

**TOWN OF NASHVILLE
NORTH CAROLINA**

FINANCIAL STATEMENTS

NASHVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2020

**TOWN OF NASHVILLE
NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2020**

Mayor:	Brenda Brown
Town Council:	Kate C. Burns
	Louise W. Hinton
	Lynne Hobbs
	Larry D. Taylor
Town Manager:	Randy Lansing
Finance Director:	Samantha Sanchez

**TOWN OF NASHVILLE
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		7
Management's Discussion and Analysis		10
Basic Financial Statements:		
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	1	22
Statement of Activities	2	23
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds	3	24
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	3	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	5	26
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	6	27
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position - Proprietary Fund	7	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	8	29
Statement of Cash Flows - Proprietary Fund	9	30
Notes to the Basic Financial Statements		32

**TOWN OF NASHVILLE
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>SCHEDULE</u>	<u>PAGE</u>
Required Supplementary Information		
Local Government Employees' Retirement System:		
Schedule of the Proportionate Share of the Net Pension Liability		62
Schedule of Contributions		63
Law Enforcement Officers' Special Separation Allowance:		64
Schedule of the Changes in Total Pension Liability		
Schedule of Total Pension Liability as a Percentage of Covered Payroll		65
Other Post-Employment Benefits:		
Schedule of Changes in Total OPEB Liability		66
Individual Fund Schedules		67
Major Governmental Funds:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	1	68
Non-Major Governmental Funds:		
Combining Balance Sheet	2	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	3	73
Non-Major Capital Projects Funds:		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Municipal Services District Fund	4	74
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Project Reserve	5	75
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Sidewalk Capital Project Fund	6	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Sidewalk Capital Project Fund	7	77

**TOWN OF NASHVILLE
FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>SCHEDULE</u>	<u>PAGE</u>
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Sidewalk Capital Project Fund	8	78
Enterprise Funds:		
Schedule of Revenues and Expenditures Budget and Actual (Non-GAAP) - Water and Sewer Fund	9	79
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Water and Sewer Capital Project Reserve Fund	10	82
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Water and Sewer Capital Project Fund	11	83
Supplementary Financial Data:		84
Schedule of Ad Valorem Taxes Receivable	12	85
Analysis of Current Year Levy - General Fund Property Tax	13	86
COMPLIANCE SECTION		87
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		88
Schedule of Findings and Responses		90
Corrective Action Plan		92
Summary Schedule of Prior Years' Findings		93
Schedule of Expenditures of Federal and State Awards		94

FINANCIAL SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditor's Report

To the Honorable Mayor
And Members of the Board of Commissioners
Town of Nashville
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 information of the Town of Nashville, North Carolina, as of and for the year ended June 30, 2020, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit, 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 information of the Town of Nashville, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, 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 and the Other Postemployment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios on page 66, respectively, the Local Government Employees' Retirement System's Schedules of Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 62 and 63, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 64 and 65, respectively, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Nashville, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards 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 March 5, 2021 on our consideration of the 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Nashville's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Nashville 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, 2020. 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

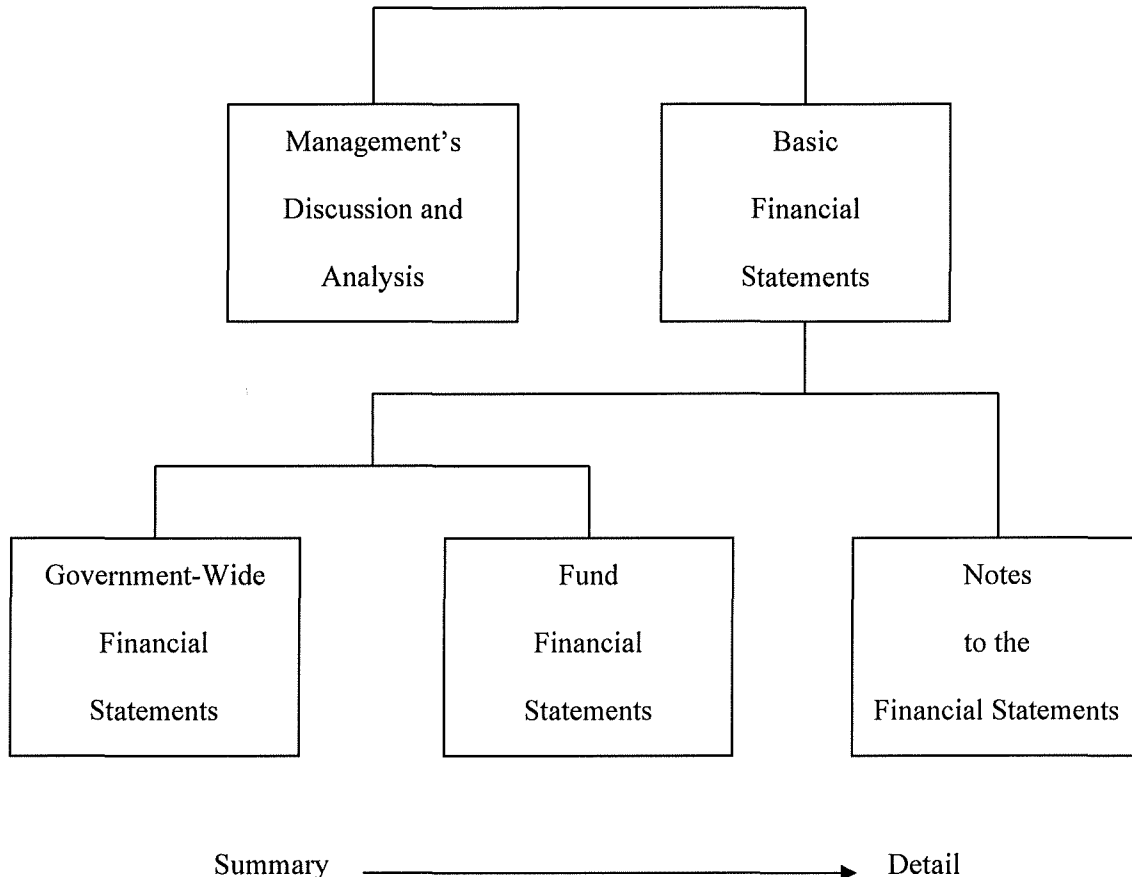
- The assets and deferred outflows of resources of the Town of Nashville exceeded its liabilities and deferred inflows at the close of the fiscal year by \$21,456,689 (*net position*).
- The government's total net position increased by \$75,883.
- As of the close of the current fiscal year, the Town of Nashville's governmental funds reported combined ending fund balances of \$6,346,820, an increase of \$323,169 in comparison with the prior year. Approximately 9% of this total amount, or \$553,035, is restricted and non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,746,583 or 84%, of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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 through the use of 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 three parts to the fund financial statements: 1) the governmental fund statements, 2) the budgetary comparison statements, and 3) the proprietary 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 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 public safety, transportation, environmental protection, and general administration. Property taxes and federal and State grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide services. 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 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 two categories: governmental funds and proprietary 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*. This method also has a current financial resources 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 or not 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. The Town of Nashville has one kind of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Nashville uses an enterprise fund to account for its water and sewer operations. This fund is the same as the separate activity shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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. The Notes to the Financial Statements follow Exhibit 9 of this report.

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 61 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 2020	Business Activities 2020	Governmental Activities 2019	Business Activities 2019	Total 2020	Total 2019
Assets						
Current assets	\$6,830,747	\$2,402,428	\$6,398,919	\$2,462,700	\$9,233,175	\$8,861,619
Long-term assets	6,824,257	7,948,320	6,425,468	8,160,762	14,772,577	14,586,230
Deferred outflows	572,194	86,980	695,957	107,155	659,174	803,112
Total assets and deferred outflows	14,227,198	10,437,728	13,520,344	10,730,617	24,664,926	24,250,961
Liabilities						
Current Liabilities	\$304,921	\$553,135	\$261,925	\$211,872	858,056	473,797
Non-current liabilities	1,740,663	414,305	1,859,332	423,812	2,154,968	2,283,144
Deferred liabilities	184,375	10,838	105,707	7,507	195,213	113,214
Total liabilities and deferred outflows	2,229,959	978,278	2,226,964	643,191	3,208,237	2,870,155
Net position						
Net investment in capital assets	6,824,257	7,777,220	6,425,468	7,947,129	14,601,477	14,372,597
Restricted	547,935	-	305,224	-	547,935	305,224
Unrestricted	4,625,047	1,682,230	4,562,688	2,140,297	6,307,277	6,702,985
Total net assets	\$11,997,239	\$9,459,450	\$11,293,380	\$14,215,386	\$21,456,689	\$21,380,806

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 resources of the Town of Nashville exceeded liabilities and deferred inflows by \$21,456,689 as of June 30, 2020. The Town's net position increased by \$75,883 for the fiscal year ended June 30, 2020. However, the largest portion \$14,601,477 (68%) reflects the Town's net investment in capital assets (e.g. land, buildings, 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, \$547,935, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,307,277 is unrestricted.

