

TOWN OF NASHVILLE

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

Donald B. Street, Mayor

Charles P Taylor, Mayor Pro-Tem

Kate C. Burns

Louise W. Hinton

Larry D. Taylor

Administrative and Financial Staff

Randy Lansing , Town Manager

Melonie Bryan, Interim Finance Director

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Nashville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of Nashville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Town of Nashville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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 from fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nashville, North Carolina as of June 30, 2019, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 18, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 62, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 58 and 59, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedule of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 60 and 61, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Nashville's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are 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*, we have also issued our report dated October 25, 2019 on our consideration of Town of Nashville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Nashville's internal control over financial reporting and compliance.

May & Place, PA

May & Place, PA
Louisburg, NC
October 25, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Nashville, we offer readers of the Town of Nashville's financial statements this narrative overview and analysis of the financial activities of the Town of Nashville for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

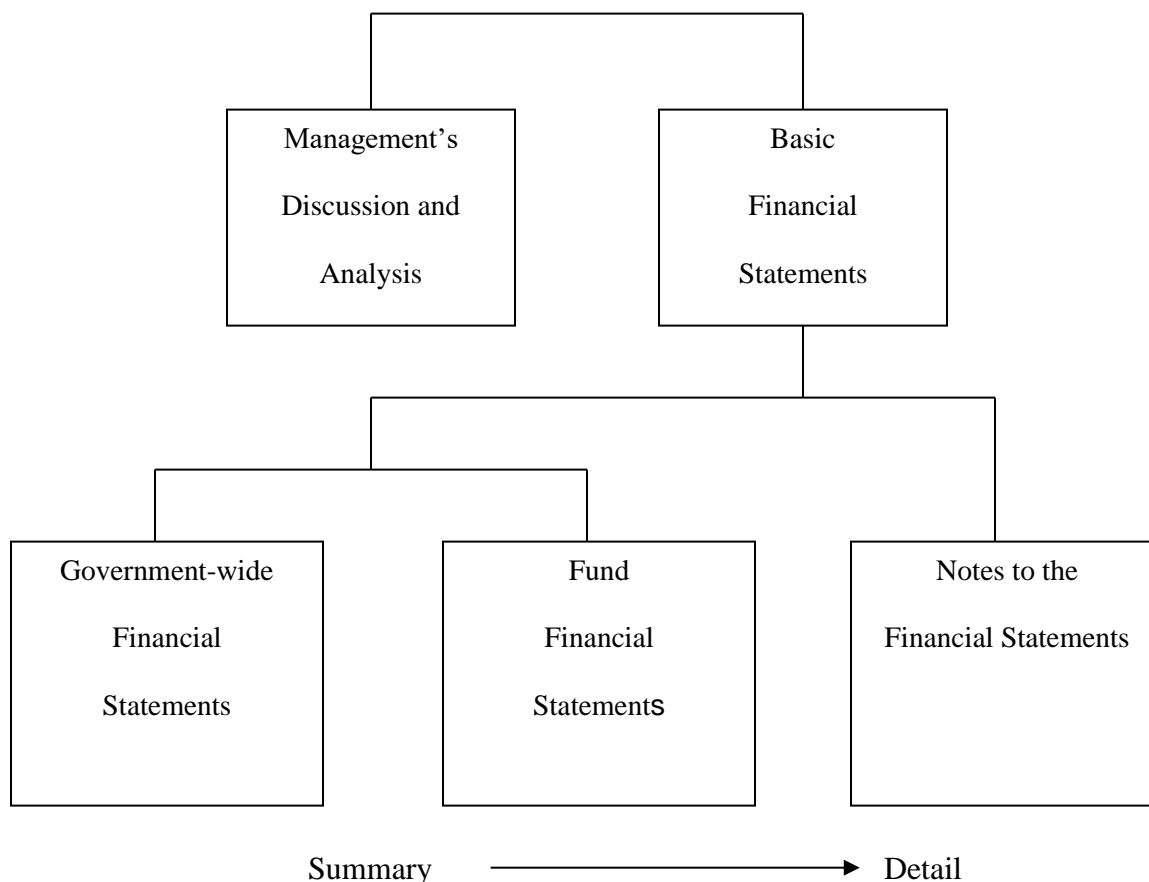
- The assets and deferred outflows of resources of the Town of Nashville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,380,806 (*net position*).
- The government's total net position increased by \$704,466 due to an increase in the governmental activities net position.
- As of the close of the current fiscal year, the Town of Nashville's governmental funds reported combined ending fund balances of \$6,023,651 with a net increase of \$898,985 in fund balance. Approximately 6.0 percent of this total amount, or \$360,839, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,990,095 or 99.8 percent of total general fund expenditures for the fiscal year.
- The Town of Nashville's total debt decreased by \$45,500 during the current fiscal year with all debt in the Water and Sewer Fund.
- The town levied \$0.10 property tax on real property located within the municipal service district serving the downtown area. The town collected \$36,640 in tax revenue for use in the district.
- The stormwater fee of \$2.50/ERU (which is 2,500 square feet) generated \$139,680 in revenue that was used for the staffing and other stormwater related expenses.
- The town continued to fund two capital reserve funds for future capital projects. Both funds were funded by transferring cash from the General Fund (\$270,328) and the Enterprise Fund (\$111,700).
- In the human resource area, the town added one new position, a maintenance position for parks and recreation.
- Maintained Class 8 insurance rating securing 5 years of flood insurance rates which provide a 10% discount for all citizens.
- Received 800 hours of LEO training at no cost.
- Recycled over 40 tons of asphalt for pothole repairs.
- Resurfaced 4600 feet of paved streets.
- Created Cooley Learning Lab at the library using grant funds.
- Joined the Cardinal Consortium which provides increased volumes available for library patrons.
- Adopted \$150 lifetime maintenance option for cemetery plots in the old section of the cemetery.
- Began participation in the NC Department of Commerce's Downtown Strong Initiative to develop a plan within the framework of downtown economic development strategies focusing on economic vitality, design, promotion, and organization activities.
- Purchased new Christmas lights for the downtown district.
- Upgraded police fleet with new graphics.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Nashville's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Nashville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than

the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, cultural and recreation, and cemetery services. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Nashville.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Nashville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Nashville can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Nashville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the

management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Town of Nashville has only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Nashville uses enterprise funds to account for its water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Nashville has one fiduciary fund, which is an agency fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Nashville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, both the federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Nashville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6 398 919	\$ 5 311 024	\$ 2 462 700	\$ 2 780 110	\$ 8 861 619	\$ 8 091 134
Capital assets	6 425 468	6 510 664	8 160 762	8 158 285	14 586 230	14 668 949
Deferred outflows of resources	695 957	469 156	107 155	66 042	803 112	535 198
Total assets and deferred outflows of resources	<u>13 520 344</u>	<u>12 290 844</u>	<u>10 730 617</u>	<u>11 004 437</u>	<u>24 250 961</u>	<u>23 295 281</u>
Long-term liabilities outstanding	-	-	213 633	259 133	213 633	259 133
Other liabilities	2 121 257	1 661 670	422 051	557 923	2 543 308	2 219 593
Deferred inflows of resources	105 707	128 307	7 507	11 908	113 214	140 215
Total liabilities and deferred inflows of resources	<u>2 226 964</u>	<u>1 789 977</u>	<u>643 191</u>	<u>828 964</u>	<u>2 870 155</u>	<u>2 618 941</u>
Net Position:						
Net investment in capital assets	6 425 468	6 510 664	7 947 129	7 899 152	14 372 597	14 409 816
Restricted	305 224	414 022	-	-	305 224	414 022
Unrestricted	4 562 688	3 576 181	2 140 297	2 276 321	6 702 985	5 852 502
Total net position	<u>\$ 11 293 380</u>	<u>\$ 10 500 867</u>	<u>\$ 10 087 426</u>	<u>\$ 10 175 473</u>	<u>\$ 21 380 806</u>	<u>\$ 20 676 340</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Nashville exceeded liabilities and deferred inflows by \$21,380,806 as of June 30, 2019. The Town's net position increased by \$704,466 for the fiscal year ended June 30, 2019. However, the largest portion (67.22%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Nashville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nashville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Nashville's net position, \$313,707 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,694,502 is unrestricted.

Several aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.13%, which is just below the statewide average of 98.57% for towns of similar size.
- Increased sales tax revenues representing a 4.6% growth over the previous year.
- Total property tax revenue increased 6.5% due to higher property receipts stemming from a 4.2% increase in property values and a two-cent increase in property tax rate.
- Stormwater fees generated \$139,680 to provide for funding stormwater related expense.

