

TOWN OF ASHLAND CITY, TENNESSEE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF ASHLAND CITY, TENNESSEE
FINANCIAL STATEMENTS

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INTRODUCTORY SECTION



TOWN OF ASHLAND CITY, TENNESSEE
OFFICIALS OF THE TOWN OF ASHLAND CITY, TENNESSEE
JUNE 30, 2020

<u>Title</u>	<u>Name</u>
Steve Allen	Mayor
Daniel Anderson	Vice-Mayor
Gerald Greer	Councilman
Lisa Walker	Councilman
Chris Kerrigan	Councilman
Tim Adkins	Councilman
Roger Jackson	Councilman
Kellie Reed	Recorder, CMFO
Kenneth Ray	Chief of Police
James Walker	Director of Fire & Life Safety
Scott Sampson	Director of Parks and Recreation
Clint Biggers	Director of Public Works
Anita Justice	Court Clerk
Melissa Womack	Senior Center

FINANCIAL SECTION





Independent Auditor's Report

To the Mayor and Board of Aldermen
Town of Ashland City, Tennessee
Ashland City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashland City, Tennessee, (the "Town") as of and for the year ended June 30, 2020, 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

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

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

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



Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and schedules of net pension liability (asset), employer contributions, ratios and related actuarial methods and assumptions based on participation in the Public Employee Pension Plan of TCRS on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The listing of Officials of the Town of Ashland City, Tennessee, and the Combining and Individual Nonmajor Fund Statements and Schedules, and Financial Schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by the State of Tennessee and is not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Schedules, and Financial Schedules, including the schedule of expenditures of federal and state awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for those Financial Schedules marked as "Unaudited", 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



To the Mayor and Board of Aldermen
Town of Ashland City, Tennessee

with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, and Financial Schedules, except for those marked as “Unaudited”, are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as “Unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The listing of Officials of the Town of Ashland City, Tennessee has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
January 21, 2021

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

As management of the Town of Ashland City, 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, 2020. 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 and deferred outflows of the Town of Ashland City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$34,171,823 as compared to \$32,346,394 in the prior year. Of this amount, \$10,555,585 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors as compared to \$9,343,704 in the prior year.
- The government's total net position increased by \$1,825,431 as compared to \$1,717,595 in 2019.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,117,834, an increase of \$835,469 from the prior year. Approximately \$7,214,810 of that total is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,214,810 as compared to \$5,648,313 in 2019 or 122.26% of total general fund expenditures.
- The Town's total debt decreased by \$132,000 which represented scheduled debt repayments during the fiscal year.

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 themselves.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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).

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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 (business-type activities). The governmental activities of the Town include general government, personnel, finance, parks, codes, police, fire, and public works. The business-type activities include a water and sewer fund.

The government-wide financial statements can be found on pages 14-15 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 for 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 can be divided into two categories: governmental funds and proprietary funds.

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 spendable 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 governmental funds with similar information presented for governmental activities in the government-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 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 for the general fund which is considered to be a major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Proprietary Funds. The Town has one proprietary fund, the Water & Sewer Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 24 - 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 47 of this report.

The combining statements referred to earlier in connection with non major governmental funds and are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 51-54 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 Ashland City, assets and deferred outflows exceeded liabilities and deferred inflows by \$34,171,823 as compared to \$32,346,394 in 2019. By far the largest portion of the Town's net position (66.46%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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 ASHLAND CITY'S NET POSITION AS OF JUNE 30, 2020 AND 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,211,687	\$ 8,322,117	\$ 3,066,828	\$ 2,508,948	\$ 12,278,515	\$ 10,831,065
Capital assets	9,756,707	9,566,955	15,069,551	14,887,772	24,826,258	24,454,727
Total assets	18,968,394	17,889,072	18,136,379	17,396,720	37,104,773	35,285,792
Deferred outflows of resources	590,235	678,225	257,024	290,206	847,259	968,431
Other liabilities	183,611	314,931	114,432	154,830	298,043	469,761
Long-term liabilities outstanding	243,671	146,961	2,134,094	2,248,359	2,377,765	2,395,320
Total liabilities	427,282	461,892	2,248,526	2,403,189	2,675,808	2,865,081
Deferred inflows of resources	1,053,665	1,009,215	50,736	33,533	1,104,401	1,042,748
Net position:						
Net investment in capital assets	9,756,707	9,566,955	12,956,507	12,723,378	22,713,214	22,290,333
Restricted	903,024	712,357	-	-	903,024	712,357
Unrestricted	7,417,951	6,816,878	3,137,634	2,526,826	10,555,585	9,343,704
Total net position	\$ 18,077,682	\$ 17,096,190	\$ 16,094,141	\$ 15,250,204	\$ 34,171,823	\$ 32,346,394

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

An additional portion of the Town's net position (2.64%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$10,555,585 (\$9,343,704 in prior year) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three category of net position, both for the government as a whole, as well as for its separate governmental and business - type activities. The same situation held true for the prior year.

