

**TOWN OF NOLENSVILLE, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2019

# TOWN OF NOLENSVILLE, TENNESSEE

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# INTRODUCTORY SECTION

**TOWN OF NOLENSVILLE, TENNESSEE**

Officials of the Town of Nolensville, Tennessee

June 30, 2019

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

# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Nolensville, Tennessee as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Nolensville, Tennessee as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, State Street Aid Fund, Drug Fund, Facilities Tax Fund, Impact Fund, and the Facilities School Tax Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters -Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset), Schedule of Contributions to the Employee Pension Plan and Schedule of Changes in Total Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Management's Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2019 on the consideration of the Town of Nolensville's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

John R Poole, CPA

November 30, 2019

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## TOWN OF NOLENSVILLE, TENNESSEE

### Management's Discussion and Analysis

As management of the Town of Nolensville, Tennessee (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,732,140. Of this amount, \$7,535,699 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$5,641,337 due to increased revenues partially offset by increased expenses as the Town continues to see growth. Revenues were \$1,452,519 more in the current year primarily as a result of increased sales tax and interest income revenues. Expenses were \$456,075 more in the current year as a result of increased police department and street department expenses.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$22,041,753 an increase of \$2,861,395 in comparison to the prior year. The increase was due to increased revenues by the Town. Expenses were higher in the current year as a result of capital asset purchases of \$3,167,955. Additionally, two police cars with a value of \$50,000 were donated to the Town. During the year the Town repaid \$195,000 in debt related to the Town Hall and recreation center loans. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7,542,784.

#### **Overview of the Financial Statements:**

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

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

The Statement of Net Position presents information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town of Nolensville include general government, personnel, finance, planning, police, fire, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$27,732,140 at the close of the most recent fiscal year. One of the largest portion of the Town's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	<u>2018</u>	<u>2019</u>
Current assets	\$ 20,262,084	23,195,582
Capital assets	<u>8,034,850</u>	<u>10,642,512</u>
Total assets	28,296,934	33,838,094
Deferred Outflows	334,283	388,848
Long-term debt	5,097,000	4,902,000
Other liabilities	<u>539,685</u>	<u>872,397</u>
Total liabilities	5,636,685	5,774,397
Deferred Inflows	903,729	720,405
Net position:		
Net investment in capital assets	2,937,850	5,740,512
Restricted	13,086,541	14,343,277
Unrestricted	<u>6,066,412</u>	<u>7,535,699</u>
Total net position	\$ 22,090,803	27,732,140

## Comparison between years 2018 and 2019

	2019 Governmental <u>Activities</u>	2018 Governmental <u>Activities</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	4,530,230	4,593,008	(62,778)
Operating grants and contributions	1,249,982	653,725	596,257
Capital grants and contributions	0	0	0
General revenues:			
Property taxes	767,750	676,203	91,547
Sales taxes	1,705,139	1,173,109	532,030
Other local taxes	442,100	410,805	31,295
Other state shared taxes	81,458	52,772	28,686
Other	447,285	211,803	235,482
Total revenues	<u>9,223,944</u>	<u>7,771,425</u>	<u>1,452,519</u>
Expenses:			
General government	719,478	957,932	(238,454)
Police department	1,259,854	911,770	348,084
Fire department	180,263	169,813	10,450
Codes department	568,862	496,971	71,891
Highways and streets	854,150	590,046	264,104
Total expenses	<u>3,582,607</u>	<u>3,126,532</u>	<u>456,075</u>
Change in net position	<u>5,641,337</u>	<u>4,644,893</u>	<u>996,444</u>

## Governmental Funds

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,542,784. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

## General Fund Budgetary Highlights

During the year, the Town maintained all of its departmental budgets. Further information is provided on pages 18-25.

## Capital Asset and Debt Administration

### Capital Assets

The Town of Nolensville's investment in capital assets from its governmental activities at June 30, 2019, amounts to \$10,642,512 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, infrastructure, machinery and equipment.

### Town of Nolensville's Capital Assets-

	2018	2019
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Land	\$ 278,753	278,753
Building	4,570,055	4,570,055
Furniture	31,525	31,525
Infrastructure	5,330,719	8,261,649
Machinery and equipment	<u>500,362</u>	<u>744,282</u>
Less accumulated depreciation	(2,676,564)	(3,243,752)
Net Capital Assets	\$ <u>8,034,850</u>	<u>10,642,512</u>

Two police cars with a value of \$50,000 were donated during the year.

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

## **Debt**

The Town has \$4,902,000 in long-term debt at year end. The debt was used to finance the construction of capital assets. During the year the Town reduced its outstanding debt by \$195,000.

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

## **Economic Factors and Next Year's Budget and Rates**

In the 2019-2020 budget, Non-grant revenues are budgeted to increase from the 2018-2019 budget year primarily due to increases in local revenues. This factor was considered in preparing the Town's budget for the 2019-2020 fiscal year.