Town of Nashville's Changes in Net Position

Figure 3

	Governmental Activities 2020	Business Activities 2020	Governmental Activities 2019	Business Activities 2019	Total 2020	Total 2019
Revenues						
Charges for services	\$858,220	\$4,736,159	\$702,921	\$4,112,704	\$5,594,379	\$4,815,625
Operating grants	793,375	-	320,132	-	793,375	320,132
Capital grants	-	-	9,900	-	-	9,900
Ad valorem taxes	2,459,955	-	2,461,149	-	2,459,955	2,461,149
Other taxes	57,143	-	1,655,709	-	57,143	1,655,709
Unrestricted intergovernmental	1,644,275	-	504,450	-	1,644,275	504,450
Interest earned	71,195	19,794	90,012	10,086	90,989	100,098
Miscellaneous	26,480	3,426	56,939	-	29,906	56,939
Extraordinary item	22,408	-	42,411	-	22,408	42,411
Total revenues	5,933,051	4,759,379	5,843,623	4,122,790	10,692,430	9,966,413
Expenses						
General government	841,139	-	1,276,092	-	841,139	1,276,092
Public safety	2,266,768	-	2,056,923	-	2,266,768	2,056,923
Transportation	288,509	-	575,477	-	288,509	575,477
Environmental protection	712,908	-	530,360	-	712,908	530,360
Cultural and recreational	493,121	-	598,917	-	493,121	598,917
Cemetery	121,262	-	98,648	-	121,262	98,648
Non-Departmental	624,004	-	-	-	624,004	-
Water and Sewer	-	5,268,836	-	4,125,530	5,268,836	4,125,530
Total expenses	5,347,711	5,268,836	5,136,417	4,125,530	10,616,547	9,261,947
Transfers	118,519	(118,519)	85,307	(85,307)	-	-
Change in net position	703,859	(627,976)	792,513	(88,047)	75,883	704,466
Net position, beginning	11,293,380	10,087,426	10,500,867	10,175,473	21,380,806	20,676,340
Net position, ending	\$11,997,239	\$9,459,450	\$11,293,380	\$10,087,426	\$21,456,689	\$21,380,806

Governmental Activities. Governmental activities increased the Town's net position by \$703,859 due to charges for services and ad valorem taxes.

Business-Type Activities. Business-type activities decreased the Town's net position by \$627,976 due to increase in operating costs.

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. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Nashville. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$4,746,583, while total fund balance reached \$5,258,607. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 84% of total General Fund expenditures, while total fund balance represents 93% of that same amount.

At June 30, 2020, the governmental funds of the Town of Nashville reported a combined fund balance of \$6,346,820, a 5% increase over last year. Included in this change in fund balance is a decrease in the General Fund of \$122,138 and a net increase in other funds of \$445,307.

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.

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 \$1,682,230. The change in net position was a decrease of \$627,976. Other factors concerning the finances of the 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, 2020, totals \$14,772,577 (net of accumulated depreciation). These assets include buildings, land, equipment, park facilities, vehicles and water and sewer systems. Additional information on the Town's capital assets can be found in the notes of the basic financial statements

Major capital asset transactions during the year include:

- Playground equipment (\$130,351)
- Roof restoration of library (\$47,000)
- 2019 Dodge Durango (\$63,010)
- Street Improvements (\$145,436)
- Lift station (\$38,315)

Town of Nashville's Capital Assets

Figure 4

	Governmental Activities 2020	Business Activities 2020	Governmental Activities 2019	Business Activities 2019	Total 2020	Total 2019
Land	\$1,924,777	\$514,809	\$1,924,778	\$514,809	2,439,586	2,439,587
CIP	526,733	2,701,021	526,733	2,701,021	3,227,754	3,227,754
Buildings and improvements	1,887,158	-	1,704,915	-	1,887,158	1,704,915
Street improvements	136,671	-	145,004	-	136,671	145,004
Equipment	1,154,218	352,876	805,494	395,680	1,507,094	1,201,174
Vehicles	510,978	-	603,348	-	510,978	603,348
Recreation park	683,722		715,196	-	683,722	715,196
Systems	-	4,379,614	-	4,549,252	4,379,614	4,549,252
	<u>\$6,824,257</u>	<u>\$7,948,320</u>	<u>\$6,425,468</u>	<u>\$8,160,762</u>	<u>\$14,772,577</u>	<u>\$14,586,230</u>

Long-Term Debt. As of June 30, 2020, the Town of Nashville had total installment purchases outstanding of \$171,100, all of which are secured by assets of the Town.

Town of Nashville's Outstanding Debt

Figure 5

	Governmental Activities 2020	Business Activities 2020	Governmental Activities 2019	Business Activities 2019	Total 2020	Total 2019
Installment purchases	-	\$171,100	-	\$213,633	\$171,100	\$213,633

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Nashville is approximately \$33,892,478.

Additional information regarding the Town of Nashville's long-term debt can be found in the notes of the basic financial statements.

Economic Factors

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

- Steady property valuation suggests limited growth

Budget Highlights and Rates for the Year Ending June 30, 2021

Governmental Activities:

The Town of Nashville has maintained the property tax rate at \$0.58 per \$100 valuation for the 2020-2021 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.

Business-Type Activities:

Water and Sewer revenues are expected to maintain water and sewer rates related to water distribution and wastewater treatment.

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, PO Box 987, Nashville, NC 27856.

BASIC FINANCIAL STATEMENTS

**Town of Nashville
Statement of Net Position
June 30, 2020**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,112,130	\$ 1,758,968	\$ 7,871,098
Taxes receivables (net)	74,108	-	74,108
Accounts receivable (net)	75,907	252,071	327,978
Accrued interest receivable	11,190	-	11,190
Due from other governments	275,736	16,595	292,331
Internal balances	-	-	-
Inventories	-	208,793	208,793
Prepaid items	5,100	-	5,100
Restricted cash and cash equivalents	276,576	166,001	442,577
Total current assets	6,830,747	2,402,428	9,233,175
Noncurrent asset:			
Capital assets:			
Land, non-depreciable			
improvements, and construction in progress	2,451,510	3,215,830	5,667,340
Other capital assets, net of depreciation	4,372,747	4,732,490	9,105,237
Total capital assets (net)	6,824,257	7,948,320	14,772,577
Total assets	13,655,004	10,350,748	24,005,752
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	543,139	77,517	620,656
OPEB deferrals	29,055	9,463	38,518
Total deferred outflows of resources	572,194	86,980	659,174
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	304,921	341,634	646,555
Customer deposits	-	166,001	166,001
Current portion of long-term debt	-	45,500	45,500
Total current liabilities	304,921	553,135	858,056
Long-term liabilities:			
Compensated absences	97,546	60,286	157,832
Net pension liability - LGERS	893,617	144,406	1,038,023
Total pension liability - LEOSSA	80,937	-	80,937
Total OPEB liability	668,563	84,013	752,576
Due in more than one year	-	125,600	125,600
Total long-term liabilities	1,740,663	414,305	2,154,968
Total liabilities	2,045,584	967,440	3,013,024
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	13,424	-	13,424
Pension deferrals	170,951	10,838	181,789
Total deferred inflows of resources	184,375	10,838	195,213
NET POSITION			
Net investment in capital assets	6,824,257	7,777,220	14,601,477
Restricted for:			
Stabilization by State Statute	271,359	-	271,359
Streets	162,028	-	162,028
Sidewalk projects	39,224	-	39,224
Municipal service district	75,324	-	75,324
Unrestricted	4,625,047	1,682,230	6,307,277
Total net position	\$ 11,997,239	\$ 9,459,450	\$ 21,456,689

Town of Nashville
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 841,139	\$ 31,837	\$ -	\$ -	\$ (809,302)	\$ -	\$ (809,302)
Public safety	2,266,768	2,091	584,475	-	(1,680,202)	-	(1,680,202)
Transportation	288,509	-	145,657	-	(142,852)	-	(142,852)
Environmental protection	712,908	722,186	4,918	-	14,196	-	14,196
Cultural and recreational	493,121	19,884	58,325	-	(414,912)	-	(414,912)
Cemetery	121,262	82,222	-	-	(39,040)	-	(39,040)
Non-Departmental	624,004	-	-	-	(624,004)	-	(624,004)
Total governmental activities	5,347,711	858,220	793,375	-	(3,696,116)	-	(3,696,116)
Business-type activities:							
Water and sewer	5,268,836	4,736,159	-	-	-	(532,677)	(532,677)
Total business-type activities	5,268,836	4,736,159	-	-	-	(532,677)	(532,677)
Total primary government	\$ 10,616,547	\$ 5,594,379	\$ 793,375	\$ -	(3,696,116)	(532,677)	(4,228,793)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,459,955	-	2,459,955
Other taxes					57,143	-	57,143
Unrestricted intergovernmental					1,644,275	-	1,644,275
Unrestricted investment earnings					71,195	19,794	90,989
Miscellaneous					26,480	-	26,480
Extraordinary Item: Gain on insurance recovery					22,408	-	22,408
Sale of surplus property					-	3,426	3,426
Total general revenues not including transfers					4,281,456	23,220	4,304,676
Transfers					118,519	(118,519)	-
Total general revenues and transfers					4,399,975	(95,299)	4,304,676
Change in net position					703,859	(627,976)	75,883
Net position, beginning					11,293,380	10,087,426	21,380,806
Net position, ending					\$ 11,997,239	\$ 9,459,450	\$ 21,456,689

