

TOWN OF NOLENSVILLE, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2018

TOWN OF NOLENSVILLE, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF NOLENSVILLE, TENNESSEE

Officials of the Town of Nolensville, Tennessee

June 30, 2018

<u>Name</u>	<u>Title</u>
Elected Officials:	
Jimmy Alexander	Mayor
Jason Patrick	Vice -Mayor
Larry Felts	Alderman
Brian Snyder	Alderman
Tommy Dugger	Alderman
Management:	
Ken McLawhon	Town Administrator
Kali Mogul	Town Recorder
Julie Wilson	Finance Director, CPA, CMFO

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Aldermen of the
Town of Nolensville, Tennessee
Nolensville, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Nolensville, Tennessee as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting policies made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Nolensville, Tennessee as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Drug Fund, Facilities Tax Fund, Impact Fund, and the Facilities School Tax 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 Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset), Schedule of Contributions to the Employee Pension Plan and Schedule of Changes in Total Liability and Related Ratios 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have 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 my opinion, the Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2018 on the consideration of the Town of Nolensville's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R Poole, CPA

November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF NOLENSVILLE, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Nolensville, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$22,090,803. Of this amount, \$6,066,412 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$4,644,893 due to increased revenues combined with increased expenses as the Town continues to see growth. Revenues were \$1,856,043 more in the current year primarily as a result of increased sales tax and building license revenues. Expenses were \$344,375 more in the current year as a result of increased police department and street department expenses.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$19,180,358 an increase of \$3,412,745 in comparison to the prior year. The increase was due to increased revenues by the Town. Expenses were higher in the current year as a result of capital asset purchases of \$1,514,298. During the year the Town repaid \$185,480 in debt related to the Town Hall and recreation center loans. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$6,038,050.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent 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 only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the Town 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. The governmental activities of the Town of Nolensville include general government, personnel, finance, planning, police, fire, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds. Governmental Funds are funds 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 resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Town adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-25 of this report. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-45 of this report.

Financial Analysis of the Financial Statements -- Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$22,090,803 at the close of the most recent fiscal year. By far the largest portion of the Town's assets reflects its investment in cash and capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Financial Statements --Town of Nolensville's Net Position

	<u>2018</u>	<u>2017</u>
Current assets	\$ 20,262,084	15,923,265
Capital assets	<u>8,034,850</u>	<u>6,471,044</u>
Total assets	28,296,934	22,394,309
 Deferred Outflows	 334,283	 266,523
 Long-term debt	 5,097,000	 5,282,480
Other liabilities	<u>539,685</u>	<u>441,191</u>
Total liabilities	5,636,685	5,723,671
 Deferred Inflows	 903,729	 565,154
 Net position:		
Net investment in capital assets	2,937,850	1,188,564
Restricted	13,086,541	10,121,357
Unrestricted	<u>6,066,412</u>	<u>5,062,086</u>
Total net position	\$ 22,090,803	16,372,007

Comparison between years 2018 and 2017

	2018 Governmental <u>Activities</u>	2017 Governmental <u>Activities</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	4,593,008	3,300,469	1,292,539
Operating grants and contributions	653,725	327,054	326,671
Capital grants and contributions	0	0	0
General revenues:			
Property taxes	676,203	600,043	76,160
Sales taxes	1,173,109	1,156,037	17,072
Other local taxes	410,805	370,675	40,130
Other state shared taxes	52,772	40,878	11,894
Other	211,803	120,226	91,577
Total revenues	<u>7,771,425</u>	<u>5,915,382</u>	<u>1,856,043</u>
Expenses:			
General government	957,932	992,212	(34,280)
Police department	911,770	686,120	225,650
Fire department	169,813	169,814	(1)
Codes department	496,971	499,629	(2,658)
Highways and streets	590,046	434,382	155,664
Total expenses	<u>3,126,532</u>	<u>2,782,157</u>	<u>344,375</u>
Change in net position	<u>4,644,893</u>	<u>3,133,225</u>	<u>1,511,668</u>

Governmental Funds

The focus of the Town of Nolensville's governmental funds is to provide information on near-term inflows, outflows and balances of resources. Such information is useful in assessing the Town's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,038,050. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

General Fund Budgetary Highlights

The Town amended some of its departmental budgets during the year. A budget amendment was made during the year to account for certain expenditures. See pages 18-25.

Capital Asset and Debt Administration

Capital Assets

The Town of Nolensville's investment in capital assets from its governmental activities at June 30, 2018, amounts to \$8,034,850 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, infrastructure, machinery and equipment.

Town of Nolensville's Capital Assets-

	2018	2017
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Land	\$ 278,753	278,753
Building	4,570,055	4,570,055
Furniture	31,525	31,525
Infrastructure	5,330,719	3,901,717
Machinery and equipment	<u>500,362</u>	<u>415,066</u>
Less accumulated depreciation	(2,676,564)	(2,315,157)
Net Capital Assets	\$ <u>8,034,850</u>	<u>6,881,959</u>

Additional information on the Town of Nolensville's capital assets can be found in the notes to the financial statements section of this report.

Debt

The Town has \$5,097,000 in long-term debt at year end. The debt was used to finance the construction of capital assets. During the year the Town reduced its outstanding debt by \$185,480.

Additional information on the Town's long-term debt can be found in the notes to the financial statements section of this report.

Economic Factors and Next Year's Budget and Rates

In the 2018-2019 budget, Non-grant revenues are budgeted to increase from the 2017-2018 budget year primarily due to increases in local revenues. This factor was considered in preparing the Town's budget for the 2018-2019 fiscal year.