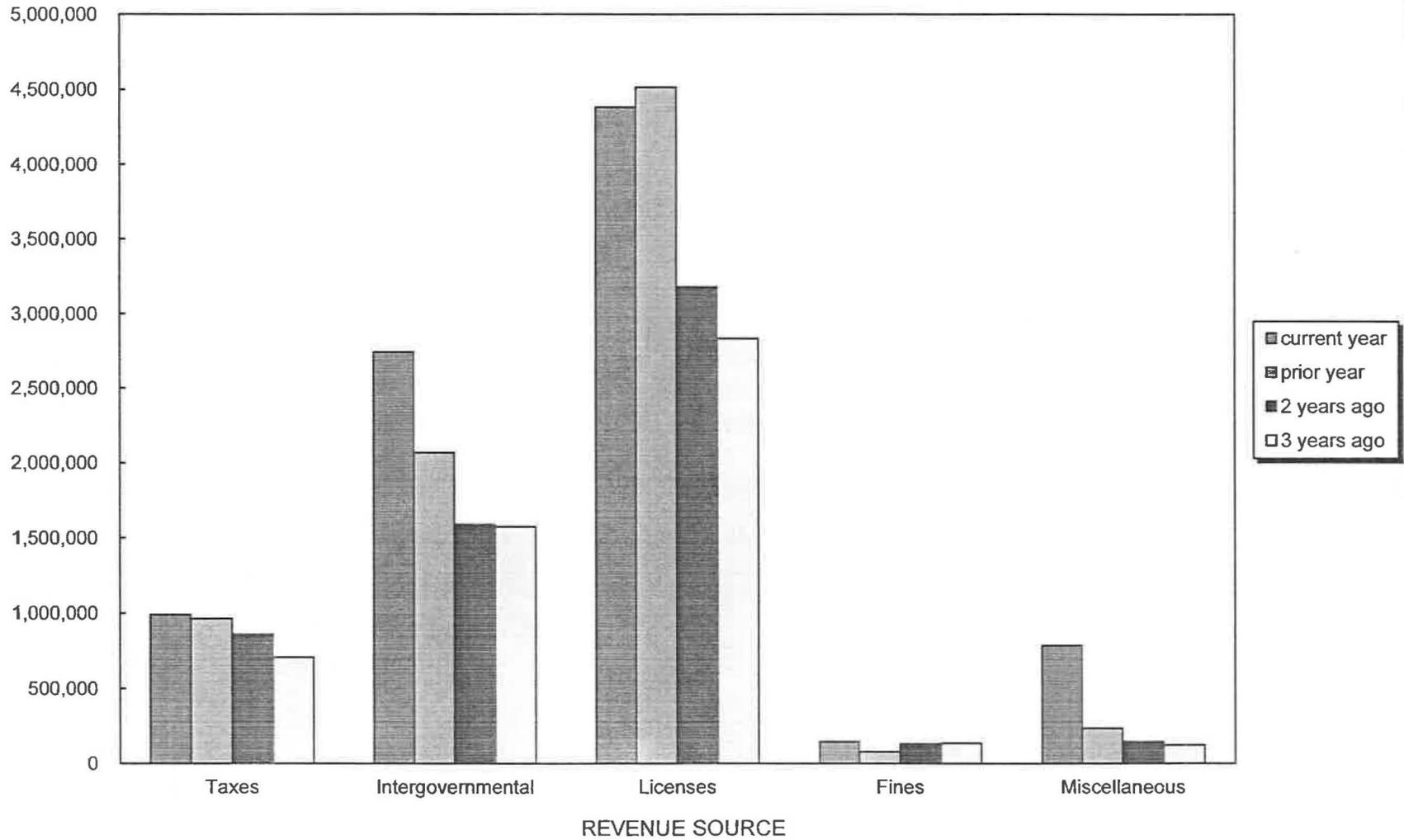
## **Requests for Information**

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

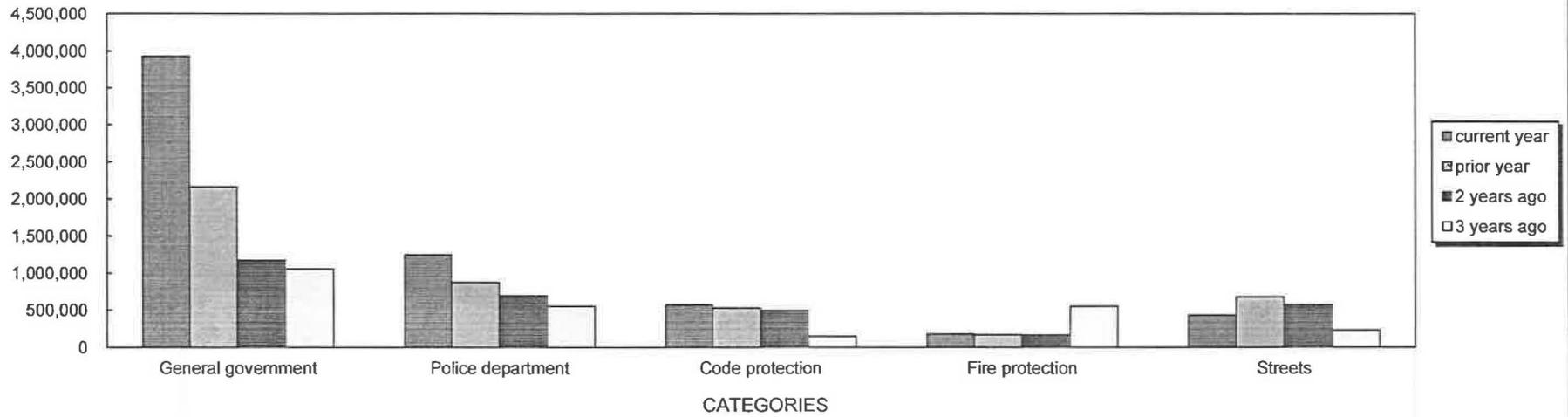
Julie Wilson  
Town of Nolensville

# TOWN OF NOLENSVILLE, TENNESSEE

## GOVERNMENTAL FUND REVENUES



**TOWN OF NOLENSVILLE**  
GOVERNMENTAL FUND EXPENDITURES



# BASIC FINANCIAL STATEMENTS

**TOWN OF NOLENSVILLE, TENNESSEE**

**Statement of Net Position**

**June 30, 2019**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	\$21,765,817	21,765,817
Accounts receivable	1,386,725	1,386,725
Prepaid assets	43,040	43,040
Capital assets not being depreciated	278,753	278,753
Capital assets, net of accumulated depreciation	<u>10,363,759</u>	<u>10,363,759</u>
Total Assets	<u>\$33,838,094</u>	<u>33,838,094</u>
Deferred Outflows:		
Deferred outflow of resources - OPEB	1,674	1,674
Deferred outflow of resources - pension	<u>387,174</u>	<u>387,174</u>
Total Deferred Outflows	<u>388,848</u>	<u>388,848</u>
Liabilities:		
Accounts payable	\$405,285	405,285
Accrued expenses	58,491	58,491
Net pension liability	369,918	369,918
Total OPEB liability	<u>38,703</u>	<u>38,703</u>
Long-term liabilities:		
Due within one year	204,000	204,000
Due in more than one year	<u>4,698,000</u>	<u>4,698,000</u>
Total Liabilities	<u>5,774,397</u>	<u>5,774,397</u>
Deferred Inflows:		
Deferred inflow of resources - property taxes	709,180	709,180
Deferred inflow of resources - OPEB	4,117	4,117
Deferred inflow of resources - pension	<u>7,108</u>	<u>7,108</u>
Total Deferred Inflows	<u>720,405</u>	<u>720,405</u>
Net Position:		
Investment in capital assets, net of related debt	5,740,512	5,740,512
Restricted - state street	740,189	740,189
Restricted - drug fund	699	699
Restricted - facilities tax	7,005,712	7,005,712
Restricted - impact	6,156,792	6,156,792
Restricted - facilities school	552,537	552,537
Unrestricted	<u>7,535,699</u>	<u>7,535,699</u>
Total Net Position	<u>27,732,140</u>	<u>27,732,140</u>

See accompanying notes to financial statements.

TOWN OF NOLENSVILLE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2019

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Government Activities:						
General government	719,478	4,383,034	811,993	0	4,475,549	4,475,549
Police department	1,259,854	147,196	26,242	0	(1,086,416)	(1,086,416)
Fire department	180,263	0	0	0	(180,263)	(180,263)
Codes, planning and engineering	568,862	0	0	0	(568,862)	(568,862)
Highways and streets	854,150	0	411,747	0	(442,403)	(442,403)
Total Governmental Activities	<u>3,582,607</u>	<u>4,530,230</u>	<u>1,249,982</u>	<u>0</u>	<u>2,197,605</u>	<u>2,197,605</u>
General Revenues						
Property taxes					635,370	635,370
Public property taxes					132,380	132,380
Sales taxes					1,705,139	1,705,139
Alcohol taxes					229,198	229,198
Income and excise taxes					81,458	81,458
Franchise taxes					212,902	212,902
Interest income					445,752	445,752
Other income					1,533	1,533
Total general revenues					<u>3,443,732</u>	<u>3,443,732</u>
Change in net position					5,641,337	5,641,337
Net Position - beginning of year					22,090,803	22,090,803
Net position - end of year					<u>27,732,140</u>	<u>27,732,140</u>

See accompanying notes to financial statements.

