

TOWN OF NASHVILLE

NORTH CAROLINA

ANNUAL FINANCIAL REPORT

Town Council Members

Donald B. Street, Mayor

Charles P Taylor, Mayor Pro-Tem

Kate C. Burns

Louise W. Hinton

Larry D. Taylor

Administrative and Financial Staff

Leonard Barefoot , Interim Town Manager

Melonie Bryan, Interim Finance Director

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Town of Nashville, North Carolina
Table of Contents
June 30, 2018

	Page
Financial Section:	
Independent Auditor’s Report	5-7
Management’s Discussion and Analysis	9-18
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – Exhibit 1	20
Statement of Activities – Exhibit 2	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Exhibit 3.....	22-23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Exhibit 4.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Exhibit 4.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Budget and Actual – Exhibit 5	26
Statement of Net Position – Proprietary Funds – Exhibit 6	27
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds – Exhibit 7.....	28
Statement of Cash Flows – Proprietary Funds – Exhibit 8.....	29
Statement of Fiduciary Net Position – Exhibit 9.....	30
Notes to Financial Statements.....	32-57
Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Position Liability Local Government Employees’ Retirement System.....	59
Schedule of Contributions Local Government Employees’ Retirement System.....	60
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special Separation Allowance.....	61
Schedule of total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers’ Special Separation Allowance.....	62
Schedule of Changes in the Total OPEB Liability and Relation Ratios.....	63

Town of Nashville, North Carolina
Table of Contents (Cont.)
June 30, 2018

	Page
Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual – General Fund.....	65-68
Combining Balance Sheet for Non-Major Governmental Funds.....	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	
For Non-Major Governmental Funds.....	70
Statement of Revenues, Expenditures, and Changes in Fund Balance	
Budget to Actual – Capital Reserve Fund	71
Statements of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual – Sidewalk Capital Project Funds.....	72-74
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual – Water and Sewer Fund.....	75-77
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
Budget and Actual – Water and Sewer Fund Capital Projects.....	78-80
Statement of Changes in Assets and Liabilities	
Fines and Forfeitures Agency Fund.....	81
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable.....	83
Analysis of Current Tax Levy – Town-Wide Levy.....	84
Compliance Section:	
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>Governmental Auditing Standards</i>	86-87
Schedule of Findings and Responses.....	88

FINANCIAL SECTION

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Town of Nashville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Town of Nashville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nashville, North Carolina as of June 30, 2018, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 18, the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 63, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 59 and 60, respectively, and the Law Enforcement Officers' Special Separation Allowance Schedule of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 61 and 62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial

statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019 on our consideration of Town of Nashville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Nashville's internal control over financial reporting and compliance.

May & Place, PA

May & Place, PA
Louisburg, NC
January 29, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Nashville, we offer readers of the Town of Nashville's financial statements this narrative overview and analysis of the financial activities of the Town of Nashville for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Nashville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,676,340 (*net position*).
- The government's total net position increased by \$2,588,230 due to increases in both governmental and business-type net positions.
- As of the close of the current fiscal year, the Town of Nashville's governmental funds reported combined ending fund balances of \$5,124,666 with a net increase of \$348,315 in fund balance. Approximately 8.2 percent of this total amount, or \$420,697, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,294,580 or 82.8 percent of total general fund expenditures for the fiscal year.
- The Town of Nashville's total debt decreased by \$45,500 during the current fiscal year with all debt in the Water and Sewer Fund.
- The town implemented the new municipal service district which levies \$0.10 property tax on real property located within the district serving the downtown area. The town collected \$34,504 the first year and is restricted for use in the district.
- A new stormwater fee was initiated at \$2.50/ERU which is 2,500 square feet generating \$137,570 in revenue that was used for the purchase of equipment.
- The town made large progress on the construction of the gravity sewer outfall line with anticipation of finishing this capital project in the fall of 2018.
- The town established two capital reserve funds for future capital projects. Both funds were funded by transferring cash from the General Fund (\$282,389) and the Enterprise Fund (\$83,100).
- On July 1, 2017 the Town of Nashville changed health insurance carriers to the State of North Carolina Health Plan, which saved the town approximately \$82,350.
- In the human resource area, the town implemented a new pay plan for all employees while adding three new positions (police officer, HR administrative assistant, and storm water technician).
- Adopted two new capital projects (Sidewalk construction on First Street - \$266,238 and Sidewalk construction/upgrades on First and Oak Streets - \$248,003) with funding from the federal Congestion Mitigation and Air Quality Improvement (CMAQ) program. Construction of these projects will begin in fiscal year 2018-2019.

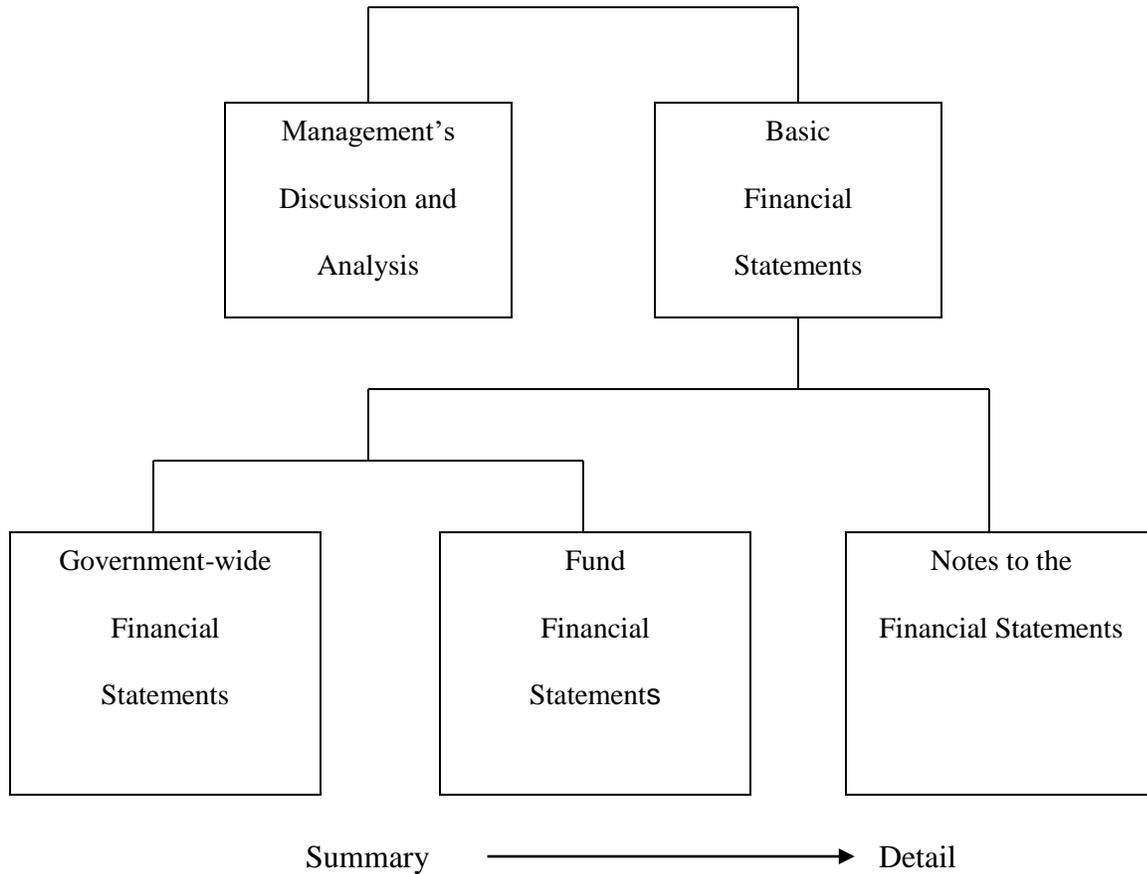
Overview of the Financial Statements

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

the Town of Nashville.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The Town of Nashville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of

accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

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

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

Government-Wide Financial Analysis

Town of Nashville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 5 311 024	\$ 4 912 889	\$ 2 780 110	\$ 2 969 714	\$ 8 091 134	\$ 7 882 603
Capital assets	6 510 664	6 022 701	8 158 285	6 438 032	14 668 949	12 460 733
Deferred outflows of resources	469 156	658 629	66 042	92 277	535 198	750 906
Total assets and deferred outflows of resources	<u>12 290 844</u>	<u>11 594 219</u>	<u>11 004 437</u>	<u>9 500 023</u>	<u>23 295 281</u>	<u>21 094 242</u>
Long-term liabilities outstanding	-	-	259 133	304 633	259 133	304 633
Other liabilities	1 661 670	1 284 403	557 923	576 739	2 219 593	1 861 142
Deferred inflows of resources	128 307	108 512	11 908	14 557	140 215	123 069
Total liabilities and deferred inflows of resources	<u>1 789 977</u>	<u>1 392 915</u>	<u>828 964</u>	<u>895 929</u>	<u>2 618 941</u>	<u>2 288 844</u>
Net Position:						
Net investment in capital assets	6 510 664	6 022 701	7 899 152	6 133 399	14 409 816	12 156 100
Restricted	414 022	313 002	-	-	414 022	313 002
Unrestricted	3 576 181	3 865 601	2 276 321	2 470 695	5 852 502	6 336 296
Total net position	<u>\$ 10 500 867</u>	<u>\$ 10 201 304</u>	<u>\$ 10 175 473</u>	<u>\$ 8 604 094</u>	<u>\$ 20 676 340</u>	<u>\$ 18 805 398</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Nashville exceeded liabilities and deferred inflows by \$20,676,340 as of June 30, 2018. The Town's net position increased by \$2,588,230 for the fiscal year ended June 30, 2018. However, the largest portion (69.94%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Nashville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nashville's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Nashville's net position, \$414,022 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,852,502 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.10%, which is just below the statewide average of 98.57% for towns of similar size.
- Increased sales tax revenues representing a continued 3.0% growth over the previous year.
- Total property tax revenue increased 6% due to higher property values stemming from the revaluation.
- Stormwater fees generated \$137,571 to provide for funding a stormwater technician and the purchase of a leaf machine.

Town of Nashville's Changes in Net Position
Figure 3

	<u>Governmental Activities</u> <u>2018</u>	<u>Business-Type Activities</u> <u>2018</u>	<u>Governmental Activities</u> <u>2017</u>	<u>Business-Type Activities</u> <u>2017</u>
Revenues:				
Program revenues				
Charges for services	\$ 680 259	\$ 4 076 165	\$ 527 876	\$ 3 437 981
Operating grants and contributions	312 551	-	284 728	-
Capital grants and contributions	-	972 554	236 622	128 819
General Revenues				
Property taxes	2 311 986	-	2 130 502	-
Other taxes	1 611 478	-	1 548 474	-
Grants and contributions not restricted to specific programs	462 412	-	449 414	-
Other	69 789	6 876	162 088	5 489
Total revenues	<u>5 448 475</u>	<u>5 055 595</u>	<u>5 339 704</u>	<u>3 572 289</u>
Expenses:				
General government	1 080 733	-	1 104 318	-
Public safety	2 028 713	-	1 997 200	-
Transportation	432 398	-	589 188	-
Environmental protection	463 983	-	390 551	-
Culture and recreation	502 666	-	461 593	-
Cemetery	94 481	-	92 148	-
Interest on long-term debt	-	4 292	59 204	10 428
Water and sewer	-	3 308 574	-	3 266 357
Total expenses	<u>4 602 974</u>	<u>3 312 866</u>	<u>4 694 202</u>	<u>3 276 785</u>
Increase in net position before transfers	845 501	1 742 729	645 502	295 504
Transfers	86 498	(86 498)	85 838	(85 838)
Increase in net position	931 999	1 656 231	731 340	209 666
Net position, July 1 (consolidated)	10 201 304	8 604 094	9 563 578	8 394 428
Net position beginning, restated	9 568 868	8 519 242	9 469 964	8 394 428
Net position, June 30	<u>\$ 10 500 867</u>	<u>\$ 10 175 473</u>	<u>\$ 10 201 304</u>	<u>\$ 8 604 094</u>

Governmental activities: Governmental activities increased the Town's net position by \$931,999 thereby accounting for 37.1% of the total growth in the net position of the Town of Nashville.

Certain key elements for the governmental funds:

- Sales tax revenues had an increase of \$33,929
- Property tax revenues increased by \$184,484
- Maintaining expenditures within budgeted amounts
- Investment in capital projects and fixed assets

Business-type activities: Business-type activities increased the Town of Nashville's net position by \$1,656,231 accounting for 62.9% of the total growth in the government's net position. Key elements of this activity are as follows:

- Investments in capital project funds and fixed assets
- Maintaining expenditures within budgeted amounts.
- Increased water and sewer operating revenue (\$638,138) representing an 18.56% growth over the previous year while maintaining an increase of expenditures of only 2.14% of 2017 levels. The large increase is mainly due to increase usage by a major user (Nash Correctional Center) and a 4.5% sewer rate increase.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Nashville. At the end of the current fiscal year, Town of Nashville's fund balance available in the General Fund was \$4,294,580 while total Fund Balance was \$4,798,594. The Town currently has an available fund balance of 82.92% of general fund expenditures, while total fund balance represents 92.65% of that same amount.

At June 30, 2018, the governmental funds of Town of Nashville reported a combined fund balance of \$5,124,666, with a net increase in fund balance of \$348,315, with \$282,389 in the capital projects fund and \$65,926 in the General Fund.

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

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

Proprietary Funds. The Town of Nashville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,276,321. The total change in net position for this fund was a \$1,656,231 increase. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Nashville's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Nashville's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totals \$14,668,949 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles and construction in progress.

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

- Purchase of two 2018 Ford Taurus police vehicles-\$49,010.
- Purchase of three mobile computers for police vehicles for \$6,367.
- Purchase of new Pierce Enforcer pumper for the Fire Department at a cost of \$548,907
- Purchase 2018 Chevrolet Silverado for the Streets department for \$23,006
- Purchase of a new Freightliner leaf truck for Stormwater drainage cleanup for \$174,189
- Sewer gravity line construction continued with expenditure of \$1,952,520 in the Water and Sewer Department capital projects.
- At a cost of \$83,539 purchased a Rover Outpost camera sewer inspection system
- Electrical improvements at Glover Park costing \$5,295

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1 924 778	\$ 1 908 940	\$ 514 809	\$ 514 809	\$ 2 439 587	\$ 2 423 749
Buildings and Improvements	1 775 926	1 853 873	-	-	1 775 926	1 853 873
Street Improvements	148 803	156 987	-	-	148 803	156 987
Equipment	897 919	308 195	382 933	380 194	1 280 852	688 389
Vehicles and equipment	490 215	479 885	-	-	490 215	479 885
Water and sewer systems	-	-	4 781 428	4 576 907	4 781 428	4 576 907
Recreation Park	746 290	788 088	-	-	746 290	788 088
Construction in progress	526 733	526 733	2 479 115	966 122	3 005 848	1 492 855
Total	\$ 6 510 664	\$ 6 022 701	\$ 8 158 285	\$ 6 438 032	\$ 14 668 949	\$ 12 460 733

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

Long-term Debt. As of June 30, 2018, the Town of Nashville had total debt outstanding of \$259,133. The entire amount is debt backed by the full faith and credit of the Town.

Town of Nashville's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment purchases	-	-	\$ 259 133	\$ 304 633	\$ 259 133	\$ 304 633
Total	-	-	\$ 259 133	\$ 304 633	\$ 259 133	\$ 304 633

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

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. While the town's total debt of \$259,133 is only 0.08% of the assessed value, the legal debt margin for Town of Nashville is \$32,935,000.

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

Economic Factors and Next Year's Budgets and Rates

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

- Steady property valuation suggests limited growth.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities:

The Town of Nashville has increased the property tax rate by \$0.02 to set the rate at \$0.58 per \$100 valuation for the 2018-2019 fiscal year. This is the first general property tax rate increase in nine years. The Town also maintained a \$0.10 per \$100 valuation property tax rate for the municipal service district established in FY2017-18. This district, authorized by N.C.G.S 160A-536(b), allows the Town to invest in downtown revitalization efforts including beautification projects, infrastructure improvements, and promotion of existing businesses.