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

**Town of Nashville
Balance Sheets
Governmental Funds
June 30, 2020**

	Major General Fund	Non-Major Capital Project Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,138,465	\$ 973,665	\$ 6,112,130
Restricted cash and cash equivalents	162,028	114,548	276,576
Receivables, net:			
Taxes	74,108	-	74,108
Accounts	72,706	3,201	75,907
Due from other governments	275,736	-	275,736
Prepaid expenses	5,100	-	5,100
Inventories	-	-	-
Total assets	<u>\$ 5,728,143</u>	<u>\$ 1,091,414</u>	<u>\$ 6,819,557</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 304,921	\$ -	\$ 304,921
Total liabilities	<u>304,921</u>	<u>-</u>	<u>304,921</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	74,108	-	74,108
MSD taxes receivable	-	3,201	3,201
Sanitation fees receivable	63,954	-	63,954
Stormwater fees receivable	13,129	-	13,129
Prepaid taxes	13,424	-	13,424
Total deferred inflows of resources	<u>164,615</u>	<u>3,201</u>	<u>167,816</u>
FUND BALANCES			
Non-spendable:			
Inventories	-	-	-
Prepaid expense	5,100	-	5,100
Restricted:			
Stabilization by State Statute	271,359	-	271,359
Streets	162,028	-	162,028
Sidewalk projects		39,224	39,224
Municipal service district	-	75,324	75,324
Assigned:			
Capital projects reserve	-	973,665	973,665
Subsequent year's expenditures	73,537	-	73,537
Unassigned	4,746,583	-	4,746,583
Total fund balances	<u>5,258,607</u>	<u>1,088,213</u>	<u>6,346,820</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,728,143</u>	<u>\$ 1,091,414</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,824,257
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	11,190
Earned revenues considered deferred inflows of resources in fund statements.	154,392
Pension and OPEB related deferrals	572,194
Net pension liability	(893,617)
Total OPEB liability	(668,563)
Compensated absences	(97,546)
Total pension liability - LEO	(80,937)
Deferred inflows of resources related to pensions are not reported in the funds	(170,951)
Net position of governmental activities	<u>\$ 11,997,239</u>

Town of Nashville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major	Non-Major	Total
	General Fund	Capital Project Funds	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,449,333	\$ 35,464	\$ 2,484,797
Other taxes and licenses	57,143	-	57,143
Unrestricted intergovernmental	1,644,275	-	1,644,275
Restricted intergovernmental	265,189	-	265,189
Permits and fees	168,434	-	168,434
Sales and services	1,140,888	-	1,140,888
Investment earnings	67,876	3,319	71,195
Miscellaneous	26,480	-	26,480
Total revenues	<u>5,819,618</u>	<u>38,783</u>	<u>5,858,401</u>
EXPENDITURES			
General government	858,300	11,447	869,747
Public safety	2,209,764	-	2,209,764
Transportation	255,144	-	255,144
Environmental protection	662,293	-	662,293
Cultural and recreational	391,321	-	391,321
Cemetery	128,117	-	128,117
Non-Departmental	303,636	-	303,636
Capital outlay	856,138	-	856,138
Total expenditures	<u>5,664,713</u>	<u>11,447</u>	<u>5,676,160</u>
Revenues over (under) expenditures	<u>154,905</u>	<u>27,336</u>	<u>182,241</u>
Other financing sources:			
Transfer (to) from other funds	(299,452)	417,971	118,519
Insurance recovery	22,409	-	22,409
Total other financing sources	<u>(277,043)</u>	<u>417,971</u>	<u>140,928</u>
Revenues and other sources over expenditures and other sources	<u>(122,138)</u>	<u>445,307</u>	<u>323,169</u>
Fund balances, beginning	5,380,745	642,906	6,023,651
Fund balances, ending	<u>\$ 5,258,607</u>	<u>\$ 1,088,213</u>	<u>\$ 6,346,820</u>

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

Town of Nashville
Reconciliation of the
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 323,169
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	856,138
Depreciation expense for governmental assets	(457,349)
	398,789
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	202,340
Benefit payments paid and administrative expenses for the LEOSA are not included in the Statement of Activities	4,460
OPEB benefit payments and administrative costs are made in the current fiscal year are not included in the Statement of Activities	29,055
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	(24,843)
Change in unavailable revenue for sanitation fees	63,954
Change in unavailable revenue for stormwater fees	13,130
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	31,702
Pension & OPEB expense	(337,897)
Total changes in net position of governmental activities	\$ 703,859

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

Town of Nashville
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,436,566	\$ 2,436,566	\$ 2,449,333	\$ 12,767
Other taxes and licenses	-	44,500	57,143	12,643
Unrestricted intergovernmental	1,672,200	1,645,000	1,644,275	(725)
Restricted intergovernmental	171,500	264,426	265,189	763
Permits and fees	716,900	181,700	168,434	(13,266)
Sales and services	81,500	1,100,609	1,140,888	40,279
Investment earnings	54,234	54,234	67,876	13,642
Miscellaneous	481,891	13,800	26,480	12,680
Total revenues	5,614,791	5,740,835	5,819,618	78,783
Expenditures:				
General government	823,032	892,713	858,300	34,413
Public safety	2,440,178	2,268,453	2,209,764	58,689
Transportation	462,714	331,530	255,144	76,386
Environmental protection	652,705	698,283	662,293	35,990
Cultural and recreation	687,151	551,747	391,321	160,426
Cemetery	110,678	130,637	128,117	2,520
Capital outlay	148,873	856,138	856,138	-
Non-Departmental	462,523	321,740	303,636	18,104
Total expenditures	5,787,854	6,051,241	5,664,713	386,528
Revenues over (under) expenditures	(173,063)	(310,406)	154,905	465,311
Other financing sources (uses):				
Transfers (to) from other funds	53,063	(299,453)	(299,452)	1
Insurance recovery	-	21,190	22,409	1,219
Total other financing sources (uses)	53,063	(278,263)	(277,043)	1,220
Fund Balance appropriated	120,000	588,669	-	(588,669)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ -	(122,138)	\$ (122,138)
Fund balances, beginning			5,380,745	
Fund balances, ending			<u>\$ 5,258,607</u>	

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

Town of Nashville
Statement of Net Position
Proprietary Fund
June 30, 2020

	<u>Water and Sewer Fund</u>	<u>Total</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,758,968	\$ 1,758,968
Accounts receivable, net - billed	252,071	252,071
Due from other governments	16,595	16,595
Due from other funds	-	-
Inventories	208,793	208,793
Restricted cash and cash equivalents	166,001	166,001
Total current assets	<u>2,402,428</u>	<u>2,402,428</u>
Capital assets:		
Land and other non-depreciable assets	3,215,830	3,215,830
Other capital assets, net of depreciation	4,732,490	4,732,490
Capital assets (net)	<u>7,948,320</u>	<u>7,948,320</u>
Total noncurrent assets	<u>7,948,320</u>	<u>7,948,320</u>
Total assets	<u>10,350,748</u>	<u>10,350,748</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	77,517	77,517
OPEB deferrals	9,463	9,463
Total deferred outflows of resources	<u>86,980</u>	<u>86,980</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	341,634	341,634
Customer deposits	166,001	166,001
Installment purchase - current	45,500	45,500
Total current liabilities	<u>553,135</u>	<u>553,135</u>
Non-current liabilities:		
Compensated absences	60,286	60,286
Net pension liability	144,406	144,406
Total OPEB liability	84,013	84,013
Installment purchase - noncurrent	125,600	125,600
Total noncurrent liabilities	<u>414,305</u>	<u>414,305</u>
Total liabilities	<u>967,440</u>	<u>967,440</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	10,838	10,838
Total deferred inflows of resources	<u>10,838</u>	<u>10,838</u>
NET POSITION		
Net investment in capital assets	7,777,220	7,777,220
Unrestricted	1,682,230	1,682,230
Total net position	<u>\$ 9,459,450</u>	<u>\$ 9,459,450</u>