FUND FINANCIAL  
STATEMENTS

TOWN OF NOLENSVILLE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2019

<u>Assets</u>	General Fund	State Street Aid Fund	Drug Fund	Facilities Tax Fund	Impact Fund	Facilities School Tax	Total
Cash and cash equivalents	\$7,159,283	\$676,126	\$699	\$7,005,712	\$6,479,781	\$444,216	\$21,765,817
Accounts receivable	1,183,402	67,364	0	0	0	135,959	1,386,725
Prepaid assets	43,040	0	0	0	0	0	43,040
Total Assets	\$8,385,725	\$743,490	\$699	\$7,005,712	\$6,479,781	\$580,175	\$23,195,582
<u>Liabilities, Deferred Inflows and Fund Balance</u>							
Liabilities:							
Accounts payable	\$51,357	\$3,301	\$0	\$0	\$322,989	\$27,638	\$405,285
Accrued expenses	30,549	0	0	0	0	0	30,549
Total Liabilities	81,906	3,301	0	0	322,989	27,638	435,834
Deferred Inflow of Resources:							
Deferred current property taxes	709,180	0	0	0	0	0	709,180
Deferred delinquent property taxes	8,815	0	0	0	0	0	8,815
Total Deferred Inflow of Resources	717,995	0	0	0	0	0	717,995
Fund balance:							
Restricted	0	740,189	699	7,005,712	6,156,792	552,537	14,455,929
Non-spendable	43,040	0	0	0	0	0	43,040
Unassigned	7,542,784	0	0	0	0	0	7,542,784
Total Fund Balance	7,585,824	740,189	699	7,005,712	6,156,792	552,537	22,041,753
Total Liabilities, Deferred Inflow and Fund Balance	\$8,385,725	\$743,490	\$699	\$7,005,712	\$6,479,781	\$580,175	\$23,195,582

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

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**June 30, 2019**

Amounts reported for fund balance - total governmental funds	\$ 22,041,753
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable and accrued contingencies are not due and payable in the current period and therefore are not recorded in the funds	
Long-term debt	(4,902,000)
Accrued vacation time	(27,942)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	
	8,815
Pension related accounts - governmental funds do not record these post-benefit obligations	
Net pension liability	(369,918)
Deferred outflow - pension	387,174
Deferred inflow - pension	(7,108)
OPEB related accounts - governmental funds do not record these post-benefit obligations	
Total OPEB liability	(38,703)
Deferred outflow - OPEB	1,674
Deferred inflow - OPEB	(4,117)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Investment in capital assets, net of accumulated depreciation	<u>10,642,512</u>
Net position of governmental activities	\$ <u>27,732,140</u>

TOWN OF NOLENSVILLE, TENNESSEE

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

For the Year Ended June 30, 2019

	General Fund	State Street Aid Fund	Drug Fund	Facilities Tax Fund	Impact Fund	Facilities School Tax	Total Governmental Funds
Revenues:							
Taxes	\$1,052,942	0	0	0	0	0	1,052,942
Intergovernmental	1,997,181	389,713	0	0	0	473,599	2,860,493
Licenses and permits	1,094,648	0	0	1,318,004	1,846,211	124,171	4,383,034
Fines and fees	146,246	0	950	0	0	0	147,196
Miscellaneous	199,957	10,652	116	150,298	428,285	7,626	796,934
Total Revenues	<u>4,490,974</u>	<u>400,365</u>	<u>1,066</u>	<u>1,468,302</u>	<u>2,274,496</u>	<u>605,396</u>	<u>9,240,599</u>
Expenditures:							
Current:							
General government	599,116	0	0	0	0	70,671	669,787
Police department	1,042,065	0	285	0	0	0	1,042,350
Fire department	180,263	0	0	0	0	0	180,263
Codes, planning and engineering	568,862	0	0	0	0	0	568,862
Highway and streets	378,341	44,972	0	0	0	0	423,313
Capital outlay:							
General government	8,388	0	0	0	0	0	8,388
Police department	206,725	0	6,705	0	0	0	213,430
Highway and streets	15,207	0	0	0	0	0	15,207
Impact fund	0	0	0	0	2,637,283	0	2,637,283
Facilities school tax fund	0	0	0	0	0	293,647	293,647
Debt service							
Principal	0	0	0	195,000	0	0	195,000
Interest	0	0	0	131,674	0	0	131,674
Total Expenditures	<u>2,998,967</u>	<u>44,972</u>	<u>6,990</u>	<u>326,674</u>	<u>2,637,283</u>	<u>364,318</u>	<u>6,379,204</u>
Excess (deficiency) of revenues over expenditures	<u>1,492,007</u>	<u>355,393</u>	<u>(5,924)</u>	<u>1,141,628</u>	<u>(362,787)</u>	<u>241,078</u>	<u>2,861,395</u>
Fund Balance, Beginning of year	6,093,817	384,796	6,623	5,864,084	6,519,579	311,459	19,180,358
Fund Balance, End of Year	<u>7,585,824</u>	<u>740,189</u>	<u>699</u>	<u>7,005,712</u>	<u>6,156,792</u>	<u>552,537</u>	<u>22,041,753</u>

See accompanying notes to financial statements.

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**For the Year Ended June 30, 2019**

Net change in fund balances - total governmental funds:	\$ 2,861,395
Amounts reported for governmental activities in the statement of net position are different because:	
Expenses in the governmental funds that decrease long-term debt	
Loan principal payments	195,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,815
Expenses reported in the statement of activities that affect accrued liabilities that are not reported as expenditures in the governmental funds	
Change in pension plan accounts	(15,779)
Change in OPEB plan accounts	(4,320)
Change in employee vacation accrual	(11,436)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	3,167,955
Donated assets	50,000
Depreciation expense	<u>(610,293)</u>
Change in net position of governmental activities	\$ <u>5,641,337</u>

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**General Fund**

**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$558,000	\$558,000	\$634,557	76,557
Wholesale beer and liquor tax	172,420	172,420	204,670	32,250
Cable and gas franchise	175,000	175,000	212,902	37,902
Penalty and interest	300	300	813	513
<b>Total Taxes</b>	905,720	905,720	1,052,942	147,222
<b>Intergovernmental:</b>				
TVA in lieu	120,910	120,910	132,380	11,470
Local sales tax	516,000	516,000	720,928	204,928
State sales tax	888,100	888,100	984,211	96,111
Grants	63,755	63,755	26,242	(37,513)
State supplement	5,400	5,400	5,400	0
State income tax	60,000	60,000	81,458	21,458
State beer and alcohol tax	30,350	30,350	24,528	(5,822)
State special petroleum tax	21,935	21,935	22,034	99
<b>Total Intergovernmental Revenue</b>	1,706,450	1,706,450	1,997,181	290,731
<b>Licenses and Permits</b>	814,680	814,680	1,094,648	279,968
<b>Fines and fees</b>	139,500	139,500	146,246	6,746
<b>Miscellaneous:</b>				
Donations	18,600	18,600	32,168	13,568
	0	0	20,155	20,155
Interest income	35,000	35,000	147,634	112,634
<b>Total Miscellaneous</b>	53,600	53,600	199,957	146,357
<b>Total Revenues</b>	3,619,950	3,619,950	4,490,974	871,024