Town of Nashville's Changes in Net Position
Figure 3

	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
	2019	2019	2018	2018
Revenues:				
Program revenues				
Charges for services	\$ 702 921	\$ 4 112 704	\$ 680 259	\$ 4 076 165
Operating grants and contributions	320 132	-	312 551	-
Capital grants and contributions	9 900	-	-	972 554
General Revenues				
Property taxes	2 461 149	-	2 311 986	-
Other taxes	1 655 709	-	1 611 478	-
Grants and contributions not restricted to specific programs	504 450	-	462 412	-
Other	189 362	10 086	69 789	6 876
Total revenues	<u>5 843 623</u>	<u>4 122 790</u>	<u>5 448 475</u>	<u>5 055 595</u>
Expenses:				
General government	1 276 092	-	1 080 733	-
Public safety	2 056 923	-	2 028 713	-
Transportation	575 477	-	432 398	-
Environmental protection	530 360	-	463 983	-
Culture and recreation	598 917	-	502 666	-
Cemetery	98 648	-	94 481	-
Interest on long-term debt	-	3 734	-	4 292
Water and sewer	-	4 121 796	-	3 308 574
Total expenses	<u>5 136 417</u>	<u>4 125 530</u>	<u>4 602 974</u>	<u>3 312 866</u>
Increase in net position before transfers	707 206	(2 740)	845 501	1 742 729
Transfers	85 307	(85 307)	86 498	(86 498)
Increase in net position	792 513	(88 047)	931 999	1 656 231
Net position, July 1 (consolidated)	10 500 867	10 175 473	9 568 868	8 519 242
Net position, June 30	<u>\$ 11 293 380</u>	<u>\$ 10 087 426</u>	<u>\$ 10 500 867</u>	<u>\$ 10 175 473</u>

Governmental activities: Governmental activities increased the Town's net position by \$792 513 thereby accounting for all of the growth in the net position of the Town of Nashville.

Certain key elements for the governmental funds:

- Sales tax revenues had an increase of \$52,800.
- Property tax revenues increased by \$150,000.
- Maintaining expenditures within budgeted amounts.
- Investment in capital projects and fixed assets.

Business-type activities: Although total water and sewer revenues were approximately one percent higher than the previous year in the business-type activities, expenditures for the purchase of water and for sewage treatment increased 25.57%, thereby decreasing the Town of Nashville's net position of business-type activities by \$88,047. Key elements of this activity are as follows:

- Investments in capital project funds and fixed assets.
- Maintaining expenditures within budgeted amounts.
- Increased water and sewer operating revenue of \$36,500 of representing a 0.87% growth over the previous year.
- The purchase of water and the payments for sewage treatment to the City of Rocky Mount increased by \$547,000. This was due mainly to infiltration and inflow problems with the sewer collection system during high rainfall.
- Located and resolved 3 major inflow and infiltration sites.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Nashville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Nashville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Nashville's financing requirements.

The General Fund is the chief operating fund of the Town of Nashville. At the end of the current fiscal year, Town of Nashville's fund balance available in the General Fund was \$4,990,095 while total Fund Balance was \$5,380,745. The Town currently has an available fund balance of 99.98% of general fund expenditures, while total fund balance represents 107.57% of that same amount.

At June 30, 2019, the governmental funds of Town of Nashville reported a combined fund balance of \$6,023,651, with a net increase in fund balance of \$898,985, of which \$316,834 was in the capital projects and municipal district funds and \$582,151 in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Total revenue exceeded budgeted revenue primarily because of higher local option sales taxes and higher property taxes while each department managed their budget well and spent less than budgeted expenditures.

Proprietary Funds. The Town of Nashville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,140,297. The total change in net position for this fund was an \$88,047 decrease. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Nashville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Nashville's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$14,586,230 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles and construction in progress.

Capital asset transactions during the year include the following additions and disposals:

- Two 2019 Ford Interceptor police vehicles-\$79,491.
- One 2018 Ford F-150 XT for police - \$37,439.
- One 2011 Freightliner rear loading sanitation truck.
- 16 Motorola portable radios for fire department.
- Six APX portable radios for police.
- One Hurst Jaws of Life in fire department at a cost of \$10,647.
- Sidewalk improvements for \$4,459.
- New carport at the fire station - \$4,492.
- 52" Ferris mower for parks and recreation.
- Kubota tractor with backhoe, loader, and mower for cemetery and public works - \$49,965.
- Playground equipment - \$10,257.
- Sewer gravity line construction continued with expenditure of \$221,906 in the Water and Sewer Department capital projects.
- One Hyrdastop check valve in sewer operations - \$61,995.
- Electrical improvements at Glover Park costing \$5,295.
- Disposed of following capital assets:
 - Pitching machine - \$895.
 - Lawn mower - \$5,679.
 - Lawn mower - \$5,679.
 - 3 Ford police vehicles - \$48,818.
 - Leaf machine - \$13,100.
 - 2003 S-10 pickup truck - \$14,125.
 - Lidal loader garbage truck - \$169,794.

**Town of Nashville's Capital Assets
(Net of Depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1 924 778	\$ 1 924 778	\$ 514 809	\$ 514 809	\$ 2 439 587	\$ 2 439 587
Buildings and Improvements	1 704 915	1 775 926	-	-	1 704 915	1 775 926
Street Improvements	145 004	148 803	-	-	145 004	148 803
Equipment	805 494	897 919	395 680	382 933	1 201 174	1 280 852
Vehicles and equipment	603 348	490 215	-	-	603 348	490 215
Water and sewer systems	-	-	4 549 252	4 781 428	4 549 252	4 781 428
Recreation Park	715 196	746 290	-	-	715 196	746 290
Construction in progress	526 733	526 733	2 701 021	2 479 115	3 227 754	3 005 848
Total	\$ 6 425 468	\$ 6 510 664	\$ 8 160 762	\$ 8 158 285	14 586 230	\$ 14 668 949

Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Nashville had total debt outstanding of \$213,633. The entire amount is debt backed by the full faith and credit of the Town.

Town of Nashville's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchases	-	-	\$ 213 663	\$ 259 133	\$ 213 633	\$ 259 133
Total	-	-	\$ 213 633	\$ 259 133	\$ 213 633	\$ 259 133

The Town of Nashville's total debt decreased by \$45,500 during the past fiscal year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. While the town's total debt of \$213,633 is only 0.05% of the assessed value, the legal debt margin for Town of Nashville is \$33,930,300.

Additional information regarding the Town of Nashville's long-term debt can be found in in Note III.B.6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Steady property valuation suggests limited growth.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities:

The Town of Nashville has maintained the property tax rate at \$0.58 per \$100 valuation for the 2019-2020 fiscal year. The Town also maintained a \$0.10 per \$100 valuation property tax rate for the municipal service district established in FY2017-18. This district, authorized by N.C.G.S 160A-536(b), allows the Town to invest in downtown revitalization efforts including beautification projects, infrastructure improvements, and promotion of existing businesses.

The Town continues to fund two Capital Reserve Funds to provide funds for anticipated capital improvements as identified in a multi-year Capital Improvement Program including parks and recreational facilities, public buildings, vehicles or equipment, streets and sidewalks, and information technology. Funds are also provided for continuation of capital projects and for two new sidewalk construction capital projects.

The Town maintains a stormwater fee for all developed property based upon impervious surface at a rate of \$2.50 per equivalent residential unit. This fee will be used for drainage projects, staff, public education and outreach, capital equipment.

Expenditure highlights include

- Budgeted increase of 5% for health insurance for employees.
- Cost of Living Adjustment of 1.5% for all employees (\$42,960).
- Payroll market adjustment for public safety employees.
- Funding LEO separation allowance for two LEO retirees.
- Increase funding for LGERS rate adjustments.
- Transfer one FTE allocation from Finance to Library.
- Purchase three new police vehicles.
- Glover Park improvements (\$110,000).
- New roof at library (\$40,000).
- HVAC replacement at Glover Park (\$25,000).
- Upgrade phone system (\$30,000).

Business – type Activities: Water and Sewer revenues are expected to maintain water and sewer rates related to water distribution and wastewater treatment.

Budget expenditures include:

- Reimbursement to General Fund budgeted increase from \$85,307 to \$152,00 to more accurately reflect indirect costs.
- COLA of 1.5% for water and sewer employees (\$6,208).
- \$78,000 for rehabilitation of sewer outfall line between NC Correctional facility and the Town corporate limits.
- \$40,000 for a study to ascertain the improvements needed for the sewer collection lines to rectify inflow and infiltration issues.
- Replacement truck (\$23,500).
- Mower/loader (\$38,000).
- All terrain multi-purpose utility vehicle (\$15,000).
- Continue water and sewer capital projects.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Nashville, P.O. Box 987, Nashville, N.C. 27856.