The government's net position increased by \$1,825,431 in 2020 as compared to \$1,717,603 in the prior year. The increase is attributed to the increase in Government activities net position of \$981,494 and an increase business-type activity net position of \$843,937.

Key elements of the increases in Governmental and Business-type activities are as follows:

TOWN OF ASHLAND CITY'S CHANGES IN NET POSITION

	Changes in Net Position For the Year Ended June 30, 2020 and 2019					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for service	\$ 491,541	\$ 684,945	\$ 2,953,863	\$ 2,817,667	\$ 3,445,404	\$ 3,502,612
Operating grants and contributions	195,642	195,952	-	-	195,642	195,952
Capital grants and contributions	38,557	803,545	454,806	101,200	493,363	904,745
General revenues:						
Property taxes	922,672	884,287	-	-	922,672	884,287
Sales taxes	3,457,901	3,045,132	-	-	3,457,901	3,045,132
Other taxes	1,102,425	1,111,885	-	-	1,102,425	1,111,885
Other	524,892	493,649	34,413	(18,148)	559,305	475,501
Total revenues	6,733,630	7,219,395	3,443,082	2,900,719	10,176,712	10,120,114
Expenses:						
General government	811,486	1,202,315	-	-	811,486	1,202,315
City court	259,952	249,085	-	-	259,952	249,085
Public safety	3,214,625	3,019,798	-	-	3,214,625	3,019,798
Streets	658,826	722,338	-	-	658,826	722,338
Senior citizen	242,105	226,965	-	-	242,105	226,965
Parks and recreation	425,315	417,765	-	-	425,315	417,765
Information technology	139,829	-	-	-	139,829	-
Interest expense	-	(430)	-	-	-	-
Water and sewer	-	-	2,599,145	2,564,675	2,599,145	2,564,675
Total expenses	5,752,138	5,837,836	2,599,145	2,564,675	8,351,283	8,402,511
Change in net position	981,492	1,381,559	843,937	336,044	1,825,429	1,717,603
Net position - beginning of year	17,096,190	15,714,631	15,250,204	14,914,160	32,346,394	30,628,791
Net position - end of year	\$ 18,077,682	\$ 17,096,190	\$ 16,094,141	\$ 15,250,204	\$ 34,171,823	\$ 32,346,394

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

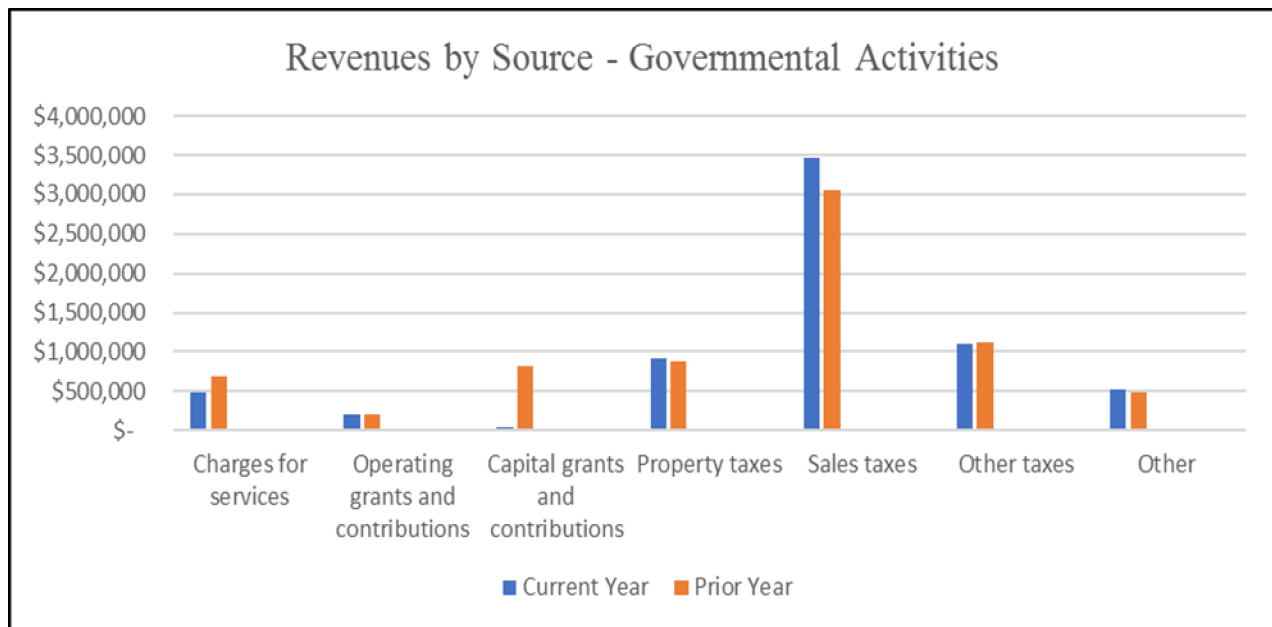
Governmental activities

Overall governmental revenues decreased approximately 6.73% in 2020. General revenues increased approximately 8.54%, and program revenues decreased by approximately 56.92% due to a reduction in capital grants and contributions and less charges for services due to Covid-19 restrictions. Tax revenues increased by 8.76%.