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

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**General Fund**

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Expenditures:				
General Government:				
Current:				
Personnel costs	236,056	236,056	223,413	(12,643)
Payroll taxes	18,655	18,655	17,053	(1,602)
Employee benefits	49,773	49,773	41,244	(8,529)
Board of Mayor and Aldermen	212,309	212,309	160,951	(51,358)
Supplies	1,600	1,600	3,517	1,917
Professional services	14,360	14,360	14,457	97
Repair and maintenance	4,929	4,929	5,248	319
Office expense	6,991	6,991	3,389	(3,602)
Dues and subscription	6,775	6,775	4,402	(2,373)
Travel and auto	2,200	2,200	1,231	(969)
Insurance	4,600	4,600	6,309	1,709
Building	128,682	128,682	104,529	(24,153)
Miscellaneous	29,000	29,000	13,373	(15,627)
	<u>715,930</u>	<u>715,930</u>	<u>599,116</u>	<u>(116,814)</u>
Capital outlay	2,359	2,359	8,388	6,029
Total General Government	<u>718,289</u>	<u>718,289</u>	<u>607,504</u>	<u>(110,785)</u>
Public Safety:				
Police department:				
Personnel costs	595,168	595,168	563,919	(31,249)
Payroll taxes	48,133	48,133	9,541	(38,592)
Employee benefits	154,456	154,456	176,420	21,964
Contract services	13,117	13,117	17,652	4,535
Memberships and dues	4,953	4,953	2,238	(2,715)
Supplies	14,326	14,326	24,951	10,625
Repair and maintenance	39,454	39,454	33,670	(5,784)
Uniforms	9,550	9,550	8,844	(706)
Auto expenses	33,708	33,708	25,819	(7,889)
Utilities	6,955	6,955	5,731	(1,224)
Training and ammunition	9,211	9,211	7,635	(1,576)
Insurance	59,086	59,086	67,008	7,922
Court	104,455	104,455	98,637	(5,818)
Miscellaneous	0	0	0	0
	<u>1,092,572</u>	<u>1,092,572</u>	<u>1,042,065</u>	<u>(50,507)</u>
Capital outlay	209,967	209,967	206,725	(3,242)
Total Police department	<u>1,302,539</u>	<u>1,302,539</u>	<u>1,248,790</u>	<u>(53,749)</u>

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

TOWN OF NOLENSVILLE, TENNESSEE

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

General Fund

For the Year Ended June 30, 2019

Continued,	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Codes, Planning and Engineering department:				
Personnel costs	357,000	357,000	347,460	(9,540)
Payroll taxes	27,925	27,925	25,696	(2,229)
Employee benefits	66,928	66,928	65,351	(1,577)
Memberships	4,500	4,500	2,956	(1,544)
Professional services	103,800	103,800	80,193	(23,607)
Supplies and maintenance	43,037	43,037	22,195	(20,842)
Vehicle expense	2,250	2,250	1,877	(373)
Insurance	15,160	15,160	21,231	6,071
Travel	3,740	3,740	1,903	(1,837)
Miscellaneous	0	0	0	0
	<u>624,340</u>	<u>624,340</u>	<u>568,862</u>	<u>(55,478)</u>
Capital outlay	750	750	0	(750)
Total Codes, Planning and Engineering	<u>625,090</u>	<u>625,090</u>	<u>568,862</u>	<u>(56,228)</u>
Street department:				
Personnel costs	224,325	224,325	186,278	(38,047)
Payroll taxes	17,200	17,200	13,711	(3,489)
Employee benefits	64,391	64,391	62,965	(1,426)
Repair and maintenance	79,019	79,019	67,779	(11,240)
Supplies	11,766	11,766	8,697	(3,069)
Street lighting and utilities	6,452	6,452	4,627	(1,825)
Insurance	13,863	13,863	13,860	(3)
Vehicle expense	9,350	9,350	7,956	(1,394)
Contractual services	12,351	12,351	12,351	0
Miscellaneous	0	0	117	117
	<u>438,717</u>	<u>438,717</u>	<u>378,341</u>	<u>(60,376)</u>
Capital outlay	15,207	15,207	15,207	0
Total Street department	<u>453,924</u>	<u>453,924</u>	<u>393,548</u>	<u>(60,376)</u>
Fire protection:	<u>184,059</u>	<u>184,059</u>	<u>180,263</u>	<u>(3,796)</u>
Total Expenditures	<u>3,283,901</u>	<u>3,283,901</u>	<u>2,998,967</u>	<u>(284,934)</u>
Excess (deficiency) of Revenues over Expenditures	336,049	336,049	1,492,007	1,155,958
Fund Balance, July 1, 2018	6,093,817	6,093,817	6,093,817	0
Fund Balance, June 30, 2019	<u>\$6,429,866</u>	<u>\$6,429,866</u>	<u>\$7,585,824</u>	<u>\$1,155,958</u>

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

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**State Street Aid Fund**

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	63,665	63,665	62,111	(1,554)
Gasoline 1989 tax	33,705	33,705	33,520	(185)
Gasoline 2017 tax	63,665	63,665	83,959	20,294
Gasoline and motor fuel	<u>213,465</u>	<u>213,465</u>	<u>210,123</u>	<u>(3,342)</u>
	374,500	374,500	389,713	15,213
Miscellaneous				
Interest	<u>2,300</u>	<u>2,300</u>	<u>10,652</u>	<u>8,352</u>
Total Revenues	<u>376,800</u>	<u>376,800</u>	<u>400,365</u>	<u>23,565</u>
Expenditures:				
Streets:				
Street maintenance	336,000	336,000	44,972	(291,028)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>336,000</u>	<u>336,000</u>	<u>44,972</u>	<u>(291,028)</u>
Excess (deficiency) of revenues over expenditures	40,800	40,800	355,393	314,593
 Fund Balance, July 1, 2018	 <u>384,796</u>	 <u>384,796</u>	 <u>384,796</u>	 <u>-</u>
Fund Balance, June 30, 2019	<u>425,596</u>	<u>425,596</u>	<u>740,189</u>	<u>314,593</u>

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

TOWN OF NOLENSVILLE, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Fines	\$500	\$500	\$950	450
Interest	40	40	116	76
Total Revenues	<u>540</u>	<u>540</u>	<u>1,066</u>	<u>526</u>
Expenditures:				
Supplies	7,000	7,000	285	(6,715)
Capital outlay	0	0	6,705	6,705
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>6,990</u>	<u>(10)</u>
Excess (deficiency) of revenues over expenditures	(6,460)	(6,460)	(5,924)	(536)
Fund Balance, July 1, 2018	<u>6,623</u>	<u>6,623</u>	<u>6,623</u>	<u>-</u>
Fund Balance, June 30, 2019	<u>\$163</u>	<u>\$163</u>	<u>699</u>	<u>536</u>