BASIC FINANCIAL STATEMENTS

Town of Nashville, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5 972 444	\$ 1 916 485	\$ 7 888 929
Taxes receivables (net)	104 860	-	104 860
Accrued interest receivable	11 189	-	11 189
Accounts receivable (net)	126 398	305 840	432 238
Due from other governments	44 716	42 082	86 798
Internal balances	(33 481)	33 481	-
Inventories	1 797	-	1 797
Prepaid items	2 853	-	2 853
Restricted cash and cash equivalents	168 143	164 812	332 955
Total current assets	<u>6 398 919</u>	<u>2 462 700</u>	<u>8 861 619</u>
Non-current assets:			
Capital assets: (Note III.4):			
Land, non-depreciable			
improvements, and construction in progress	2 451 510	3 215 829	5 667 339
Other capital assets, net of depreciation	3 973 958	4 944 933	8 918 891
Total capital assets	<u>6 425 468</u>	<u>8 160 762</u>	<u>14 586 230</u>
Total assets	<u>12 824 387</u>	<u>10 623 462</u>	<u>23 447 849</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	665 719	97 339	763 058
OPEB deferrals	30 238	9 816	40 054
Total deferred outflows of resources	<u>695 957</u>	<u>107 155</u>	<u>803 112</u>
LIABILITIES			
Current liabilities:			
Accounts payable	261 925	1 560	263 485
Customer deposits	-	164 812	164 812
Current portion of long-term liabilities	-	45 500	45 500
Total current liabilities	<u>261 925</u>	<u>211 872</u>	<u>473 797</u>
Long-term liabilities:			
Compensated absences	129 248	18 618	147 866
Net pension liability (LGRS)	875 761	141 499	1 017 260
Total pension liability (LEOSSA)	142 095	-	142 095
Total OPEB liability	712 228	95 562	807 790
Due in more than one year	-	168 133	168 133
Total liabilities	<u>2 121 257</u>	<u>635 684</u>	<u>2 756 941</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2	-	2
Pension deferrals	105 705	7 507	113 212
Total deferred inflows of resources	<u>105 707</u>	<u>7 507</u>	<u>113 214</u>
NET POSITION			
Net investment in capital assets	6 425 468	7 947 129	14 372 597
Restricted for:			
Stabilization by State Statute	137 081	-	137 081
Streets	168 143	-	168 143
Unrestricted	4 562 688	2 140 297	6 702 985
Total net position	<u>\$ 11 293 380</u>	<u>\$ 10 087 426</u>	<u>\$ 21 380 806</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 2

**Town of Nashville, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1 276 092	\$ 7 210	\$ 85 547	\$ 9 900	\$ (1 173 435)	\$ -	\$ (1 173 435)
Public safety	2 056 923	2 548	53 978	-	(2 000 397)	-	(2 000 397)
Transportation	575 477	-	147 015	-	(428 462)	-	(428 462)
Environmental protection	530 360	542 814	-	-	12 454	-	12 454
Cultural and recreation	598 917	23 881	33 592	-	(541 444)	-	(541 444)
Cemetery	98 648	126 468	-	-	27 820	-	27 820
Total governmental activities (See Note I)	5 136 417	702 921	320 132	9 900	(4 103 464)	-	(4 103 464)
Business-type activities:							
Water and sewer	4 125 530	4 112 704	-	-	-	(12 826)	(12 826)
Total business-type activities	4 125 530	4 112 704	-	-	-	(12 826)	(12 826)
Total primary government	<u>\$ 9 261 947</u>	<u>\$ 4 815 625</u>	<u>\$ 320 132</u>	<u>\$ 9 900</u>	<u>\$ (4 103 464)</u>	<u>\$ (12 826)</u>	<u>\$ (4 116 290)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2 461 149	-	2 461 149
Other Taxes					1 655 709	-	1 655 709
Grants and contributions not restricted to specific programs					504 450	-	504 450
Unrestricted investment earnings					90 012	10 086	100 098
Miscellaneous					13 276	-	13 276
Extraordinary Item: Gain on insurance recovery					42 411	-	42 411
Gain on sale of capital assets					43 663	-	43 663
Total general revenues not including transfers					4 810 670	10 086	4 820 756
Transfers					85 307	(85 307)	-
Total general revenues and transfers					4 895 977	(75 221)	4 820 756
Change in net position					792 513	(88 047)	704 466
Net position beginning previously reported					10 500 867	10 175 473	20 676 340
Net position, ending					<u>\$ 11 293 380</u>	<u>\$ 10 087 426</u>	<u>\$ 21 380 806</u>

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5 372 020	\$ 549 459	\$ 5 921 479
Restricted cash and cash equivalents	128 919	90 189	219 108
Receivables, net:			
Taxes	102 152	2 708	104 860
Accounts	126 398	-	126 398
Due from other governments	44 166	550	44 716
Prepaid expenditures	2 853	-	2 853
Inventories	1 797	-	1 797
Total assets	<u>5 778 305</u>	<u>642 906</u>	<u>6 421 211</u>
LIABILITIES			
Accounts payable and accrued liabilities	261 925	-	261 925
Due to other funds	33 481	-	33 481
Total liabilities	<u>295 406</u>	<u>-</u>	<u>295 406</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	102 152	-	102 152
Prepaid taxes	2	-	2
Total deferred inflows of resources	<u>102 154</u>	<u>-</u>	<u>102 154</u>
FUND BALANCES			
Non-Spendable			
Inventories	1 797	-	1 797
Prepaid expenditures	2 853	-	2 853
Restricted			
Stabilization by State Statute	137 081	-	137 081
Streets	128 919	39 224	168 143
Municipal service district	-	50 965	50 965
Assigned			
Capital projects reserve	-	552 717	552 717
Subsequent year's expenditures	120 000	-	120 000
Unassigned	4 990 095	-	4 990 095
Total fund balances	<u>5 380 745</u>	<u>642 906</u>	<u>6 023 651</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5 778 305</u>	<u>\$ 642 906</u>	<u>\$ 6 421 211</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 3 (cont.)

**Town of Nashville
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$	6 023 651
Capital assets used in governmental activities are not financial resources and therefore are therefore are not reported in the funds.			
Gross capital assets at historical cost	13 256 219		
Accumulated depreciation	<u>(6 830 751)</u>		6 425 468
Deferred outflows of resources related to pensions are not reported in the funds			665 719
Deferred outflows of resources related to OPEB are not reported in the funds			30 238
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds			11 189
Earned revenues considered deferred inflows of resources in fund statements			102 152
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds			
Net pension liability (LGERS)	(875 761)		
OPEB liability	(712 228)		
Vacation accrual	(129 248)		
Total pension liability (LEOSSA)	(142 095)		(1 859 332)
Deferred inflows of resources related to pensions are not reported in the funds			(105 705)
Net position of governmental activities		\$	<u>11 293 380</u>

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2 446 292	\$ 36 640	\$ 2 482 932
Other taxes and licenses	55 186	-	55 186
Unrestricted intergovernmental	1 621 639	-	1 621 639
Restricted intergovernmental	238 437	9 900	248 337
Permits and fees	171 023	-	171 023
Sales and services	1 049 666	-	1 049 666
Investment earnings	90 012	-	90 012
Miscellaneous	23 896	-	23 896
Total revenues	5 696 151	46 540	5 742 691
EXPENDITURES			
Current:			
General government	1 073 594	8 744	1 082 338
Public safety	1 988 713	-	1 988 713
Transportation	544 223	-	544 223
Environmental protection	489 968	-	489 968
Culture and recreation	513 969	-	513 969
Cemetery	104 272	-	104 272
Capital outlay	287 145	4 459	291 604
Total expenditures	5 001 884	13 203	5 015 087
Excess (deficiency) of revenues over expenditures	694 267	33 337	727 604
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	85 307	-	85 307
Transfers to other funds	(283 497)	283 497	-
Sale of capital assets	43 663	-	43 663
Insurance recovery	42 411	-	42 411
Total other financing sources (uses)	(112 116)	283 497	171 381
Net change in fund balances	582 151	316 834	898 985
Fund balances, beginning	4 798 594	326 072	5 124 666
Fund balances, ending	\$ 5 380 745	\$ 642 906	\$ 6 023 651

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances – total governmental funds	\$	898 985
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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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	291 604	
Depreciation expense for governmental assets	<u>(376 800)</u>	(85 196)

Contributions to the pension plan in the current fiscal year

are not included on the Statement of Activities		157 291
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Benefit payments paid and administrative expenses for the LEOSSA		6 553
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are not included in the Statement of Activities		30 238
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OPEB benefit payments and administrative costs are made in the current fiscal year are not included on the Statement of Activities		14 858
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		14 858
--	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	986	
Pension expense (LGERS)	(214 003)	
Pension expense (LEOSSA)	(13 086)	
OPEB plan expense	<u>(4 113)</u>	<u>(230 216)</u>

Total changes in net position of governmental activities	\$	<u>792 513</u>
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The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2019

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2 302 240	\$ 2 302 240	\$ 2 446 292	\$ 144 052
Other taxes and licenses	54 500	67 669	55 186	(12 483)
Unrestricted intergovernmental	1 539 000	1 539 000	1 621 639	82 639
Restricted intergovernmental	227 471	297 559	238 437	(59 122)
Permits and fees	135 000	161 894	171 023	9 129
Sales and services	965 838	1 000 040	1 049 666	49 626
Investment earnings	18 300	18 300	90 012	71 712
Miscellaneous	16 500	17 680	23 896	6 216
Total revenues	<u>5 258 849</u>	<u>5 404 382</u>	<u>5 696 151</u>	<u>291 769</u>
Expenditures:				
Current:				
General government	1 029 864	1 116 144	1 079 794	36 350
Public safety	2 279 692	2 378 365	2 164 019	214 346
Transportation	601 203	586 203	544 223	41 980
Environmental protection	586 678	670 678	558 968	111 710
Cultural and recreation	534 199	547 861	530 626	17 235
Cemetery	149 192	149 192	124 254	24 938
Contingency	20 000	15 000	-	15 000
Total expenditures	<u>5 200 828</u>	<u>5 463 443</u>	<u>5 001 884</u>	<u>461 559</u>
Revenues over (under) expenditures	<u>58 021</u>	<u>(59 061)</u>	<u>694 267</u>	<u>753 328</u>
Other financing sources (uses):				
Transfers from other funds	85 307	85 307	85 307	-
Transfers to other funds	(270 328)	(283 497)	(283 497)	-
Insurance recovery	-	16 429	42 411	25 982
Sales of capital assets	-	-	43 663	43 663
Total other financing sources	<u>(185 021)</u>	<u>(181 761)</u>	<u>(112 116)</u>	<u>69 645</u>
Fund Balance appropriated	127 000	240 822	-	(240 822)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>582 151</u>	<u>\$ 582 151</u>
Fund balances, beginning			<u>4 798 594</u>	
Fund balances, ending			<u>\$ 5 380 745</u>	