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

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

Expenditure highlights include

- Budgeted increase of 5% for health insurance for employees
- Cost of Living Adjustment of 1.5% for all employees
- Addition of one maintenance employee in Parks, Recreation, and Cultural Resources department
- Three new police vehicles
- Two new handheld police radios
- New backhoe for Cemetery
- Sidewalk construction on First Street
- Lawnmower for Parks, Recreation, and Cultural Resources department
- Improvements for the Christmas decorations
- Additional streets to be resurfaced
- Commitment of stormwater funds for various drainage projects

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

Budget expenditures include:

- Reimbursement to General Fund includes 15% of the salaries and benefits for the Town Manager and Town Clerk/Human Resources Officer, and 40% of the salaries and benefits for the Finance Director
- Purchase of new water meters (\$140,000)
- Continued water and sewer capital projects

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Nashville, North Carolina
Statement of Net Position
June 30, 2018

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4 545 656	\$ 2 255 734	\$ 6 801 390
Taxes receivables (net)	91 289	-	91 289
Accrued interest receivable	7 194	-	7 194
Accounts receivable (net)	147 036	315 879	462 915
Due from other governments	9 865	19 611	29 476
Internal balances	(33 481)	33 481	-
Inventories	3 153	-	3 153
Prepaid items	3 522	-	3 522
Restricted cash and cash equivalents	536 790	155 405	692 195
Total current assets	5 311 024	2 780 110	8 091 134
Non-current assets:			
Capital assets: (Note III.4):			
Land, non-depreciable			
improvements, and construction in progress	2 451 511	2 993 924	5 445 435
Other capital assets, net of depreciation	4 059 153	5 164 361	9 223 514
Total capital assets	6 510 664	8 158 285	14 668 949
Total assets	11 821 688	10 938 395	22 760 083
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	428 913	55 904	484 817
OPEB deferrals	40 243	10 138	50 381
Total deferred outflows of resources	469 156	66 042	535 198
LIABILITIES			
Current liabilities:			
Accounts payable	87 283	189 605	276 888
Customer deposits	-	155 405	155 405
Current portion of long-term liabilities	-	45 500	45 500
Total current liabilities	87 283	390 510	477 793
Long-term liabilities:			
Compensated absences	130 234	22 825	153 059
Net pension liability (LGERS)	560 062	89 679	649 741
Total pension liability (LEOSSA)	135 733	-	135 733
Total OPEB liability	748 358	100 409	848 767
Due in more than one year	-	213 633	213 633
Total liabilities	1 661 670	817 056	2 478 726
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	592	-	592
Pension deferrals	127 715	11 908	139 623
Total deferred inflows of resources	128 307	11 908	140 215
NET POSITION			
Net investment in capital assets	6 510 664	7 899 152	14 409 816
Restricted for:			
HOPE Initiative	12 017	-	12 017
Stabilization by State Statute	159 621	-	159 621
Streets	242 384	-	242 384
Unrestricted	3 576 181	2 276 321	5 852 502
Total net position	\$ 10 500 867	\$ 10 175 473	\$ 20 676 340

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

**Town of Nashville, North Carolina
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 1 080 733	\$ 7 685	\$ 69 945	\$ -	\$ (1 003 103)	\$ -	\$ (1 003 103)
Public safety	2 028 713	2 086	56 800	-	(1 969 827)	-	(1 969 827)
Transportation	432 398	-	149 307	-	(283 091)	-	(283 091)
Environmental protection	463 983	570 144	-	-	106 161	-	106 161
Cultural and recreation	502 666	23 267	36 499	-	(442 900)	-	(442 900)
Cemetery	94 481	77 077	-	-	(17 404)	-	(17 404)
Total governmental activities (See Note I)	<u>4 602 974</u>	<u>680 259</u>	<u>312 551</u>	<u>-</u>	<u>(3 610 164)</u>	<u>-</u>	<u>(3 610 164)</u>
Business-type activities:							
Water and sewer	3 312 866	4 076 165	-	972 554	-	1 735 853	1 735 853
Total business-type activities	<u>3 312 866</u>	<u>4 076 165</u>	<u>-</u>	<u>972 554</u>	<u>-</u>	<u>1 735 853</u>	<u>1 735 853</u>
Total primary government	<u>\$ 7 915 840</u>	<u>\$ 4 756 424</u>	<u>\$ 312 551</u>	<u>\$ 972 554</u>	<u>\$ (3 610 164)</u>	<u>\$ 1 735 853</u>	<u>\$ (1 874 311)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2 311 986	-	2 311 986
Other Taxes					1 611 478	-	1 611 478
Grants and contributions not restricted to specific programs					462 412	-	462 412
Unrestricted investment earnings					54 478	6 876	61 354
Miscellaneous					14 906	-	14 906
Gain on sale of capital assets					405	-	405
Total general revenues not including transfers					<u>4 455 665</u>	<u>6 876</u>	<u>4 462 541</u>
Transfers					86 498	(86 498)	-
Total general revenues and transfers					<u>4 542 163</u>	<u>(79 622)</u>	<u>4 462 541</u>
Change in net position					931 999	1 656 231	2 588 230
Net position, beginning, previously reported					10 201 304	8 604 094	18 805 398
Restatement					(632 436)	(84 852)	(717 288)
Net position beginning restated					<u>9 568 868</u>	<u>8 519 242</u>	<u>18 088 110</u>
Net position, ending					<u>\$ 10 500 867</u>	<u>\$ 10 175 473</u>	<u>\$ 20 676 340</u>

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

Town of Nashville, North Carolina
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2018

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4 545 656	\$ -	\$ 4 545 656
Restricted cash and cash equivalents	210 718	326 072	536 790
Receivables, net:			
Taxes	91 289	-	91 289
Accounts	147 036	-	147 036
Due from other governments	9 865	-	9 865
Prepaid expenditures	3 522	-	3 522
Inventories	3 153	-	3 153
Total assets	<u>5 011 239</u>	<u>326 072</u>	<u>5 337 311</u>
LIABILITIES			
Accounts payable and accrued liabilities	87 283	-	87 283
Due to other funds	33 481	-	33 481
Total liabilities	<u>120 764</u>	<u>-</u>	<u>120 764</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	91 289	-	91 289
Prepaid taxes	592	-	592
Total deferred inflows of resources	<u>91 881</u>	<u>-</u>	<u>91 881</u>
FUND BALANCES			
Non-Spendable			
Inventories	3 153	-	3 153
Prepaid expenditures	3 522	-	3 522
Restricted			
Stabilization by State Statute	159 621	-	159 621
Streets	198 701	43 683	242 384
HOPE initiative	12 017	-	12 017
Assigned			
Capital projects	-	282 389	282 389
Subsequent year's expenditures	127 000	-	127 000
Unassigned	4 294 580	-	4 294 580
Total fund balances	<u>4 798 594</u>	<u>326 072</u>	<u>5 124 666</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5 011 239</u>	<u>\$ 326 072</u>	<u>\$ 5 337 311</u>

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

**Town of Nashville
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2018**

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

Total Fund Balance, Governmental Funds	\$	5 124 666
Capital assets used in governmental activities are not financial resources and therefore are therefore are not reported in the funds.		
Gross capital assets at historical cost		13 222 704
Accumulated depreciation		<u>(6 712 040)</u>
		6 510 664
Deferred outflows of resources related to pensions are not reported in the funds		428 913
Deferred outflows of resources related to OPEB are not reported in the funds		40 243
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		7 194
Earned revenues considered deferred inflows of resources in fund statements		91 289
Long-term liabilities used in governmental activities are not financial uses and therefore, are not reported in the funds		
Net pension liability (LGERS)		(560 062)
OPEB liability		(748 358)
Vacation accrual		(130 234)
Total pension liability (LEOSSA)		(1 574 387)
Deferred inflows of resources related to pensions are not reported in the funds		(127 715)
Net position of governmental activities	\$	<u>10 500 867</u>

