	-	211,096	176,758
Charges for services	156,723	-	156,723	152,947
Intergovernmental	2,703,929	97,651	2,801,580	3,386,622
Uses of money and property	132,823	216	133,039	53,868
Other	58,156	80,958	139,114	348,404
TOTAL REVENUES	4,755,888	178,825	4,934,713	5,609,155
EXPENDITURES				
Current:				
General government	633,823	-	633,823	603,805
Public safety	1,939,068	-	1,939,068	1,947,130
Highways and streets	994,517	67,781	1,062,298	230,358
Building inspection	85,024	-	85,024	114,125
Stormwater	208,324	-	208,324	147,490
Waste collection	426,236	-	426,236	390,483
Boulevards	71,300	749	72,049	68,675
Horticulture supplies and services	-	74,001	74,001	35,476
TOTAL EXPENDITURES	4,358,292	142,531	4,500,823	3,537,542
EXCESS OF REVENUES OVER EXPENDITURES	397,596	36,294	433,890	2,071,613
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(177,712)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(177,712)
NET CHANGE IN FUND BALANCE	397,596	36,294	433,890	1,893,901
FUND BALANCE, BEGINNING OF YEAR	13,737,554	230,397	13,967,951	12,074,050
FUND BALANCE, END OF YEAR	\$ 14,135,150	\$ 266,691	\$ 14,401,841	\$ 13,967,951

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Governmental Funds	\$ 433,890
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Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:

Acquisition of capital assets	1,240,300
Depreciation expense	(419,895)

Payments to the pension and other post employment benefit plans after the measurement date are treated as a deferred outflow of resources in the statement of net assets, whereas in the governmental funds, expenses are reported when due	79,424
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Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

Change in accrual for compensated absences	634
Actuarially determined pension expense	(60,935)
Actuarially determined other post employment benefits expense	<u>(32,343)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,241,075</u></u>
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See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
TAXES				
Property taxes	\$ 1,289,467	\$ 1,301,655	\$ 1,301,151	\$ (504)
Property taxes delinquent	-	-	3,019	3,019
Personal property taxes	3,344	3,344	2,509	(835)
Public utility property tax	2,351	1,907	1,907	-
Interest and penalties - property taxes	2,321	2,321	2,551	230
Electric in lieu of taxes	4,200	4,200	5,462	1,262
Total taxes	<u>1,301,683</u>	<u>1,313,427</u>	<u>1,316,599</u>	<u>3,172</u>
INTERGOVERNMENTAL				
State sales tax	244,586	244,586	248,174	3,588
State income tax	1,575,000	1,800,000	2,247,837	447,837
Franchise taxes	84,000	84,000	90,935	6,935
Beer tax	1,085	1,085	1,358	273
Petroleum special tax	5,900	5,900	5,859	(41)
TVA in-lieu of taxes	32,906	32,906	33,021	115
Mixed drink tax	58,500	58,500	64,976	6,476
Total intergovernmental	<u>2,001,977</u>	<u>2,226,977</u>	<u>2,692,160</u>	<u>465,183</u>
LICENSES AND PERMITS	<u>157,300</u>	<u>157,300</u>	<u>176,562</u>	<u>19,262</u>
FINES AND FORFEITURES	<u>181,750</u>	<u>194,750</u>	<u>211,096</u>	<u>16,346</u>
CHARGES FOR SERVICES				
Stormwater usage fees	101,800	101,800	101,755	(45)
Public safety charges for services	49,500	49,500	54,968	5,468
Total charges for services	<u>151,300</u>	<u>151,300</u>	<u>156,723</u>	<u>5,423</u>
MISCELLANEOUS				
Interest income on investments	90,000	138,000	132,823	(5,177)
Contributions, dues	22,000	29,500	29,946	446
Sale of equipment - surplus property	23,150	23,150	25,300	2,150
Other revenues	1,462	1,462	2,910	1,448
State grant - highway safety	15,000	15,000	11,769	(3,231)
Total miscellaneous	<u>151,612</u>	<u>207,112</u>	<u>202,748</u>	<u>(4,364)</u>
TOTAL REVENUES	<u>3,945,622</u>	<u>4,250,866</u>	<u>4,755,888</u>	<u>505,022</u>

(continued on next page)

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
Current:				
General government:	\$ 672,423	\$ 653,423	\$ 633,823	\$ (19,600)
Public safety	1,948,343	2,049,872	2,041,508	(8,364)
Highways and streets	1,610,118	1,264,761	1,227,980	(36,781)
Building inspection	86,521	86,989	85,024	(1,965)
Stormwater	217,460	217,460	208,324	(9,136)
Waste collection	405,700	429,500	426,236	(3,264)
Boulevards	69,200	71,300	71,300	-
	<u>5,009,765</u>	<u>4,773,305</u>	<u>4,694,195</u>	<u>(79,110)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,064,143)</u>	<u>(522,439)</u>	<u>61,693</u>	<u>584,132</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,064,143)</u>	<u>\$ (522,439)</u>	61,693	<u>\$ 584,132</u>
FUND BALANCE - BEGINNING OF YEAR			<u>13,737,554</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,799,247</u>	
 Fund balance - end of year (non GAAP)	 \$ 13,799,247			
Add: Current year encumbrances	<u>335,903</u>			
Fund balance - end of year (GAAP)	<u>\$ 14,135,150</u>			