Governmental activities expenses decreased approximately 1.47% in 2020.

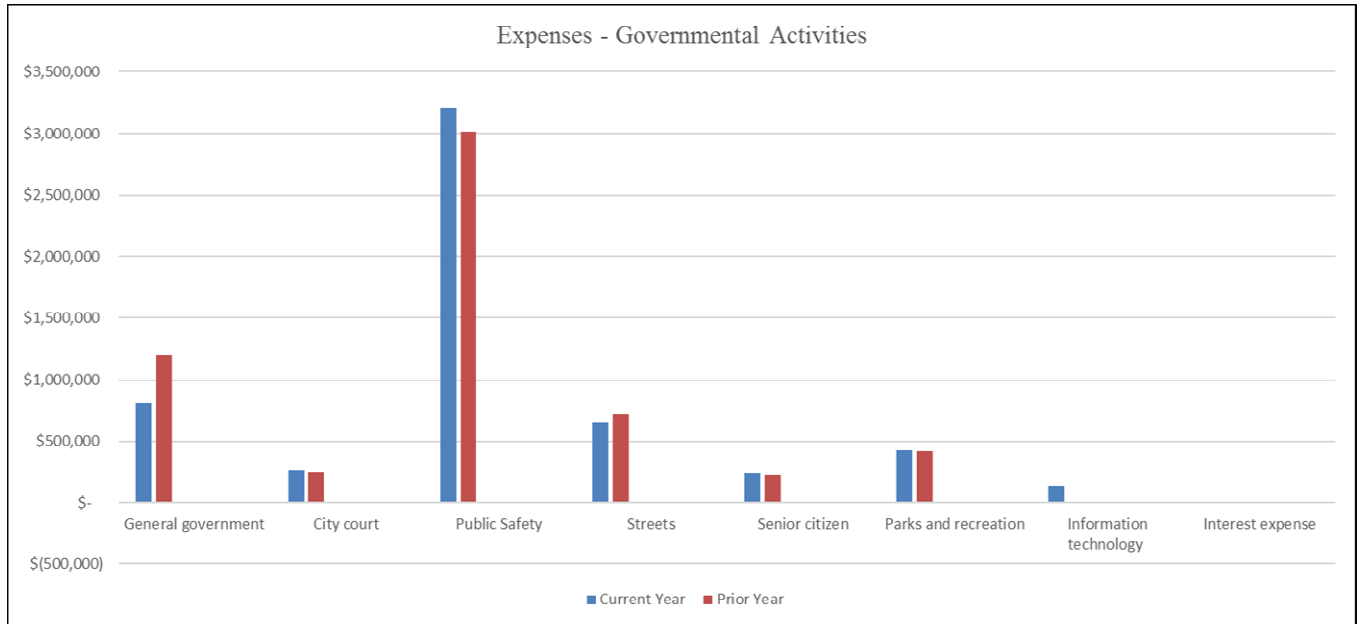
Governmental policy continues to recognize that local revenue sources must be the foundation for providing basic public services rather than depending on uncertain Federal and State sources. To this end, it is vitally important to continue efforts to seek balanced diversity, equity and efficiency in local revenue systems to better accommodate future growth.