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

Town of Nashville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2 304 790	\$ -	\$ 2 304 790
Other taxes and licenses	78 548	-	78 548
Unrestricted intergovernmental	1 578 882	-	1 578 882
Restricted intergovernmental	227 972	-	227 972
Permits and fees	165 666	-	165 666
Sales and services	997 415	-	997 415
Investment earnings	54 478	-	54 478
Miscellaneous	26 098	-	26 098
Total revenues	5 433 849	-	5 433 849
EXPENDITURES			
Current:			
General government	1 013 794	-	1 013 794
Public safety	1 966 434	-	1 966 434
Transportation	411 819	-	411 819
Environmental protection	459 158	-	459 158
Culture and recreation	405 710	-	405 710
Cemetery	99 535	-	99 535
Capital outlay	823 012	-	823 012
Total expenditures	5 179 462	-	5 179 462
Excess (deficiency) of revenues over expenditures	254 387	-	254 387
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	86 498	-	86 498
Transfers to other funds	(282 389)	282 389	-
Sale of capital assets	405	-	405
Insurance recovery	7 025	-	7 025
Total other financing sources (uses)	(188 461)	282 389	93 928
Net change in fund balances	65 926	282 389	348 315
Fund balances, beginning	4 732 668	43 683	4 776 351
Fund balances, ending	\$ 4 798 594	\$ 326 072	\$ 5 124 666

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

Town of Nashville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

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

Net changes in fund balances – total governmental funds	\$	348 315
---	----	---------

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	823 012	
Depreciation expense for governmental assets	<u>(335 049)</u>	487 963

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		164 378
OPEB benefit payments and administrative costs are made in the current fiscal year are not included on the Statement of Activities		40 243

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		7 196

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	24 414	
Pension expense (LGERS)	(157 408)	
Pension expense (LEOSSA)	(13 141)	
OPEB plan expense	<u>30 039</u>	<u>(116 096)</u>

Total changes in net position of governmental activities	\$	<u><u>931 999</u></u>
--	----	-----------------------

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

Town of Nashville, North Carolina
General Fund and Annually Budgeted Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2 266 060	\$ 2 234 060	\$ 2 304 790	\$ 70 730
Other taxes and licenses	55 300	87 300	78 548	(8 752)
Unrestricted intergovernmental	1 458 000	1 458 000	1 578 882	120 882
Restricted intergovernmental	229 275	274 595	227 972	(46 623)
Permits and fees	121 305	141 715	165 666	23 951
Sales and services	954 867	956 602	997 415	40 813
Investment earnings	18 300	18 300	54 478	36 178
Miscellaneous	16 500	25 005	26 098	1 093
Total revenues	<u>5 119 607</u>	<u>5 195 577</u>	<u>5 433 849</u>	<u>238 272</u>
Expenditures:				
Current:				
General government	1 061 355	1 133 629	1 019 794	113 835
Public safety	2 200 806	2 802 039	2 580 956	221 083
Transportation	529 471	529 471	434 825	94 646
Environmental protection	664 239	672 689	633 347	39 342
Cultural and recreation	458 263	475 845	411 005	64 840
Cemetery	107 305	107 305	99 535	7 770
Contingency	25 000	25 000	-	25 000
Total expenditures	<u>5 046 439</u>	<u>5 745 978</u>	<u>5 179 462</u>	<u>566 516</u>
Revenues over (under) expenditures	<u>73 168</u>	<u>(550 401)</u>	<u>254 387</u>	<u>804 788</u>
Other financing sources (uses):				
Transfers from other funds	86 498	86 498	86 498	-
Transfers to other funds	(544 889)	(282 389)	(282 389)	-
Insurance recovery	-	-	7 025	7 025
Sales of capital assets	1 000	1 000	405	(595)
Total other financing sources	<u>(457 391)</u>	<u>(194 891)</u>	<u>(188 461)</u>	<u>6 430</u>
Fund Balance appropriated	384 223	745 292	-	(745 292)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	65 926	<u>\$ 65 926</u>
Fund balances, beginning			<u>4 732 668</u>	
Fund balances, ending			<u>\$ 4 798 594</u>	

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

Town of Nashville, North Carolina
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Water and Sewer Fund	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2 255 734	\$ 2 255 734
Accounts receivable (net) – billed	315 879	315 879
Due from other governments	19 611	19 611
Due from other funds	33 481	33 481
Restricted cash and cash equivalents	155 405	155 405
Total current assets	2 780 110	2 780 110
Noncurrent assets:		
Capital assets:		
Land and other non-depreciable assets	2 993 924	2 993 924
Other capital assets, net of depreciation	5 164 361	5 164 361
Capital assets (net)	8 158 285	8 158 285
Total noncurrent assets	8 158 285	8 158 285
Total assets	10 938 395	10 938 395
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	55 904	55 904
OPEB deferrals	10 138	10 138
Total deferred outflows of resources	66 042	66 042
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	189 605	189 605
Customer deposits	155 405	155 405
Installment purchases – current	45 500	45 500
Total current liabilities	390 510	390 510
Noncurrent liabilities:		
Compensated absences	22 825	22 825
Net pension liability	89 679	89 679
Total OPEB liability	100 409	100 409
Installment purchases – noncurrent	213 633	213 633
Total noncurrent liabilities	426 546	426 546
Total liabilities	817 056	817 056
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	11 908	11 908
NET POSITION		
Net investment in capital assets	7 899 152	7 899 152
Unrestricted	2 276 321	2 276 321
Total net position	\$ 10 175 473	\$ 10 175 473

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

Town of Nashville, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 3 936 470	\$ 3 936 470
Water and sewer taps	42 050	42 050
Other operating revenues	97 645	97 645
Total operating revenues	4 076 165	4 076 165
OPERATING EXPENSES		
Administration	107 631	107 631
Water distribution	886 169	886 169
Waste collection and treatment	1 998 868	1 998 868
Depreciation	315 806	315 806
Total operating expenses	3 308 474	3 308 474
Operating income (loss)	767 691	767 691
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	6 876	6 876
Interest and other charges	(4 392)	(4 392)
Total nonoperating revenue (expenses)	2 484	2 484
Income (loss) before contributions and transfers	770 175	770 175
Capital contributions	972 554	972 554
Transfers to other funds	(86 498)	(86 498)
Changes in net position	1 656 231	1 656 231
Total net position, previously reported	8 604 094	8 604 094
Beginning net position, restated	8 519 242	8 519 242
Total net position, ending	\$ 10 175 473	\$ 10 175 473

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

Town of Nashville, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3 982 764	\$ 3 982 764
Cash paid for goods and services	(2 738 528)	(2 738 528)
Cash paid to or on behalf of employees for services	(426 099)	(426 099)
Customer deposits received (returned) net	15 702	15 702
Other operating revenues	97 645	97 645
Net cash provided (used) by operating activities	931 484	931 484
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Decrease (increase) in due from other governments	186 401	186 401
Transfers to other funds	(86 498)	(86 498)
Total cash flows from non-capital financing activities	99 903	99 903
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and construction of capital assets	(2 044 735)	(2 044 735)
Principal paid on installment purchases	(45 500)	(45 500)
Interest paid on installment purchases	(4 392)	(4 392)
Capital contributions- grants	972 554	972 554
Net cash provided (used) by capital and related financing activities	(1 122 073)	(1 122 073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	6 876	6 876
Net increase (decrease) in cash and cash equivalents	(83 810)	(83 810)
Balances, beginning	2 494 949	2 494 949
Balances, ending	\$ 2 411 139	\$ 2 411 139
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 694 516	\$ 694 516
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	315 806	315 806
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(80 608)	(80 608)
Increase (decrease) in accounts payable and accrued liabilities	(83 850)	(83 850)
Increase (decrease) in customer deposits	15 702	15 702
Increase (decrease) in accrued vacation pay	(1 744)	(1 744)
(Increase) decrease in deferred outflows of resources - pensions	36 373	36 373
(Increase) in deferred outflows of resources - OPEB	(10 138)	(10 138)
Increase (decrease) in net pension liability	(32 746)	(32 746)
Increase (decrease) in deferred inflows of resources - pensions	(2 649)	(2 649)
Increase in OPEB liability	80 822	80 822
Total adjustments	236 968	236 968
Net cash provided by operating activities	\$ 931 484	\$ 931 484

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

**Town of Nashville, North Carolina
Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2018**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 527</u>
Liabilities	
Intergovernmental payable	<u>527</u>
Total liabilities	<u>\$ 527</u>

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

Notes to the Financial Statements

Town of Nashville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for administration, public safety, street maintenance and construction, sanitation services, cultural and recreation, and cemetery.