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - SEWER FUND

JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 70,565	\$ 23,937
Investments	542,301	386,257
Receivables:		
Due from other governments	41,044	40,707
Inventories	<u>10,039</u>	<u>20,816</u>
TOTAL CURRENT ASSETS	663,949	471,717
CAPITAL ASSETS, NET	<u>1,459,674</u>	<u>1,513,563</u>
TOTAL ASSETS	<u>2,123,623</u>	<u>1,985,280</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	44,917	300
Accrued liabilities	2,132	1,754
Accrued compensated absences	<u>3,008</u>	<u>2,036</u>
TOTAL CURRENT LIABILITIES	<u>50,057</u>	<u>4,090</u>
<u>NET POSITION</u>		
Investment in capital assets	1,459,674	1,513,563
Unrestricted	<u>613,892</u>	<u>467,627</u>
TOTAL NET POSITION	<u>\$ 2,073,566</u>	<u>\$ 1,981,190</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND - SEWER FUND

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for services	\$ 553,684	\$ 590,955
	<u>553,684</u>	<u>590,955</u>
OPERATING EXPENSES		
Salaries and benefits	56,348	49,523
Repair and maintenance	55,398	42,812
Operating supplies	105,299	86,637
Insurance	4,844	5,344
Depreciation	245,839	240,191
Other operating expenses	<u>6,124</u>	<u>7,471</u>
TOTAL OPERATING EXPENSES	<u>473,852</u>	<u>431,978</u>
OPERATING INCOME	<u>79,832</u>	<u>158,977</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	6,044	1,257
Gain on disposal of capital assets	<u>6,500</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>12,544</u>	<u>1,257</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	92,376	160,234
TRANSFERS		
Transfer in - cash	-	125,000
Transfer in - opening net position for accounts receivable, inventory and capital assets	<u>-</u>	<u>1,695,956</u>
TOTAL TRANSFERS	<u>-</u>	<u>1,820,956</u>
CHANGE IN NET POSITION	92,376	1,981,190
NET POSITION - BEGINNING OF YEAR	<u>1,981,190</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 2,073,566</u>	<u>\$ 1,981,190</u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND - SEWER FUND

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Charges for services	\$ 553,347	\$ 592,951
Payments to employees	(55,376)	(45,733)
Payments to suppliers	<u>(115,893)</u>	<u>(152,771)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>382,078</u>	<u>394,447</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from General Fund	<u>-</u>	<u>125,000</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>125,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(191,950)</u>	<u>(110,510)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(191,950)</u>	<u>(110,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers to local government investment pool	(150,000)	(385,000)
Proceeds from disposal of capital assets	<u>6,500</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(143,500)</u>	<u>(385,000)</u>
NET CHANGE IN CASH	46,628	23,937
CASH - BEGINNING OF YEAR	<u>23,937</u>	<u>-</u>
CASH - END OF YEAR	<u><u>\$ 70,565</u></u>	<u><u>\$ 23,937</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 79,832	\$ 158,977
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	245,839	240,191
Changes in operating assets and liabilities		
Due from other governments	(337)	1,996
Inventories	10,777	(10,807)
Accounts payable	44,617	300
Accrued liabilities	378	1,754
Accrued post retirement benefits	<u>972</u>	<u>2,036</u>
TOTAL ADJUSTMENTS	<u>302,246</u>	<u>235,470</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 382,078</u></u>	<u><u>\$ 394,447</u></u>

See accompanying notes to financial statements.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-wide Financial Statements

The government-wide financial statements include a statement of net position and a statement of activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt (if applicable) that is attributable to the acquisition, construction, and improvement of those assets. The City had no outstanding debt as of June 30, 2018 or 2017.

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

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

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

The following is the City's major governmental fund:

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

The City reports the following proprietary fund:

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

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

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

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

Budgets and Budgetary Accounting

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

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

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess of Expenditures Over Budget In Individual Funds

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

Purchasing Laws - City Departments

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

Property Taxes Receivable

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

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

Investments

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

Inventories

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories are made up of repair and replacement parts for equipment. In the proprietary fund statements, inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Asset/Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value. Current period expense for pension contributions is recorded in the individual fund where the employees' salary is recorded. For purposes of recording the net pension asset/liability and related pension deferred inflows and outflows on the entity-wide financial statements, all activity is recorded in governmental activities.

Capital Assets

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

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

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

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

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress

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

Deferred Inflows and Outflows of Resources

Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Deferred outflows of resources arise when resources used pertain to future reporting periods. Deferred outflows of resources at June 30, 2018 relate to contributions made into the pension plan after the measurement date and the difference between projected and actual earnings on plan investments.

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

Compensated Absences

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

Other Post Employment Benefits ("OPEB")

The City provides post employment health insurance benefits to eligible retirees between the ages of 55 and 65. The City pays a portion of eligible retiree current year premiums based on length of service, but does not fund the plan for future retirements. The balance shown as a liability for OPEB represents the actuarially determined total liability representing the present value of projected benefit payments to be provided to current, active and inactive employees past periods of service. For purposes of recording OPEB liabilities at year-end, all employees are included in governmental activities.