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

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**Facilities Tax Fund**

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Licenses and permits	\$1,127,564	\$1,127,564	\$1,318,004	190,440
Interest	<u>32,000</u>	<u>32,000</u>	<u>150,298</u>	<u>118,298</u>
Total Revenues	<u>1,159,564</u>	<u>1,159,564</u>	<u>1,468,302</u>	<u>308,738</u>
Expenditures:				
Debt Service	416,490	416,490	326,674	(89,816)
Professional services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>416,490</u>	<u>416,490</u>	<u>326,674</u>	<u>(89,816)</u>
Excess (deficiency) of revenues over expenditures	743,074	743,074	1,141,628	398,554
 Fund Balance, July 1, 2018	 <u>5,864,084</u>	 <u>5,864,084</u>	 <u>5,864,084</u>	 <u>-</u>
Fund Balance, June 30, 2019	<u>6,607,158</u>	<u>6,607,158</u>	<u>7,005,712</u>	<u>398,554</u>

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

TOWN OF NOLENSVILLE, TENNESSEE

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

Impact Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues:				
Miscellaneous				
Licenses and permits	1,435,261	1,435,261	1,846,211	410,950
Donations	0	0	298,859	298,859
Interest	25,000	25,000	129,426	104,426
Total Revenues	<u>1,460,261</u>	<u>1,460,261</u>	<u>2,274,496</u>	<u>814,235</u>
Expenditures:				
Capital outlay	<u>5,800,000</u>	<u>5,800,000</u>	<u>2,637,283</u>	<u>3,162,717</u>
Total Expenditures	<u>5,800,000</u>	<u>5,800,000</u>	<u>2,637,283</u>	<u>3,162,717</u>
Excess (deficiency) of revenues over expenditures	(4,339,739)	(4,339,739)	(362,787)	3,976,952
Fund Balance, July 1, 2018	<u>6,519,579</u>	<u>6,519,579</u>	<u>6,519,579</u>	<u>-</u>
Fund Balance, June 30, 2019	<u><u>2,179,840</u></u>	<u><u>2,179,840</u></u>	<u><u>6,156,792</u></u>	<u><u>3,976,952</u></u>

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

**TOWN OF NOLENSVILLE, TENNESSEE**

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

**Facilities School Tax Fund**

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Miscellaneous				
Licenses and permits	0	0	124,171	124,171
Grants	400,000	400,000	473,599	73,599
Interest	0	0	7,626	7,626
Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>605,396</u>	<u>205,396</u>
Expenditures:				
Professional services	72,000	72,000	70,671	(1,329)
Capital outlay	328,000	328,000	293,647	(34,353)
Total Expenditures	<u>400,000</u>	<u>400,000</u>	<u>364,318</u>	<u>(35,682)</u>
Excess (deficiency) of revenues over expenditures	0	0	241,078	241,078
 Fund Balance, July 1, 2018	 311,459	 311,459	 311,459	 0
Fund Balance, June 30, 2019	<u>311,459</u>	<u>311,459</u>	<u>552,537</u>	<u>241,078</u>

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

NOTES TO THE FINANCIAL  
STATEMENTS

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies

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

#### Reporting Entity:

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

#### Accounting Pronouncements:

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

#### Government -Wide and Fund Financial Statements

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

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

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

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

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

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

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

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

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

#### Cash and Cash Equivalents

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

#### Receivables and Payables

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

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

#### Net Position Flow Assumption

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

## TOWN OF NOLENSVILLE, TENNESSEE

### Notes to Financial Statements

#### (1) Summary of Significant Accounting Policies, Continued

##### Property Tax

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

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

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

Taxes were levied at a rate of \$0.15 per \$100 of assessed valuation for the fiscal year ended June 30, 2019. Payments may be made during the period from October 1 through February 28. Current tax collections of \$623,117 for the fiscal year ended June 30, 2019 were approximately 88 percent of the tax levy.

##### Capital Assets

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

The estimated useful lives are as follows:

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

##### Long-term Obligations

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Credit Risk

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

#### Unavailable Revenue

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

#### Budgets and Budgetary Accounting

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

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

#### Fund Balance

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

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

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

#### Deferred Outflows/Inflows of Resources

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

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

#### Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Nolensville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Nolensville's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

#### Other Post-Employment Benefit Plan- (OPEB)

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

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

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

# TOWN OF NOLENSVILLE, TENNESSEE

## Notes to Financial Statements

June 30, 2019

### (1) Summary of Significant Accounting Policies, Continued

#### Other Post-Employment Benefit Plan- (OPEB)

With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGIP and this OPEB Plan upon attaining eligibility for Medicare benefits. In addition to subsidies that may be provided by the local employers for retiree premiums, the OPEB benefits include access to coverage for the retiree and dependents under the Medical, Prescription, Dental, Vision and Long Term Care (LTC access for retirees was discontinued effective January 1, 2018).

*Benefits.* The employer may provide a flat dollar or percent subsidy depending on years of service, job classification, health plan option and tier selected. The State does not provide a subsidy for local government participants.

### (2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts. During the year, the Town invested funds that were not immediately needed in savings accounts and investments in the State of Tennessee Local Government Investment Pool. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the town. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Town's name. Investment policies of the Town follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(3) Accounts Receivable**

Accounts receivable at June 30, 2019, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Total</u>
General Fund	\$ 465,407	717,995	1,183,402
Facilities School Tax	135,959	-	135,959
State Street Aid	<u>67,364</u>	<u>-</u>	<u>67,364</u>
 Total	 <u>\$ 668,730</u>	 <u>717,995</u>	 <u>1,386,725</u>

**(4) Capital Assets**

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Land	\$ 278,753	-	-	278,753
Building	4,570,055	-	-	4,570,055
Furniture	31,525	-	-	31,525
Infrastructure	5,330,719	2,930,930	-	8,261,649
Equipment*	<u>500,362</u>	<u>287,025</u>	<u>43,105</u>	<u>744,282</u>
Total	<u>\$10,711,414</u>	<u>3,217,955</u>	<u>43,105</u>	<u>13,886,264</u>
 Accumulated depreciation	 ( <u>2,676,564</u> )			 ( <u>3,243,752</u> )
 Capital Assets, net	 <u>8,034,850</u>			 <u>10,642,512</u>

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

\*Two police cars with a value of \$50,000 were donated during the year.