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise funds:

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

The Town reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods relating to a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S.159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

All unexpended loan and grant proceeds of General Fund and Enterprise Funds are classified as restricted assets for each fund because their use is completely restricted to the purpose for which the proceeds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. The Town developed the HOPE initiative to establish a program for drug recovery funded solely by donations for this specific purpose; therefore, funds in this program are classified as restricted cash balances. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Nashville Restricted Cash

Governmental Activities		
	HOPE initiative	\$ 12 017
	Capital projects	282 389
	Streets	242 384
Total governmental activities		<u>\$ 536 790</u>

Business-type Activities		
Water and Sewer Fund		
	Customer deposits	\$ 155 405
Total business-type activities		<u>\$ 155 405</u>
Total Restricted Cash		<u>\$ 692 195</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, 2017. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

7. Capital Assets

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2018 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, pension deferrals, and OPEB deferrals.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute [G.S. Chapter 159-8(a)].

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.

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

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

II. Stewardship, Compliance, and Accountability

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

None.

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

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, the expenditures made in the Town's Water and Sewer Fund Sewage Collection System exceeded the authorized appropriations made by the governing council for the sewer activities by \$73,812. This over-expenditure occurred because of unplanned sewer treatment expenditures. In addition, transfers from the Water and Sewer Fund to the Water and Sewer Projects Fund exceeded governing council authorized appropriations by \$979,966. The over-expenditure occurred because the transfer was omitted from the Water and Sewer Fund budget. The Town experienced a change in staffing (Manager and Finance Officer) in June 2018 which resulted in the budget not being amended before fiscal year end. The Council was made aware of this situation in July 2018 by the interim Finance Director in a report to the Board.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2018, the Town's deposits had a carrying amount of \$3,388,486 and a bank balance of \$3,690,254. 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, 2018, the Town's petty cash fund totaled \$950.

2. Investments

At June 30, 2018, the Town's investment balances were as follows:

<u>Investments by type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2018</u>	<u>Maturity</u>	<u>Rating</u>
NCCMT - Government Portfolio	Amortized Cost	\$ 1 531 469	N/A	AAAm
NCCMT – Term Portfolio	Fair Value Level 1	2 573 207	< 6 months	Unrated
Total		<u>\$ 4 104 676</u>		

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

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

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

Credit Risk. The Town has no formal policy regarding credit risk but has management procedures that limits the Town’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2018. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 44 963
Accounts receivable	3 739
Total	<u>48 702</u>
Enterprise Fund:	
Accounts receivable	-
Total	<u>\$ 48 702</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2018, were follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1 908 940	\$ 15 838	\$ -	\$1 924 778
Construction in Progress	526 733	-	-	526 733
Total capital assets not being depreciated	<u>2 435 673</u>	<u>15 838</u>	<u>-</u>	<u>2 451 511</u>
Capital assets being depreciated:				
Buildings and improvements	3 040 793	-	-	3 040 793
Street improvements	242 495	-	-	242 495
Equipment	2 418 508	734 758	-	3 153 266
Vehicles and equipment	2 733 278	72 416	-	2 805 694
Cemetery improvements	41 664	-	-	41 664
Recreation park	1 487 281	-	-	1 487 281
Total capital assets being depreciated	<u>9 964 019</u>	<u>807 174</u>	<u>-</u>	<u>10 771 193</u>
Less accumulated depreciation for:				
Buildings and improvements	1 186 920	77 947	-	1 264 867
Street improvements	85 508	8 184	-	93 692
Equipment	2 110 313	145 034	-	2 255 347
Vehicles and equipment	2 253 393	62 086	-	2 315 479
Cemetery improvements	41 664	-	-	41 664
Recreation park	699 193	41 798	-	740 991
Total accumulated depreciation	<u>6 376 991</u>	<u>\$ 335 049</u>	<u>\$ -</u>	<u>6 712 040</u>
Total capital assets being depreciated, net	<u>3 587 028</u>			<u>4 059 153</u>
Governmental activity capital assets, net	<u>\$ 6 022 701</u>			<u>\$6 510 664</u>

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

General government	\$ 8 439
Public Safety	148 018
Transportation	45 563
Environment protection	30 274
Culture and recreation	102 755
Total depreciation expense	<u>\$ 335 049</u>

Business-type activities:

Water and Sewer Fund	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 514 809	\$ -	\$ -	\$ 514 809
Construction in Progress	966 122	1 952 520	439 527	2 479 115
Total capital assets not being depreciated	<u>1 480 931</u>	<u>1 952 520</u>	<u>439 527</u>	<u>2 993 924</u>
Capital assets being depreciated:				
Water and Sewer system	7 230 503	439 527	-	7 670 030
Equipment	947 683	83 539	-	1 031 222
Water treatment EDA	1 125 412	-	-	1 125 412
Highway 58 Water and Sewer Expansion	1 255 680	-	-	1 255 680
Total capital assets being depreciated	<u>10 559 278</u>	<u>523 066</u>	<u>-</u>	<u>11 082 344</u>
Less accumulated depreciation for:				
Water and Sewer system	4 164 239	175 479	-	4 339 718
Equipment	567 489	80 800	-	648 289
Water treatment EDA	412 649	28 135	-	440 784
Highway 58 Water and Sewer expansion	457 800	31 392	-	489 192
Total accumulated depreciation	<u>5 602 177</u>	<u>\$ 315 806</u>	<u>\$ -</u>	<u>5 917 983</u>
Total capital assets being depreciated, net	<u>4 957 101</u>			<u>5 164 361</u>
Water and Sewer fund capital assets, net	<u>4 957 101</u>			<u>5 164 361</u>
Business-type activities capital assets, net	<u>\$ 6 438 032</u>			<u>\$ 8 158 285</u>

Construction commitments

The government has active construction projects as of June 30, 2018. At year-end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
New well & connecting water line	307 014	\$ 101 541
Wastewater gravity outfall line	2 201 691	322 901
Total	<u>\$ 2 508 705</u>	<u>\$ 424 442</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employee's Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Nashville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Nashville's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.58% for general employees and firefighters, actuarially determined as an amount that, when combined with employee

contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Nashville were \$188,003 for the year ended June 30, 2018.

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, 2018, the Town reported a liability of \$649,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town’s proportion was 0.04253%, which was a decrease of 0.00033% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$182,011. At June 30, 2018, 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	\$ 37 431	\$ 18 392
Changes in assumptions	92 792	-
Net difference between projected and actual earnings on pension plan investments	157 758	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	78 762
Town contributions subsequent to the measurement date	188 003	-
Total	\$ 475 984	\$ 97 154

The \$188,003 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ (492)
2020	164 364
2021	80 897
2022	(53 942)
2023	-
Thereafter	-
	190 827

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation & productivity factor
Investment rate of return	7.20%, 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1 950 536	\$ 649 741	\$ (436 013)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

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

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

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

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

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity Factor
Discount rate	3.16%

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

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, 2018, the Town reported a total pension liability of \$135,733. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$13,141.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39 550
Changes in assumptions and other inputs	8 833	2 919
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 8 833</u>	<u>\$ 42 469</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)
2019	\$ 1 566	\$ 7 606	\$ (6 040)
2020	1 566	7 606	(6 040)
2021	1 566	7 606	(6 040)
2022	1 566	7 606	(6 040)
2023	1 566	7 606	(5 994)
Thereafter	1 003	4 485	(3 482)

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 3.16 percent, as well as what the town's total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.16%) or 1 percentage point higher (4.16%) than the current rate.