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

Town of Nashville
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES		
Charges for services	\$ 4,097,745	\$ 4,097,745
Water and sewer taps	30,058	30,058
Other operating revenues	608,356	608,356
Total operating revenues	<u>4,736,159</u>	<u>4,736,159</u>
OPERATING EXPENSES		
Administration	202,952	202,952
Water distribution	1,005,244	1,005,244
Waste collection and treatment	2,501,998	2,501,998
Depreciation	313,476	313,476
Total operating expenses	<u>4,023,670</u>	<u>4,023,670</u>
Operating income (loss)	<u>712,489</u>	<u>712,489</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	19,794	19,794
Sale of surplus property	3,426	3,426
Interest and other charges	(2,859)	(2,859)
Grant projects	(1,242,307)	(1,242,307)
Total nonoperating revenue (expenses)	<u>(1,221,946)</u>	<u>(1,221,946)</u>
Income (loss) before contributions and transfers	<u>(509,457)</u>	<u>(509,457)</u>
Transfers (to) from other funds	(118,519)	(118,519)
Total income (loss) after contributions and transfers	<u>(627,976)</u>	<u>(627,976)</u>
Change in net position	(627,976)	(627,976)
Total net position, beginning	10,087,426	10,087,426
Total net position, ending	<u>\$ 9,459,450</u>	<u>\$ 9,459,450</u>

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

Town of Nashville
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,181,572	\$ 4,181,572
Cash paid for goods and services	(2,992,642)	(2,992,642)
Cash paid to or on behalf of employees for services	(529,739)	(529,739)
Customer deposits received (returned) net	1,189	1,189
Other operating revenues	608,356	608,356
Net cash provided (used) by operating activities	<u>1,268,736</u>	<u>1,268,736</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Decrease (increase) in due from other governments	25,487	25,487
Transfers	(118,519)	(118,519)
Interfund activity	85,038	85,038
Net cash provided (used) by non-capital financing activities	<u>(7,994)</u>	<u>(7,994)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(152,591)	(152,591)
Proceeds from sale of capital assets	3,426	3,426
Principal paid on installment purchases	(42,533)	(42,533)
Interest paid on installment purchases	(2,859)	(2,859)
Grant projects	(1,242,307)	(1,242,307)
Net cash provided (used) by capital and related financing activities	<u>(1,436,864)</u>	<u>(1,436,864)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	19,794	19,794
Net increase (decrease) in cash and cash equivalents	<u>(156,328)</u>	<u>(156,328)</u>
Balances, beginning	2,081,297	2,081,297
Balances, ending	<u>\$ 1,924,969</u>	<u>\$ 1,924,969</u>

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

(continued)

Town of Nashville
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 712,489
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	313,476
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	53,769
(Increase) decrease in inventory	(208,793)
Increase (decrease) in accounts payable and accrued liabilities	340,074
Increase (decrease) in customer deposits	1,189
Increase (decrease) in accrued vacation pay	41,668
(Increase) decrease in deferred outflows of resources - pensions	19,822
(Increase) decrease in deferred outflows of resources - OPEB	353
Increase (decrease) in net pension liability	2,907
Increase (decrease) in deferred inflows of resources - pensions	3,331
Increase (decrease) in OPEB liability	(11,549)
Total adjustments	<u>556,247</u>
Net cash provided by operating activities	<u><u>\$ 1,268,736</u></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 Basic Financial Statements
For the Year Ended June 30, 2020

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: 1) fees and charges paid by the recipients of goods or services offered by the programs and 2) 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. Separate statements for each fund category – *governmental* and *proprietary* – 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 items are ancillary activities, such as investment earnings.

The Town reports the following major governmental fund:

General Fund. The General Fund is the primary 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.

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

The Town reports the following non-major governmental funds:

Municipal Services District Fund. This fund is used to account for the Town's Municipal Services District tax revenues.

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

Sidewalk Capital Project Funds. These funds are used to account for the Town's sidewalk projects.

The Town reports the following major enterprise fund:

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

The Town reports the following non-major enterprise funds:

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

Water and Sewer Capital Projects Fund. This fund is used to account for the Town's water and sewer capital projects.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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.

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 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 property taxes 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. As of September 1, 2013, State law altered 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 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 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 annual 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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 an annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, 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 principal office is located in North Carolina. Also, the Town may establish some 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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the town 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 for 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.

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

<u>Town of Nashville Restricted Cash</u>	
Governmental Activities	
Streets	\$ 162,028
Sidewalk projects	39,224
Municipal Service District	75,324
Total governmental activities	<u>276,576</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	166,001
Total business-type activities	<u>166,001</u>
Total Restricted Cash	<u>\$ 442,577</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, 2019. 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, 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 are 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 systems assets that were acquired or that

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 materiality 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 2020 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, sanitation fees receivable, stormwater fees receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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,

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 accumulated 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:

Non-Spendable 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 available resource for appropriation because it represents the year-end balance of 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 laws.

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 is 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 non-spendable. 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 approved 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 spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 Government 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

None.

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 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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, the Town's deposits had a carrying amount of \$966,325 and a bank balance of \$1,031,883. 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, 2020, the Town's petty cash fund totaled \$850.

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Maturity</u>	<u>Rating</u>
NCCMT - Government Portfolio	Amortized Cost	\$ 7,346,500	N/A	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transaction 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, 2020. 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, 2020 is net of the following allowances for doubtful accounts:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

General Fund:

Taxes Receivable	\$ 93,920
Accounts Receivable	64,879
Total	<u>158,799</u>

Enterprise Fund

Accounts Receivable	228,537
Total	<u>\$ 387,336</u>

4. Capital Assets

Primary Government:

Capital asset activity for the Primary Government for the year ended June 30, 2020, were follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,924,777	\$ -	\$ -	\$ 1,924,777
Construction in process	526,733	-	-	526,733
Total capital assets not being depreciated	<u>2,451,510</u>	-	-	<u>2,451,510</u>
Capital assets being depreciated:				
Buildings and improvements	3,055,059	315,692	-	3,370,751
Street improvements	246,954	-	-	246,954
Equipment	3,211,532	293,219	-	3,504,751
Vehicles and equipment	2,751,989	247,227	-	2,999,216
Cemetery improvements	41,664	-	-	41,664
Recreation park	1,497,510	-	-	1,497,510
Total capital assets being depreciated	<u>10,804,708</u>	856,138	-	<u>11,660,846</u>
Less accumulated depreciation for:				
Buildings and improvements	1,382,313	101,280	-	1,483,593
Street improvements	101,950	8,333	-	110,283
Equipment	2,149,693	200,840	-	2,350,533
Vehicles and equipment	2,389,724	98,514	-	2,488,238
Cemetery improvements	41,664	-	-	41,664
Recreation park	765,406	48,382	-	813,788
Total accumulated depreciation	<u>6,830,750</u>	<u>\$ 457,349</u>	<u>\$ -</u>	<u>7,288,099</u>
Total capital assets being depreciated, net	<u>3,973,958</u>			<u>4,372,747</u>
Total Governmental capital assets, net	<u>\$ 6,425,468</u>			<u>\$ 6,824,257</u>

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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

General government	\$ 9,147
Public safety	224,101
Transportation	41,161
Environment protection	64,029
Culture and recreation	118,911
Total depreciation expense	<u>\$ 457,349</u>

Business-Type Activities:

Water and Sewer Fund	Beginning		Increases		Decreases	Ending
	Balances					Balances
Capital assets not being depreciated:						
Land	\$ 514,809	\$ -		\$ -		\$ 514,809
Construction in progress	2,701,021	-		-		2,701,021
Total capital assets not being depreciated	<u>3,215,830</u>	-		-		<u>3,215,830</u>
Capital assets being depreciated:						
Water and sewer system	9,976,564	63,315		-		10,039,879
Equipment	1,178,457	37,719		-		1,216,176
Computer equipment	17,301	-		-		17,301
Total capital assets being depreciated	<u>11,172,322</u>	101,034		-		<u>11,273,356</u>
Less accumulated depreciation for:						
Water and sewer system	5,421,607	238,658		-		5,660,265
Equipment	788,482	74,818		-		863,300
Computer equipment	17,301	-		-		17,301
Total accumulated depreciation	<u>6,227,390</u>	<u>\$ 313,476</u>		<u>\$ -</u>		<u>6,540,866</u>
Total capital assets being depreciated, net	<u>4,944,932</u>					<u>4,732,490</u>
Total Water and Sewer capital assets, net	<u>\$ 8,160,762</u>					<u>\$ 7,948,320</u>

Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's commitment with contractors are as follows:

Project	Spent-to-date	Remaining
	Commitment	
New well & connecting water line	<u>\$ 307,014</u>	<u>\$ 101,541</u>
Total	<u>\$ 307,014</u>	<u>\$ 101,541</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

a. Local Governmental Employees' 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 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 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 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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters,

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 \$235,776 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$1,038,023 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of 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, 2019 (measurement date), the Town's proportion was 0.03801%, which was a decrease of 0.00487% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$421,919. At June 30, 2020, 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	\$ 177,736	\$ -
Changes of assumptions	169,181	-
Net difference between projected and actual earnings on pension plan investments	25,319	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	89,739
Town contributions subsequent to the measurement date	235,776	-
Total	<u>\$ 608,012</u>	<u>\$ 89,739</u>

The \$235,776 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Year ended June 30:

2021	\$ 152,832
2022	33,232
2023	82,028
2024	14,405
2025	-
Thereafter	-
	<u>\$ 282,497</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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 and productivity factor
Investment rate of return	7.00 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, 2018 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 of June 30, 2018 are summarized in the following table:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 asset 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 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,374,149	\$ 1,038,023	\$ (72,568)

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.