Fund Balance

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

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

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

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

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

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

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

Use of Estimates

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

Reclassifications

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits

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

During fiscal 2018 and 2017, the City's deposit balances were fully collateralized by the State of Tennessee Bank Collateral Pool and the Federal Depository Insurance Corporation (FDIC). At June 30, the carrying amount and corresponding bank balances of deposits were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Deposits</u>	<u>Carrying</u>	<u>Deposits</u>	<u>Carrying</u>
	<u>Per Bank</u>	<u>Amount</u>	<u>Per Bank</u>	<u>Amount</u>
		<u>Per Books</u>		<u>Per Books</u>
Cash and cash equivalents	<u>\$ 940,897</u>	<u>\$ 752,630</u>	<u>\$ 410,902</u>	<u>\$ 331,770</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, 2018 and 2017.

Investments

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

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (continued)

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

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

For purposes of disclosing interest rate risk on the deposits held by LGIP, interest rate risk is based on the average maturity of the pool's investments, which was seventy-two days at June 30, 2018. The Pool does not have a credit rating.

NOTE 3 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>2018</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	<u>153,922</u>	<u>521,856</u>	<u>-</u>	<u>-</u>	<u>675,778</u>
Total capital assets not being depreciated	<u>168,922</u>	<u>521,856</u>	<u>-</u>	<u>-</u>	<u>690,778</u>
<u>Capital assets being depreciated:</u>					
Buildings	2,568,879	-	-	-	2,568,879
Improvements other than building	1,310,140	-	-	-	1,310,140
Equipment	901,311	92,874	-	(59,552)	934,633
Infrastructure:					
Drainage and drainage improvements	746,365	89,374	-	-	835,739
Road and road improvements	<u>2,530,248</u>	<u>536,196</u>	<u>-</u>	<u>-</u>	<u>3,066,444</u>
	<u>8,056,943</u>	<u>718,444</u>	<u>-</u>	<u>(59,552)</u>	<u>8,715,835</u>

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS (CONTINUED)

<u>Governmental Activities (continued)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Less accumulated depreciation:</u>					
Buildings	\$ (974,777)	\$ (83,157)	\$ -	\$ -	\$ (1,057,934)
Improvements other than buildings	(1,102,930)	(54,198)	-	-	(1,157,128)
Equipment	(453,715)	(193,602)	-	59,552	(587,765)
Infrastructure:					
Drainage and drainage improvements	(100,969)	(25,682)	-	-	(126,651)
Road and road improvements	(450,584)	(63,256)	-	-	(513,840)
Total accumulated depreciation	(3,082,975)	(419,895)	-	59,552	(3,443,318)
Total governmental activities capital assets, net	<u>\$ 5,142,890</u>	<u>\$ 820,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,963,295</u>
<u>2017</u>					
<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Construction in progress	127,914	57,858	(31,850)	-	153,922
Total capital assets not being depreciated	142,914	57,858	(31,850)	-	168,922
<u>Capital assets being depreciated:</u>					
Buildings	2,568,879	-	-	-	2,568,879
Improvements other than building	1,307,640	2,500	-	-	1,310,140
Equipment	7,968,027	380,987	(6,798,141)	(649,562)	901,311
Infrastructure:					
Drainage and drainage improvements	697,477	17,038	31,850	-	746,365
Road and road improvements	2,502,260	27,988	-	-	2,530,248
	<u>15,044,283</u>	<u>428,513</u>	<u>(6,766,291)</u>	<u>(649,562)</u>	<u>8,056,943</u>
<u>Less accumulated depreciation:</u>					
Buildings	(891,620)	(83,157)	-	-	(974,777)
Improvements other than buildings	(1,046,845)	(56,085)	-	-	(1,102,930)
Equipment	(6,113,172)	(135,162)	5,154,897	639,722	(453,715)
Infrastructure:					
Drainage and drainage improvements	(83,284)	(17,685)	-	-	(100,969)
Road and road improvements	(387,734)	(62,850)	-	-	(450,584)
Total accumulated depreciation	(8,522,655)	(354,939)	5,154,897	639,722	(3,082,975)
Total governmental activities capital assets, net	<u>\$ 6,664,542</u>	<u>\$ 131,432</u>	<u>\$ (1,643,244)</u>	<u>\$ (9,840)</u>	<u>\$ 5,142,890</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2018 and 2017 was as follows:

<u>Business-Type Activities</u>	<u>2018</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Construction in progress	\$ 11,050	\$ 46,961	\$ -	\$ -	\$ 58,011
Total capital assets not being depreciated	11,050	46,961	-	-	58,011
<u>Capital assets being depreciated:</u>					
Buildings	454,647	-	-	-	454,647
Equipment	6,407,338	144,989	-	(55,804)	6,496,523
Total capital assets being depreciated	6,861,985	144,989	-	(55,804)	6,951,170
Less accumulated depreciation for:					
Buildings	(179,044)	(13,431)	-	-	(192,475)
Equipment	(5,180,428)	(232,408)	-	55,804	(5,357,032)
Total accumulated depreciation	(5,359,472)	(245,839)	-	55,804	(5,549,507)
Total business-type activities capital assets, net	<u>\$ 1,513,563</u>	<u>\$ (53,889)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,674</u>
<u>2017</u>					
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	11,050	-	-	11,050
Total capital assets not being depreciated	-	11,050	-	-	11,050
<u>Capital assets being depreciated:</u>					
Buildings	-	-	454,647	-	454,647
Equipment	-	99,460	6,343,494	(35,616)	6,407,338
Total capital assets being depreciated	-	99,460	6,798,141	(35,616)	6,861,985

(continued on next page)

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activities (continued)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
Buildings	\$ -	\$ (15,327)	\$ (163,717)	\$ -	\$ (179,044)
Equipment	-	(224,864)	(4,991,180)	35,616	(5,180,428)
Total accumulated depreciation	-	(240,191)	(5,154,897)	35,616	(5,359,472)
Total business-type activities capital assets, net	<u>\$ -</u>	<u>\$ (129,681)</u>	<u>\$ 1,643,244</u>	<u>\$ -</u>	<u>\$ 1,513,563</u>

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

	<u>2018</u>	<u>2017</u>
General government	\$ 98,536	\$ 101,942
Public safety	161,793	100,011
Highways and streets	136,695	130,292
Building inspection	5,008	5,009
Stormwater	17,863	17,685
	<u>\$ 419,895</u>	<u>\$ 354,939</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 4 - COMPENSATED ABSENCES

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

	2018			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Liability for accrued sick pay and annual leave	<u>\$ 282,762</u>	<u>\$ 143,344</u>	<u>\$ (143,006)</u>	<u>\$ 283,100</u>

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

NOTE 5 - COMPENSATION PAID TO ELECTED OFFICIALS

No compensation was paid to the Mayor or Commissioners during the years ended June 30, 2018 and 2017.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN

Plan Description

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

Benefits Provided

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

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

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
Inactive employees or beneficiaries currently receiving benefits	20	19
Inactive employees entitled to but not yet receiving benefits	13	20
Active employees	<u>19</u>	<u>25</u>
	<u>52</u>	<u>64</u>

The plan is currently closed to new entrants. Employees hired after July 1, 2014 are included in the 401(k) plan described later in this note.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN (CONTINUED)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees do not contribute to the plan. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the years ended June 30, 2018 and 2017, employer contributions for the City were \$76,712 and \$91,451, respectively, based on a rate of 7 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of those dates.

Actuarial Assumptions

The total pension liability as of June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation (7.5% at June 30, 2016)

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

The actuarial assumptions used in the June 30, 2017 actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (continued)

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69 %	31 %
Developed market international equity	5.29 %	14 %
Emerging market international equity	6.36 %	4 %
Private equity and strategic lending	5.79 %	20 %
U.S. fixed income	2.01 %	20 %
Real estate	4.32 %	10 %
Short-term securities	0.00 %	1 %
		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent (7.50 percent for June 30, 2016) based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent (7.50 percent for June 30, 2016). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
BALANCE AT JUNE 30, 2015	\$ 3,660,536	\$ 3,771,196	\$ (110,660)
CHANGES FOR THE YEAR:			
Service cost	81,165	-	81,165
Interest	273,868	-	273,868
Differences between expected and actual experience	96,424	-	96,424
Contributions - employer	-	90,838	(90,838)
Contributions - employee	-	-	-
Net investment income	-	98,817	(98,817)
Benefit payments, including refunds of employee contributions	(180,267)	(180,267)	-
Administrative expense	-	(1,873)	1,873
Net changes	<u>271,190</u>	<u>7,515</u>	<u>263,675</u>
BALANCE AT JUNE 30, 2016	<u>\$ 3,931,726</u>	<u>\$ 3,778,711</u>	<u>\$ 153,015</u>
CHANGES FOR THE YEAR:			
Service cost	74,410	-	74,410
Interest	292,997	-	292,997
Differences between expected and actual experience	(186,833)	-	(186,833)
Changes in assumptions	144,803	-	144,803
Contributions - employer	-	77,434	(77,434)
Contributions - employee	-	-	-
Net investment income	-	421,209	(421,209)
Benefit payments, including refunds of employee contributions	(199,025)	(199,025)	-
Administrative expense	-	(1,650)	1,650
Net changes	<u>126,352</u>	<u>297,968</u>	<u>(171,616)</u>
BALANCE AT JUNE 30, 2017	<u>\$ 4,058,078</u>	<u>\$ 4,076,679</u>	<u>\$ (18,601)</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN (CONTINUED)

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25 percent (7.50 percent for June 30, 2016), as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

	<u>Measurement Date - June 30, 2017</u>		
	<u>Current Discount</u>		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City's net pension liability (asset)	<u>\$ 447,705</u>	<u>\$ (18,601)</u>	<u>\$ (414,447)</u>
	<u>Measurement Date - June 30, 2016</u>		
	<u>Current Discount</u>		
	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
City's net pension liability (asset)	<u>\$ 615,853</u>	<u>\$ 153,015</u>	<u>\$ (239,433)</u>