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

General Fund:	
Police department	66,179
General government	125,484
Highways and streets	<u>418,630</u>
Total	<u>610,293</u>

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(5) Risk Management**

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

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

**(6) Long-Term Debt**

The following schedule reflects the changes in general long-term debt, for the fiscal year ending June 30, 2019.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Recreation center loan	1,761,000	-	75,000	1,686,000
Building construction loan	<u>3,336,000</u>	-	<u>120,000</u>	<u>3,216,000</u>
Total	5,097,000	-	195,000	4,902,000

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2019 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2020	204,000	41,174
2021	214,000	39,453
2022	225,000	37,275
2023	235,000	35,186
2024	248,000	32,981
2025-2029	1,431,000	127,800
2030-2034	1,818,000	54,616
2035-2036	<u>527,000</u>	<u>3,015</u>
Total	<u>4,902,000</u>	<u>371,500</u>

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(7) Pension Plan**

**General Information about the Pension Plan**

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

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

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

*Employees covered by benefit terms.* At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>25</u>
Total	<u>52</u>

## TOWN OF NOLENSVILLE, TENNESSEE

### Notes to Financial Statements, Continued

June 30, 2019

#### (7) Pension Plan, Continued

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Nolensville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, actuarially determined contribution (ADC) for Nolensville were (\$100,118) based on a rate of (7.59%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Nolensville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### Net Pension Liability (Asset)

Nolensville's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

*Inflation* 2.5 percent

*Salary increases* Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.

*Investment rate of return* 7.25 percent, net of pension plan investment expenses, including inflation.

*Cost-of-Living Adjustment* 2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements, Continued

June 30, 2019

**(7) Pension Plan, Continued**

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

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

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

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

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

**(7) Pension, Continued**

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balance at 6/30/17</b>	\$1,345,560	\$1,038,646	\$306,914
<b>Changes for the Year:</b>			
Service Cost	90,337		90,337
Interest	102,794		102,794
Differences between expected and actual experience	89,897		89,897
Changes in Assumptions	-		-
Contributions-employer		77,149	(77,149)
Contributions-employees		54,868	(54,868)
Net investment income		90,106	(90,106)
Benefit payments, including refunds of employee contributions	(36,111)	(36,111)	-
Administrative expense		(2,099)	2,099
Other changes		-	-
<b>Net changes</b>	246,917	183,913	63,004
<b>Balance at 6/30/18</b>	<b>\$ 1,592,477</b>	<b>\$1,222,559</b>	<b>\$ 369,918</b>

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Nolensville's net pension Liability (asset)	605,665	369,918	177,603

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(7) Pension, Continued**

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

*Pension expense (negative pension expense).* For the year ended June 30, 2019, Nolensville recognized negative pension expense of \$113,357.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, Nolensville reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	268,063	-
Net difference between projected and Actual earning on pension plan		
Investments	-	7,108
Changes in Assumptions	18,993	
Contributions subsequent to the Measurement date of June 30, 2018	<u>100,118</u>	<u>-</u>
Total	<u>387,174</u>	<u>7,108</u>

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

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

Year Ended June 30:	
2020	62,873
2021	56,139
2022	48,083
2023	45,233
2024	45,144
Thereafter	22,474

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

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(8) Other Postemployment Benefits For Retiree Health Insurance**

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

*Benefits provided* -The Town offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

*Employees covered by benefit terms.* At July 1, 2018, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>26</u>
Total	<u>26</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2019, the Town paid \$6 to the LGOP for OPEB benefits as they came due.

*Actuarial assumptions*-The total OPEB liability on the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

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

Inflation - 2.25%

Salary increases - Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.

Healthcare cost trend rates - 6.75% for 2019, decreasing annually over a 32 year period to an ultimate rate of 3.81%.

Retiree's share of benefit-related costs – Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

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

*Discount rate*-The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on a 20 year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

*Changes in assumptions*-The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability. It was also decided to change the status of the LGOP from a closed plan to one that is open to all eligible employees regardless of initial hire date. This change in status will increase the OPEB liability. Other changes in assumptions include adjustments to initial per capita cost and slight changes to the near term health trend rates.

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

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

*Sensitivity of total OPEB liability to changes in the discount rate*—The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage higher than the current discount rate.

1% Decrease	Current Discount Rate Assumption	1% Increase
<u>(2.62%)</u>	<u>(3.62%)</u>	<u>(4.62%)</u>
42,290	38,703	35,354

*Sensitivity of total OPEB liability to changes in the healthcare cost trend rate* – The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-lower or 1-percentage point higher than the current healthcare cost trend rate.

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
<u>(5.75% decreasing to 2.81%)</u>	<u>(6.75% decreasing to 3.81%)</u>	<u>(7.75% decreasing to 4.81%)</u>
33,365	38,703	45,086

**OPEB Expense**

Service Cost	\$ 3,234
Interest on the Total OPEB liability	1,371
Current-Period Benefit Changes	0
OPEB Plan Administrative Expense	0
Recognition of Outflow/(Inflow) of Resources due to liabilities	<u>(279)</u>
Total OPEB Expense	\$ 4,326

**Recognition of Deferred Outflows and Inflows of Resources**

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

At the beginning of the current measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable combined deferred outflows and inflows of resources established in the current measurement period is 6.2 years.

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	2,667
Changes in assumptions	1,668	1,440
Contributions /Benefits paid after the Measurement date	<u>6</u>	<u>-</u>
Total	<u>1,674</u>	<u>4,117</u>

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

Year Ended June 30:

2020	(279)
2021	(279)
2022	(279)
2023	(279)
2024	(279)
Thereafter	<u>(1,054)</u>
Total	(2,449)

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

Plan Assets

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

**(9) Commitments and Contingencies**

Grants:

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

Litigation:

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

**TOWN OF NOLENSVILLE, TENNESSEE**

Notes to Financial Statements

June 30, 2019

**(10) Compensated Absences**

The Town has accrued a liability for unused sick and vacation pay which is earned, but not taken by Town employees.

	<u>July 1, 2018</u>	<u>Addi- tions</u>	<u>Retire- ments</u>	<u>June 30, 2019</u>
Governmental activities	<u>16,506</u>	<u>11,436</u>	<u>-</u>	<u>27,942</u>

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**TOWN OF NOLENSVILLE, TENNESSEE**