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan member entitled to but not yet receiving benefits	-
Active plan members	13
Total	13

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 following criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actuarial cost method was in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35, including inflation and productivity factor
Discount rate	3.26%

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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

The actuarial assumptions used in the December 31, 2018 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, 2020, the Town reported a total pension liability of \$80,937. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing procedures incorporating the actuarial assumption. For the year ended June 30, 2020 the Town recognized pension expense of \$149.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 85,972
Changes of assumptions	8,184	6,078
Town benefit payments and plan administrative expense made subsequent to the measurement date	4,460	-
Total	<u>\$ 12,644</u>	<u>\$ 92,050</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	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
	(a)	(b)	(a)-(b)
2021	\$2,034	\$20,157	(\$18,123)
2022	\$2,034	\$20,157	(\$18,123)
2023	\$2,034	\$20,111	(\$18,077)
2024	\$1,471	\$17,036	(\$15,565)
2025	\$468	\$11,497	(\$11,029)
Thereafter	\$143	\$3,092	(\$2,949)

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 3.26 percent, as well as the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1 % Decrease (2.26%)	Discount Rate (3.26%)	1 % Increase (4.26%)
Town's proportionate share of the net pension liability (asset)	\$ 89,358	\$ 80,937	\$ 73,449

Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$ 142,095
Service cost	13,417
Interest on the total pension liability	4,855
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(64,940)
Changes of assumptions or other inputs	2,951
Benefit payments	(17,441)
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 80,937</u></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, 2018 valuation were based on the results of an actuarial experience study for the period of 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 of Related to Pensions

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

	LGERS	LEOSSA	Total
Pension Expense	\$ 421,919	\$ 149	\$ 422,068
Pension Liability	1,038,023	80,937	1,118,960
Proportionate share of the net pension liability	0.03801%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	177,736	-	177,736
Changes of assumptions	169,181	8,184	177,365
Net difference between projected and actual earnings on plan investments	25,319	-	25,319
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	235,776	4,460	240,236
Deferred Inflows of Resources			
Differences between expected and actual experience	-	85,972	85,972
Changes of assumptions	-	6,078	6,078
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	89,739	-	89,739

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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 \$32,861 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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 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 \$55,975 for the general employees for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefits

1. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefit 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, 2019, the date of the latest actuarial valuation:

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

Total OPEB Liability

The Town's total OPEB liability of \$752,576 was measured as of June 30, 2019 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:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

Inflation	2.50 percent
Salary increases	3.50 – 7.75%, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare – 7.5% reducing to 4.50% by 2026 Medicare – 5.0% reducing to 4.5% by 2021

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

	Total OPEB Liability
Total OPEB Liability as of July 1, 2018	\$ 807,790
Changes for the year:	
Service cost	-
Interest	30,652
Changes of benefit terms	-
Differences between expected and actual experience	(49,413)
Changes in assumptions or other inputs	3,545
Benefit payments	(39,998)
Net Changes	<u>(55,214)</u>
Total OPEB Liability as of June 30, 2019	<u>\$ 752,576</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate.

	1% Decrease (2.50%)	Current	1% Increase (4.50%)
Total OPEB liability	\$ 847,291	\$ 752,576	\$ 674,997

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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:

	<u>1% decrease</u>	<u>Current</u>	<u>1% increase</u>
Total OPEB Liability	\$ 678,861	\$ 752,576	\$ 840,582

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

For the year ended June 30, 2020, the Town recognized OPEB income of \$15,216. At June 30, 2020, 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	\$ 38,518	\$ -
Total	\$ 38,518	\$ -

\$38,518 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended June 30:

2021	\$ -
2022	-
2023	-
2024	-
2025	-
Thereafter	-
	<u>\$ -</u>

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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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:

	<u>Amount</u>
Contribution to pension plan in current fiscal year	\$ 240,236
Benefit payments and administrative expenses for	
OPEB made subsequent to measurement date	38,518
Differences between expected and actual experience	177,736
Changes of assumptions	177,365
Net difference between projected and actual	25,319
	<u>\$ 659,174</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 13,424	\$ 13,424
Taxes receivable, less penalties (General Fund)	-	74,108
Sanitation fees receivable (General Fund)	-	63,954
Stormwater fees receivable (General Fund)	-	13,129
Changes in assumptions	6,078	-
Differences between expected and actual experience	85,972	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	89,739	-
Total	<u>\$ 195,213</u>	<u>\$ 164,615</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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 an "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, 2020 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 borrowing 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 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, 2020 including \$5,806 of interest are as follows:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 35,600	\$ 2,430
2022	35,600	1,775
2023	35,600	1,120
2024	35,600	467
2025	8,900	14
Total	<u>\$ 151,300</u>	<u>\$ 5,806</u>

On June 8, 2015, the Town entered into a direct borrowing 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 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, 2020 are all follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 9,900	\$ -
2022	9,900	-
Total	<u>\$ 19,800</u>	<u>\$ -</u>

At June 30, 2020, the Town of Nashville, North Carolina, had a legal debt margin of \$33,892,478.

b. Changes in Long-Term Liabilities:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
Governmental Activities:	July 1, 2019	Increases	Decreases	June 30, 2020	Portion
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	129,248	-	31,702	97,546	-
Total OPEB liability	712,228	-	38,665	673,563	-
Net pension liability (LGERS)	875,761	17,856	-	893,617	-
Total pension liability (LEOSSA)	142,095	-	61,158	80,937	-
Total governmental activities	<u>\$ 1,859,332</u>	<u>\$ 17,856</u>	<u>\$ 131,525</u>	<u>\$ 1,745,663</u>	<u>\$ -</u>
Business-type Activities					
Installment purchases	\$ 213,633	\$ -	\$ 42,533	\$ 171,100	\$ 45,500
Compensated absences	18,618	41,668	-	60,286	-
Total OPEB liability	95,562	-	11,549	84,013	-
Net pension liability (LGERS)	141,499	2,907	-	144,406	-
Total business-type activities	<u>\$ 469,312</u>	<u>\$ 44,575</u>	<u>\$ 54,082</u>	<u>\$ 459,805</u>	<u>\$ 45,500</u>

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2020, consist of the following:

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

	<u>Amount</u>
From General Fund to Water and Sewer Fund	\$ 33,481
From General Fund to Capital Project Reserve	533,184
From Capital Project Reserve to General Fund	115,213
From Water and Sewer Fund to General Fund	152,000
From Water and Sewer Fund to Capital Project Reserve	79,850
From Capital Project Reserve to Water and Sewer Fund	54,500
	<u>\$ 968,228</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 2020 fiscal year, the Town made a one-time transfer of \$152,000 from the Water and Sewer Fund to the General Fund to reimburse payroll expenditures associated with the water and sewer functions. Additionally, the Town transferred \$33,481 from the General Fund to the Water and Sewer Fund to reimburse expenditures associated with general government functions. The Town also transferred \$533,184 from the General Fund to the Capital Project Reserve Fund for future capital projects, \$115,213 from the Capital Project Reserve Fund to the General Fund to fund capital expenditures, \$79,850 from the Water and Sewer Fund to the Capital Project Reserve Fund for future water and sewer capital projects, and \$54,500 from the Capital Project Reserve Fund to the Water and Sewer Fund to fund capital expenditures.

D. Fund Balance

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

Total fund balance - General Fund	\$ 5,258,607
Less:	
Inventories	-
Prepaid expenses	5,100
Stabilization by State Statute	271,359
Streets-Powell Bill	162,028
Appropriated Fund Balance in subsequent year	73,537
Remaining Fund Balance	\$ 4,746,583

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2020.

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

Town of Nashville, North Carolina
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

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 monies.

COVID-19 Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

VI. Continuing Obligations

The Town entered into a contract with JM Executive Leasing for copiers and related services. The contract agrees that the Town will pay an average cost of \$116 per month until June 2021.

The Town entered into a second contract with JM Executive Leasing for copiers and related services. The contract agrees that the Town will pay an average cost of \$248 per month until February 2025.

The Town entered into a contract with RICOH for copiers and related services. The contract agrees that the Town will pay an average cost of \$55 per month until September 2023.