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1 916 485	\$ 1 916 485
Accounts receivable (net) – billed	305 840	305 840
Due from other governments	42 082	42 082
Due from other funds	33 481	33 481
Restricted cash and cash equivalents	164 812	164 812
Total current assets	<u>2 462 700</u>	<u>2 462 700</u>
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	3 215 829	3 215 829
Other capital assets, net of depreciation	4 944 933	4 944 933
Capital assets (net)	<u>8 160 762</u>	<u>8 160 762</u>
Total noncurrent assets	<u>8 160 762</u>	<u>8 160 762</u>
Total assets	<u>10 623 462</u>	<u>10 623 462</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	97 339	97 339
OPEB deferrals	9 816	9 816
Total deferred outflows of resources	<u>107 155</u>	<u>107 155</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1 560	1 560
Customer deposits	164 812	164 812
Installment purchases – current	45 500	45 500
Total current liabilities	<u>211 872</u>	<u>211 872</u>
Noncurrent liabilities:		
Compensated absences	18 618	18 618
Net pension liability	141 499	141 499
Total OPEB liability	95 562	95 562
Installment purchases – noncurrent	168 133	168 133
Total noncurrent liabilities	<u>423 812</u>	<u>423 812</u>
Total liabilities	<u>635 684</u>	<u>635 684</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	7 507	7 507
NET POSITION		
Net investment in capital assets	7 947 129	7 947 129
Unrestricted	2 140 297	2 140 297
Total net position	<u>\$ 10 087 426</u>	<u>\$ 10 087 426</u>

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 3 999 485	\$ 3 999 485
Water and sewer taps	27 811	27 811
Other operating revenues	85 408	85 408
Total operating revenues	<u>4 112 704</u>	<u>4 112 704</u>
OPERATING EXPENSES		
Administration	154 961	154 961
Water distribution	1 123 258	1 123 258
Waste collection and treatment	2 532 170	2 532 170
Depreciation	311 407	311 407
Total operating expenses	<u>4 121 796</u>	<u>4 121 796</u>
Operating income (loss)	<u>(9 092)</u>	<u>(9 092)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	10 086	10 086
Interest and other charges	(3 734)	(3 734)
Total nonoperating revenue (expenses)	<u>6 352</u>	<u>6 352</u>
Income (loss) before contributions and transfers	(2 740)	(2 740)
Transfers to other funds	(85 307)	(85 307)
Changes in net position	(88 047)	(88 047)
Total net position, previously reported	10 175 473	10 175 473
Total net position, ending	<u>\$ 10 087 426</u>	<u>\$ 10 087 426</u>

The notes to the financial statements are an integral part of this statement.

Town of Nashville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4 037 335	\$ 4 037 335
Cash paid for goods and services	(3 541 329)	(3 541 329)
Cash paid to or on behalf of employees for services	(459 853)	(459 853)
Customer deposits received (returned) net	9 407	9 407
Other operating revenues	85 408	85 408
Net cash provided (used) by operating activities	<u>130 968</u>	<u>130 968</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Decrease (increase) in due from other governments	(22 471)	(22 471)
Transfers to other funds	(85 307)	(85 307)
Total cash flows from non-capital financing activities	<u>(107 778)</u>	<u>(107 778)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and construction of capital assets	(313 884)	(313 884)
Principal paid on installment purchases	(45 500)	(45 500)
Interest paid on installment purchases	(3 734)	(3 734)
Net cash provided (used) by capital and related financing activities	<u>(363 118)</u>	<u>(363 118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	10 086	10 086
Net increase (decrease) in cash and cash equivalents	(329 842)	(329 842)
Balances, beginning	2 411 139	2 411 139
Balances, ending	<u>\$ 2 081 297</u>	<u>\$ 2 081 297</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ (9 092)	\$ (9 092)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	311 407	311 407
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10 039	10 039
Increase (decrease) in accounts payable and accrued liabilities	(188 045)	(188 045)
Increase (decrease) in customer deposits	9 407	9 407
Increase (decrease) in accrued vacation pay	(4 207)	(4 207)
(Increase) decrease in deferred outflows of resources - pensions	(41 435)	(41 435)
(Increase) in deferred outflows of resources - OPEB	322	322
Increase (decrease) in net pension liability	51 820	51 820
Increase (decrease) in deferred inflows of resources - pensions	(4 401)	(4 401)
Increase in OPEB liability	(4 847)	(4 847)
Total adjustments	<u>140 060</u>	<u>140 060</u>
Net cash provided by operating activities	<u>\$ 130 968</u>	<u>\$ 130 968</u>

The notes to the financial statements are an integral part of this statement.

**Town of Nashville, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2019**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 879</u>
Liabilities	
Intergovernmental payable	<u>879</u>
Total liabilities	<u>\$ 879</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Town of Nashville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Nashville conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Nashville is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary

revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, sanitation services, cultural and recreation, and cemetery.

The Town reports the following non-major governmental funds:

Grant Project Special Revenue Fund. This fund is used to account for grant funds that are restricted for use for a particular purpose.

Capital Reserve Fund. This fund is used to account for funds reserved for the purchase or construction capital assets.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

The Town reports the following fund types:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Nash-Rocky Mount Public Schools.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods relating to a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem tax receivables are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Nashville because the tax is levied by Nash County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects, the Capital Projects Fund, and the Enterprise Fund Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The budget officer (town manager) is authorized to transfer monies from one appropriation to another within the same fund not to exceed 10% of the total fund. Any such transaction is required to be reported to the Town Council at its next regular meeting. All other amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principle office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S.159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

All unexpended loan and grant proceeds of General Fund and Enterprise Funds are classified as restricted assets for each fund because their use is completely restricted to the purpose for which the proceeds were originally issued. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

<u>Town of Nashville Restricted Cash</u>		
Governmental Activities		
	Streets	168 143
Total governmental activities		<u>\$ 168 143</u>
Business-type Activities		
Water and Sewer Fund		
	Customer deposits	\$ 164 812
Total business-type activities		<u>\$ 164 812</u>
Total Restricted Cash		<u><u>\$ 332 955</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first in, first out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$25,000; infrastructure, \$25,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General Fund infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Substations and lines	40
Buildings	30
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer Equipment	3
Computer Software	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial 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 and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance cost, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net Position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource for appropriation because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid expenses – portion of fund balance that is not an available resource for appropriation because it represents the year-end balance of the prepaid expenses, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute –North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State legislature in the 1930's that were designed to improve the maintain the fiscal health of the local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation is G.S. 159-8(a) provides a formula for determining what portion of the fund is available for appropriation. The amount of the fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance is any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provision or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Municipal Service District – portion of fund balance that is restricted by tax revenue for servicing the downtown area.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Nashville's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance – portion of fund balance that Town of Nashville intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Capital projects reserve – portion of fund balance that is appropriated for future capital projects.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Nashville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information and the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Nashville's employer contributions are recognized when due and the Town of Nashville has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the transfers from the Water and Sewer Fund to the Water and Sewer Capital Projects Fund exceeded governing council authorized appropriations by \$221,906. The over-expenditure occurred because the transfer was omitted from the Water and Sewer Fund budget.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$4,020,570 and a bank balance of \$4,491,293. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$1,151.

2. Investments

At June 30, 2019, the Town's investment balances were as follows:

<u>Investments by type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Maturity</u>	<u>Rating</u>
NCCMT - Government Portfolio	Amortized Cost	\$ 1 567 419	N/A	AAAm
NCCMT – Term Portfolio	Fair Value Level 1	2 633 623	< 6 months	Unrated
Total		<u>\$ 4 201 042</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 Debt securities valued using directly observable quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town uses the NC Cash Management Trust for all its investment portfolio.