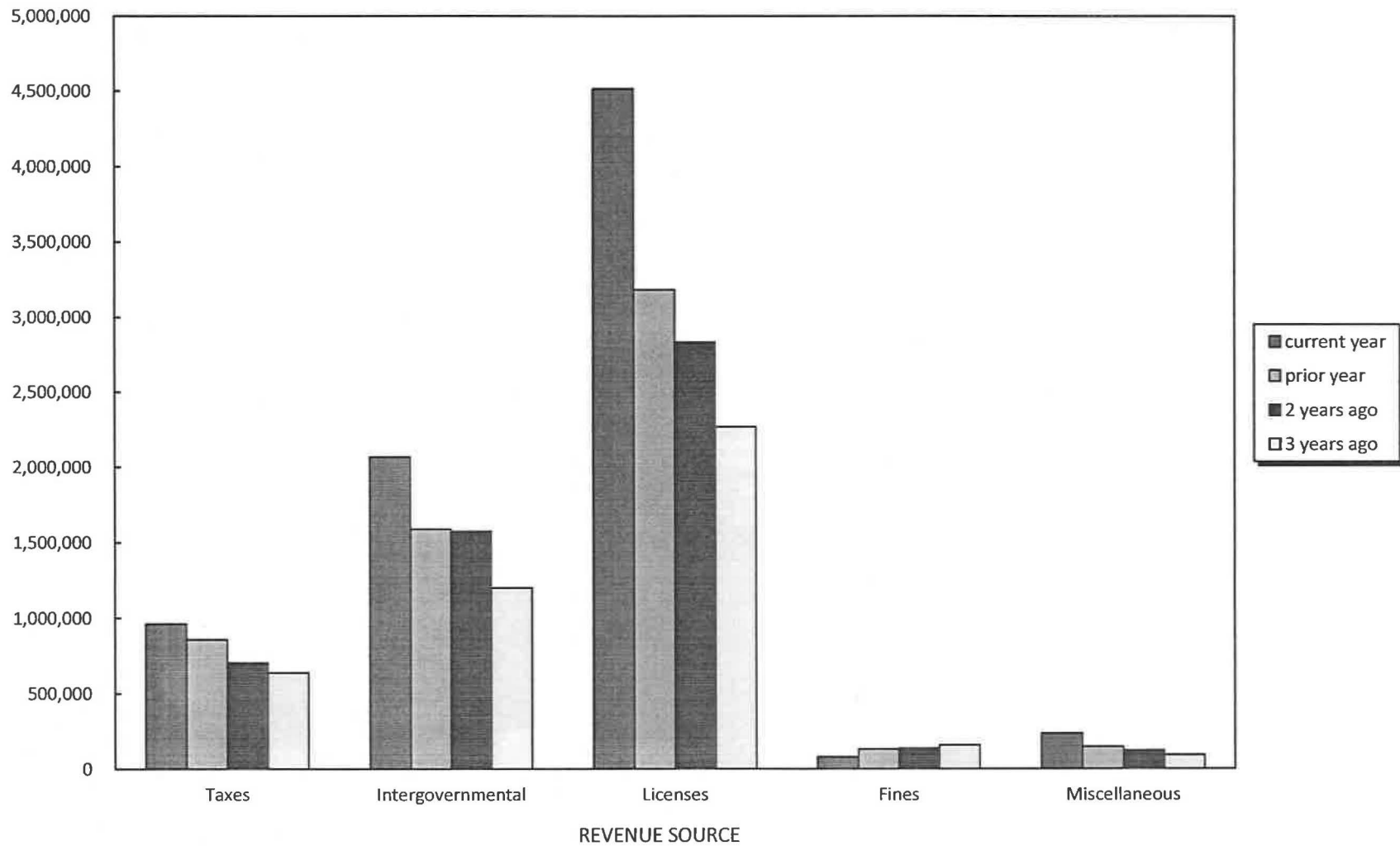
Requests for Information

This financial report is designed to provide a general overview of the Town of Nolensville, Tennessee's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Julie Wilson
Town of Nolensville

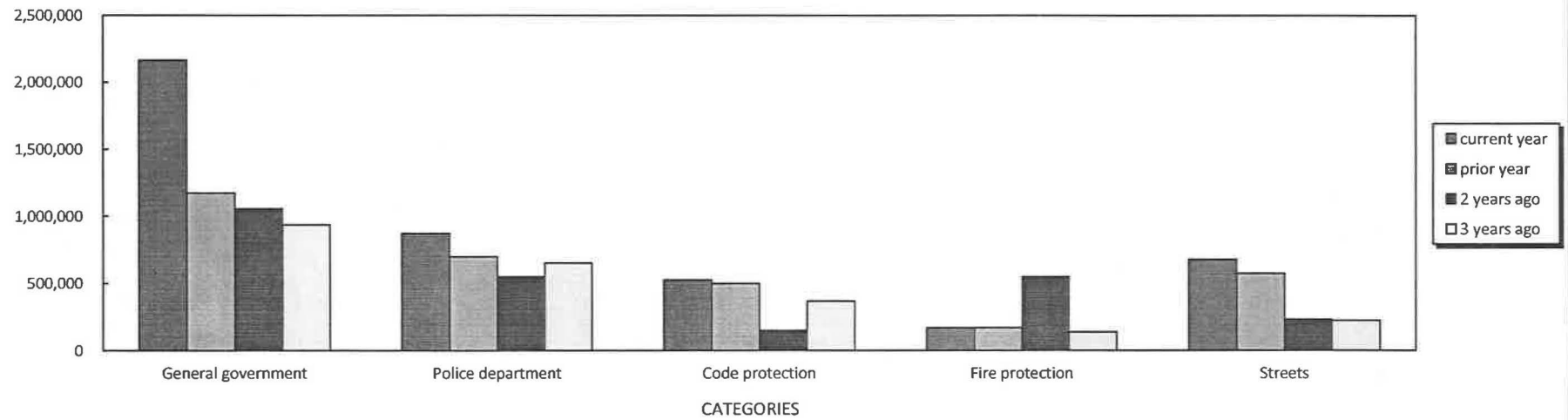
TOWN OF NOLENSVILLE, TENNESSEE

GOVERNMENTAL FUND REVENUES



TOWN OF NOLENSVILLE

GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

TOWN OF NOLENSVILLE, TENNESSEE

Statement of Net Position

June 30, 2018

<u>Assets</u>	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	\$18,423,148	18,423,148
Accounts receivable	1,783,169	1,783,169
Prepaid assets	55,767	55,767
Capital assets not being depreciated	278,753	278,753
Capital assets, net of accumulated depreciation	7,756,097	7,756,097
Total Assets	<u>\$28,296,934</u>	<u>28,296,934</u>
Deferred Outflows:		
Deferred outflow of resources - OPEB	127	127
Deferred outflow of resources - pension	334,156	334,156
Total Deferred Outflows	<u>334,283</u>	<u>334,283</u>
Liabilities:		
Accounts payable	\$156,112	156,112
Accrued expenses	41,317	41,317
Net pension liability	306,914	306,914
Total OPEB liability	35,342	35,342
Long-term liabilities:		
Due within one year	195,000	195,000
Due in more than one year	4,902,000	4,902,000
Total Liabilities	<u>5,636,685</u>	<u>5,636,685</u>
Deferred Inflows:		
Deferred inflow of resources - property taxes	626,909	626,909
Deferred inflow of resources - grant funds	273,894	273,894
Deferred inflow of resources - OPEB	1,611	1,611
Deferred inflow of resources - pension	1,315	1,315
Total Deferred Inflows	<u>903,729</u>	<u>903,729</u>
Net Position:		
Investment in capital assets, net of related debt	2,937,850	2,937,850
Restricted - state street	384,796	384,796
Restricted - drug fund	6,623	6,623
Restricted - facilities tax	5,864,084	5,864,084
Restricted - impact	6,519,579	6,519,579
Restricted - facilities school	311,459	311,459
Unrestricted	6,066,412	6,066,412
Total Net Position	<u>22,090,803</u>	<u>22,090,803</u>

See accompanying notes to financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2018