Revenues by Source - Governmental Activities



TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

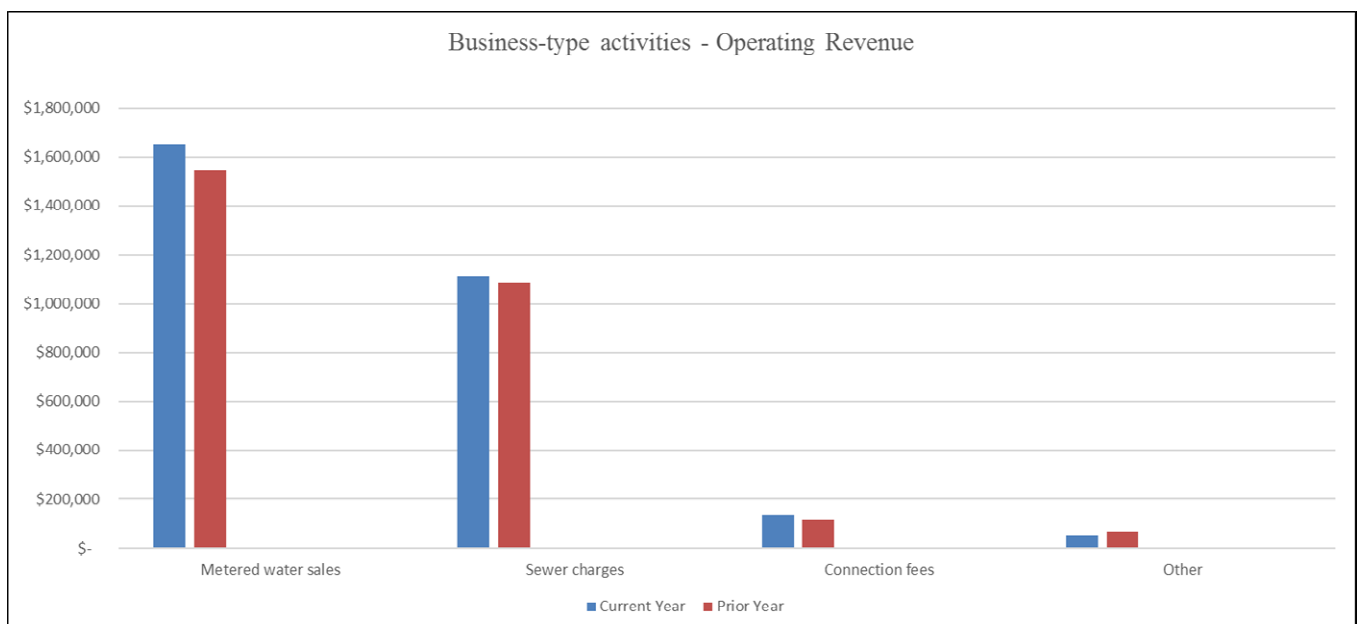
Expenses - Governmental Activities



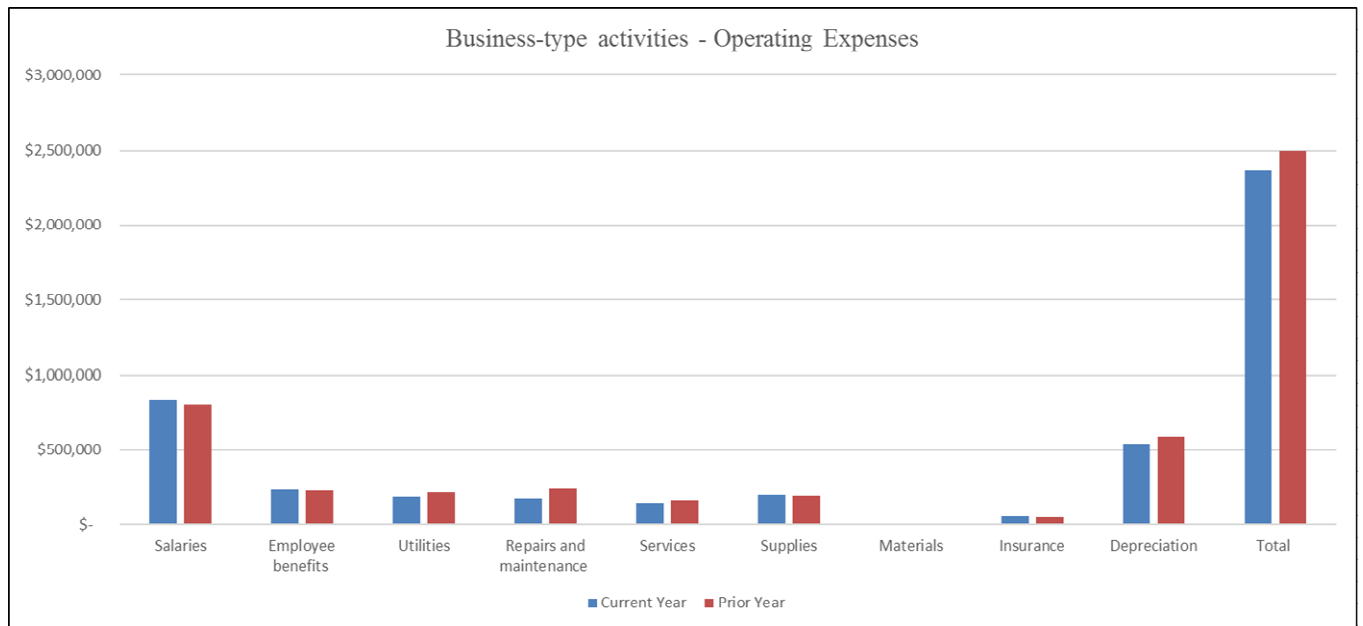
Business - type activities

Business - type activities increased the Town's net position by \$843,937. Key elements of this increase are as follows:

Total revenue increased approximately \$542,363 from the prior year while total expenses increased approximately \$34,470.



TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020



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

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,117,834, an increase of \$835,469 from that of the prior year. Approximately 88.88% of this total amount (\$7,282,365) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$903,024) is restricted to indicate that it is not available for new spending because it represents amounts restricted for capital projects, road and street maintenance, and public safety.

The general fund is the chief operation fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,214,810 as compared to \$5,648,313 in the prior year.

As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 1.22% of total general fund expenditures.

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The fund balance of the Town's general fund increased by \$644,802 during the current fiscal year. Key factors in this increase are as follows:

Total revenues decreased approximately \$454,369 or 6.94% in 2020, key elements are as follows:

- Tax revenues, a combination of two distinct resources; property tax and local option sales tax, increased by \$429,350
- Licenses and permits decreased by \$122,781. Fines and forfeits decreased by \$42,811
- Intergovernmental grant revenues decreased by \$745,980, due primarily to a non-recurring grant received in fiscal 2019 from the State not received in fiscal 2020
- Miscellaneous revenue increased by approximately \$31,058. Charges for services also decreased by \$3,205.

Total expenditures decreased by \$497,012 or approximately 7.77% as a result of increased capital outlay.

The Town's proprietary (Water & Sewer) fund provide the same type of information found in the government-wide financial statement, but in more detail.

Unrestricted net position of the Water and Sewer Fund amounted to \$3,137,634. The growth in net position of the Water Sewer Fund amounted to \$843,937 resulting largely from an increase in operating revenues of \$136,196 and a decrease in operating expenses of \$129,277 compared to the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were an increase of \$1,137,305 in expenditures. Some of the more significant budget amendments were as follows:

<u>Departments</u>	<u>Budgeted Amounts</u>		<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Increase (Decrease)</u>
City recorder	\$ 723,250	\$ 1,385,250	\$ (662,000)
City court	270,050	276,550	(6,500)
Police department	1,636,475	1,643,175	(6,700)
Fire department	1,709,950	1,728,950	(19,000)
Streets department	746,040	936,145	(190,105)
Senior citizens	298,970	298,970	-
Parks and recreation	592,090	604,090	(12,000)
Information technology	-	241,000	(241,000)
Total expenditures	<u>\$ 5,976,825</u>	<u>\$ 7,114,130</u>	<u>\$ (1,137,305)</u>

The primary reasons for budget amendments during 2020 were due to unexpected increases in expenditures within the departments.

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets from its governmental and business-type activities as of June 30, 2020 amounts to \$24,826,258 (net of accumulated depreciation) as compared to \$24,454,727 in 2019. This investment in capital assets includes land, building, improvements, machinery and equipment, park facilities and roads. The total increase in the Town's investment in capital assets for the current fiscal year was approximately 1.02% primarily due to additional capital outlay.

Major capital asset events during the current fiscal year included the following:

Capital Assets						
June 30, 2020 and 2019						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,018,259	\$ 1,398,259	\$ 246,156	\$ 245,131	\$ 2,264,415	\$ 1,643,390
Building and improvements	6,593,156	6,588,018	1,532,491	1,510,936	8,125,647	8,098,954
Infrastructure	6,700,754	6,596,185	-	-	6,700,754	6,596,185
Equipment	2,148,915	1,460,434	24,482,339	24,309,800	26,631,254	25,770,234
Construction in progress	114,010	693,481	700,720	172,539	814,730	866,020
Total capital assets	17,575,094	16,736,377	26,961,706	26,238,406	44,536,800	42,974,783
Less: Accumulated depreciation	(7,818,387)	(7,169,422)	(11,892,155)	(11,350,634)	(19,710,542)	(18,520,056)
Capital assets, net	<u>\$ 9,756,707</u>	<u>\$ 9,566,955</u>	<u>\$ 15,069,551</u>	<u>\$ 14,887,772</u>	<u>\$ 24,826,258</u>	<u>\$ 24,454,727</u>

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

LONG - TERM DEBT

At the end of the current year, the Town had bonded debt outstanding of \$2,060,000. The Business-type debt is secured first by the revenues of the Water & Sewer Fund. All debt is secured by the full faith and credit of the Town.