Credit Risk. The Town has no formal policy regarding credit risk but has management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the

highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 50 314
Accounts receivable	3 739
Total	<u>54 053</u>
Enterprise Fund:	
Accounts receivable	-
Total	<u>\$ 54 053</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, were follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1 924 778	\$ -	\$ -	\$1 924 778
Construction in Progress	526 733	-	-	526 733
Total capital assets not being depreciated	<u>2 451 511</u>	<u>-</u>	<u>-</u>	<u>2 451 511</u>
Capital assets being depreciated:				
Buildings and improvements	3 040 793	4 942	-	3 045 735
Street improvements	242 495	4 459	-	246 954
Equipment	3 153 266	79 816	12 253	3 220 829
Vehicles and equipment	2 805 694	192 130	245 837	2 751 987
Cemetery improvements	41 664	-	-	41 664
Recreation park	1 487 281	10 257	-	1 497 538
Total capital assets being depreciated	<u>10 771 193</u>	<u>291 604</u>	<u>258 090</u>	<u>10 804 707</u>
Less accumulated depreciation for:				
Buildings and improvements	1 264 867	75 953	-	1 340 820
Street improvements	93 692	8 258	-	101 950
Equipment	2 255 347	172 241	12 253	2 415 335
Vehicles and equipment	2 315 479	78 997	245 837	2 148 639
Cemetery improvements	41 664	-	-	41 664
Recreation park	740 991	41 351	-	782 342
Total accumulated depreciation	<u>6 712 040</u>	<u>\$ 376 800</u>	<u>\$ 258 090</u>	<u>6 830 750</u>
Total capital assets being depreciated, net	<u>4 059 153</u>			<u>3 973 957</u>
Governmental activity capital assets, net	<u>\$ 6 510 664</u>			<u>\$6 425 468</u>

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

General government	\$ 8 686
Public Safety	183 157
Transportation	35 081
Environment protection	52 622
Culture and recreation	97 254
Total depreciation expense	<u>\$ 376 800</u>

Business-type activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 514 809	\$ -	\$ -	\$ 514 809
Construction in Progress	2 479 115	221 906	-	2 701 021
Total capital assets not being depreciated	<u>2 993 924</u>	<u>221 906</u>	<u>-</u>	<u>3 215 830</u>
Capital assets being depreciated:				
Water and Sewer system	7 670 030	-	-	7 670 030
Equipment	1 031 222	91 978	2 000	1 121 200
Water treatment EDA	1 125 412	-	-	1 125 412
Highway 58 Water and Sewer Expansion	1 255 680	-	-	1 255 680
Total capital assets being depreciated	<u>11 082 344</u>	<u>91 978</u>	<u>2 000</u>	<u>11 172 322</u>
Less accumulated depreciation for:				
Water and Sewer system	4 339 718	172 649	-	4 512 367
Equipment	648 289	79 231	2 000	725 520
Water treatment EDA	440 784	28 135	-	468 919
Highway 58 Water and Sewer expansion	489 192	31 392	-	520 584
Total accumulated depreciation	<u>5 917 983</u>	<u>\$ 311 407</u>	<u>\$ 2 000</u>	<u>6 227 390</u>
Total capital assets being depreciated, net	<u>5 164 361</u>			<u>4 944 932</u>
Water and Sewer fund capital assets, net	<u>5 164 361</u>			<u>4 944 932</u>
Business-type activities capital assets, net	<u>\$ 8 158 285</u>			<u>\$ 8 160 762</u>

Construction commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
New well & connecting water line	\$ 307 014	\$ 101 541
Wastewater gravity outfall line	2 423 597	100 995
Total	<u>\$ 2 730 611</u>	<u>\$ 202 536</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

Plan Description. The Town of Nashville is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Nashville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Nashville's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee

contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Nashville were \$183,077 for the year ended June 30, 2019.

Refunds of Contributions – Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$1,017,260 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.04288%, which was a decrease of 0.00035% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$245,773. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156 939	\$ 5 266
Changes in assumptions	269 942	-
Net difference between projected and actual earnings on pension plan investments	139 640	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	60 679
Town contributions subsequent to the measurement date	183 077	-
Total	\$ <u>749 598</u>	\$ <u>65 945</u>

The \$183,077 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2019	\$	242 745
2020		158 510
2021		22 491
2022		76 831
2023		-
Thereafter		-
	\$	<u>500 577</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation & productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4 %
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan 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.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 2 443 547	\$ 1 017 260	\$ (174 567)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Nashville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary

or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u>15</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity Factor
Discount rate	3.64%

The discount rate used to measure the total pension liability is the S&P Municipal 20-year High Grade Rate.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefit earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. No benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reported a total pension liability of \$142,095. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$13,086.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39 637
Changes of assumptions	7 267	7 630
Town benefit payments and plan administrative expense made subsequent to the measurement date	6 193	-
Total	<u>\$ 13 460</u>	<u>\$ 47 267</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources (a)	Deferred Inflows of Resources (b)	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense (a) – (b)
2020	\$ 1 566	\$ 9 849	\$ (8 283)
2021	1 566	9 849	(8 283)
2022	1 566	9 849	(8 283)
2023	1 566	9 803	(8 237)
2024	1 003	6 728	(5 725)
Thereafter	-	1 189	(1 189)

No benefits came due in the measurement period.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate.

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 155 554	\$ 142 095	\$ 130 139

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2019
Beginning balance	\$ 135 733
Service Cost	16 720
Interest on the total pension liability	4 289
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(8 384)
Changes of assumptions or other inputs	(6 263)
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 142 095</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Following is information related to the proportionate share and pension expense for all pension plans:

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

	LGERS	LEOSSA	Total
Pension Expense	\$ 245 773	\$ 13 086	\$ 258 859
Pension Liability	1 017 260	142 095	1 159 355
Proportionate share of the net pension liability	0.04288%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	156 939	-	156 939
Changes of assumptions	269 942	7 267	277 209
Net difference between projected and actual earnings on plan investments	139 640	-	139 640
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	183 077	6 193	189 270
Deferred Inflows of Resources			
Differences between expected and actual experience	5 266	39 637	44 903
Changes of assumptions	-	7 630	7 630
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	60 679	-	60 679

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The Town made contributions of \$30,839 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina Assembly.

Funding Policy. The Town has elects to contribute each month an amount equal to three percent of each employee's salary, and all amounts contributed are vested immediately. The Town made contributions of \$50,382 for the general employees for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement 75.

Benefits Provided. This plan provides post-employment health care benefits to Town retirees who were hired prior to April 7, 1992, retire under the provisions set forth under the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty-five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees who retire with a minimum of 25 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	5	2
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	-	-
Total	<u>5</u>	<u>2</u>

Total OPEB Liability

The Town's total OPEB liability of \$807,790 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 – 7.75%, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare 7.5% reducing to 5% by 2023 Medicare 5.5% reducing to 5% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 848 767
Changes for the year	
Service cost	-
Interest	29 682
Changes of benefit terms	-
Differences between expected and actual experience	(7 536)
Changes in assumptions or other inputs	(32 849)
Benefit payments	(30 274)
Net changes	<u>(40 977)</u>
Balance at June 30, 2019	<u><u>\$ 807 790</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table with adjustments for LGERS experience and generational mortality improvements using scale MP-2015.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.89%) or 1 percentage point higher (4.89%) than the current discount rate.

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 914 718	\$ 807 790	\$ 720 540

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% decrease	Current	1% increase
Total OPEB liability	\$ 720 695	\$ 807 790	\$ 912 500

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$9,404. At June 30, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs made subsequent to the measurement date	\$ 40 054	\$ -
Total	\$ 40 054	\$ -

\$40,054 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended June 30:	
2020	\$ 0
2021	0
2022	0
2023	0
2024	0
Thereafter	0

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple employer, State administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town of Nashville deferred outflow of resources is comprised of the following:

Contribution to pension plan in current fiscal year	\$	189 630
Benefit payments and administrative expenses for		
OPEB made subsequent to measurement date		40 054
Differences between expected and actual experience		156 939
Changes of assumptions		277 209
Net difference between projected and actual		139 640
Total	\$	<u>803 472</u>

Deferred inflows of resources at year end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 2	\$ 2
Taxes Receivable, less penalties (General Fund)	-	102 152
Changes in assumptions	7 630	-
Differences between expected and actual experience	44 903	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60 679	-
Total	<u>\$ 113 214</u>	<u>\$ 102 154</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to the statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed

certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchase by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is not in an area of the State that has been mapped and designated and “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is not eligible to purchase coverage of \$500,000 per structure through the NFIP.

In accordance with G.S. 159-29, the Town’s employees that have access to \$100 or more at any given time of the Town’s funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$119,000. The Tax Collector is bonded for \$10,000. The remaining employees that have access to funds are bonded for \$25,000 for each occurrence of employee dishonesty and forgery and \$5,000 for each occurrence for theft of money and securities.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019 the Town was not a defendant to any lawsuits.

6. Long-Term Obligations

a. Installment Purchase

Enterprise Funds

On September 9, 2014 the Town entered into a direct placement installment purchase agreement to finance a sewer vacuum jet rodding machine on a 2015 Freightliner chassis. The contract requires 120 monthly principal payments of \$2,967 with an interest rate of 1.84 percent. The sewer vacuum jet rodding machine is pledged as collateral for the debt.

The future minimum payments of the installment purchase as of June 30, 2019 including \$8,898 of interest are as follows:

Year Ending June 30	Principle	Interest
2020	\$ 35 600	\$ 3 092
2021	35 600	2 430
2022	35 600	1 775
2023	35 600	1 120
2024	35 600	467
2025	5 933	14
Total	\$ 183 933	\$ 8 898

On June 8, 2015, the Town entered into a direct placement installment purchase agreement to finance a sewer portable by-pass pump. The contract requires seven annual payments of \$9,900 with an interest rate of 0.0 percent. The portable by-pass pump is pledged as collateral for the debt.