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Government Activities:						
General government	957,932	4,514,438	320,636	0	3,877,142	3,877,142
Police department	911,770	78,570	22,453	0	(810,747)	(810,747)
Fire department	169,813	0	0	0	(169,813)	(169,813)
Codes, planning and engineering	496,971	0	0	0	(496,971)	(496,971)
Highways and streets	590,046	0	310,636	0	(279,410)	(279,410)
Total Governmental Activities	<u>3,126,532</u>	<u>4,593,008</u>	<u>653,725</u>	<u>0</u>	<u>2,120,201</u>	<u>2,120,201</u>
General Revenues						
Property taxes					585,182	585,182
Public property taxes					91,021	91,021
Sales taxes					1,173,109	1,173,109
Alcohol taxes					199,114	199,114
Income and excise taxes					52,772	52,772
Franchise taxes					211,691	211,691
Interest income					198,929	198,929
Other income					12,874	12,874
Total general revenues					<u>2,524,692</u>	<u>2,524,692</u>
Change in net position					4,644,893	4,644,893
Net Position - beginning of year					16,372,004	16,372,004
Restatement					<u>1,073,906</u>	<u>1,073,906</u>
Net Position - beginning of year, as restated					17,445,910	17,445,910
Net position - end of year					<u>22,090,803</u>	<u>22,090,803</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF NOLENSVILLE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2018

Assets	General Fund	State Street Aid Fund	Drug Fund	Facilities Tax Fund	Impact Fund	Facilities School Tax	Total
Cash and cash equivalents	\$5,630,609	\$330,443	\$6,623	\$5,864,084	\$6,572,199	\$19,190	\$18,423,148
Accounts receivable	1,015,931	55,806	0	0	0	711,432	1,783,169
Prepaid assets	55,767	0	0	0	0	0	55,767
Due from other funds	104,805	0	0	0	0	0	104,805
Total Assets	\$6,807,112	\$386,249	\$6,623	\$5,864,084	\$6,572,199	\$730,622	\$20,366,889
<u>Liabilities, Deferred Inflows and Fund Balance</u>							
Liabilities:							
Accounts payable	\$61,575	\$1,453	\$0	\$0	\$52,620	\$40,464	\$156,112
Accrued expenses	24,811	0	0	0	0	0	24,811
Due to other funds	0	0	0	0	0	104,805	104,805
Total Liabilities	86,386	1,453	0	0	52,620	145,269	285,728
Deferred Inflow of Resources:							
Deferred current property taxes	626,909	0	0	0	0	0	626,909
Deferred grant funds	0	0	0	0	0	273,894	273,894
Total Deferred Inflow of Resources	626,909	0	0	0	0	273,894	900,803
Fund balance:							
Restricted	0	384,796	6,623	5,864,084	6,519,579	311,459	13,086,541
Non-spendable	55,767	0	0	0	0	0	55,767
Unassigned	6,038,050	0	0	0	0	0	6,038,050
Total Fund Balance	6,093,817	384,796	6,623	5,864,084	6,519,579	311,459	19,180,358
Total Liabilities, Deferred Inflow and Fund Balance	\$6,807,112	\$386,249	\$6,623	\$5,864,084	\$6,572,199	\$730,622	\$20,366,889

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities**

June 30, 2018

Amounts reported for fund balance - total governmental funds \$ 19,180,358

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable and accrued contingencies are not due and payable in the current period and therefore are not recorded in the funds

Long-term debt	(5,097,000)
Accrued vacation time	(16,506)

Pension related accounts - governmental funds do not record these post-benefit obligations

Net pension liability	(306,914)
Deferred outflow - pension	334,156
Deferred inflow - pension	(1,315)

OPEB related accounts - governmental funds do not record these post-benefit obligations

Total OPEB liability	(35,342)
Deferred outflow - OPEB	127
Deferred inflow - OPEB	(1,611)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds

Investment in capital assets, net of accumulated depreciation	<u>8,034,850</u>
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Net position of governmental activities	\$ <u><u>22,090,803</u></u>
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TOWN OF NOLENSVILLE, TENNESSEE

**Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances**

For the Year Ended June 30, 2018

	General Fund	State Street Aid Fund	Drug Fund	Facilities Tax Fund	Impact Fund	Facilities School Tax	Total Governmental Funds
Revenues:							
Taxes	\$963,673	0	0	0	0	0	963,673
Intergovernmental	1,477,088	294,146	0	0	0	297,741	2,068,975
Licenses and permits	1,078,928	0	0	1,593,682	1,695,330	114,559	4,482,499
Fines and fees	77,526	0	1,044	0	0	0	78,570
Miscellaneous	102,830	3,142	64	62,454	65,757	451	234,698
Total Revenues	<u>3,700,045</u>	<u>297,288</u>	<u>1,108</u>	<u>1,656,136</u>	<u>1,761,087</u>	<u>412,751</u>	<u>7,828,415</u>
Expenditures:							
Current:							
General government	671,568	0	0	0	0	0	671,568
Police department	874,159	0	0	0	0	0	874,159
Fire department	169,813	0	0	0	0	0	169,813
Codes, planning and engineering	496,971	0	0	0	0	0	496,971
Highway and streets	360,820	26,683	0	0	0	0	387,503
Capital outlay:							
General government	7,875	0	0	0	0	0	7,875
Codes, planning and engineering	29,980	0	0	0	0	0	29,980
Highway and streets	47,441	243,678	0	0	0	0	291,119
Impact fund	0	0	0	0	441,310	0	441,310
Facilities school tax fund	0	0	0	0	0	744,014	744,014
Debt service							
Principal	0	0	0	185,480	0	0	185,480
Interest	0	0	0	115,878	0	0	115,878
Total Expenditures	<u>2,658,627</u>	<u>270,361</u>	<u>0</u>	<u>301,358</u>	<u>441,310</u>	<u>744,014</u>	<u>4,415,670</u>
Excess (deficiency) of revenues over expenditures	<u>1,041,418</u>	<u>26,927</u>	<u>1,108</u>	<u>1,354,778</u>	<u>1,319,777</u>	<u>(331,263)</u>	<u>3,412,745</u>
 Fund Balance, Beginning of year	<u>4,934,056</u>	<u>357,869</u>	<u>5,515</u>	<u>4,509,306</u>	<u>5,199,802</u>	<u>48,865</u>	<u>15,055,413</u>
Restatement	118,343	0	0	0	0	593,857	712,200
Fund Balance, Beginning of year, as restated	<u>5,052,399</u>	<u>357,869</u>	<u>5,515</u>	<u>4,509,306</u>	<u>5,199,802</u>	<u>642,722</u>	<u>15,767,613</u>
Fund Balance, End of Year	<u>6,093,817</u>	<u>384,796</u>	<u>6,623</u>	<u>5,864,084</u>	<u>6,519,579</u>	<u>311,459</u>	<u>19,180,358</u>