VII. Subsequent Events

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. Subsequent events after that date have not been evaluated. There were no subsequent events during this period that require disclosure.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance

Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of Nashville
Town of Nashville's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*
Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Nashville's proportion of the net pension liability (asset) (%)	0.03801%	0.04288%	0.04253%	0.04286%	0.04607%	0.04844%	0.04890%
Nashville's proportion of the net pension liability (asset) (\$)	\$ 1,038,023	\$ 1,017,260	\$ 649,741	\$ 909,633	\$ 206,760	\$ (285,673)	\$ 589,433
Nashville's covered-employee payroll	\$ 2,286,921	\$ 2,422,617	\$ 2,270,980	\$ 2,242,164	\$ 1,918,228	\$ 1,918,228	\$ 1,998,885
Nashville's proportionate share of the net pension liability as a percentage of its covered employee payroll	45.39%	41.99%	28.61%	40.57%	10.78%	-14.89%	29.49%
Plan fiduciary net position as a percentage of total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participants employers in the LGERS plan.

Town of Nashville
Town of Nashville's Contributions
Required Supplementary Information
Last Seven Fiscal Years
Local Government Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 235,776	\$ 183,077	\$ 188,003	\$ 168,602	\$ 150,422	\$ 158,304	\$ 151,233
Contributions in relation to the contractually required contribution	235,776	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>	<u>\$ -</u>
Nashville's covered-employee payroll	\$2,539,597	\$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	9.28%	8.01%	7.76%	7.42%	6.71%	6.38%	7.88%

Town of Nashville
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 142,095	\$ 135,733	\$ 152,716	\$ 137,001
Service cost	13,417	16,720	13,286	14,929
Interest on the total pension liability	4,855	4,289	5,895	4,891
Changes on benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(64,940)	(8,384)	(46,563)	-
Changes of assumptions or other inputs	2,951	(6,263)	10,399	(4,105)
Benefit payments	(17,441)	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 80,937</u>	<u>\$ 142,095</u>	<u>\$ 135,733</u>	<u>\$ 152,716</u>

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

Town of Nashville
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2020

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 80,937	\$	142,095	\$	135,733	\$	152,716
Covered payroll	553,461		616,218		593,355		635,921
Total pension liability as a percentage of covered payroll	14.62%		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 Total OPEB Liability and Related Ratios
Required Supplementary Information
June 30, 2020

Total OPEB Liability	2020	2019	2018
Service cost	\$ -	\$ -	\$ -
Interest	30,652	29,682	27,133
Changes on benefit terms	-	-	-
Differences between expected and actual experience	(49,413)	(7,536)	1,501
Changes of assumptions	3,545	(32,849)	(62,703)
Benefit payments	(39,998)	(30,274)	(36,894)
Net change in Total OPEB Liability	(55,214)	(40,977)	(70,963)
Total OPEB liability - beginning	807,790	848,767	919,730
Total OPEB liability - ending	<u>\$ 752,576</u>	<u>\$ 807,790</u>	<u>\$ 848,767</u>

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 discount rates in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

**INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

This section contains additional information on the Governmental and Proprietary Funds (budget and actual comparison) and other schedules (ad valorem taxes receivable and current tax levy).

Town of Nashville
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Ad valorem taxes:			
Taxes	\$ 2,420,566	\$ 2,428,032	\$ 7,466
Penalties and interest	16,000	21,301	5,301
Total ad valorem taxes	<u>2,436,566</u>	<u>2,449,333</u>	<u>12,767</u>
Other taxes and licenses:			
Business permits	2,500	2,060	(440)
Automobile tags	42,000	55,083	13,083
Total other taxes and licenses	<u>44,500</u>	<u>57,143</u>	<u>12,643</u>
Unrestricted intergovernmental:			
Local option sales tax	1,210,000	1,247,947	37,947
Telecommunications sales tax	34,000	104,031	70,031
Utility franchise and sales tax	285,000	208,291	(76,709)
Video sales tax	43,000	36,017	(6,983)
Beer and wine tax	23,000	22,456	(544)
Stormwater special events	-	2,175	2,175
ABC profit distribution	50,000	23,358	(26,642)
Total unrestricted intergovernmental	<u>1,645,000</u>	<u>1,644,275</u>	<u>(725)</u>
Restricted intergovernmental:			
Powell Bill allocation	148,000	145,657	(2,343)
Police donations and forfeitures	1,000	2,514	1,514
Police grants	9,692	11,870	2,178
Fire donations	500	-	(500)
Fire grants	41,905	41,905	-
County aid to library	16,500	15,000	(1,500)
State aid to library	3,600	3,565	(35)
Grassroots grant	3,339	3,339	-
Solid waste disposal tax	3,400	4,918	1,518
Glover park grant	8,490	8,421	(69)
Stoney creek grant	8,000	8,000	-
Gates foundation grant	20,000	20,000	-
Total restricted intergovernmental	<u>264,426</u>	<u>265,189</u>	<u>763</u>
Permits and fees:			
Planning and zoning revenue	6,500	4,530	(1,970)
PEG channel support	27,200	27,307	107
Stormwater fees	139,000	126,880	(12,120)
Disposal fees	-	30	30
Fines & fees - library	9,000	9,687	687
Total permits and fees	<u>181,700</u>	<u>168,434</u>	<u>(13,266)</u>

**Town of Nashville
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	2020		
	Final Budget	Actual	Variance Over/Under
Sales and services			
Sanitation fees	516,000	518,192	2,192
Fire protection	498,401	528,186	29,785
Cemetery revenues	64,500	71,859	7,359
Perpetual care	10,000	10,362	362
Recreation department fees	9,808	10,003	195
Court cost	1,600	1,951	351
Book sales	-	195	195
Parking violations	300	140	(160)
Total sales and services	1,100,609	1,140,888	40,279
Investment earnings	54,234	67,876	13,642
Miscellaneous:			
Donations/fees - library	500	456	(44)
Miscellaneous	13,300	26,024	12,724
Total miscellaneous	13,800	26,480	12,680
Total revenues	5,740,835	5,819,618	78,783
Expenditures:			
General Government:			
Governing Body			
Salaries and benefits	21,128	21,257	(129)
Other operating expenditures	12,500	6,909	5,591
Total governing body	33,628	28,166	5,462
Administration:			
Salaries and benefits	269,102	264,938	4,164
Other operating expenditures	58,100	56,379	1,721
Total administration	327,202	321,317	5,885
Tax Collections:			
Salaries and benefits	155,884	148,424	7,460
Other operating expenditures	105,840	100,071	5,769
Capital outlay	-	-	-
Total tax collections	261,724	248,495	13,229
Planning:			
Salaries and benefits	153,868	144,284	9,584
Other operating expenditures	20,450	23,815	(3,365)
Total planning	174,318	168,099	6,219
Public buildings:			
Salaries and benefits	8,741	8,112	629
Other operating expenditures	87,100	84,111	2,989
Capital outlay	116,900	110,345	6,555
Total	212,741	202,568	10,173
Total general government	1,009,613	968,645	40,968

Town of Nashville
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Public Safety:			
Police:			
Salaries and benefits	1,036,825	997,304	39,521
Other operating expenditures	302,400	200,561	101,839
Capital outlay	131,473	194,403	(62,930)
Total police	<u>1,470,698</u>	<u>1,392,268</u>	<u>78,430</u>
Fire:			
Salaries and benefits	787,990	769,955	18,035
Other operating expenditures	203,918	180,837	23,081
Capital outlay	162,000	180,655	(18,655)
Total fire	<u>1,153,908</u>	<u>1,131,447</u>	<u>22,461</u>
Central Maintenance:			
Salaries and benefits	57,840	57,707	133
Other operating expenditures	4,580	3,400	1,180
Total central maintenance	<u>62,420</u>	<u>61,107</u>	<u>1,313</u>
Total public safety	<u>2,687,026</u>	<u>2,584,822</u>	<u>102,204</u>
Transportation			
Streets and highways:			
Salaries and benefits	146,825	130,352	16,473
Other operating expenditures	172,205	124,792	47,413
Capital outlay	40,165	70,546	(30,381)
Total streets and highways	<u>359,195</u>	<u>325,690</u>	<u>33,505</u>
Powell Bill:			
Other operating expenditures	12,500	-	12,500
Capital outlay	135,500	114,183	21,317
Total powell bill	<u>148,000</u>	<u>114,183</u>	<u>33,817</u>
Total transportation	<u>507,195</u>	<u>439,873</u>	<u>67,322</u>
Environmental Protection:			
Solid Waste:			
Salaries and benefits	173,890	167,522	6,368
Other operating expenditures	371,420	344,391	27,029
Capital outlay	-	-	-
Total solid waste	<u>545,310</u>	<u>511,913</u>	<u>33,397</u>
Stormwater:			
Salaries and benefits	44,273	43,542	731
Other operating expenditures	108,700	106,838	1,862
Total stormwater	<u>152,973</u>	<u>150,380</u>	<u>2,593</u>
Total environmental protection	<u>698,283</u>	<u>662,293</u>	<u>35,990</u>