Pension Expense

For the year ended June 30, 2018 and 2017, the City recognized pension expense of \$60,935 and \$71,059, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>2018</u>	
	<u>Deferred Outflow of</u>	<u>Deferred Inflow of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 68,874	\$ 281,342
Net difference between projected and actual earnings on pension plan investments	761	-
Changes in assumptions	120,669	-
Contributions subsequent to the measurement date of June 30, 2017	<u>76,712</u>	<u>-</u>
Total	<u>\$ 267,016</u>	<u>\$ 281,342</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 6 - PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

	2017	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 82,649	\$ 157,060
Net difference between projected and actual earnings on pension plan investments	124,473	-
Contributions subsequent to the measurement date of June 30, 2016	91,451	-
Total	<u>\$ 298,573</u>	<u>\$ 157,060</u>

The amount shown above for Contributions subsequent to the measurement date of June 30, 2018 and 2017 will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	
2019	\$ (43,357)
2020	15,687
2021	(17,007)
2022	(53,127)
2023	6,770
Thereafter	-

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

Effective July 1, 2014, the City's participation in the TCRS defined benefit pension plan was closed to new employees. The City adopted a new resolution at this time to become a participating employer in the State of Tennessee 401(k) Plan. All new employees hired after this date who are 18 years of age or older and render 40 or more hours of service per week as defined in the plan document are enrolled into the 401(k) plan. Every employee must contribute a mandatory 2% of gross wages each pay period, with the City contributing 5% of gross wages. The City will also match up to 3% of employee's elective contributions. Employees are fully vested after five years (20% after each year of service). During 2018, the City contributed \$28,990 to the 401(k) plan (\$1,436 for the 2017 fiscal year).

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

Employees of the City who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan ("LGOP") administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided

The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Active employees are required to pay 30% of insurance premiums (the City pays 70%) and pre-65 retirees pay 28 to 43% of insurance premiums (the City pays 72 to 57%), depending on length of service at retirement. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered

At the measurement date, the following employees of the City were covered by the benefit terms of the LGOP:

	<u>June 30,</u> <u>2017</u>
Retirees and beneficiaries	-
Inactive, non-retired employees	-
Active employees	<u>26</u>
	<u>26</u>

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the City paid \$213,909 to the LGOP for OPEB benefits as they came due.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5% for 2018, decreasing annually over a 33-year period to an ultimate rate of 3.75%
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted-average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2018 measured as of June 30, 2017 follows:

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
BALANCE AT JUNE 30, 2016	\$ 299,135
CHANGES FOR THE YEAR:	
Service cost	24,478
Interest	9,450
Differences between expected and actual experience	-
Changes in assumptions	(15,688)
Benefit payments	-
Net changes	18,240
BALANCE AT JUNE 30, 2017	\$ 317,375

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	<u>Measurement Date - June 30, 2017</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(2.56%)</u>	<u>(3.56%)</u>	<u>(4.56%)</u>
City's total OPEB liability	\$ 341,965	\$ 317,375	\$ 294,076

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	<u>Measurement Date - June 30, 2017</u>		
	<u>Current Healthcare Cost Trend Rate</u>		
	<u>1% Decrease</u>	<u>Assumption</u>	<u>1% Increase</u>
	<u>(6.00% to 3.77%)</u>	<u>(7.00% to 4.77%)</u>	<u>(8.00% to 5.77%)</u>
City's total OPEB liability	<u>\$ 279,672</u>	<u>\$ 317,375</u>	<u>\$ 361,643</u>

OPEB Expense

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$32,343.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June, 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>2018</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	14,103
Employer payments subsequent to the measurement date of June 30, 2017	<u>2,712</u>	<u>-</u>
Total	<u>\$ 2,712</u>	<u>\$ 14,103</u>

The amounts shown above for Employer payments subsequent to the measurement date will be recognized as a reduction to total OPEB liability in the following measurement period.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ (1,585)
2020	(1,585)
2021	(1,585)
2022	(1,585)
2023	(1,585)
Thereafter	(6,178)

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

NOTE 8 - TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following (there were no interfund transfers for the year ended June 30, 2018):

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

The sewer fund was established July 1, 2016 as a separate proprietary fund type. Transfers to this fund were to establish opening asset balances which were recorded as part of the general fund at June 30, 2016 include \$42,703 of accounts receivable, \$10,009 of inventory. Additionally, the general fund transferred \$125,000 in cash as a one-time grant, which was approved by resolution of the Mayor and Board of Commissioners. In the governmental-wide statement of activities, opening net capital asset balances related to sewer operations was also transferred to the newly formed fund.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 - COMMITMENTS AND UNCERTAINTIES

Risk Management

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

Hall Income Tax

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

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

In November 2016 GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, (GASB 83) addresses accounting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a capital asset. Governmental entities with such obligations to perform future asset retirement activities should recognize a liability and corresponding deferred outflow when the liability is both incurred and reasonably estimable based on the guidance of GASB 83. The deferred outflow will then be recognized as an expense over the expected life of the asset, and the liability adjusted to reflect the effects of inflation or deflation. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The City is evaluating the impact that this standard may have on the financial statements and related disclosures.