See accompanying notes to financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds:	\$ 3,412,745
Amounts reported for governmental activities in the statement of net position are different because:	
Expenses in the governmental funds that decrease long-term debt	
Loan principal payments	185,480
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,990)
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds	
Change in pension plan accounts	(12,407)
Change in OPEB plan accounts	(36,826)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	1,514,298
Depreciation expense	<u>(361,407)</u>
Change in net position of governmental activities	\$ <u>4,644,893</u>

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Taxes:				
Property taxes	\$502,053	\$502,053	\$584,301	82,248
Alcohol taxes	175,820	175,820	166,800	(9,020)
Cable and gas franchise	145,000	145,000	211,691	66,691
Penalty and interest	300	300	881	581
Total Taxes	<u>823,173</u>	<u>823,173</u>	<u>963,673</u>	<u>140,500</u>
Intergovernmental:				
TVA in lieu	93,248	93,248	91,021	(2,227)
Local sales tax	600,000	600,000	561,686	(38,314)
State sales tax	642,816	642,816	700,352	57,536
Grants	25,100	25,100	18,853	(6,247)
State supplement	0	0	3,600	3,600
State income tax	75,000	75,000	52,772	(22,228)
State beer and alcohol tax	33,968	33,968	32,314	(1,654)
State special petroleum tax	16,269	16,269	16,490	221
Total Intergovernmental Revenue	<u>1,486,401</u>	<u>1,486,401</u>	<u>1,477,088</u>	<u>(9,313)</u>
Licenses and Permits	<u>723,351</u>	<u>723,351</u>	<u>1,078,928</u>	<u>355,577</u>
Fines and fees	<u>139,500</u>	<u>139,500</u>	<u>77,526</u>	<u>(61,974)</u>
Miscellaneous:				
Other income	75	75	2,208	2,133
Insurance proceeds	0	0	10,666	10,666
Donations	0	0	22,895	22,895
Interest income	24,000	24,000	67,061	43,061
Total Miscellaneous	<u>24,075</u>	<u>24,075</u>	<u>102,830</u>	<u>78,755</u>
Total Revenues	<u>3,196,500</u>	<u>3,196,500</u>	<u>3,700,045</u>	<u>503,545</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Expenditures:				
General Government:				
Current:				
Personnel costs	219,866	249,525	242,628	(6,897)
Payroll taxes	16,820	18,820	18,765	(55)
Employee benefits	46,700	49,700	47,812	(1,888)
Board of Mayor and Aldermen	233,128	208,597	197,977	(10,620)
Supplies	1,500	2,000	2,668	668
Professional services	16,800	18,200	17,867	(333)
Repair and maintenance	3,123	7,823	5,853	(1,970)
Office expense	5,250	5,750	7,380	1,630
Dues and subscription	3,726	7,226	6,914	(312)
Travel and auto	3,200	6,600	6,671	71
Insurance	4,071	4,071	2,444	(1,627)
Building	133,359	133,659	114,068	(19,591)
Miscellaneous	15,000	15,000	521	(14,479)
	702,543	726,971	671,568	(55,403)
Capital outlay	1,000	1,000	7,875	6,875
Total General Government	703,543	727,971	679,443	(48,528)
Public Safety:				
Police department:				
Personnel costs	444,992	513,351	454,293	(59,058)
Payroll taxes	33,207	44,340	34,529	(9,811)
Employee benefits	140,586	153,779	99,476	(54,303)
Contract services	12,966	38,766	21,553	(17,213)
Memberships and dues	3,158	3,158	2,959	(199)
Supplies	10,550	21,200	68,748	47,548
Repair and maintenance	8,915	8,915	9,904	989
Uniforms	9,500	16,700	22,662	5,962
Auto expenses	39,750	39,750	34,727	(5,023)
Utilities	4,924	8,234	5,126	(3,108)
Insurance	36,837	49,482	31,528	(17,954)
Court	98,417	99,690	88,583	(11,107)
Miscellaneous	0	0	71	71
	843,802	997,365	874,159	(123,206)
Capital outlay	0	25,500	0	(25,500)
Total Police department	843,802	1,022,865	874,159	(148,706)

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2018

Continued,	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Codes, Planning and Engineering department:				
Personnel costs	301,450	315,622	314,630	(992)
Payroll taxes	23,062	23,562	23,677	115
Employee benefits	54,920	55,920	57,018	1,098
Memberships	2,655	3,230	2,730	(500)
Professional services	105,800	113,900	57,648	(56,252)
Supplies and maintenance	43,574	43,699	26,429	(17,270)
Vehicle expense	1,915	2,265	1,722	(543)
Insurance	13,322	15,922	10,656	(5,266)
Travel	3,750	4,050	2,461	(1,589)
Miscellaneous	0	0	0	0
	<u>550,448</u>	<u>578,170</u>	<u>496,971</u>	<u>(81,199)</u>
Capital outlay	30,000	30,000	29,980	(20)
Total Codes, Planning and Engineering	<u>580,448</u>	<u>608,170</u>	<u>526,951</u>	<u>(81,219)</u>
Street department:				
Personnel costs	164,136	176,569	169,701	(6,868)
Payroll taxes	12,365	13,365	12,991	(374)
Employee benefits	37,727	41,727	42,293	566
Repair and maintenance	86,706	86,706	98,888	12,182
Supplies	8,800	8,800	5,966	(2,834)
Street lighting and utilities	5,960	5,960	4,444	(1,516)
Insurance	8,225	8,225	7,916	(309)
Vehicle expense	12,300	12,300	6,501	(5,799)
Contractual services	11,600	11,600	11,600	0
Miscellaneous	1,019	1,020	520	(500)
	<u>348,838</u>	<u>366,272</u>	<u>360,820</u>	<u>(5,452)</u>
Capital outlay	59,260	63,135	47,441	(15,694)
Total Street department	<u>408,098</u>	<u>429,407</u>	<u>408,261</u>	<u>(21,146)</u>
Fire protection:	<u>184,294</u>	<u>184,294</u>	<u>169,813</u>	<u>(14,481)</u>
Total Expenditures	<u>2,720,185</u>	<u>2,972,707</u>	<u>2,658,627</u>	<u>(314,080)</u>
Excess (deficiency) of Revenues over Expenditures	476,315	223,793	1,041,418	817,625
Other financing sources: Operating transfer	<u>(96,246)</u>	<u>(96,246)</u>	<u>0</u>	<u>96,246</u>
Net change in fund balance	<u>380,069</u>	<u>127,547</u>	<u>1,041,418</u>	<u>913,871</u>
Fund Balance, July 1, 2017	4,934,056	4,934,056	4,934,056	0
Restatement	118,343	118,343	118,343	0
Fund Balance, July 1, 2017, as restated	5,052,399	5,052,399	5,052,399	0
Fund Balance, June 30, 2018	<u>\$5,432,468</u>	<u>\$5,179,946</u>	<u>\$6,093,817</u>	<u>\$913,871</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