**Schedule of Required Supplementary Information**

**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**

**Last Fiscal Year ending June 30**

	2014	2015	2016	2017	2018
Total pension liability (asset)					
Service cost	\$ 42,778	\$ 44,681	\$ 68,656	\$ 79,198	\$ 90,337
Interest	\$ 45,363	\$ 57,205	\$ 67,215	\$ 87,572	\$ 102,794
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	\$ 78,351	\$ 18,960	\$ 150,790	\$ 78,819	\$ 89,897
Change of assumptions	-	-	-	\$ 26,589	-
Benefit payments, including refunds of employee contributions	\$ (19,734)	\$ (1,259)	\$ (21,455)	\$ (30,099)	\$ (36,111)
<b>Net change in total pension liability (asset)</b>	<b>\$ 146,758</b>	<b>\$ 119,587</b>	<b>\$ 265,206</b>	<b>\$ 242,079</b>	<b>\$ 246,917</b>
<b>Total pension liability (asset)-beginning</b>	<b>\$ 571,930</b>	<b>\$ 718,688</b>	<b>\$ 838,275</b>	<b>\$ 1,103,481</b>	<b>\$ 1,345,560</b>
<b>Total pension liability (asset)-ending (a)</b>	<b>\$ 718,688</b>	<b>\$ 838,275</b>	<b>\$ 1,103,481</b>	<b>\$ 1,345,560</b>	<b>\$ 1,592,477</b>
<b>Plan fiduciary net position</b>					
Contributions-employer	\$ 24,710	\$ 16,345	\$ 22,272	\$ 45,436	\$ 77,149
Contributions-employee	\$ 28,079	\$ 32,955	\$ 44,902	\$ 46,939	\$ 54,868
Net investment income	\$ 102,339	\$ 23,459	\$ 22,047	\$ 102,643	\$ 90,106
Benefit payments, including refunds of employee contributions	\$ (19,734)	\$ (1,259)	\$ (21,455)	\$ (30,099)	\$ (36,111)
Administrative expense	\$ (474)	\$ (689)	\$ (1,320)	\$ (1,565)	\$ (2,099)
Other	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 134,920</b>	<b>\$ 70,811</b>	<b>\$ 66,446</b>	<b>\$ 163,354</b>	<b>\$ 183,913</b>
<b>Plan fiduciary net position-beginning</b>	<b>\$ 603,115</b>	<b>\$ 738,035</b>	<b>\$ 808,846</b>	<b>\$ 875,292</b>	<b>\$ 1,038,646</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 738,035</b>	<b>\$ 808,846</b>	<b>\$ 875,292</b>	<b>\$ 1,038,646</b>	<b>\$ 1,222,559</b>
<b>Net Pension Liability (asset)-ending (a) - (b)</b>	<b>\$ (19,347)</b>	<b>\$ 29,429</b>	<b>\$ 228,189</b>	<b>\$ 306,914</b>	<b>\$ 369,918</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>102.69%</b>	<b>96.49%</b>	<b>79.32%</b>	<b>77.19%</b>	<b>76.77%</b>
<b>Covered payroll</b>	<b>\$ 561,578</b>	<b>\$ 659,088</b>	<b>\$ 898,048</b>	<b>\$ 938,764</b>	<b>\$ 1,091,821</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>-3.45%</b>	<b>4.47%</b>	<b>25.41%</b>	<b>32.69%</b>	<b>33.88%</b>

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

GASB 68 requires 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, in needed.

TOWN OF NOLENSVILLE, TENNESSEE

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

For the Year Ended June 30, 2019

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	<u>24,710</u>	<u>16,345</u>	<u>22,272</u>	<u>45,436</u>	<u>72,169</u>	<u>79,689</u>
Contributions in relation to the actuarially determined contribution	<u>24,710</u>	<u>16,345</u>	<u>22,272</u>	<u>45,436</u>	<u>77,149</u>	<u>79,689</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,980)</u>	<u>\$0</u>
Covered-employee payroll	<u>561,578</u>	<u>659,088</u>	<u>898,048</u>	<u>938,764</u>	<u>1,091,821</u>	<u>1,049,920</u>
Contributions as a percentage covered-employee payroll	<u>4.40%</u>	<u>2.48%</u>	<u>2.48%</u>	<u>4.84%</u>	<u>7.07%</u>	<u>7.59%</u>

GASB 68 requires 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, in needed.

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

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

**CITY OF NOLENSVILLE, TENNESSEE**

**Schedule of Required Supplementary Information- OPEB**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Measurement Year ending June 30**

Amounts reported for each fiscal year were determined as of the prior fiscal year.

	2017	2018
<b>Total OPEB Liability</b>		
Service Cost	\$ 3,368	\$ 3,234
Interest on the Total OPEB Liability	\$ 1,053	\$ 1,371
Change in Benefit Terms	\$ -	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (2,962)
Changes in assumptions and other inputs	\$ (1,782)	\$ 1,845
Benefit payments	\$ -	\$ (127)
<b>Net change in Total OPEB Liability</b>	<b>\$ 2,639</b>	<b>\$ 3,361</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 32,703</b>	<b>\$ 35,342</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 35,342</b>	<b>\$ 38,703</b>

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

**Estimated Covered -Employee Payroll** N/A

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

**Notes to Schedule**

Valuation Date: June 30, 2018  
 Measurement Date: June 30, 2018

**Methods and Assumptions Used to Determine Total OPEB Liability:**

Actuarial Cost Method: Entry Age Normal

Inflation: 2.25%

Discount Rate: 3.56%

Salary Increases: Salary increase rates used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System; 3.44%-8.72%, including inflation.

Retirement Age: Retirement rates used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS).

Mortality: Mortality tables used in the July 1, 2018 actuarial valuation of the Tennessee Consolidated Retirement System. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).

Healthcare Cost Trend Rates: Based on the Getzen Model, with trend starting at 7.50% for 2018 calendar year, and gradually decreasing 32-year period to an ultimate trend rate of 3.53% with 0.28% added to approximate the effect of the excise tax.

Aging factors: Based on the 2013 SOA Study "Health Care Costs- From Birth to Death".

Expenses: Administrative expenses are included in the per capita health costs.

**Other Information:**

Notes See the Actuarial Valuation Report as of July 1, 2018 (dated September 15, 2019).

Following changes in assumptions and other inputs were made:

The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018.

The assumed initial costs and premium amounts were revised to reflect rates adopted for the 2019 plan year.

The assumed initial trend rate applicable to the 2019 plan year was revised from 5.40% to 6.75%.

These changes are reflected in the Schedule of Changes in Total OPEB Liability.

There were no benefit changes during the measurement period.

**SUPPLEMENTAL  
INFORMATION**

TOWN OF NOLENSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Changes in Capital Assets

June 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Land	278,753	0	0	\$278,753
Building	4,570,055	0	0	4,570,055
Furniture	31,525	0	0	31,525
Infrastructure	5,330,719	2,930,930	0	8,261,649
Equipment*	<u>500,362</u>	<u>287,025</u>	<u>43,105</u>	<u>744,282</u>
Total capital assets	<u>10,711,414</u>	<u>3,217,955</u>	<u>43,105</u>	<u>13,886,264</u>

\*Two police cars with a value of \$50,000 were donated during the year

TOWN OF NOLENSVILLE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Capital Assets by Function and Activity

June 30, 2019

	<u>General Government</u>	<u>Police Department</u>	<u>Streets</u>	<u>Total</u>
Land	278,753	0	0	\$278,753
Building	4,474,881	0	95,174	4,570,055
Furniture	31,525	0	0	31,525
Infrastructure	8,261,649	0	0	8,261,649
Equipment	<u>28,448</u>	<u>543,007</u>	<u>172,827</u>	<u>744,282</u>
Total capital assets	<u><u>13,075,256</u></u>	<u><u>543,007</u></u>	<u><u>268,001</u></u>	<u><u>13,886,264</u></u>

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Cash and Cash Equivalents  
All Funds

June 30, 2019

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$7,142,227
State Investment Pool	17,056
Total General Fund	<u>7,159,283</u>
Special Revenue Funds	
State Street Aid Fund:	
Demand deposits	670,294
State Investment Pool	5,832
Total State Street Aid Fund	<u>676,126</u>
Drug Fund:	
Demand deposits	699
Total Drug Fund	<u>699</u>
Facilities Tax Fund:	
Demand deposits	7,005,712
Total Facilities Tax Fund	<u>7,005,712</u>
Impact Fund:	
Demand deposits	6,479,781
Total Facilities Tax Fund	<u>6,479,781</u>
Facilities School Tax Fund:	
Demand deposits	444,216
Total Facilities Tax Fund	<u>444,216</u>
Total Special Revenue Funds	<u>14,606,534</u>
Total - All funds	<u>\$21,765,817</u>