In January 2017 GASB issued Statement No. 84, *Fiduciary Activities*, (GASB 84) addresses the identification and reporting for fiduciary activities of state and local governments. GASB 84 describes four fiduciary funds that should be reported: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private trust funds, and (4) custodial trust funds. The requirements of GASB 84 are effective for reporting periods beginning after June 15, 2018. The City is evaluating the impact that this standard may have on the financial statements and related disclosures. It is expected to further expand the disclosures related to its trust funds.

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which establishes single model for lease accounting based on the foundational principles that leases are financing and require lessee to recognize a lease liability and intangible right-to-use asset. The provisions in GASB 87 are effective for reporting periods beginning after December 15, 2019. The City is evaluating the effects of adoption of GASB 87.

CITY OF BELLE MEADE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

In March 2018, GASB issued Statement No. 88, *Certain disclosures related to Debt, including Direct Borrowing and Direct Placements*, (GASB 88) which expands the disclosures related to debt for matters such as unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreement related to significant events of default significant termination events and significant acceleration clauses. The standard also adds direct borrowings as debt subject to these disclosure requirements. The provisions in GASB 88 are effective for reporting periods beginning after June 15, 2018. The City is evaluating the effects of adoption of GASB 88 which may expand some disclosures related to debt.

NOTE 11 - ADOPTION OF GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Prior year net position has been adjusted due to the adoption of Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The objective of this statement is to improve accounting and reporting by state and local governments for other Post Employment benefits. This statement requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB to be measured as the portion of the present value of projected benefit payments to be provided to current, active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability). The effect of the adoption of this statement on the City's governmental activities net position as of July 1, 2017 is as follows:

Net position/fund balance, as previously reported	\$ 18,431,613
Effect of adoption of <i>GASB Statement No. 75</i> - other post employment benefits (OPEB)	
Remove prior year OPEB liability	387,000
Record total OPEB liability	<u>(299,135)</u>
Beginning net position/fund balance, as restated	<u><u>\$ 18,519,478</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE MEADE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>TOTAL PENSION LIABILITY</u>				
Service cost	\$ 78,695	\$ 80,926	\$ 81,165	\$ 74,410
Interest	264,079	275,075	273,868	292,997
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	(27,181)	(196,101)	96,424	(186,833)
Change of assumptions	-	-	-	144,803
Benefit payments, including refunds of employee contributions	<u>(170,198)</u>	<u>(172,212)</u>	<u>(180,267)</u>	<u>(199,025)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	145,395	(12,312)	271,190	126,352
TOTAL PENSION LIABILITY - BEGINNING	<u>3,527,453</u>	<u>3,672,848</u>	<u>3,660,536</u>	<u>3,931,726</u>
TOTAL PENSION LIABILITY - ENDING (A)	<u>\$ 3,672,848</u>	<u>\$ 3,660,536</u>	<u>\$ 3,931,726</u>	<u>\$ 4,058,078</u>
<u>PLAN FIDUCIARY NET POSITION</u>				
Contributions - employer	\$ 71,089	\$ 91,490	\$ 90,838	\$ 77,434
Contributions - employee	-	203	-	-
Net investment income	538,990	113,900	98,817	421,209
Benefit payments, including refunds of employee contributions	(170,198)	(172,212)	(180,267)	(199,025)
Administrative expense	<u>(1,116)</u>	<u>(1,360)</u>	<u>(1,873)</u>	<u>(1,650)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	438,765	32,021	7,515	297,968
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>3,300,410</u>	<u>3,739,175</u>	<u>3,771,196</u>	<u>3,778,711</u>
PLAN FIDUCIARY NET POSITION - ENDING (B)	<u>3,739,175</u>	<u>3,771,196</u>	<u>3,778,711</u>	<u>4,076,679</u>
NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	<u>\$ (66,327)</u>	<u>\$ (110,660)</u>	<u>\$ 153,015</u>	<u>\$ (18,601)</u>
Plan fiduciary net position as a percentage of total pension liability	101.81 %	103.02 %	96.11	100.46 %
Covered-employee payroll	\$ 1,306,781	\$ 1,306,994	\$ 1,297,688	\$ 1,106,197
Net pension liability (asset) as a percentage of covered-employee payroll	(5.08) %	(8.47) %	11.79	(1.68) %

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

CITY OF BELLE MEADE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarial determined contribution	\$ 71,089	\$ 91,490	\$ 90,838	\$ 77,434	\$ 76,712
Contributions in relation to the actuarial determined contribution	<u>71,089</u>	<u>91,490</u>	<u>90,838</u>	<u>77,434</u>	<u>76,712</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,306,781	\$ 1,306,994	\$ 1,297,688	\$ 1,106,197	\$ 1,014,709
Contributions as a percentage covered employee payroll	5.44 %	7.00 %	7.00 %	7.00 %	7.56 %

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.

Years will added to this schedule in future fiscal years until 10 years of information is available.