State Street Aid Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	46,681	46,681	50,442	3,761
Gasoline 1989 tax	22,229	22,229	27,219	4,990
Gasoline 2017 tax	0	0	46,248	46,248
Gasoline and motor fuel	153,382	153,382	170,237	16,855
	<u>222,292</u>	<u>222,292</u>	<u>294,146</u>	<u>71,854</u>
Miscellaneous				
Interest	0	0	3,142	3,142
	<u>0</u>	<u>0</u>	<u>3,142</u>	<u>3,142</u>
Total Revenues	<u>222,292</u>	<u>222,292</u>	<u>297,288</u>	<u>74,996</u>
Expenditures:				
Streets:				
Street maintenance	1,016,000	1,016,000	26,683	(989,317)
Capital outlay	246,699	246,699	243,678	(3,021)
	<u>1,262,699</u>	<u>1,262,699</u>	<u>270,361</u>	<u>(992,338)</u>
Total Expenditures	<u>1,262,699</u>	<u>1,262,699</u>	<u>270,361</u>	<u>(992,338)</u>
Excess (deficiency) of revenues over expenditures	(1,040,407)	(1,040,407)	26,927	1,067,334
Other financing sources: operating transfer	<u>31,346</u>	<u>31,346</u>	<u>0</u>	<u>(31,346)</u>
Other financing sources: loan proceeds	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>	<u>(1,000,000)</u>
Net change in fund balance	<u>(9,061)</u>	<u>(9,061)</u>	<u>26,927</u>	<u>35,988</u>
Fund Balance, July 1, 2017	<u>357,869</u>	<u>357,869</u>	<u>357,869</u>	<u>-</u>
Fund Balance, June 30, 2018	<u>348,808</u>	<u>348,808</u>	<u>384,796</u>	<u>35,988</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

Drug Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Fines	\$500	\$500	\$1,044	544
Interest	<u>0</u>	<u>0</u>	<u>64</u>	<u>64</u>
Total Revenues	<u>500</u>	<u>500</u>	<u>1,108</u>	<u>608</u>
Expenditures:				
Supplies	0	0	0	0
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	500	500	1,108	(608)
 Fund Balance, July 1, 2017	<u>5,515</u>	<u>5,515</u>	<u>5,515</u>	<u>-</u>
Fund Balance, June 30, 2018	<u><u>\$6,015</u></u>	<u><u>\$6,015</u></u>	<u><u>6,623</u></u>	<u><u>608</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

Facilities Tax Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Licenses and permits	\$1,168,656	\$1,168,656	\$1,593,682	425,026
Interest	20,000	20,000	62,454	42,454
Total Revenues	<u>1,188,656</u>	<u>1,188,656</u>	<u>1,656,136</u>	<u>467,480</u>
Expenditures:				
Debt Service	511,000	511,000	301,358	(209,642)
Professional services	0	73,750	0	(73,750)
Total Expenditures	<u>511,000</u>	<u>584,750</u>	<u>301,358</u>	<u>(283,392)</u>
Excess (deficiency) of revenues over expenditures	677,656	603,906	1,354,778	750,872
Other financing sources: operating transfer	<u>64,900</u>	<u>64,900</u>	<u>0</u>	<u>(64,900)</u>
Net change in fund balance	<u>742,556</u>	<u>668,806</u>	<u>1,354,778</u>	<u>685,972</u>
Fund Balance, July 1, 2017	<u>4,509,306</u>	<u>4,509,306</u>	<u>4,509,306</u>	<u>-</u>
Fund Balance, June 30, 2018	<u>5,186,962</u>	<u>5,178,112</u>	<u>5,864,084</u>	<u>750,872</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

Impact Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Licenses and permits	1,361,467	1,361,467	1,695,330	333,863
Interest	10,000	10,000	65,757	55,757
Total Revenues	<u>1,371,467</u>	<u>1,371,467</u>	<u>1,761,087</u>	<u>389,620</u>
Expenditures:				
Capital outlay	<u>5,500,000</u>	<u>5,500,000</u>	<u>441,310</u>	<u>5,058,690</u>
Total Expenditures	<u>5,500,000</u>	<u>5,500,000</u>	<u>441,310</u>	<u>5,058,690</u>
Excess (deficiency) of revenues over expenditures	(4,128,533)	(4,128,533)	1,319,777	5,448,310
Fund Balance, July 1, 2017	<u>5,199,802</u>	<u>5,199,802</u>	<u>5,199,802</u>	<u>-</u>
Fund Balance, June 30, 2018	<u><u>1,071,269</u></u>	<u><u>1,071,269</u></u>	<u><u>6,519,579</u></u>	<u><u>5,448,310</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual**

Facilities School Tax Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Licenses and permits	0	0	114,559	114,559
Grants	0	197,113	297,741	100,628
Interest	0	0	451	451
	<u>0</u>	<u>197,113</u>	<u>412,751</u>	<u>215,638</u>
Total Revenues	<u>0</u>	<u>197,113</u>	<u>412,751</u>	<u>215,638</u>
Expenditures:				
Professional services	111,000	111,000	0	(111,000)
Capital outlay	0	703,397	744,014	40,617
	<u>111,000</u>	<u>814,397</u>	<u>744,014</u>	<u>(70,383)</u>
Total Expenditures	<u>111,000</u>	<u>814,397</u>	<u>744,014</u>	<u>(70,383)</u>
Excess (deficiency) of revenues over expenditures	(111,000)	(617,284)	(331,263)	286,021
 Fund Balance, July 1, 2017	 <u>48,865</u>	 <u>48,865</u>	 <u>48,865</u>	 <u>-</u>
Restatement	568,419	568,419	593,857	0
Fund Balance, July 1, 2017, as restated	617,284	617,284	642,722	0
Fund Balance, June 30, 2018	<u>506,284</u>	<u>0</u>	<u>311,459</u>	<u>286,021</u>

The notes accompanying the financial statements are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The Town of Nolensville, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety, streets, public improvements, and general administrative services. The accounting policies of the Town of Nolensville, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows all applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

Accounting Pronouncements:

Effective July 1, 2003 the Town adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the Town. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies, Continued

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 (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers most governmental revenues as available if received within 60 days of year end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

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

State Street Aid Fund - To account for the receipt and usage of the Town's share of State gasoline taxes.

Drug Fund - To account for the activity in the Town's Drug fund.

Facilities Tax Fund – To account for the Town Facility Tax and the expenditures related to the tax.

Impact Fund – To account for the Impact fee assessed on new developments.