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 148 544	\$ 135 733	\$ 124 272

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

	2018
Beginning balance	\$ 152 716
Service Cost	13 286
Interest on the total pension liability	5 895
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(46 563)
Changes of assumptions or other inputs	10 399
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	\$ 135 733

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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 182 011	\$ 13 141	\$ 195 152
Pension Liability	649 741	135 733	785 474
Proportionate share of the net pension liability	0.04253%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	37 431	-	37 431
Changes of assumptions	92 792	8 833	101 625
Net difference between projected and actual earnings on plan investments	157 758	-	157 758
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	188 003	-	188 003
Deferred Inflows of Resources			
Differences between expected and actual experience	18 392	39 550	57 942
Changes of assumptions		2 919	2 919
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	78 762	-	78 762

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The Town made contributions of \$33,378 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for General Employees

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

Funding Policy. The Town has elects to contribute each month an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. The Town made contributions of \$51,680 for the general employees for the reporting year. No amounts were forfeited.

e. Other Postemployment Benefit

Healthcare Benefits

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

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

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

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

Total OPEB Liability

The Town's total OPEB liability of \$848,767 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2107 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare 7.5% reducing to 5% by 2023 Medicare 5.5% reducing to 5% by 2023

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ 919 730
Changes for the year	
Service cost	-
Interest	27 133
Changes of benefit terms	-
Differences between expected and actual experience	1 501
Changes in assumptions or other inputs	(62 703)
Benefit payments	<u>(36 894)</u>
Net changes	<u>(70 963)</u>
Balance at June 30, 2018	<u><u>\$ 848 767</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

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, 2017 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 (2.56%) or 1 percentage point higher (4.56%) than the current discount rate.

	<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Total OPEB liability	\$ 968 669	\$ 848 767	\$ 751 710

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	\$ 759 290	\$ 848 767	\$ 956 724

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$(34,069). At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Benefit payments and administrative costs made subsequent to the measurement date	50 381	-
Total	<u>\$ 50 381</u>	<u>\$ -</u>

\$50,381 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, 2109. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Year ended June 30:	
2019	\$ 0
2020	0
2021	0
2022	0
2023	0
Thereafter	0

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

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

Contribution to pension plan in current fiscal year	\$	188 003
Benefit payments and administrative expenses for OPEB made subsequent to measurement date		50 381
Differences between expected and actual experience		37 431
Changes of assumptions		101 625
Net difference between projected and actual		157 758
Total	\$	<u>535 198</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 592	\$ 592
Taxes Receivable, less penalties (General Fund)	-	91 289
Changes in assumptions	2 919	-
Differences between expected and actual experience	57 942	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	78 762	-
Total	<u>\$ 140 215</u>	<u>\$ 91 881</u>

4. Risk Management

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

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

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

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

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2018 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 an installment purchase agreement to finance a sewer vacuum jet rodding machine on a 2015 Freightliner chassis. The contract requires 120 monthly principal payments of \$2,967 with an interest rate of 1.84 percent.

The future minimum payments of the installment purchase as of June 30, 2018 including \$12,638 of interest are as follows:

Year Ending June 30	Principle	Interest
2019	35 600	3 740
2020	35 600	3 092
2021	35 600	2 430
2022	35 600	1 775
2023	35 600	1 120
2024-2025	41 533	481
Total	<u>\$ 219 533</u>	<u>\$ 12 638</u>

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

The future minimum payments of the installment purchase as of June 30, 2018 are as follows:

Year Ending June 30	Principle	Interest
2019	9 900	-
2020	9 900	-
2021	9 900	-
2022	9 900	-
Total	\$ 39 600	\$ -

b. Changes in Long-Term Liabilities

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ -	\$ -	\$ -	\$ -	\$ -
Unfunded pension contribution	-			-	-
Compensated absences	154 648	-	24 414	130 234	-
Total OPEB liability	145 961	602 397	-	748 358	-
Net pension liability (LGERS)	787 208	-	227 146	560 062	-
Total pension liability(LEOSSA)	152 716	-	16 983	135 733	-
Governmental activities long – term liabilities	<u>\$ 1 240 533</u>	<u>\$ 602 397</u>	<u>\$ 268 543</u>	<u>\$ 1 574 387</u>	<u>\$ -</u>
Business-type activities:					
Installment purchases	\$ 304 633	\$ -	\$ 45 500	\$ 259 133	\$ 45 500
Compensated absences	24 569	-	1 744	22 825	-
Total OPEB liability	19 587	80 822	-	100 409	-
Net pension liability (LGERS)	122 425	-	32 746	89 679	-
Business type activities long – term liabilities	<u>\$ 471 214</u>	<u>\$ 80 822</u>	<u>\$ 79 990</u>	<u>\$ 472 046</u>	<u>\$ 45 500</u>

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018, consist of the following:

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

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

Transfers to/from other funds at June 30, 2018, consist of the following:

From General Fund to Capital Project Reserve fund for future projects	\$ 282 389
From Water and Sewer Fund to General fund for expenses	86 498
From Water and Sewer Fund to Capital Project Reserve fund for future projects	83 100
From Water and Sewer Fund to Capital Projects fund	979 966
Total	<u>\$ 1 431 953</u>

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

During the 2018 fiscal year, the Town made a one-time transfer of \$86,498 from the Water and Sewer Fund to the General Fund to reimburse payroll expenditures associated with the water and sewer functions. The Town also transferred \$282,389 from the General Fund to the Capital Project Reserve Fund for future capital projects and \$83,100 from the Water and Sewer Fund to the Capital Project Reserve Fund for future water and sewer capital projects.

D. Fund Balance

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

Total fund balance – General Fund	\$ 4 798 594
Less:	
Inventories	3 153
Prepaid expenses	3 522
Stabilization by State Statute	159 621
Streets-Powell Bill	198 701
HOPE initiative	12 017
Appropriated Fund Balance in subsequent year	127 000
Remaining Fund Balance	4 294 580

IV. Related Party Transactions

There were no related party transactions noted during the fiscal year ended June 30, 2018.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI Change in Accounting Principles Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$632,436 and \$84,852 for the business-type activities.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

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

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

Local Government Employees' Retirement System

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

Town of Nashville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 152 716	\$ 137 001
Service Cost	13 286	14 929
Interest on the total pension liability	5 895	4 891
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(46 563)	-
Changes of assumptions or other inputs	10 399	(4 105)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<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, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

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

Notes to the schedules:

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

Town of Nashville
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2018

	2018
Total OPEB Liability	
Service Cost	-
Interest	27 133
Changes of benefit terms	-
Differences between expected and actual experience	1 501
Changes of assumptions	(62 703)
Benefits payments	(36 894)
Net change in total OPEB liability	(70 963)
Total OPEB liability – beginning	919 730
Total OPEB liability – ending	848 767
 Covered payroll	 N/A
Total OEPB liability as a percentage of covered payroll	N/A

Notes to Schedule:

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

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

Individual Fund Statements and Schedules

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 2 286 129	\$ -
Interest	-	18 661	-
Total	<u>2 234 060</u>	<u>2 304 790</u>	<u>70 730</u>
Other taxes and licenses:			
Privilege licenses	-	1 920	
Municipal service district tax	-	34 504	
Automobile tags	-	42 124	-
Total	<u>87 300</u>	<u>78 548</u>	<u>(8 752)</u>
Unrestricted intergovernmental:			
Local option sales taxes	-	1 155 030	-
Telecommunications sales tax	-	28 203	-
Utility franchise and sales tax	-	288 597	-
Video sales tax	-	34 860	
Beer and wine tax	-	22 657	-
ABC profit distribution	-	49 535	-
Total	<u>1 458 000</u>	<u>1 578 882</u>	<u>120 882</u>
Restricted intergovernmental:			
Powell Bill allocation	-	149 307	-
Police donations and forfeitures	-	49 990	-
Police grants	-	6 500	
Fire donations	-	310	
County aid to library	-	14 000	-
State aid to library	-	4 282	-
Solid waste disposal tax	-	3 583	-
Total	<u>274 595</u>	<u>227 972</u>	<u>(46 623)</u>
Permits and fees:			
Planning and zoning revenue	-	7 685	-
PEG channel support	-	20 410	
Stormwater fees	-	137 571	
Total	<u>141 715</u>	<u>165 666</u>	<u>23 951</u>