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS

MEASUREMENT YEAR ENDED JUNE 30

	<u>2017</u>	
<u>TOTAL OPEB LIABILITY</u>		
Service cost	\$ 24,478	
Interest on the total OPEB liability	9,450	
Changes in benefit terms	-	
Differences between expected and actual experience of the total OPEB liability	-	
Change of assumptions and other inputs	(15,688)	
Benefit payments	-	
 NET CHANGE IN TOTAL OPEB LIABILITY	 18,240	
TOTAL OPEB LIABILITY - BEGINNING	<u>299,135</u>	
 TOTAL OPEB LIABILITY - ENDING	 <u>\$ 317,375</u>	
 Covered-employee payroll	 N/A	
Total OPEB liability as a percentage of covered-employee payroll	N/A	%

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

NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017

Methods and Assumptions Used to Determine Total OPEB Liability

Actuarial cost method	Entry Age Normal
Inflation	2.25 percent
Discount rate	3.56 percent
Salary increases	Salary increase rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44%-8.72% including inflation.
Retirement age	Retirement rates used in the July 1, 2017 actuarial valuation of the TCRS They are based on the results of a state-wide experience study (undertaken on behalf of TCRS).
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the TCRS. They are based on the results of a state-wide experience study (undertaken on behalf of TCRS).
Healthcare cost trend rates	Based on the Grtzen Model, with trend starting at 7.5% for 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend rate of 3.53% with an 0.18% added to approximate the effect of the excise tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Administrative expenses are included in the per capita health costs.

Other Information

See the actuarial valuation report as of July 1, 2017 (dated July 16, 2018).

Changes in assumptions and other inputs include the change in the discount rate from 2.92% as the beginning of the measurement period to 3.56% as of June 30, 2017. This change is reflected in the schedule of changes in total OPEB liability.

There were no benefit changes during the measurement period.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BELLE MEADE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>		<u>2017</u>	
	<u>SPECIAL REVENUE FUNDS</u>		<u>TOTAL</u>	<u>TOTAL</u>
	<u>STATE</u>	<u>BEAUTIFICATION</u>	<u>NONMAJOR</u>	<u>NONMAJOR</u>
	<u>STREET AID</u>		<u>GOVERNMENTAL</u>	<u>FUNDS</u>
			<u>FUNDS</u>	
ASSETS				
Cash	\$ 71,474	\$ 185,311	\$ 256,785	\$ 217,751
Due from other governments	<u>17,152</u>	<u>-</u>	<u>17,152</u>	<u>14,011</u>
TOTAL ASSETS	<u>\$ 88,626</u>	<u>\$ 185,311</u>	<u>\$ 273,937</u>	<u>\$ 231,762</u>
LIABILITIES				
Accounts payable	\$ 4,201	\$ 3,045	\$ 7,246	\$ 1,365
TOTAL LIABILITIES	<u>4,201</u>	<u>3,045</u>	<u>7,246</u>	<u>1,365</u>
COMMITMENTS AND CONTINGENCIES				
FUND BALANCES				
Restricted for street repairs	84,425	-	84,425	54,555
Restricted for beautification	<u>-</u>	<u>182,266</u>	<u>182,266</u>	<u>175,842</u>
TOTAL FUND BALANCES	<u>84,425</u>	<u>182,266</u>	<u>266,691</u>	<u>230,397</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 88,626</u>	<u>\$ 185,311</u>	<u>\$ 273,937</u>	<u>\$ 231,762</u>

CITY OF BELLE MEADE, TENNESSEE

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

FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		2017	
	SPECIAL REVENUE		TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	STATE STREET AID	BEAUTIFICATION		
REVENUES				
Contributions	\$ -	\$ 77,375	\$ 77,375	\$ 49,580
Intergovernmental:				
Gasoline and motor fuel tax	55,867	-	55,867	55,293
Gas 2017 tax	16,404	-	16,404	-
Three cent tax	16,484	-	16,484	16,446
Gas 1989 tax	8,896	-	8,896	8,861
Interest income	-	216	216	101
Other revenues	-	3,583	3,583	-
TOTAL REVENUES	97,651	81,174	178,825	130,281
EXPENDITURES				
Repair and maintenance - roads	67,781	-	67,781	64,863
Other improvements	-	749	749	-
Other expenses	-	-	-	164
Horticulture supplies and services	-	74,001	74,001	35,476
TOTAL EXPENDITURES	67,781	74,750	142,531	100,503
NET CHANGE IN FUND BALANCE	29,870	6,424	36,294	29,778
FUND BALANCE, BEGINNING OF YEAR	54,555	175,842	230,397	200,619
FUND BALANCE, END OF YEAR	\$ 84,425	\$ 182,266	\$ 266,691	\$ 230,397

CITY OF BELLE MEADE, TENNESSEE

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

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGETED AMOUNTS</u>	<u>FINAL BUDGETED AMOUNTS</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
REVENUES				
Intergovernmental:				
Gasoline and motor fuel tax	\$ 96,678	\$ 96,678	\$ 55,867	\$ (40,811)
Gas 2017 tax	-	-	16,404	16,404
Three cent tax	-	-	16,484	16,484
Gas 1989 tax	-	-	8,896	8,896
TOTAL REVENUES	<u>96,678</u>	<u>96,678</u>	<u>97,651</u>	<u>973</u>
EXPENDITURES				
Repair and maintenance - roads	<u>67,956</u>	<u>67,956</u>	<u>67,781</u>	<u>(175)</u>
TOTAL EXPENDITURES	<u>67,956</u>	<u>67,956</u>	<u>67,781</u>	<u>(175)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,722</u>	<u>\$ 28,722</u>	29,870	<u>\$ 1,148</u>
FUND BALANCE, BEGINNING OF YEAR			<u>54,555</u>	
FUND BALANCE, END OF YEAR			<u>\$ 84,425</u>	