Facilities School Tax – To account for the Town facility Tax to be used on future school infrastructure improvements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts and amounts held by the State Local Government Investment Pool. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property Tax

The Town's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.15 per \$100 of assessed valuation for the fiscal year ended June 30, 2018. Payments may be made during the period from October 1 through February 28. Current tax collections of \$570,377 for the fiscal year ended June 30, 2018 were approximately 99 percent of the tax levy.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Furniture and Equipment	5-10 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental fund.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Credit Risk

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist principally of cash and accounts receivable. The Town places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

Unavailable Revenue

Unavailable revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the Unavailable revenue is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting

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

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The Town implemented GASB 54, which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority(Mayor), Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has deferred outflows related to its pension and OPEB plan reporting.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for intergovernmental shared revenues, which do not meet the availability criteria in governmental funds. The Town has deferred inflows related to pension plan and OPEB plan reporting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies, Continued

Pension

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 Nolensville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Nolensville'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.

Other Post-Employment Benefit Plan- (OPEB)

Plan description. The Town provides certain retiree health insurance benefits in a single employer defined benefit OPEB Plan through the LGIP which is administered by the State of Tennessee. All employees covered by the LGIP and hired prior to July 1, 2015 are covered by the OPEB Plan. According to State law in effect on the measurement date, employees first hired on or after July 1, 2015 are not eligible to continue health insurance coverage under the OPEB Plan after retiring. Any changes to the law will be recognized in future measurements. For eligible employees, some employers provide a direct subsidy toward the premium for certain employees; all employers provide an implicit subsidy; and the retiree pays any balance of the required premium remaining.

Funding policy. There are no assets or trust fund accumulating to pre-fund the OPEB obligation. The funding policy is to pay the OPEB obligation as it comes due each month on a pay-as-you-go basis. The total premium rate structure required for LGIP coverage is established by and may be amended by the Benefits Administration unit of the State and the State Insurance Committee. The local employer sets its own level of subsidy for the designated classification of members.

Eligibility. Eligibility to commence OPEB coverage is the same as eligibility for retirement under the Tennessee Consolidated Retirement System (TCRS), with the added conditions of (a) having being at least 10 years of employment with the employer and three continuous years of insurance coverage in the LGIP immediately prior to final termination for retirement (or age 55 with at least 20 years of such employment if only one year of such coverage) and (b) receiving a monthly pension from TCRS. Additional rules apply for OPEB coverage for TCRS-approved disabilities. Alternative conditions are made for any locally sponsored public safety retirement plan or utility board member.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts. During the year, the Town invested funds that were not immediately needed in savings accounts and investments in the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. 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 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.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the town. The Town's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the government's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC).

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

(3) Accounts Receivable

Accounts receivable at June 30, 2018, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Total</u>
General Fund	\$ 385,355	630,576	1,015,931
Facilities School Tax	711,432	-	711,432
State Street Aid	<u>55,806</u>	<u>-</u>	<u>55,806</u>
Total	\$ <u>1,152,593</u>	<u>630,576</u>	<u>1,783,169</u>

(4) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Land	\$ 278,753	-	-	278,753
Building	4,570,055	-	-	4,570,055
Furniture	31,525	-	-	31,525
Infrastructure*	3,901,717	1,429,002	-	5,330,719
Equipment	<u>415,066</u>	<u>85,296</u>	<u>-</u>	<u>500,362</u>
Total	\$ <u>9,197,116</u>	<u>1,514,298</u>	<u>-</u>	<u>10,711,414</u>
Accumulated depreciation	(2,315,157)			(2,676,564)
Capital Assets, net	<u>6,881,959</u>			<u>8,034,850</u>

* The Town restated its Infrastructure as of July 1, 2017. See Note 11.

All assets are being depreciated except land of \$278,753.

Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:	
Police department	37,611
General government	117,564
Highways and streets	<u>206,232</u>
Total	<u>361,407</u>

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(5) Risk Management

The Town of Nolensville is exposed to various risks to general liability and property and casualty losses. The Town has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, and association of member municipalities. The Town pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies.

The Town has not had any claims in excess of insurance coverage during the last three years.

(6) Long-Term Debt

The following schedule reflects the changes in general long-term debt, for the fiscal year ending June 30, 2018.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Recreation center loan	1,831,900	-	70,900	1,761,000
Building construction loan	3,450,580	-	114,580	3,336,000
Total	5,282,480	-	185,480	5,097,000

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2018 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	195,000	42,985
2020	204,000	41,174
2021	214,000	39,453
2022	225,000	37,275
2023	235,000	35,186
2024-2028	1,366,000	140,580
2029-2033	1,731,000	69,997
2034-2036	927,000	7,835
Total	5,097,000	414,485

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(7) Pension Plan

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established 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 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.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>20</u>
Total	<u>38</u>

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2018

(7) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Nolensville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, actuarially determined contribution (ADC) for Nolensville were (\$79,689) based on a rate of (7.59%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Nolensville'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)

Nolensville's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2017 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.

Cost-of-Living Adjustment 2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation 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.

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.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements, Continued

June 30, 2018

(7) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 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 by 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%
Total		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town 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.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

(7) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/16	\$1,103,481	\$875,292	\$228,189
Changes for the Year:			
Service Cost	79,198		79,198
Interest	87,572		87,572
Differences between expected and actual experience	78,819		78,819
Changes in Assumptions	26,589		26,589
Contributions-employer		45,436	(45,436)
Contributions-employees		46,939	(46,939)
Net investment income		102,643	(102,643)
Benefit payments, including refunds of employee contributions	(30,099)	(30,099)	-
Administrative expense		(1,565)	1,565
Other changes		-	-
Net changes	242,079	163,354	78,725
Balance at 6/30/17	\$ 1,345,560	\$ 1,038,646	\$ 306,914

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Nolensville calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nolensville's net pension Liability (asset)	507,375	306,914	143,072

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(7) Pension, Continued

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2018, Nolensville recognized negative pension expense of \$96,212.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Nolensville reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	231,676	-
Net difference between projected and Actual earning on pension plan Investments	-	1,315
Contributions subsequent to the Measurement date of June 30, 2017	<u>79,689</u>	<u>-</u>
Total	<u>334,156</u>	<u>1,315</u>

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

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

Year Ended June 30:

2019	42,740
2020	53,917
2021	47,183
2022	39,127
2023	36,277
Thereafter	33,907

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

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(8) Other Postemployment Benefits For Retiree Health Insurance

Plan description – Employees of the Town, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB 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 chose 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 Town 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, receives 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. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town does not directly subsidize and are only subject to the implicit. 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 by benefit terms. At July 1, 2017, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>18</u>
Total	<u>18</u>

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 established premium rates. For the fiscal year ended June 30, 2018, the Town paid \$127 to the LGOP for OPEB benefits as they came due.

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

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

(8) Other Postemployment Benefits For Retiree Health Insurance, Continued

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 3.71%.

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 the Tennessee Consolidated Retirement System (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 were 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 a 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.

Changes in assumptions-The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

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 higher 4.56% than the current discount rate.