**Town of Nashville
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	2020		
	Final Budget	Actual	Variance Over/Under
Cultural and recreational:			
Parks and recreation:			
Salaries and benefits	184,601	125,932	58,669
Other operating expenditures	104,833	23,434	81,399
Capital outlay	110,000	148,644	(38,644)
Total parks and recreation	<u>399,434</u>	<u>298,010</u>	<u>101,424</u>
Libraries			
Salaries and benefits	197,138	185,076	12,062
Other operating expenditures	65,175	56,879	8,296
Total	<u>262,313</u>	<u>241,955</u>	<u>20,358</u>
Total cultural and recreational	<u>661,747</u>	<u>539,965</u>	<u>121,782</u>
Cemetery:			
Salaries and benefits	101,037	99,845	1,192
Other operating expenditures	29,600	28,272	1,328
Capital outlay	-	-	-
Total cemetery	<u>130,637</u>	<u>128,117</u>	<u>2,520</u>
Non-Departmental:			
Other operating expenditures	316,740	303,636	13,104
Capital outlay	35,000	37,362	(2,362)
Total Non-Departmental	<u>351,740</u>	<u>340,998</u>	<u>10,742</u>
Contingency	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>6,051,241</u>	<u>5,664,713</u>	<u>375,786</u>
Revenues over (under) expenditures	<u>(310,406)</u>	<u>154,905</u>	<u>454,569</u>
Other financing sources (uses):			
Transfers from other funds:			
Capital Reserve Fund	115,213	115,213	-
Transfer to other funds:			
Capital Reserve Fund	(533,184)	(533,184)	-
Reimbursement from Enterprise Fund	152,000	152,000	-
Reimbursement to Enterprise Fund	(33,482)	(33,481)	1
Insurance recovery	21,190	22,409	1,219
Total other financing sources (uses)	<u>(278,263)</u>	<u>(277,043)</u>	<u>1,220</u>
Fund balance appropriated	588,669	-	(588,669)
Net change in fund balance	<u>\$ -</u>	<u>(122,138)</u>	<u>\$ (122,138)</u>
Fund balances, beginning		5,380,745	
Fund balances, ending		<u>\$ 5,258,607</u>	

Town of Nashville
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Municipal Services Tax District Fund	Capital Reserve Fund	Capital Sidewalk Project Fund	Total
Assets:				
Cash and investments	\$ -	\$ 973,665	\$ -	\$ 973,665
Restricted cash	75,324	-	39,224	114,548
Accounts receivable	3,201	-	-	3,201
Taxes receivable	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>78,525</u>	<u>973,665</u>	<u>39,224</u>	<u>1,091,414</u>
Liabilities and Fund Balances:				
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
MSD taxes receivable	<u>3,201</u>	<u>-</u>	<u>-</u>	<u>3,201</u>
Fund Balances:				
Assigned or Restricted	<u>75,324</u>	<u>973,665</u>	<u>39,224</u>	<u>1,088,213</u>
Total liabilities and fund balances	<u>\$ 78,525</u>	<u>\$ 973,665</u>	<u>\$ 39,224</u>	<u>\$ 1,091,414</u>

Schedule 3

Town of Nashville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	Municipal Services Tax District Fund	Capital Reserve Fund	Capital Sidewalk Project Fund	Total Non- major Governmental Funds
Revenues:				
Tax revenue	\$ 35,464	\$ -	\$ -	\$ 35,464
Restricted intergovernmental	-	-	-	-
DOC grant	-	-	-	-
Interest income	342	2,977	-	3,319
Total Revenues	35,806	2,977	-	38,783
Expenditures:				
Sidewalk construction	-	-	-	-
Administration	11,447	-	-	11,447
Total Expenditures	11,447	-	-	11,447
Revenues over (under) expenditures	24,359	2,977	-	27,336
Other Financing Sources (Used):				
Transfer (to) from other funds	-	417,971	-	417,971
Total other financing sources	-	417,971	-	417,971
Net Change in Fund Balances	24,359	420,948	-	445,307
Fund balances, beginning	50,965	552,717	39,224	642,906
Fund balances, ending	\$ 75,324	\$ 973,665	\$ 39,224	\$ 1,088,213

Town of Nashville
Municipal Services District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Budget	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
MSD ad valorem taxes	\$ 62,385	\$ 36,640	\$ 35,464	\$ 72,104	\$ 9,719
State DOC grant	9,900	9,900	-	9,900	-
Interest income	-	-	342	342	342
Total revenue	<u>72,285</u>	<u>46,540</u>	<u>35,806</u>	<u>82,346</u>	<u>10,061</u>
Expenditures:					
Project expenditures	<u>85,454</u>	<u>8,744</u>	<u>11,447</u>	<u>20,191</u>	<u>(65,263)</u>
Total Expenditures	<u>85,454</u>	<u>8,744</u>	<u>11,447</u>	<u>20,191</u>	<u>(65,263)</u>
Revenues over (under) expenditures	<u>(13,169)</u>	<u>37,796</u>	<u>24,359</u>	<u>62,155</u>	<u>75,324</u>
Other financing sources (uses):					
Transfer (to) from other funds	<u>13,169</u>	<u>13,169</u>	<u>-</u>	<u>13,169</u>	<u>-</u>
Total other financing sources (uses)	<u>13,169</u>	<u>13,169</u>	<u>-</u>	<u>13,169</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 50,965</u>	<u>24,359</u>	<u>\$ 75,324</u>	<u>\$ 75,324</u>
Fund balance, beginning			<u>50,965</u>		
Fund balance, ending			<u>\$ 75,324</u>		

Town of Nashville
Capital Project Fund - Capital Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
Restricted intergovernmental					
Outside grants	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	2,977	2,977	2,977
Total revenues	-	-	2,977	2,977	2,977
Expenditures:					
Project expenditures	1,073,539	-	-	-	(1,073,539)
Total expenditures	1,073,539	-	-	-	(1,073,539)
Revenues over (under) expenditures	(1,073,539)	-	2,977	2,977	1,076,516
Other financing sources (uses):					
Transfer (to) from other funds	1,073,539	552,717	417,971	970,688	(102,851)
Total other financing sources (uses)	1,073,539	552,717	417,971	970,688	(102,851)
Net change in fund balance	\$ -	\$ 552,717	420,948	\$ 973,665	\$ 973,665
Fund balance, beginning			552,717		
Fund balance, ending			\$ 973,665		

Town of Nashville
Capital Project Fund - Sidewalk
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total Project To Date</u>	<u>Variance Over (Under)</u>
Expenditures:					
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>4,459</u>	<u>-</u>	<u>4,459</u>	<u>(39,224)</u>
Revenues over (under) expenditures	<u>(43,683)</u>	<u>(4,459)</u>	<u>-</u>	<u>(4,459)</u>	<u>39,224</u>
Other financing sources (uses):					
Transfers (to) from other funds	<u>43,683</u>	<u>43,683</u>	<u>-</u>	<u>43,683</u>	<u>-</u>
Total other financing sources (uses)	<u>43,683</u>	<u>43,683</u>	<u>-</u>	<u>43,683</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 39,224</u>	<u>-</u>	<u>\$ 39,224</u>	<u>\$ 39,224</u>
Fund balance, beginning			<u>39,224</u>		
Fund balance, ending			<u>\$ 39,224</u>		

Town of Nashville
Capital Project Fund - Sidewalk
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
CMAQ federal grant	\$ 198,403	\$ -	\$ -	\$ -	\$ (198,403)
Total revenue	<u>198,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(198,403)</u>
Expenditures:					
Streets and sidewalk development					
Sidewalk construction	199,003	-	-	-	199,003
Right-of-Way	34,000	-	-	-	34,000
Engineering	15,000	-	-	-	15,000
Total expenditures	<u>248,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,003</u>
Revenues over (under) expenditures	<u>(49,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,600</u>
Other financing sources (uses):					
Town contribution	49,600	-	-	-	(49,600)
Total other financing sources (uses)	<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
Capital Project Fund - Sidewalk
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2020

	Project	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
Restricted intergovernmental					
CMAQ federal grant	\$ 212,990	\$ -	\$ -	\$ -	\$ (212,990)
Total revenue	<u>212,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212,990)</u>
Expenditures:					
Streets and sidewalk development					
Sidewalk construction	179,238	-	-	-	179,238
Right-of-way	63,500	-	-	-	63,500
Engineering	23,500	-	-	-	23,500
Total Expenditures	<u>266,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,238</u>
Revenues over (under) expenditures	<u>(53,248)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,248</u>
Other financing sources (uses):					
Town contribution	53,248	-	-	-	(53,248)
Total other financing sources (uses)	<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
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Revenues:			
Water sales:			
Residential and commercial	\$1,251,000	\$ 1,296,988	\$ 45,988
Total	1,251,000	1,296,988	45,988
Sewer charges:			
Residential and commercial	2,420,000	2,800,757	380,757
Total	2,420,000	2,800,757	380,757
Water and sewer taps	10,000	30,058	20,058
Other operating revenues	281,000	608,356	327,356
Total operating revenues	3,962,000	4,736,159	774,159
Non-Operating Revenues:			
Sale of surplus property	-	3,426	3,426
Interest earnings	1,500	17,961	16,461
Total non-operating revenues	1,500	21,387	19,887
Total revenues	3,963,500	4,757,546	794,046
Expenditures:			
Water and Sewer Administration:			
Salaries and benefits	103,259	102,118	1,141
Other operating expenses	51,953	50,958	995
Total water and sewer administration	155,212	153,076	2,136
Water distribution:			
Salaries and benefits	243,593	250,841	(7,248)
Other operating expenses	386,220	157,447	228,773
Purchase for resale	590,210	593,810	(3,600)
Total water distribution	1,220,023	1,002,098	217,925
Waste collection and treatment:			
Sewage collection system:			
Salaries and benefits	182,852	176,780	6,072
Sewage treatment	1,615,000	1,657,958	(42,958)
Other operating expenditures	739,420	663,750	75,670
Total waste collection and treatment	2,537,272	2,498,488	38,784