**TOWN OF NOLENSVILLE, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2019**

Tax Year	Balance July 1, 2018	Levy	Collections and Changes in Assessment	Balance June 30, 2019
2019	\$ -	709,180	0	709,180
2018	626,909	0	623,117	3,792
2017	4,937	0	4,542	395
2016	1,483	0	587	896
2015	400	1,251	0	1,651
2014	10	1,106	0	1,116
2013	30	0	0	30
2012	121	0	73	48
2011	65	0	0	65
2010	103	0	0	103
2009	719	0	0	719
2008	233	0	233	0
	<u>\$635,010</u>	<u>711,537</u>	<u>628,552</u>	<u>717,995</u>

Tax Year	Tax Rate	Tax Levy	Tax Collections and Adjustments	Outstanding Taxes
2019	0.15	709,180	0	709,180
2018	0.15	626,909	623,117	3,792
2017	0.15	575,314	574,919	395
2016	0.15	498,479	497,583	896
2015	0.15	372,915	371,264	1,651
2014	0.15	337,915	336,799	1,116
2013	0.15	320,342	320,312	30
2012	0.15	292,845	292,797	48
2011	0.15	273,574	273,509	65
2010	0.15	250,085	249,982	103
2009	0.15	230,061	229,342	719

All delinquent taxes have been filed with the County Trustee.

TOWN OF NOLENSVILLE, TENNESSEE

Schedule of Debt Service Requirements

June 30, 2019

Year	TENNESSEE MUNICIPAL BOND FUND		TENNESSEE MUNICIPAL BOND FUND		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 126,000	22,774	78,000	18,400	204,000	41,174
2021	132,000	21,811	82,000	17,642	214,000	39,453
2022	139,000	20,797	86,000	16,478	225,000	37,275
2023	145,000	19,738	90,000	15,448	235,000	35,186
2024	153,000	18,620	95,000	14,361	248,000	32,981
2025	160,000	17,450	100,000	13,217	260,000	30,667
2026	168,000	16,221	105,000	12,015	273,000	28,236
2027	176,000	14,933	110,000	10,756	286,000	25,689
2028	183,000	13,578	116,000	9,429	299,000	23,007
2029	192,000	12,157	121,000	8,044	313,000	20,201
2030	202,000	10,661	127,000	6,591	329,000	17,252
2031	212,000	9,092	134,000	5,058	346,000	14,150
2032	222,000	7,448	140,000	3,456	362,000	10,904
2033	234,000	5,716	147,000	1,774	381,000	7,490
2034	245,000	3,902	155,000	918	400,000	4,820
2035	257,000	1,999			257,000	1,999
2036	270,000	1,016			270,000	1,016
	\$ <u>3,216,000</u>	<u>217,913</u>	<u>1,686,000</u>	<u>153,587</u>	<u>4,902,000</u>	<u>371,500</u>

Both loans have variable interest rates.

**TOWN OF NOLENSVILLE, TENNESSEE**

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2019

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<b>Governmental Activities</b>									
<b>NOTES PAYABLE</b>									
Series 2017 Recreation Loan	\$ 2,025,000	2.00%	2017	12/31/2034	\$ 1,761,000	-	\$ 75,000	-	\$1,686,000
Series 2017 Building Loan	4,000,000	2.00%	2017	12/31/2036	\$ 3,336,000	-	\$ 120,000	-	\$3,216,000
<b>Total Notes Payable</b>					<b>\$ 5,097,000</b>	<b>\$ -</b>	<b>\$ 195,000</b>	<b>\$ -</b>	<b>\$ 4,902,000</b>

**TOWN OF NOLENSVILLE, TENNESSEE**  
**Schedule of State and Federal Financial Assistance**  
**For the Year Ended June 30, 2019**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2018</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2019</u>
<b>State Program:</b>								
N/A	Z19THS210	Highway Safety Police Grant	Tennessee Department of Transportation	<u>0</u>	<u>24,447</u>	<u>0</u>	<u>24,447</u>	<u>0</u>
N/A	Z18THS235	Highway Safety Police Grant	Tennessee Department of Transportation	<u>0</u>	<u>1,795</u>	<u>0</u>	<u>1,795</u>	<u>0</u>
N/A	SRTS-9400(58) SRTS-9329(10)	Safe routes to Schools	Tennessee Department of Transportation	<u>0</u>	<u>101,983</u>	<u>0</u>	<u>101,983</u>	<u>0</u>
20.205	STP-M-9400(56) PIN#117347	Small Town Connection	Tennessee Department of Transportation	<u>420,994</u>	<u>679,958</u>	<u>0</u>	<u>371,616</u>	<u>112,652</u>
Total				<u>420,994</u>	<u>808,183</u>	<u>0</u>	<u>499,841</u>	<u>112,652</u>

This schedule prepared on the modified accrual basis of accounting.

# COMPLIANCE AND INTERNAL CONTROL

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

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

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Nolensville's basic financial statements, and have issued a report thereon dated November 30, 2019.

**Internal Control Over Financial Reporting**

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the Schedule of Findings and Responses, I identified a deficiency in internal control that I consider to be a material weakness (2019-001 Lack of Separation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the Schedule of Findings and Responses (2019-001) to be a material weakness.

### **Compliance and Other Matters**

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

### **Response to Findings**

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

### **Purpose of This Report**

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

*Joh R Poole, CPA*

November 30, 2019

# TOWN OF NOLENSVILLE, TENNESSEE

## Schedule of Findings and Responses

June 30, 2019

### 2019-001 - Separation of Duties

Condition: The Town of Nolensville currently has two employees that work in performing the majority of the accounting functions for the Town. Due to only having two employees performing the accounting transactions there is currently an inadequate segregation of duties.

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

Cause: The Town has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: “We agree that the current staff does not allow the Town to segregate all duties to the optimum level desired. There are only two employees working in the department so it is virtually impossible to segregate all duties unless more staff is hired. Due to financial constraints the Town is not able to hire additional office help at this time.”

**TOWN OF NOLENSVILLE, TENNESSEE**

Schedule of Disposition of Prior Year Comments

June 30, 2019

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2018-001	Separation of Duties	Repeated

The original finding number was 1998-001. The current finding number is 2019-001.

Jimmy W. Alexander  
Mayor

Tommy Dugger  
Vice Mayor

Derek Adams  
Alderman



## Town of Nolensville

Larry Felts  
Alderman

Wendy Cook-Mucci  
Alderman

Montique Luster  
Town Recorder

### Management's Corrective Action Plan

Audit period: June 30, 2019

The findings from the June 30, 2019, *Schedule of Findings and Responses* are discussed below.

2019-001 Segregation of Duties (Internal Control)

Contact person: Julie Wilson

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate all duties. The Board of Mayor and Aldermen continue to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature: \_\_\_\_\_

A handwritten signature in cursive script, reading "Julie Wilson", is written over a horizontal line.