1% Decrease	Current Discount Rate Assumption	1% Increase
<u>(2.56%)</u>	<u>(3.56%)</u>	<u>(4.56%)</u>
38,149	35,342	32,646

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(8) Other Postemployment Benefits For Retiree Health Insurance, 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-lower (6.00% decreasing to 3.77%) or 1-percentage point higher (8.00 decreasing to 5.77%) than the current healthcare cost trend rate.

1% Decrease (6.00% to 3.77%)	Current Healthcare Cost Trend Rate Assumption (7.00 to 4.77%)	1% Increase (8.00 to 5.77%)
31,019	35,342	40,366

OPEB Expense

Service Cost	\$ 3,368
Interest on the Total OPEB liability	1,053
Current-Period Benefit Changes	0
OPEB Plan Administrative Expense	0
Recognition of Outflow/(Inflow) of Resources due to liabilities	(171)
Total OPEB Expense	\$ 4,250

Recognition of Deferred Outflows and Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable combined deferred outflows and inflows of resources established in the current measurement period is 7.9 years.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	-
Changes in assumptions	-	1,611
Contributions /Benefits paid after the Measurement date	127	-
Total	<u>127</u>	<u>1,611</u>

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(8) Other Postemployment Benefits For Retiree Health Insurance, Continued

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

Year Ended June 30:

2019	(171)
2020	(171)
2021	(171)
2022	(171)
2023	(171)
Thereafter	(756)
Total	(1,611)

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

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(9) Commitments and Contingencies

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

Litigation:

The Town has no lawsuits in which the outcome would be material to the financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2018

(10) Interfund Transactions

Interfund receivables and payables at June 30, 2018 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	104,805	-
Facilities School Tax	-	<u>104,805</u>
Total	\$ <u>104,805</u>	<u>104,805</u>

The General Fund made purchases related to a grant project related to the Facilities School Tax. The Facilities School Tax Fund will re-pay these balances during the year.

(11) Restatement

During the year the Town restated its beginning net position by \$+1,073,906 (government-wide) to account for capital assets (+410,915) related to a grant project that were not recorded, Grant revenues for a project that have yet to be reimbursed (+568,419), and as a result of a change in the accounting policy related to period of availability (+143,781), recording of accrued vacation time (-32,703). Additionally, the Town adopted GASB – Other Postemployment Benefits and reduced the government-wide net position by (-16,506).

REQUIRED
SUPPLEMENTARY
INFORMATION

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Required Supplementary Information

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

	2014	2015	2016	2017
Total pension liability (asset)				
Service cost	\$ 42,778	\$ 44,681	\$ 68,656	\$ 79,198
Interest	\$ 45,363	\$ 57,205	\$ 67,215	\$ 87,572
Changes in benefit terms	-	-	\$ -	\$ -
Differences between actual & expected experience	\$ 78,351	\$ 18,960	\$ 150,790	\$ 78,819
Change of assumptions	-	-	-	\$ 26,589
Benefit payments, including refunds of employee contributions	\$ (19,734)	\$ (1,259)	\$ (21,455)	\$ (30,099)
Net change in total pension liability (asset)	\$ 146,758	\$ 119,587	\$ 265,206	\$ 242,079
Total pension liability (asset)-beginning	\$ 571,930	\$ 718,688	\$ 838,275	\$ 1,103,481
Total pension liability (asset)-ending (a)	\$ 718,688	\$ 838,275	\$ 1,103,481	\$ 1,345,560
 Plan fiduciary net position				
Contributions-employer	\$ 24,710	\$ 16,345	\$ 22,272	\$ 45,436
Contributions-employee	\$ 28,079	\$ 32,955	\$ 44,902	\$ 46,939
Net investment income	\$ 102,339	\$ 23,459	\$ 22,047	\$ 102,643
Benefit payments, including refunds of employee contributions	\$ (19,734)	\$ (1,259)	\$ (21,455)	\$ (30,099)
Administrative expense	\$ (474)	\$ (689)	\$ (1,320)	\$ (1,565)
Other	-	-	-	-
Net change in plan fiduciary net position	\$ 134,920	\$ 70,811	\$ 66,446	\$ 163,354
 Plan fiduciary net position-beginning	\$ 603,115	\$ 738,035	\$ 808,846	\$ 875,292
Plan fiduciary net position-ending (b)	\$ 738,035	\$ 808,846	\$ 875,292	\$ 1,038,646
 Net Pension Liability (asset)-ending (a) - (b)	\$ (19,347)	\$ 29,429	\$ 228,189	\$ 306,914
 Plan fiduciary net position as a percentage of total pension liability	102.69%	96.49%	79.32%	77.19%
 Covered payroll	\$ 561,578	\$ 659,088	\$ 898,048	\$ 938,764
 Net pension liability (asset) as a percentage of covered payroll	-3.45%	4.47%	25.41%	32.69%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

TOWN OF NOLENSVILLE, TENNESSEE

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	<u>24,710</u>	<u>16,345</u>	<u>22,272</u>	<u>45,436</u>	<u>79,689</u>
Contributions in relation to the actuarially determined contribution	<u>24,710</u>	<u>16,345</u>	<u>22,272</u>	<u>45,436</u>	<u>79,689</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>561,578</u>	<u>659,088</u>	<u>898,048</u>	<u>938,764</u>	<u>1,049,920</u>
Contributions as a percentage covered-employee payroll	<u>4.40%</u>	<u>2.48%</u>	<u>2.48%</u>	<u>4.84%</u>	<u>7.59%</u>

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

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 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
Cost of Living Adjustments	2.5 percent

CITY OF NOLENSVILLE, TENNESSEE

Schedule of Required Supplementary Information- OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Year ending June 30

	2017
Total OPEB Liability	
Service Cost	\$ 3,368
Interest on the Total OPEB Liability	\$ 1,053
Change in Benefit Terms	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -
Changes in assumptions and other inputs	\$ (1,782)
Benefit payments	\$ -
Net change in Total OPEB Liability	\$ 2,639
Total OPEB Liability - Beginning	\$ 32,703
Total OPEB Liability - Ending	\$ 35,342

Estimated Covered -Employee Payroll N/A

Total OPEB Liability as a Percentage of Covered- Employee Payroll N/A

Notes to Schedule

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%

Discount Rate: 3.56%

Salary Increases: Salary increase rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System; 3.44%-8.72%, including inflation.

Retirement Age: Retirement rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS).

Mortality: Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).

Healthcare Cost Trend Rates: Based on the Getzen Model, with trend starting at 7.50% for 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend rate of 3.53% with 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:

Notes 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 of 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.