Town of Nashville
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020		
	Final Budget	Actual	Variance Over/Under
Debt Services:			
Interest and other charges	3,500	2,859	641
Principal repayment	45,501	42,533	2,968
Total debt service	49,001	45,392	3,609
Capital Outlay:			
Equipment	48,095	101,034	(52,939)
Total capital outlay	48,095	101,034	(52,939)
Total expenditures	4,009,603	3,800,088	209,515
Revenues over (under) expenditures	(46,103)	957,458	1,003,561
Other financing sources (uses):			
Transfers (to) from other funds			
CIP	54,500	54,500	-
Water and Sewer Capital Reserve Fund	(79,850)	(79,850)	-
Grant projects	(1,242,308)	(1,242,307)	1
Reimbursement from General Fund	33,482	33,481	(1)
Reimbursement to General Fund	(152,000)	(152,000)	-
Fund balance appropriated	1,432,279	-	(1,432,279)
Total other financing sources (uses)	46,103	(1,386,176)	(1,432,279)
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(428,718)	\$ (428,718)

Town of Nashville
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020

	2020	
	Final Budget	Variance Actual Over/Under
Reconciliation from Budgetary Basis		
(Modified Accrual) to Full Accrual:		
Reconciling items:		
Principal retirement		42,533
Capital outlay		101,034
Transfer from capital project funds		25,350
Increase in accrued vacation pay		(41,668)
Decrease in deferred outflows of resources - pension		(19,822)
Increase in net pension liability		(2,907)
Increase in deferred inflows resources - pension		(3,331)
Decrease in deferred outflows of resources OPEB		(353)
Decrease in OPEB liability		11,549
Depreciation		(313,476)
Interest income from Water and Sewer		
Capital Projects Fund		1,833
Total reconciling items		(199,258)
Change in net position		<u><u>\$ (627,976)</u></u>

Town of Nashville
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, 2020

	Project	Actual		Total Project	Variance Over
	Authorization	Prior Years	Current Year	To Date	(Under)
Revenues:					
Investment earnings	\$ -	\$ -	\$ 1,195	\$ 1,195	\$ 1,195
Total revenue	-	-	1,195	1,195	1,195
Expenditures:					
Construction	194,800	-	-	-	(194,800)
Total Expenditures	194,800	-	-	-	(194,800)
Revenues over (under) expenditures	(194,800)	-	1,195	1,195	195,995
Other financing sources (uses):					
Transfer (to) from other funds	194,800	194,800	25,350	220,150	25,350
Total other financing sources (uses)	194,800	194,800	25,350	220,150	25,350
Revenue and oher sources over (under) expenditures	\$ -	\$ 194,800	\$ 26,545	\$ 221,345	\$ 221,345

Town of Nashville
Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Fiscal Year Ended June 30, 2020

	Project Authorization	Actual		Total Project To Date	Variance Over (Under)
		Prior Years	Current Year		
Revenues					
Investment earnings	\$ -	\$ 1,007	\$ 638	\$ 1,645	\$ 1,645
Total Revenues	<u>-</u>	<u>1,007</u>	<u>638</u>	<u>1,645</u>	<u>1,645</u>
Expenditures:					
Water well #8 development:					
Surveying/engineering	65,000	32,931	-	32,931	32,069
Construction	343,555	274,083	-	274,083	69,472
Total Expenditures	<u>408,555</u>	<u>307,014</u>	<u>-</u>	<u>307,014</u>	<u>(101,541)</u>
Revenues over (under) expenditures	<u>(408,555)</u>	<u>(306,007)</u>	<u>638</u>	<u>(305,369)</u>	<u>103,186</u>
Other financing sources (uses):					
Transfer from water and sewer operating fund	408,555	408,496	-	408,496	(59)
Total other financing sources (uses)	<u>408,555</u>	<u>408,496</u>	<u>-</u>	<u>408,496</u>	<u>(59)</u>
Revenue and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 102,489</u>	<u>\$ 638</u>	<u>\$ 103,127</u>	<u>\$ 103,127</u>

OTHER SUPPLEMENTARY INFORMATION

This section contains additional information required
on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Town of Nashville
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 2,469,609	\$ 2,425,334	\$ 44,275
2018-2019	45,942	-	14,494	31,448
2017-2018	39,398	-	10,517	28,881
2016-2017	19,555	-	2,107	17,448
2015-2016	13,535	-	2,320	11,215
2014-2015	8,011	-	465	7,546
2013-2014	8,910	-	(604)	9,514
2012-2013	5,096	-	246	4,850
2011-2012	5,235	-	(1,320)	6,555
2010-2011	6,784	-	488	6,296
2009-2010	-	-	-	-
	<u>\$ 152,466</u>	<u>\$ 2,469,609</u>	<u>\$ 2,454,047</u>	<u>168,028</u>

Less: allowance for uncollectible accounts - taxes (93,920)

Ad valorem taxes receivable-net \$ 74,108

Reconciliation with revenues:

Ad valorem taxes-General Fund	\$ 2,449,333
Reconciling items:	
Interest collected	(21,301)
Releases and adjustments	26,015
Taxes written off	-
Subtotal	<u>4,714</u>
Total collections and credits	<u><u>\$ 2,454,047</u></u>

Town of Nashville
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

				Total Levy	
	Town - Wide			Property excluding Registered	Registered
	Property Valuation	Rate	Total Levy	Motor Vehicles	Motor Vehicles
Original Levy:					
Real and personal property	\$ 374,666,274	0.58	\$ 2,173,064	\$ 2,173,064	\$ -
Registered motor vehicles taxed at prior year rates	51,128,454	0.58	296,545	-	296,545
Total	<u>425,794,728</u>		<u>2,469,609</u>	<u>2,173,064</u>	<u>296,545</u>
Discoveries					
Current year txes	-		-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements (Releases)	-		-	-	-
Total Property Valuation	<u>\$ 425,794,728</u>				
Net levy			2,469,609	2,173,064	296,545
Uncollected taxes at June 30, 2020			(44,275)	(44,275)	-
Current year's taxes collected			<u>\$ 2,425,334</u>	<u>\$ 2,128,789</u>	<u>\$ 296,545</u>
Current levy collection percentage			<u>98.21%</u>	<u>97.96%</u>	<u>100.00%</u>

COMPLIANCE SECTION



PETWAY

MILLS &

PEARSON, PA

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Nashville's basic financial statements, and have issued our report thereon dated March 5, 2021.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Petway Mills & Pearson, PA

PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

March 5, 2021

Town of Nashville
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

**Town of Nashville
Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

None required.

Town of Nashville
Summary Schedule of Prior Year's Audit Findings
For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-1 stated reconciliations of significant accounts were not performed in a timely manner. In 2020, this finding was resolved.

Finding 2019-2 stated the Town's expenditures exceeded budgeted appropriations. In 2020, this finding was resolved.

Town of Nashville
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through/ Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
FEDERAL AWARDS			
US Department of Homeland Security			
Assistance to Firefighters Grant Program	97.044		\$ 37,715
Total US Department of Homeland Security			<u>37,715</u>
TOTAL FEDERAL AWARDS			<u>37,715</u>
STATE AWARDS			
NC Department of Transportation			
Direct Program			
Powell Bill		DOT-4	<u>114,183</u>
NC Department of Environmental Quality			
Division of Environmental Assistance and Customer Service			
Community Waste Reduction and Recycling Program		7947	<u>8,420</u>
US Department of Homeland Security			
Public Assistance Program		EMW-2018-FO-04348	<u>4,190</u>
NC Department of Natural and Cultural Resources			
Parks and Recreation		P96625	<u>99,768</u>
North Carolina Arts Council			
Grassroots Arts Program			<u>3,339</u>
North Carolina Pandemic Recovery Office			
Coronavirus Relief Fund		ME090320	<u>88,767</u>
TOTAL STATE AWARDS			<u>318,667</u>
TOTAL FEDERAL AND STATE ASSISTANCE			<u>\$ 356,382</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the State grant activity of the Town under the programs of the Federal government and the State of North Carolina for the year ended June 30, 2020. Because the Schedule presents only a selected portion of the operations of Town of Nashville, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Nashville.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the Schedule of Expenditures of Federal and State Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Costs

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.