	Governmental Activities	Business-type Activities	Total
Revenue and Tax Bonds and Notes	\$ -	\$ 2,060,000	\$ 2,060,000
	<u>\$ -</u>	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>

The Town's total debt decreased by \$132,000 (6.02%) during the current fiscal year. The key factors relative to debt were as follows:

- Scheduled repayments of debt during 2019-20 of \$132,000
- The Town of Ashland City maintains a "A1" rating from Moodys.
- State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

TOWN OF ASHLAND CITY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and Council remain committed to controlled growth and conservative management by avoiding debt in the general government and operating on current fiscal year revenues of the General Fund. Fiscal 2020 was impacted by COVID-19 from March through the end of the fiscal year and this situation continues in various and diverse ways. The General Fund was minimally impacted due to various cost cutting measures. While the effects from COVID-19 are expected to continue into the foreseeable future, we are cautiously optimistic that the Town operations will generally not be unduly impacted and the Town will continue to utilize its resources for the betterment of the community. The Town ended the year with an unassigned general fund balance of \$7,214,810.

REQUESTS FOR INFORMATION

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

City Recorder
Town of Ashland City
Ashland City, Tennessee

BASIC FINANCIAL STATEMENTS



Town of Ashland City, Tennessee
Statement of Net Position
June 30, 2020

	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:			
Cash and cash equivalents	\$ 7,430,667	\$ 2,597,033	\$ 10,027,700
Receivables:			
Property tax, net of allowance for doubtful accounts	944,216	-	944,216
Customer, net of allowance for doubtful accounts	-	318,836	318,836
Other governments	765,675	-	765,675
Other receivables	71,129	-	71,129
Total receivables	<u>1,781,020</u>	<u>318,836</u>	<u>2,099,856</u>
Supply inventory, at cost	-	150,959	150,959
Capital assets:			
Capital assets, not being depreciated	2,132,269	946,876	3,079,145
Capital assets, being depreciated - net of accumulated depreciation	<u>7,624,438</u>	<u>14,122,675</u>	<u>21,747,113</u>
Total assets	<u>18,968,394</u>	<u>18,136,379</u>	<u>37,104,773</u>
Deferred Outflows of Resources:			
Deferred amount on refunding	-	78,510	78,510
Deferred outflows-experience loss-TCRS	361,995	108,545	470,540
Deferred outflows-change in assumptions-TCRS	66,743	20,878	87,621
Deferred outflows-contributions subsequent to valuation-TCRS	<u>161,497</u>	<u>49,091</u>	<u>210,588</u>
Total deferred outflows of resources	<u>590,235</u>	<u>257,024</u>	<u>847,259</u>
Liabilities:			
Accounts and contracts payable	13,797	1,410	15,207
Accrued liabilities	169,814	113,022	282,836
Long-term liabilities:			
Net pension liability	72,533	21,050	93,583
Due within one year	171,138	100,000	271,138
Due in more than one year	<u>-</u>	<u>2,013,044</u>	<u>2,013,044</u>
Total liabilities	<u>427,282</u>	<u>2,248,526</u>	<u>2,675,808</u>
Deferred Inflows of Resources:			
Assessed and unlevied property taxes	888,219	-	888,219
Deferred inflows-investment gain-TCRS	64,127	20,298	84,425
Deferred inflows-experience gain-TCRS	<u>101,319</u>	<u>30,438</u>	<u>131,757</u>
Total deferred inflows of resources	<u>1,053,665</u>	<u>50,736</u>	<u>1,104,401</u>
Net Position:			
Net investment in capital assets	9,756,707	12,956,507	22,713,214
Restricted for:			
Capital projects	255,265	-	255,265
Street and maintenance improvements	589,640	-	589,640
Other projects	58,119	-	58,119
Unrestricted	<u>7,417,951</u>	<u>3,137,634</u>	<u>10,555,585</u>
Total net position	<u>\$ 18,077,682</u>	<u>\$ 16,094,141</u>	<u>\$ 34,171,823</u>