CITY OF BELLE MEADE, TENNESSEE

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

BEAUTIFICATION FUND

FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES				
Contribution	\$ 48,500	\$ 75,350	\$ 77,375	\$ 2,025
Interest income	96	208	216	8
Other revenues	20,000	3,583	3,583	-
TOTAL REVENUES	68,596	79,141	81,174	2,033
EXPENDITURES				
Other improvements	13,255	1,000	749	(251)
Horticulture supplies and services	70,625	76,825	74,001	(2,824)
TOTAL EXPENDITURES	83,880	77,825	74,750	(3,075)
NET CHANGE IN FUND BALANCE	\$ (15,284)	\$ 1,316	6,424	\$ 5,108
FUND BALANCE, BEGINNING OF YEAR			175,842	
FUND BALANCE, END OF YEAR			\$ 182,266	

CITY OF BELLE MEADE, TENNESSEE

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

WASTE COLLECTION (SANITATION)

FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGETED AMOUNTS	FINAL BUDGETED AMOUNT	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER)
REVENUES				
Contribution	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Waste collection	405,700	429,500	426,236	(3,264)
TOTAL EXPENDITURES	405,700	429,500	426,236	(3,264)
EXCESS OF REVENUES OVER EXPENDITURES	(405,700)	(429,500)	(426,236)	3,264
OTHER FINANCING SOURCES (USES)				
Transfers in	405,700	429,500	426,236	(3,264)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	405,700	429,500	426,236	(3,264)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
FUND BALANCE, BEGINNING OF YEAR			-	
FUND BALANCE, END OF YEAR			\$ -	

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

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2018

<u>Tax Year</u>	<u>BALANCE JUNE 30, 2017</u>	<u>LEVY</u>	<u>COLLECTIONS</u>	<u>PENALTIES AND INTEREST</u>	<u>BALANCE JUNE 30, 2018</u>
2017	\$ -	\$ 1,289,790	\$ (1,286,540)	\$ -	\$ 3,250
2016	2,388	-	(2,235)	31	184
2015	-	-	-	-	-
2014	-	-	-	-	-
2013	-	-	-	-	-
Total	<u>\$ 2,388</u>	<u>\$ 1,289,790</u>	<u>\$ (1,288,775)</u>	<u>\$ 31</u>	3,434
Deferred inflow of resources for 2018 levy					<u>1,306,140</u>
					<u>\$ 1,309,574</u>

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

<u>Fiscal Year *</u>	<u>Tax Rate Per \$100</u>	<u>Appraised Value of Property</u>	<u>Assessed Value of Property</u>
2018	\$ 0.3000	\$ 2,055,968,254	\$ 506,382,323
2017	\$ 0.3000	1,747,737,633	429,821,460
2016	\$ 0.2243	1,698,580,503	426,193,655
2015	\$ 0.2243	1,692,629,503	425,137,570
2014	\$ 0.2243	1,691,816,803	424,696,155
2013	\$ 0.2290	1,648,505,358	413,756,479
2012	\$ 0.2290	1,656,960,258	415,488,177
2011	\$ 0.2290	1,653,195,758	414,794,717
2010	\$ 0.2290	1,644,926,158	412,621,483
2009	\$ 0.2600	1,448,669,414	363,858,648

* The fiscal year listed corresponds to the preceding tax year levy (2018 would represent the 2017 tax levy). This represents the period for which the taxes were levied.

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Grant Description</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>State Grant Amount</u>	<u>Accrued (Deferred) 7/1/2017</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued (Deferred) 6/30/2018</u>
STATE AWARDS:							
<u>State of Tennessee</u>							
Passed through the Governor's Highway Safety Office:							
Network Coordinator Grant	PT-17-05/402	10-1-16 to 9-30-17	\$ 20,000	\$ 3,064	\$ 4,740	\$ 1,676	\$ -
Network Coordinator Grant	PT-18-15/402	10-1-15 to 9-30-18	\$ 20,000	-	463	10,093	9,630
Total Governor's Highway Safety Office				3,064	5,203	11,769	9,630
TOTAL EXPENDITURES OF STATE AWARDS				<u>\$ 3,064</u>	<u>\$ 5,203</u>	<u>\$ 11,769</u>	<u>\$ 9,630</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Belle Meade, Tennessee (the "City") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

OTHER REPORT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Belle Meade, Tennessee (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is stylized, with the first name "Kraft" written in a cursive-like script and "CPAs PLLC" in a more straightforward, blocky font.

Nashville, Tennessee
December 19, 2018

CITY OF BELLE MEADE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2018

There were no prior year findings.