The future minimum payments of the installment purchase as of June 30, 2019 are as follows:

Year Ending June 30	Principle	Interest
2020	\$ 9 900	\$ -
2021	9 900	-
2022	9 900	-
Total	<u>\$ 29 700</u>	<u>\$ -</u>

b. Changes in Long-Term Liabilities:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Unfunded pension contribution	-	-	-	-	-
Compensated absences	130 234	-	986	129 248	-
Total OPEB liability	748 358	-	36 130	712 228	-
Net pension liability (LGERS)	560 062	315 699	-	875 761	-
Total pension liability (LEOSSA)	<u>135 733</u>	<u>6 362</u>	<u>-</u>	<u>142 095</u>	<u>-</u>
Governmental activities long – term liabilities	<u>\$ 1 574 387</u>	<u>\$ 322 061</u>	<u>\$ 37 116</u>	<u>\$ 1 859 332</u>	<u>\$ -</u>
Business-type activities:					
Installment purchases	\$ 259 133	\$ -	\$ 45 500	\$ 213 633	\$ 45 500
Compensated absences	22 825	-	4 207	18 618	-
Total OPEB liability	100 409	-	4 847	95 562	-
Net pension liability (LGERS)	<u>89 679</u>	<u>51 820</u>	<u>-</u>	<u>141 499</u>	<u>-</u>
Business type activities long – term liabilities	<u>\$ 472 046</u>	<u>\$ 51 820</u>	<u>\$ 54 554</u>	<u>\$ 469 312</u>	<u>\$ 45 500</u>

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to Enterprise Fund:	
General Fund	\$ <u>33 481</u>
Total	<u>\$ 33 481</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2019, consist of the following:

From General Fund to Municipal Services District	\$ 13 169
From General Fund to Capital Project Reserve	270 328
From Water and Sewer Fund to General fund for expenses	85 307
From Water and Sewer Fund to Capital Project Reserve fund	111 700
From Water and Sewer Fund to Capital Projects fund	221 906
Total	<u>\$ 702 410</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various programs.

During the 2018 fiscal year, the Town made a one-time transfer of \$85,307 from the Water and Sewer Fund to the General Fund to reimburse payroll expenditures associated with the water and sewer functions. The Town also transferred \$270,328 from the General Fund to the Capital Project Reserve Fund for future capital projects, \$13,169 from the General Fund to the Municipal Services District fund for taxes collected from the district, and \$111,700 from the Water and Sewer Fund to the Capital Project Reserve Fund for future water and sewer capital projects.

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance – General Fund	\$ 5 380 745
Less:	
Inventories	1 797
Prepaid expenses	2 853
Stabilization by State Statute	137 081
Streets-Powell Bill	128 919
Appropriated Fund Balance in subsequent year	120 000
Remaining Fund Balance	4 990 095

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2019.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant money to grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of the Net Pension Liability For Local Government Employees' Retirement System
- Schedule of Contributions – Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Nashville, North Carolina
Town of Nashville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Nashville's proportion of the net pension liability (asset) (%)	0.04288%	0.04253%	0.04286%	0.04607%	0.04844%	0.0489%
Nashville's proportion of the net pension liability (asset) (\$)	\$ 1 017 260	\$ 649 741	\$ 909 633	\$ 206 760	\$ (285 673)	\$ 589 433
Nashville's covered-employee payroll	\$ 2 422 617	\$ 2 270 980	\$ 2 242 164	\$ 2 482 236	\$ 1 918 228	\$ 1 998 885
Nashville's proportionate share of the net pension liability as a percentage of its covered employee payroll	41.99%	28.61%	40.57%	8.33%	(14.89%)	29.49%
Plan fiduciary net position as a percentage of total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

**Town of Nashville, North Carolina
Town of Nashville's Contributions
Required Supplementary Information
Last Six Fiscal Years**

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 183 077	\$ 188 003	\$ 168 602	\$ 150 422	\$ 158 304	\$ 151 233
Contributions in relation to the contractually required contribution	183 077	188 003	168 602	150 422	158 304	151 233
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Nashville's covered-employee payroll	\$2 286 921	\$2 422 617	\$ 2 270 980	\$ 2 242 164	\$ 2 482 236	\$ 1 918 228
Contributions as a percentage of covered employee payroll	8.01%	7.76%	7.42%	6.71%	6.38%	7.88%

Town of Nashville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 135 733	\$ 152 716	\$ 137 001
Service Cost	16 720	13 286	14 929
Interest on the total pension liability	4 289	5 895	4 891
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(8 384)	(46 563)	-
Changes of assumptions or other inputs	(6 263)	10 399	(4 105)
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u><u>\$ 142 095</u></u>	<u><u>\$ 135 733</u></u>	<u><u>\$ 152 716</u></u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Nashville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 142 095	\$ 135 733	\$ 152 716
Covered payroll	616 218	593 355	635 921
 Total pension liability as a percentage of covered payroll	 23.06%	 22.88%	 24.01%

Notes to the schedules:

The Town of Nashville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of Nashville
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ -	\$ -
Interest	29 682	27 133
Changes of benefit terms	-	-
Differences between expected and actual experience	(7 536)	1 501
Changes of assumptions	(32 849)	(62 703)
Benefits payments	(30 274)	(36 894)
Net change in total OPEB liability	(40 977)	(70 963)
Total OPEB liability – beginning	848 767	919 730
Total OPEB liability – ending	<u>\$ 807 790</u>	<u>\$ 848 767</u>
 Covered payroll	 N/A	 N/A
Total OEPB liability as a percentage of covered payroll	N/A	N/A

Notes to Schedule:

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 2 427 165	\$ -
Interest	-	19 127	-
Total	<u>2 302 240</u>	<u>2 446 292</u>	<u>144 052</u>
Other taxes and licenses:			
Business permits	-	2 760	-
Automobile tags	-	52 426	-
Total	<u>67 669</u>	<u>55 186</u>	<u>(12 483)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	1 207 840	-
Telecommunications sales tax	-	34 558	-
Utility franchise and sales tax	-	276 501	-
Video sales tax	-	44 086	-
Beer and wine tax	-	22 563	-
ABC profit distribution	-	36 091	-
Total	<u>1 539 000</u>	<u>1 621 639</u>	<u>82 639</u>
Restricted intergovernmental:			
Powell Bill allocation	-	147 015	-
Police donations and forfeitures	-	1 679	-
Police grants	-	4 150	-
Fire donations	-	500	-
County aid to library	-	14 000	-
State aid to library	-	15 692	-
HOPE initiative grant	-	47 649	-
Literacy grant	-	600	-
Grassroots grant	-	3 300	-
Solid waste disposal tax	-	3 852	-
Total	<u>297 559</u>	<u>238 437</u>	<u>(59 122)</u>
Permits and fees:			
Planning and zoning revenue	-	4 450	-
PEG channel support	-	26 893	-
Stormwater fees	-	139 680	-
Total	<u>161 894</u>	<u>171 023</u>	<u>9 129</u>

(continued)

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Sanitation fees	-	402 939	-
Fire protection	-	504 450	-
Cemetery revenues	-	126 468	-
Recreation department fees	-	13 261	-
Court cost	-	2 223	-
Parking violations	-	325	-
Total	<u>1 000 040</u>	<u>1 049 666</u>	<u>49 626</u>
Investment earnings	<u>18 300</u>	<u>90 012</u>	<u>71 712</u>
Miscellaneous:			
Donations/fees – library	-	10 620	-
Miscellaneous	-	13 276	-
Total	<u>17 680</u>	<u>23 896</u>	<u>6 216</u>
Total Revenues	<u>5 404 382</u>	<u>5 696 151</u>	<u>291 769</u>
Expenditures:			
General government:			
Salaries and employee benefits	-	27 068	-
Other operating expenditures	-	34 986	-
Total	<u>-</u>	<u>62 054</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	390 342	-
Other operating expenditures	-	403 764	-
Total	<u>-</u>	<u>794 106</u>	<u>-</u>
Planning:			
Salaries and employee benefits	-	130 933	-
Other operating expenditures	-	4 732	-
Total	<u>-</u>	<u>135 665</u>	<u>-</u>
Economic development:			
Dues	-	12 604	-
Total	<u>-</u>	<u>12 604</u>	<u>-</u>

(continued)

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits	-	3 582	-
Other operating expenditures	-	65 583	-
Capital outlay	-	6 200	-
Total	-	75 365	-
Total general government	1 116 144	1 079 794	36 350
Public safety:			
Police:			
Salaries and employee benefits	-	922 663	-
Other operating expenditures	-	204 097	-
Capital outlay	-	131 124	-
Total	-	1 257 884	-
Fire:			
Salaries and employee benefits	-	723 724	-
Other operating expenditures	-	138 229	-
Capital outlay	-	44 182	-
Total	-	906 135	-
Total public safety	2 378 365	2 164 019	214 346
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	173 214	-
Other operating expenditures	-	371 009	-
Total transportation	586 203	544 223	41 980
Environmental protection:			
Solid Waste:			
Salaries and employee benefits	-	167 797	-
Other operating expenditures	-	285 012	-
Capital Outlay	-	69 000	-
Total solid waste	-	521 809	-
Stormwater:			
Salaries and employee benefits	-	24 510	-
Other operating expenditures	-	12 649	-
Total stormwater	-	37 159	-
Total environmental protection	670 678	558 968	111 710

(continued)