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

Town of Ashland City, Tennessee
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
General government	\$ 811,486	\$ -	\$ -	\$ 38,557	\$ (772,929)	\$ -	\$ (772,929)
City court	259,952	-	-	-	(259,952)	-	(259,952)
Public safety	3,214,625	382,656	-	-	(2,831,969)	-	(2,831,969)
Streets	658,826	-	195,642	-	(463,184)	-	(463,184)
Senior citizen activities	242,105	-	-	-	(242,105)	-	(242,105)
Parks and recreation	425,315	3,839	-	-	(421,476)	-	(421,476)
Information technology	139,829	-	-	-	(139,829)	-	(139,829)
Codes	-	105,046	-	-	105,046	-	105,046
Interest expense on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	5,752,138	491,541	195,642	38,557	(5,026,398)	-	(5,026,398)
Business-Type Activities:							
Water and sewer	2,599,145	2,953,863	-	454,806	-	809,524	809,524
Total Business-Type Activities	2,599,145	2,953,863	-	454,806	-	809,524	809,524
Total primary government	8,351,283	3,445,404	195,642	493,363	(5,026,398)	809,524	(4,216,874)
General revenues:							
Property taxes					922,672		922,672
Sales taxes					3,457,901	-	3,457,901
Wholesale beer tax					226,006	-	226,006
Wholesale liquor tax					80,639	-	80,639
Business tax					153,772	-	153,772
Franchise fees and other locally assessed tax					51,572	-	51,572
Income tax					9,991	-	9,991
T.V.A. in lieu of taxes					64,277	-	64,277
State sales tax					476,115	-	476,115
State telecommunications tax					17,051	-	17,051
State beer tax					2,448	-	2,448
State excise tax					20,554	-	20,554
Unrestricted investment earnings					81,522	34,413	115,935
Loss on disposal of capital assets					-	-	-
Miscellaneous, primarily insurance proceeds for fire engine					443,370	-	443,370
Total general revenues and transfers					6,007,890	34,413	6,042,303
Change in net position					981,492	843,937	1,825,429
Net position - beginning					17,096,190	15,250,204	32,346,394
Net position - ending					\$ 18,077,682	\$ 16,094,141	\$ 34,171,823

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

Town of Ashland City, Tennessee
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Non Major Governmental Funds	Total Governmental Funds
Assets:			
Cash	\$ 6,554,628	\$ 876,039	\$ 7,430,667
Accounts receivable:			
Property tax	944,216	-	944,216
Other governments	734,870	30,805	765,675
Other receivables	71,129	-	71,129
Total receivables	<u>1,750,215</u>	<u>30,805</u>	<u>1,781,020</u>
 Total assets	 <u><u>\$ 8,304,843</u></u>	 <u><u>\$ 906,844</u></u>	 <u><u>\$ 9,211,687</u></u>
Liabilities:			
Accounts payable	\$ 9,977	\$ 3,820	\$ 13,797
Accrued liabilities	169,814	-	169,814
Total liabilities	<u>179,791</u>	<u>3,820</u>	<u>183,611</u>
Deferred Inflows of Resources:			
Unavailable property tax revenues	910,242	-	910,242
Total deferred inflows of resources	<u>910,242</u>	<u>-</u>	<u>910,242</u>
Fund Balances:			
Restricted for:			
Capital projects	-	255,265	255,265
Roads and streets	-	589,640	589,640
Public safety	-	58,119	58,119
Unassigned	7,214,810	-	7,214,810
Total fund balances	<u>7,214,810</u>	<u>903,024</u>	<u>8,117,834</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 8,304,843</u></u>	 <u><u>\$ 906,844</u></u>	 <u><u>\$ 9,211,687</u></u>

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

Town of Ashland City, Tennessee
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2020

Total fund balances of governmental funds	\$ 8,117,834
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	9,756,707
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Receivables not available to pay for current expenditures, and therefore, are unavailable in the governmental funds.	22,023
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Defined benefit plan reporting for the TCRS plan requires recognition of the Town's portion of the net pension liability and deferred outflows/inflows in governmental activities. These amounts are not due and payable in the current period and therefore are not recorded in the funds.

Net pension liability	(72,533)
Deferred outflows of resources	590,235
Deferred inflows of resources	(165,446)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.

Compensated absences	(171,138)
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Net position of governmental activities	<u>\$ 18,077,682</u>
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Town of Ashland City, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Non Major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 4,896,510	\$ -	\$ 4,896,510
Licenses and permits	105,046	-	105,046
Intergovernmental	639,368	185,267	824,635
Fines and fees	380,206	2,450	382,656
Charges for services	3,839	-	3,839
Miscellaneous	520,956	3,938	524,894
	<hr/>	<hr/>	<hr/>
Total revenues	6,545,925	191,655	6,737,580
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	677,314	-	677,314
City court	245,903	-	245,903
Public safety	2,821,163	981	2,822,144
Streets	544,579	7	544,586
Senior citizens activities	211,681	-	211,681
Parks and recreation	340,159	-	340,159
Information Technology	138,377	-	138,377
Capital outlay	921,947	-	921,947
	<hr/>	<hr/>	<hr/>
Total expenditures	5,901,123	988	5,902,111
	<hr/>	<hr/>	<hr/>
Net change in fund balances	644,802	190,667	835,469
	<hr/>	<hr/>	<hr/>
Fund balance - beginning	6,570,008	712,357	7,282,365
	<hr/>	<hr/>	<hr/>
Fund balance - ending	<u>\$ 7,214,810</u>	<u>\$ 903,024</u>	<u>\$ 8,117,834</u>