(continued)

**Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Sanitation fees	-	432 573	-
Fire protection	-	462 412	-
Cemetery revenues	-	77 077	-
Recreation department fees	-	23 267	-
Court cost	-	1 936	-
Parking violations	-	150	-
Total	<u>956 602</u>	<u>997 415</u>	<u>40 813</u>
Investment earnings	<u>18 300</u>	<u>54 478</u>	<u>36 178</u>
Miscellaneous:			
Donations/fees – library	-	18 217	-
Miscellaneous	-	7 881	-
Total	<u>25 005</u>	<u>26 098</u>	<u>1 093</u>
Total Revenues	<u>5 195 577</u>	<u>5 433 849</u>	<u>238 272</u>
Expenditures:			
General government:			
Salaries and employee benefits	-	25 273	-
Other operating expenditures	-	35 200	-
Total	<u>-</u>	<u>60 473</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	380 628	-
Other operating expenditures	-	339 541	-
Total	<u>-</u>	<u>720 169</u>	<u>-</u>
Planning:			
Salaries and employee benefits	-	132 676	-
Other operating expenditures	-	35 893	-
Total	<u>-</u>	<u>168 569</u>	<u>-</u>
Economic development:			
Dues	-	12 637	-
Total	<u>-</u>	<u>12 637</u>	<u>-</u>

(continued)

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits	-	6 422	-
Other operating expenditures	-	45 524	-
Capital outlay	-	6 000	-
Total	-	57 946	-
Total general government	<u>1 133 629</u>	<u>1 019 794</u>	<u>113 835</u>
Public safety:			
Police:			
Salaries and employee benefits	-	960 871	-
Other operating expenditures	-	168 763	-
Capital outlay	-	65 615	-
Total	-	<u>1 195 249</u>	-
Fire:			
Salaries and employee benefits	-	713 396	-
Other operating expenditures	-	123 404	-
Capital outlay	-	548 907	-
Total	-	<u>1 385 707</u>	-
Total public safety	<u>2 802 039</u>	<u>2 580 956</u>	<u>221 083</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	-	193 521	-
Other operating expenditures	-	218 298	-
Capital outlay	-	23 006	-
Total transportation	<u>529 471</u>	<u>434 825</u>	<u>94 646</u>
Environmental protection:			
Solid Waste:			
Salaries and employee benefits	-	169 211	-
Other operating expenditures	-	238 676	-
Total environmental protection	-	<u>407 887</u>	-
Stormwater:			
Salaries and employee benefits	-	44 087	-
Other operating expenditures	-	7 184	-
Capital outlay	-	174 189	-
Total stormwater	-	<u>225 460</u>	-
Total environmental protection	<u>672 689</u>	<u>633 347</u>	<u>39 342</u>

(continued)

Town of Nashville, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Culture and recreation:			
Parks and recreation:			
Salaries and employee benefits	-	131 521	-
Other operating expenditures	-	70 645	-
Capital outlay	-	5 295	-
Total	<u>-</u>	<u>207 461</u>	<u>-</u>
Libraries:			
Salaries and employee benefits	-	140 853	-
Other operating expenditures	-	62 691	-
Total	<u>-</u>	<u>203 544</u>	<u>-</u>
Total culture and recreation	<u>475 845</u>	<u>411 005</u>	<u>64 840</u>
Cemetery:			
Salaries and employee benefits	-	93 034	-
Other operating expenditures	-	6 501	-
Total	<u>107 305</u>	<u>99 535</u>	<u>7 770</u>
Contingency	25 000	-	25 000
Total expenditures	<u>5 745 978</u>	<u>5 179 462</u>	<u>566 516</u>
Revenues over (under) expenditures	(550 401)	254 387	804 788
Other financing sources (uses):			
Transfers from other funds:			
Water and Sewer fund	86 498	86 498	-
Transfers to other funds:			
Capital Reserve fund	(282 389)	(282 389)	-
Sale of capital assets	1 000	405	(595)
Insurance recovery	-	7 025	7 025
Total	<u>(194 891)</u>	<u>(188 461)</u>	<u>6 430</u>
Fund balance appropriated	745 292	-	(745 292)
Net change in fund balance	\$ <u>-</u>	65 926	\$ <u>65 926</u>
Fund balances, beginning		4 732 668	
Fund balances, ending		\$ <u>4 798 594</u>	

**Town of Nashville, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018**

	Capital Reserve Fund	Capital Sidewalk Project Fund	Total Non-major Governmental Funds
Assets			
Cash and cash equivalents	\$ 282 389	\$ 43 683	\$ 326 072
Total assets	\$ 282 389	\$ 43 683	\$ 326 072
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balances:			
Restricted	282 389	43 683	326 072
Total liabilities and fund balances	\$ 282 389	\$ 43 683	\$ 326 072

Town of Nashville, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>Capital Reserve Fund</u>	<u>Grant Sidewalk Project Fund</u>	<u>Total Non-major Governmental Funds</u>
Revenues:			
Restricted intergovernmental			
CMAQ Federal grant	\$ -	\$ -	\$ -
DOT grant	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Sidewalk construction	-	-	-
Administration	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Transfer from/to other funds	-	-	-
Town contributions	<u>282 389</u>	<u>-</u>	<u>282 389</u>
Total other financing sources	-	-	-
Fund balance, beginning	<u>-</u>	<u>43 683</u>	<u>43 683</u>
Fund balance, ending	<u>\$ 282 389</u>	<u>\$ 43 683</u>	<u>\$ 326 072</u>

Town of Nashville, North Carolina
Capital Project Fund – Capital Reserve
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted intergovernmental					
Outside grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Current:					
Project expenditures	1 073 539	-	-	-	1 073 539
Total expenditures	<u>1 073 539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 073 539</u>
Revenues over expenditures	<u>(1 073 539)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1 073 539)</u>
Other financing sources:					
Town contribution	1 073 539	-	282 389	282 389	(791 150)
Total other financing sources	<u>1 073 539</u>	<u>-</u>	<u>282 389</u>	<u>282 389</u>	<u>(791 150)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	282 369	<u>\$ 282 389</u>	<u>\$ (282 369)</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 282 389</u>		

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

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

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

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

Town of Nashville, North Carolina
Capital Project Fund – Sidewalk
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

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

Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Water sales:			
Residential and commercial	\$ -	\$ 1 188 330	\$ -
Total	<u>1 014 700</u>	<u>1 188 330</u>	<u>173 630</u>
Sewer charges:			
Residential and commercial	-	2 748 140	-
Total	<u>2 327 000</u>	<u>2 748 140</u>	<u>421 140</u>
Water and sewer taps	<u>10 000</u>	<u>42 050</u>	<u>32 050</u>
Other operating revenues	<u>35 000</u>	<u>97 645</u>	<u>62 645</u>
Total operating revenues	<u>3 386 700</u>	<u>4 076 165</u>	<u>689 465</u>
Nonoperating revenues:			
Interest earnings	<u>4 000</u>	<u>6 723</u>	<u>2 723</u>
Total revenues	<u>3 390 700</u>	<u>4 082 888</u>	<u>692 188</u>
Expenditures:			
Water and sewer administration:			
Salaries and employee benefits	-	63 127	-
Other operating expenses	-	31 852	-
Total water and sewer administration	<u>134 172</u>	<u>94 979</u>	<u>39 193</u>
Water distribution:			
Water distribution:			
Salaries and employee benefits	-	199 106	-
Other operating expenditures	-	164 574	-
Purchases for resale	-	537 419	-
Total water distribution	<u>909 441</u>	<u>901 099</u>	<u>8 342</u>

(continued)

**Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits	-	163 866	-
Sewage treatment	-	1 597 231	-
Other operating expenditures	-	250 426	-
Total	<u>1 937 711</u>	<u>2 011 523</u>	<u>(73 812)</u>
Debt service:			
Interest and other charges	-	4 392	-
Principal retirement	-	45 500	-
Total debt service	<u>71 328</u>	<u>49 892</u>	<u>21 436</u>
Capital outlay:			
Equipment	148 450	83 539	64 911
Total capital outlay	<u>148 450</u>	<u>83 539</u>	<u>64 911</u>
Contingency	20 000	-	20 000
Total expenditures	<u>3 221 102</u>	<u>3 141 032</u>	<u>80 070</u>
Revenue over expenditures	169 598	941 856	772 258
Other financing sources (uses)			
Transfers to other funds			
Water and Sewer Capital Project Fund	-	(979 966)	(979 966)
Water and Sewer Capital Project Reserve Fund	(83 100)	(83 100)	-
General Fund	(86 498)	(86 498)	-
Total other financing sources (uses)	<u>(169 598)</u>	<u>(1 149 564)</u>	<u>(979 966)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (207 708)</u>	<u>\$ (207 708)</u>

(continued)

Town of Nashville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2018

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

Revenues and other sources over expenditures and other uses:	\$ (207 708)
Reconciling items:	
Principal retirement	45 500
Capital outlay	83 539
Interfund transfer	1 063 066
Grants	972 554
Decrease in accrued vacation pay	1 744
Decrease in deferred outflows of resources- Pension	(36 373)
Decrease in net pension liability	32 746
Decrease in deferred inflows of resources- pension	2 649
Increase in deferred outflows of resources OPEB	10 138
Increase in OPEB liability	4 030
Depreciation	(315 806)
Interest income from Water and Sewer Capital Projects Fund	152
Total reconciling items	<u>1 863 939</u>
Change in net position	<u>\$ 1 656 231</u>

Town of Nashville, North Carolina
Water and Sewer Capital Projects Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

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

**Town of Nashville, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Current:					
Water well # 8 development:					
Surveying/engineering	\$ 65 000	\$ 32 931	\$ -	\$ 32 931	\$ 32 069
Construction	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 expenditures	<u>(408 555)</u>	<u>(307 014)</u>	<u>-</u>	<u>(307 014)</u>	<u>101 541</u>
Other financing sources:					
Transfer from Water and Sewer Operating Fund	408 555	408 496	-	408 496	(59)
Investment earnings	-	700	153	853	853
Total other financing sources	<u>408 555</u>	<u>409 196</u>	<u>153</u>	<u>409 349</u>	<u>794</u>
Revenue and other sources over(under) expenditures	<u>\$ -</u>	<u>\$ 102 182</u>	<u>\$ 153</u>	<u>\$ 102 335</u>	<u>\$ 102 335</u>

**Town of Nashville, North Carolina
Water and Sewer Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
Golden LEAF Foundation	\$ 200 000	\$ -	\$ 200 000	\$ 200 000	\$ -
Economic Infrastructure	450 000	-	450 000	450 000	-
Program					
Community Development Block					
Grant	<u>479 925</u>	<u>157 371</u>	<u>322 554</u>	<u>479 925</u>	<u>-</u>
Total revenues	<u>1 129 925</u>	<u>157 371</u>	<u>972 554</u>	<u>1 129 925</u>	<u>-</u>
Expenditures:					
Grant administration	47 500	27 500	20 000	47 500	-
Engineering	92 500	122 499	27 200	149 699	(57 199)
Construction	2 239 792	69 300	1 905 320	1 974 620	265 172
Land acquisition	32 200	29 872	-	29 872	2 328
Contingency	<u>112 600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112 600</u>
Total expenditures	<u>2 524 592</u>	<u>249 171</u>	<u>1 952 520</u>	<u>2 201 691</u>	<u>322 901</u>
Revenues over(under) expenditures	<u>(1 394 667)</u>	<u>(91 800)</u>	<u>(979 966)</u>	<u>(1 071 766)</u>	<u>(322 901)</u>
Other financing sources:					
Transfer from Water & Sewer					
Fund	1 302 867	-	979 966	979 966	322 901
Installment loan proceeds	69 300	69 300	-	69 300	-
Private contributions	<u>22 500</u>	<u>22 500</u>	<u>-</u>	<u>22 500</u>	<u>-</u>
Total other financing sources	<u>1 394 667</u>	<u>91 800</u>	<u>979 966</u>	<u>1 071 766</u>	<u>322 901</u>
Revenues and other sources					
Over(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Nashville, North Carolina
 Fines and Forfeitures Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2018**

	Beginning Balance	Additions	Deductions	Ending Balance
Assets:				
Cash and cash equivalents	\$ 429	\$ 324	\$ 226	\$ 527
Liabilities:				
Intergovernmental payable	\$ 429	\$ 324	\$ 226	\$ 527

Other Schedules

This section contains additional information required on property taxes

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

Town of Nashville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 2 305 490	\$ 2 261 659	\$ 43 831
2016-2017	40 267	-	11 833	28 434
2015-2016	21 294	-	3 092	18 202
2014-2015	11 066	-	1 047	10 019
2013-2014	12 030	-	1 385	10 645
2012-2013	7 387	-	411	6 976
2011-2012	8 647	-	3 243	5 404
2010-2011	7 048	-	549	6 499
2009-2010	7 745	-	1 503	6 242
2008-2009	9 078	-	9 078	-
	<u>\$ 124 562</u>	<u>\$ 2 305 490</u>	<u>2 293 800</u>	<u>136 252</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>(44 963)</u>
Ad valorem taxes receivable – net				<u>\$ 91 289</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes – General Fund				\$ 2 304 790
Reconciling items:				
	Interest collected			(18 661)
	Taxes written off			<u>7 671</u>
	Subtotal			<u>(10 990)</u>
Total collections and credits				<u>\$ 2 293 800</u>

Town of Nashville, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2018

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current rate	\$ 411 694 643	0.56	\$ 2 305 490	\$ 2 025 946	\$ 279 544
Penalties	-		-	-	-
Total	<u>411 694 643</u>		<u>2 305 490</u>	<u>2 025 946</u>	<u>279 544</u>
Discoveries:					
Current year taxes	-		-	-	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Abatements	-		-	-	-
Total property valuation	<u>\$ 411 694 643</u>				
Net levy			2 305 490	2 025 946	279 544
Uncollected taxes at June 30, 2018			<u>(43 831)</u>	<u>(43 831)</u>	<u>-</u>
Current year's taxes collected			\$ <u>2 261 659</u>	\$ <u>1 982 115</u>	\$ <u>279 544</u>
Current levy collection percentage			<u>98.10%</u>	<u>97.84%</u>	<u>100.00%</u>

Compliance Section

May & Place, PA

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 900
LOUISBURG, NC 27549
Bus: 919-496-3041
Fax: 919-496-6342

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nashville, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Town of Nashville's basic financial statements, and have issued our report thereon dated January 29, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding and responses as item 2018-1.

Purpose of this Report

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

May and Place, PA

May & Place, PA
Louisburg, North Carolina
January 29, 2019

TOWN OF NASHVILLE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Compliance and Other Matters

Finding: 2018-1

Criteria:	Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.
Condition:	The total expenditures in the Water and Sewer Fund, Sewage Collection System exceeded the authorized appropriations by \$73,812. Transfers from the Water and Sewer Fund to the Water and Sewer Capital Projects Fund exceeded authorized appropriations by \$979,966.
Effect:	Over-expenditure of the Water and Sewer Fund, Sewage Collection System and Water and Sewer Capital Projects Fund by \$73,812 and \$979,966, respectively.
Cause:	The Town experienced a change in staffing (Manager and Finance Officer) in June 2018 resulting in the budget not being amended to reflect a Council approved transfer or to cover the unexpected sewer expenditures.
Recommendation:	We recommend the management more closely review budget reports prior to year-end in order to implement budget amendments before year end.
Views of responsible officials and planned corrective actions.	Management agrees with the findings and once staffed, the situation should not occur again. It should be noted the Council was made aware of this situation in July 2018 by the Interim Finance Director in a report to the Board.