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	186 302	-
Other operating expenditures	-	111 623	-
Capital outlay	-	16 657	-
Total	<u>-</u>	<u>314 582</u>	<u>-</u>
Libraries:			
Salaries and employee benefits	-	155 904	-
Other operating expenditures	-	60 140	-
Total	<u>-</u>	<u>216 044</u>	<u>-</u>
Total culture and recreation	<u>547 861</u>	<u>530 626</u>	<u>17 235</u>
Cemetery:			
Salaries and employee benefits	-	95 850	-
Other operating expenditures	-	8 422	-
Capital outlay	-	19 982	-
Total	<u>149 192</u>	<u>124 254</u>	<u>24 938</u>
Contingency	<u>15 000</u>	<u>-</u>	<u>15 000</u>
Total expenditures	<u>5 463 443</u>	<u>5 001 884</u>	<u>461 559</u>
Revenues over (under) expenditures	(59 061)	694 267	753 328
Other financing sources (uses):			
Transfers from other funds:			
Water and Sewer fund	85 307	85 307	-
Transfers to other funds:			
Capital Reserve fund	(270 328)	(270 328)	-
Municipal Services District fund	(13 169)	(13 169)	-
Sale of capital assets	-	43 663	43 663
Insurance recovery	16 429	42 411	25 982
Total	<u>(181 761)</u>	<u>(112 116)</u>	<u>69 645</u>
Fund balance appropriated	240 822	-	(240 822)
Net change in fund balance	\$ <u>-</u>	582 151	\$ <u>582 151</u>
Fund balances, beginning		4 798 594	
Fund balances, ending		<u>\$ <u>5 380 745</u></u>	

Town of Nashville, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Municipal Services Tax District Fund	Capital Reserve Fund	Capital Sidewalk Project Fund	Total Non- major Governmental Funds
Assets				
Cash and cash equivalents	\$ 47 707	\$ 552 717	\$ 39 224	\$ 639 648
Accounts receivable, net	2 708	-	-	2 708
Due from other governments	550	-	-	550
	<u>50 965</u>	<u>552 717</u>	<u>39 224</u>	<u>642 906</u>
Total assets	\$ <u>50 965</u>	\$ <u>552 717</u>	\$ <u>39 224</u>	\$ <u>642 906</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Assigned or Restricted	50 965	552 717	39 224	642 895
Total liabilities and fund balances	\$ <u>50 965</u>	\$ <u>552 717</u>	\$ <u>39 224</u>	\$ <u>642 906</u>

Town of Nashville, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2019

	Municipal Services Tax District Fund	Capital Reserve Fund	Capital Sidewalk Project Fund	Total Non- major Governmental Funds
Revenues:				
Tax revenue	\$ 36 640	\$ -	\$ -	\$ 36 640
Restricted intergovernmental: DOC grant	<u>9 900</u>	<u>-</u>	<u>-</u>	<u>9 900</u>
Total revenues	<u>46 540</u>	<u>-</u>	<u>-</u>	<u>46 540</u>
Expenditures:				
Sidewalk construction	-	-	4 459	4 459
Administration	<u>8 744</u>	<u>-</u>	<u>-</u>	<u>8 744</u>
Total expenditures	<u>8 744</u>	<u>-</u>	<u>4 459</u>	<u>13 203</u>
Revenues over (under expenditures)	37 796	-	(4 459)	33 337
Other financing sources (uses):				
Town contributions	<u>13 169</u>	<u>270 328</u>	<u>-</u>	<u>283 497</u>
Total other financing sources	<u>13 169</u>	<u>270 328</u>	<u>-</u>	<u>283 497</u>
Revenues over (under) expenditures	<u>50 965</u>	<u>270 328</u>	<u>(4 459)</u>	<u>316 834</u>
Fund balance, beginning	-	282 389	43 683	326 072
Total liabilities and fund balances	\$ <u><u>50 965</u></u>	\$ <u><u>552 717</u></u>	\$ <u><u>39 224</u></u>	\$ <u><u>642 906</u></u>

Town of Nashville, North Carolina
Municipal Services District Fud
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
MSD ad valorem taxes	\$ 30 385	\$ -	\$ 36 640	\$ 36 640	\$ 6 255
State DOC grant	-	-	9 900	9 900	9 900
Total revenues	<u>30 385</u>	<u>-</u>	<u>46 540</u>	<u>46 540</u>	<u>16 155</u>
Expenditures:					
Current:					
Project expenditures	<u>43 554</u>	<u>-</u>	<u>8 744</u>	<u>8 744</u>	<u>34 810</u>
Total expenditures	<u>43 554</u>	<u>-</u>	<u>8 744</u>	<u>8 744</u>	<u>34 810</u>
Revenues over expenditures	<u>(13 169)</u>	<u>-</u>	<u>37 796</u>	<u>37 796</u>	<u>50 965</u>
Other financing sources:					
Town contribution	<u>13 169</u>	<u>-</u>	<u>13 169</u>	<u>13 169</u>	<u>-</u>
Total other financing sources	<u>13 169</u>	<u>-</u>	<u>13 169</u>	<u>13 169</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>50 965</u>	<u>\$ 50 965</u>	<u>\$ 50 965</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 50 965</u>		

Town of Nashville, North Carolina
Capital Project Fund – Capital Reserve
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>		<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:						
Restricted intergovernmental						
Outside grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-
Expenditures:						
Current:						
Project expenditures	1 073 539	-	-	-	1 073 539	
Total expenditures	1 073 539	-	-	-	1 073 539	
Revenues over expenditures	(1 073 539)	-	-	-	(1 073 539)	
Other financing sources:						
Town contribution	1 073 539	282 389	270 328	552 717	(520 822)	
Total other financing sources	1 073 539	282 389	270 328	552 717	(520 822)	
Net change in fund balance	\$ -	\$ 282 389	270 328	\$ 552 717	\$ 552 717	
Fund balance, beginning			282 389			
Fund balance, ending			\$ 552 717			

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Current:					
Streets and sidewalk development:					
Sidewalk construction	\$ 30 000	\$ -	\$ 4 459	\$ 4 459	\$ 25 541
Relocation of utilities	13 683	-	-	-	13 683
Total expenditures	<u>43 683</u>	<u>-</u>	<u>4 459</u>	<u>4 459</u>	<u>39 224</u>
Revenues over expenditures	<u>(43 683)</u>	<u>-</u>	<u>(4 459)</u>	<u>(4 459)</u>	<u>(39 224)</u>
Other financing sources:					
Town contribution	106 000	106 000	-	106 000	-
Transfer to other funds:					
Transfer to water & sewer fund capital project	<u>(62 317)</u>	<u>(62 317)</u>	<u>-</u>	<u>(62 317)</u>	<u>-</u>
Total other financing sources	<u>43 683</u>	<u>43 683</u>	<u>-</u>	<u>43 683</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43 683</u>	<u>(4 459)</u>	<u>\$ 39 224</u>	<u>\$ 39 224</u>
Fund balance, beginning			<u>43 683</u>		
Fund balance, ending			<u>\$ 39 224</u>		

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental					
CMAQ federal grant	\$ 198 403	\$ -	\$ -	\$ -	\$ (198 403)
Total revenues	<u>198 403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198 403)</u>
Expenditures:					
Current:					
Streets and sidewalk					
development:					
Sidewalk construction	199 003	-	-	-	199 003
Right-of-Way	34 000	-	-	-	34 000
Engineering	<u>15 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15 000</u>
Total expenditures	<u>248 003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248 003</u>
Revenues over expenditures	<u>(49 600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49 600</u>
Other financing sources:					
Town contribution	<u>49 600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49 600)</u>
Total other financing sources	<u>49 600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49 600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental					
CMAQ federal grant	\$ 212 990	\$ -	\$ -	\$ -	\$ (212 990)
Total revenues	<u>212 990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212 990)</u>
Expenditures:					
Current:					
Streets and sidewalk					
development:					
Sidewalk construction	179 238	-	-	-	179 238
Right-of-Way	63 500	-	-	-	63 500
Engineering	<u>23 500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23 500</u>
Total expenditures	<u>266 238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266 238</u>
Revenues over expenditures	<u>(53 248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53 248</u>
Other financing sources:					
Town contribution	<u>53 248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53 248)</u>
Total other financing sources	<u>53 248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53 248)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales:			
Residential and commercial	\$ -	\$ 1 236 311	\$ -
Total	<u>1 119 700</u>	<u>1 236 311</u>	<u>116 611</u>
Sewer charges:			
Residential and commercial	-	2 763 174	-
Total	<u>2 588 000</u>	<u>2 763 174</u>	<u>175 174</u>
Water and sewer taps	<u>10 000</u>	<u>27 811</u>	<u>17 811</u>
Other operating revenues	<u>50 000</u>	<u>85 408</u>	<u>35 408</u>
Total operating revenues	<u>3 767 700</u>	<u>4 112 704</u>	<u>345 004</u>
Nonoperating revenues:			
Interest earnings	<u>1 500</u>	<u>9 932</u>	<u>8 432</u>
Total revenues	<u>3 769 200</u>	<u>4 122 636</u>	<u>353 436</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	-	80 646	-
Other operating expenses	-	44 702	-
Total water and sewer administration	<u>132 237</u>	<u>125 348</u>	<u>6 889</u>
Water distribution:			
Water distribution:			
Salaries and employee benefits	-	215 204	-
Other operating expenditures	-	289 166	-
Purchases for resale	-	635 319	-
Total water distribution	<u>1 152 254</u>	<u>1 139 689</u>	<u>12 565</u>

(continued)

**Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits	-	164 003	-
Sewage treatment	-	2 047 009	-
Other operating expenditures	-	337 088	-
Total	<u>2 608 906</u>	<u>2 548 100</u>	<u>60 806</u>
Debt service:			
Interest and other charges	-	3 734	-
Principal retirement	-	45 500	-
Total debt service	<u>49 296</u>	<u>49 234</u>	<u>62</u>
Capital outlay:			
Equipment	<u>96 495</u>	<u>91 978</u>	<u>4 517</u>
Total capital outlay	<u>96 495</u>	<u>91 978</u>	<u>4 517</u>
Contingency	-	-	-
Total expenditures	<u>4 039 188</u>	<u>3 954 349</u>	<u>84 839</u>
Revenue over expenditures	(269 988)	168 287	438 275
Other financing sources (uses)			
Transfers to other funds			
Water and Sewer Capital Project Fund	-	(221 906)	(221 906)
Water and Sewer Capital Project Reserve Fund	(111 700)	(111 700)	-
General Fund	(85 307)	(85 307)	-
Net Assets appropriated	<u>466 995</u>	<u>-</u>	<u>(466 995)</u>
Total other financing sources (uses)	<u>269 988</u>	<u>(418 913)</u>	<u>(688 901)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (250 626)</u>	<u>\$ (250 626)</u>

(continued)

Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

**Reconciliation from budgetary basis
(modified accrual) to full accrual:**

Revenues and other sources over expenditures and other uses:	\$ (250 626)
Reconciling items:	
Principal retirement	45 500
Capital outlay	91 978
Interfund transfer	333 606
Decrease in accrued vacation pay	4 207
Increase in deferred outflows of resources- pension	41 435
Increase in net pension liability	(51 820)
Decrease in deferred inflows of resources- pension	4 401
Decrease in deferred outflows of resources OPEB	(322)
Decrease in OPEB liability	4 847
Depreciation	(311 407)
Interest income from Water and Sewer Capital Projects Fund	154
Total reconciling items	<u>162 579</u>
Change in net position	<u>\$ (88 047)</u>

Town of Nashville, North Carolina
Water and Sewer Capital Projects Reserve Fund
Schedule of Revenues, Expenditures– Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Construction	194 800				194 800
Total expenditures	194 800	-	-	-	194 800
Revenues over expenditures	(194 800)	-	-	-	(194 800)
Other financing sources:					
Transfer from water and sewer fund	194 800	83 100	111 700	194 800	-
Total other financing sources	194 800	83 100	111 700	194 800	-
Revenue and other sources over(under) expenditures	\$ -	\$ 83 100	\$ 111 700	\$ 194 800	\$ 194 800

Town of Nashville, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues, Expenditures – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Current:					
Water well # 8 development:					
Surveying/engineering	\$ 65 000	\$ 32 931	\$ -	\$ 32 931	\$ 32 069
Construction	<u>343 555</u>	<u>274 083</u>	<u>-</u>	<u>274 083</u>	<u>69 472</u>
Total expenditures	<u>408 555</u>	<u>307 014</u>	<u>-</u>	<u>307 014</u>	<u>101 541</u>
Revenues over expenditures	<u>(408 555)</u>	<u>(307 014)</u>	<u>-</u>	<u>(307 014)</u>	<u>101 541</u>
Other financing sources:					
Transfer from Water and Sewer Operating Fund	408 555	408 496	-	408 496	(59)
Investment earnings	<u>-</u>	<u>853</u>	<u>154</u>	<u>1 007</u>	<u>1 007</u>
Total other financing sources	<u>408 555</u>	<u>409 349</u>	<u>154</u>	<u>409 503</u>	<u>948</u>
Revenue and other sources over(under) expenditures	<u>\$ -</u>	<u>\$ 102 335</u>	<u>\$ 154</u>	<u>\$ 102 489</u>	<u>\$ 102 489</u>

Town of Nashville, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues, Expenditures – Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Golden LEAF Foundation	\$ 200 000	\$ 200 000	\$ -	\$ 200 000	\$ -
Economic Infrastructure					
Program	450 000	450 000	-	450 000	-
Community Development					
Block Grant	479 925	479 925	-	479 925	-
Total revenues	<u>1 129 925</u>	<u>1 129 925</u>	<u>-</u>	<u>1 129 925</u>	<u>-</u>
Expenditures:					
Grant administration	47 500	47 500	-	47 500	-
Engineering	92 500	149 699	-	149 699	(57 199)
Construction	2 239 792	1 974 620	221 906	2 196 526	43 266
Land acquisition	32 200	29 872	-	29 872	2 328
Contingency	112 600	-	-	-	112 600
Total expenditures	<u>2 524 592</u>	<u>2 201 691</u>	<u>221 906</u>	<u>2 423 597</u>	<u>100 995</u>
Revenues over(under)					
expenditures	<u>(1 394 667)</u>	<u>(1 071 766)</u>	<u>(221 906)</u>	<u>(1 293 672)</u>	<u>(100 995)</u>
Other financing sources:					
Transfer from Water & Sewer					
Fund	1 302 867	979 966	221 906	1 201 872	100 995
Installment loan proceeds	69 300	69 300	-	69 300	-
Private contributions	22 500	22 500	-	22 500	-
Total other financing sources	<u>1 394 667</u>	<u>1 071 766</u>	<u>221 906</u>	<u>1 293 672</u>	<u>100 995</u>
Revenues and other sources					
Over(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Nashville, North Carolina
Fines and Forfeitures Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2019**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Assets:				
Cash and cash equivalents	<u>\$ 527</u>	<u>\$ 879</u>	<u>\$ 527</u>	<u>\$ 879</u>
Liabilities:				
Intergovernmental payable	<u>\$ 527</u>	<u>\$ 879</u>	<u>\$ 527</u>	<u>\$ 879</u>

Other Schedules

This section contains additional information required on property taxes

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of Nashville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 2 457 952	\$ 2 412 010	\$ 45 942
2017-2018	43 831	-	4 433	39 398
2016-2017	28 434	-	8 879	19 555
2015-2016	18 202	-	4 667	13 535
2014-2015	10 019	-	2 008	8 011
2013-2014	10 645	-	1 735	8 910
2012-2013	6 976	-	1 880	5 096
2011-2012	5 404	-	169	5 235
2010-2011	6 499	285	-	6 784
2009-2010	6 242	-	6 242	-
	<u>\$ 136 252</u>	<u>\$ 2 458 237</u>	<u>\$ 2 442 023</u>	<u>\$ 152 466</u>

Less: allowance for uncollectible accounts:
General Fund

(50 314)

Ad valorem taxes receivable – net

\$ 102 152

Reconcilement with revenues:

Ad valorem taxes – General Fund

\$ 2 446 292

Reconciling items:

Interest collected

(19 127)

Taxes written off

14 858

Subtotal

(4 269)

Total collections and credits

\$ 2 442 023

Town of Nashville, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 424 129 207	0.58	\$ 2 457 952	\$ 2 170 651	\$ 287 301
Penalties	-		-	-	-
Total	<u>424 129 207</u>		<u>2 457 952</u>	<u>2 170 651</u>	<u>287 301</u>
Discoveries:					
Current year taxes	-		-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	-		-	-	-
Total property valuation	<u>\$ 424 129 207</u>				
Net levy			2 457 952	2 170 651	287 301
Uncollected taxes at June 30, 2019			(45 942)	(45 942)	-
Current year's taxes collected			\$ <u>2 412 010</u>	\$ <u>2 124 709</u>	\$ <u>287 301</u>
Current levy collection percentage			<u>98.13%</u>	<u>97.88%</u>	<u>100.00%</u>

Compliance Section

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
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SCOTT H. MAY, CPA
DALE R. PLACE, CPA, CFE

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Nashville, North Carolina

We 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nashville, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Nashville's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses (2019-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Nashville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding and responses as item 2019-2.

Town of Nashville's Response to Finding

The Town of Nashville's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

May and Place, PA

May & Place, PA

Louisburg, North Carolina

October 25, 2019

TOWN OF NASHVILLE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Internal Control Over Financial Reporting

Finding: 2019-1

Criteria:	Subsidiary accounts need to be reconciled to the general ledger accounts in a timely manner.
Condition:	Reconciliations of significant accounts were not performed in a timely manner.
Effect:	The utility accounts receivable, and customer deposits payable accounts subsidiary ledgers were not reconciled to the general ledger accounts. In addition, a difference resulting from a posting error between a general ledger cash account and the bank balance was not corrected but instead an addition account was created and credited to make the two balance.
Cause:	Turnover in the finance office.
Recommendation:	We recommend the management reconcile all significant subsidiary accounts to the general ledger at least quarterly. In addition, we recommend any differences caused by errors be identified and corrected instead of creating additional accounts to make them balance.
Views of responsible officials and planned corrective actions.	Management agrees with the findings and once staffed; the situation should not occur again.

(continued)

**TOWN OF NASHVILLE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Compliance and Other Matters

Finding: 2019-2

Criteria:	Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.
Condition:	Transfers from the Water and Sewer Fund to the Water and Sewer Capital Projects Fund exceeded authorized appropriations by \$221,906.
Effect:	Over-expenditure of the Water and Sewer Fund, \$221,906.
Cause:	The Town failed to amend the budget to include the transfer.
Recommendation:	We recommend the management more closely review budget reports prior to year-end in order to implement budget amendments before year end.
Views of responsible officials and planned corrective actions.	Management agrees with the findings and once staffed; the situation should not occur again.