SUPPLEMENTAL INFORMATION

TOWN OF NOLENSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Changes in Capital Assets

June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Land	278,753	0	0	\$278,753
Building	4,570,055	0	0	4,570,055
Furniture	31,525	0	0	31,525
Infrastructure*	3,901,717	1,429,002	0	5,330,719
Equipment	<u>415,066</u>	<u>85,296</u>	<u>0</u>	<u>500,362</u>
Total capital assets	<u>9,197,116</u>	<u>1,514,298</u>	<u>0</u>	<u>10,711,414</u>

* During the year the Infrastructure was restated by \$410,915.

TOWN OF NOLENSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Capital Assets by Function and Activity

June 30, 2018

	<u>General Government</u>	<u>Police Department</u>	<u>Streets</u>	<u>Total</u>
Land	278,753	0	0	\$278,753
Building	4,474,881	0	95,174	4,570,055
Furniture	31,525	0	0	31,525
Infrastructure	5,330,719	0	0	5,330,719
Equipment	<u>28,360</u>	<u>304,234</u>	<u>167,768</u>	<u>500,362</u>
Total capital assets	<u>10,144,238</u>	<u>304,234</u>	<u>262,942</u>	<u>10,711,414</u>

TOWN OF NOLENSVILLE, TENNESSEE

**Schedule of Cash and Cash Equivalents
All Funds**

June 30, 2018

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$5,626,767
State Investment Pool	3,842
Total General Fund	<u>5,630,609</u>
Special Revenue Funds	
State Street Aid Fund:	
Demand deposits	324,738
State Investment Pool	5,705
Total State Street Aid Fund	<u>330,443</u>
Drug Fund:	
Demand deposits	6,623
Total Drug Fund	<u>6,623</u>
Facilities Tax Fund:	
Demand deposits	5,864,084
Total Facilities Tax Fund	<u>5,864,084</u>
Impact Fund:	
Demand deposits	6,572,199
Total Facilities Tax Fund	<u>6,572,199</u>
Facilities School Tax Fund:	
Demand deposits	19,190
Total Facilities Tax Fund	<u>19,190</u>
Total Special Revenue Funds	<u>12,792,539</u>
Total - All funds	<u>\$18,423,148</u>

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2018

<u>Tax Year</u>	<u>Balance July 1, 2017</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2018</u>
2018	\$ -	626,909	0	626,909
2017	565,154	10,160	570,377	4,937
2016	5,850	0	4,367	1,483
2015	474	0	74	400
2014	28	0	18	10
2013	30	0	0	30
2012	121	0	0	121
2011	65	0	0	65
2010	103	0	0	103
2009	719	0	0	719
2008	233	0	0	233
	<u>\$572,777</u>	<u>637,069</u>	<u>574,836</u>	<u>635,010</u>
			Estimated uncollectible	<u>4,434</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Collections and Adjustments</u>	<u>Outstanding Taxes</u>
2018	0.15	626,909	0	626,909
2017	0.15	575,314	570,377	4,937
2016	0.15	498,479	496,996	1,483
2015	0.15	372,915	372,515	400
2014	0.15	337,915	337,905	10
2013	0.15	320,342	320,312	30
2012	0.15	292,845	292,724	121
2011	0.15	273,574	273,509	65
2010	0.15	250,085	249,982	103
2009	0.15	230,061	229,342	719
2008	0.06	83,134	82,901	233

All delinquent taxes have been filed with the County Trustee.

TOWN OF NOLENSVILLE, TENNESSEE
Schedule of State and Federal Financial Assistance
For the Year Ended June 30, 2018

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2017</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2018</u>
State Program:								
N/A	Z17GHS430	Highway Safety Police Grant	Tennessee Department of Transportation	<u>0</u>	<u>18,853</u>	<u>0</u>	<u>18,853</u>	<u>0</u>
N/A	SRTS-9400(58) SRTS-9329(10)	Safe routes to Schools	Tennessee Department of Transportation	<u>0</u>	<u>9,300</u>	<u>0</u>	<u>9,300</u>	<u>0</u>
20.205	STP-M-9400(56)	Small Town Connection	Tennessee Department of Transportation	<u>568,419</u>	<u>435,866</u>	<u>0</u>	<u>288,441</u>	<u>420,994</u>
Total				<u>568,419</u>	<u>464,019</u>	<u>0</u>	<u>316,594</u>	<u>420,994</u>

This schedule prepared on the modified basis of accounting.

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Bonds - Principal Officials

June 30, 2018

Mayor

Jimmy Alexander	\$ 150,000*
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Town Administrator

Ken McLawhon	\$ 150,000*
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Finance Director

Julie Wilson	\$ 150,000*
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*Covered by Blanket Insurance Policy

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Debt Service Requirements

June 30, 2018

Year	TENNESSEE MUNICIPAL BOND FUND		TENNESSEE MUNICIPAL BOND FUND		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 120,000	23,692	75,000	19,293	195,000	42,985
2020	126,000	22,774	78,000	18,400	204,000	41,174
2021	132,000	21,811	82,000	17,642	214,000	39,453
2022	139,000	20,797	86,000	16,478	225,000	37,275
2023	145,000	19,738	90,000	15,448	235,000	35,186
2024	153,000	18,620	95,000	14,361	248,000	32,981
2025	160,000	17,450	100,000	13,217	260,000	30,667
2026	168,000	16,221	105,000	12,015	273,000	28,236
2027	176,000	14,933	110,000	10,756	286,000	25,689
2028	183,000	13,578	116,000	9,429	299,000	23,007
2029	192,000	12,157	121,000	8,044	313,000	20,201
2030	202,000	10,661	127,000	6,591	329,000	17,252
2031	212,000	9,092	134,000	5,058	346,000	14,150
2032	222,000	7,448	140,000	3,456	362,000	10,904
2033	234,000	5,716	147,000	1,774	381,000	7,490
2034	245,000	3,902	155,000	918	400,000	4,820
2035	257,000	1,999			257,000	1,999
2036	270,000	1,016			270,000	1,016
	\$ 3,336,000	241,605	1,761,000	172,880	5,097,000	414,485

Both loans have variable interest rates.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Board of Aldermen
Town of Nolensville, Tennessee
Nolensville, Tennessee

I have audited 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, the financial statements of the governmental activities and each major fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Nolensville's basic financial statements, and have issued a report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2018-001 Lack of Separation of Duties).

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 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. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2018-001) to be a material weakness.

The material weakness is as follows:

2018-001 Separation of Duties

Condition: The Town cannot fully segregate the record-keeping and custodial functions of its internal controls due to the size of its staff. The Town has only two employees who perform all accounting, record-keeping and custodial functions.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the Town to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response and Corrective Action Plan: We agree. This comment is related to our size. It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. We do continue to monitor our finances and internal control. We (Board) are the contact related to this information.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Nolensville's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Town of Nolensville's response to the finding identified in the audit is described above. The Town of Nolensville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the 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.

John R Poole, CPA

November 30, 2018

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2018

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2017-001	Separation of Duties	Repeated

The original finding number was 1998-001. The current finding number is 2018-001.