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

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

Net change in fund balances - total governmental funds	\$ 835,469
Amounts reported for the governmental activities in the statement of activities are different because:	
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. Specifically these items are as follows:	
Capital assets added	873,952
Depreciation expense	(684,200)
Revenues in the statement of activities that do not provide for current financial resources are not reported as revenues in the funds.	(3,950)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:	
Changes in the net pension liability and related deferred outflows and inflows of resources	(15,602)
Compensated absences	<u>(24,177)</u>
Change in net position of governmental activities	<u>\$ 981,492</u>

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

Town of Ashland City, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
REVENUES:				
Taxes:				
Property and utility taxes	\$ 880,000	\$ 880,000	\$ 922,026	\$ 42,026
Tax penalties and interest	-	-	4,594	4,594
Local option sales tax	2,713,670	2,713,670	3,457,901	744,231
Wholesale beer tax	198,000	198,000	226,006	28,006
Wholesale liquor tax	52,000	52,000	80,639	28,639
Business tax	85,000	85,000	153,772	68,772
Natural gas franchise tax	50,000	50,000	-	(50,000)
Cable TV franchise tax	40,000	40,000	51,572	11,572
Total Taxes	4,018,670	4,018,670	4,896,510	877,840
Licenses and Permits:				
Building permits	50,000	50,000	89,662	39,662
Beer permits	1,500	1,500	3,524	2,024
Other permits	4,500	4,500	11,860	7,360
Total Licenses and Permits	56,000	56,000	105,046	49,046
Intergovernmental:				
Income tax	28,000	28,000	9,991	(18,009)
Beer tax	2,600	2,600	2,448	(152)
Sales tax	465,100	465,100	476,115	11,015
Petroleum special	9,100	9,100	10,375	1,275
T.V.A. in lieu of taxes	61,500	61,500	64,277	2,777
Corporate excise tax	2,350	2,350	20,554	18,204
State telecommunications tax	10,400	10,400	17,051	6,651
Federal and state grants	-	-	38,557	38,557
Total Intergovernmental	579,050	579,050	639,368	60,318
Fines and Forfeits:				
Fines and costs	375,000	375,000	365,556	(9,444)
DUI fines	15,000	15,000	14,650	(350)
Total Fines and Forfeits	390,000	390,000	380,206	(9,794)
Charges for Services:				
Accident reports	500	500	349	(151)
Parks concession	4,500	4,500	2,190	(2,310)
Fees and commissions	7,500	7,500	1,300	(6,200)
Total Charges for Services	12,500	12,500	3,839	(8,661)
Miscellaneous Revenues:				
Interest income	25,000	25,000	81,522	56,522
Insurance recoveries	-	-	4,150	4,150
Summerfest	20,000	20,000	730	(19,270)
Contributions and donations	263,500	263,500	267,632	4,132
Other miscellaneous revenue	23,000	23,000	166,922	143,922
Total Miscellaneous Revenues	331,500	331,500	520,956	189,456
Total Revenues	5,387,720	5,387,720	6,545,925	1,158,205

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

Town of Ashland City, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
EXPENDITURES:				
City Recorder:				
Current:				
Salaries and wages	332,600	332,600	366,768	34,168
Employee benefits	94,700	94,700	71,559	(23,141)
Contractual services	204,800	227,300	165,549	(61,751)
Supplies and materials	13,700	13,700	9,643	(4,057)
Insurance	10,000	10,000	10,000	-
Contributions	36,250	36,250	31,176	(5,074)
Other	2,500	18,500	17,547	(953)
Lease payments	6,000	6,000	5,072	(928)
Capital outlay	22,700	646,200	634,232	(11,968)
Total City Recorder	<u>723,250</u>	<u>1,385,250</u>	<u>1,311,546</u>	<u>(73,704)</u>
City Court:				
Current:				
Salaries and wages	184,800	184,800	176,956	(7,844)
Employee benefits	35,850	35,850	29,756	(6,094)
Contractual services	8,400	11,400	7,055	(4,345)
Supplies	6,500	10,000	7,403	(2,597)
Insurance	3,000	3,000	2,080	(920)
Other	31,500	31,500	22,653	(8,847)
Total City Court	<u>270,050</u>	<u>276,550</u>	<u>245,903</u>	<u>(30,647)</u>
Public Safety				
Police Department:				
Current:				
Salaries and wages	933,500	940,200	861,817	(78,383)
Employee benefits	315,300	315,300	277,062	(38,238)
Contractual services	114,675	114,675	64,533	(50,142)
Operating supplies	94,000	94,000	56,724	(37,276)
Insurance	55,000	55,000	23,970	(31,030)
Other	1,000	1,000	(358)	(1,358)
Capital outlay	123,000	123,000	25,167	(97,833)
Total Police Department	<u>1,636,475</u>	<u>1,643,175</u>	<u>1,308,915</u>	<u>(334,260)</u>
Fire Department:				
Current:				
Salaries and wages	847,950	847,950	817,424	(30,526)
Volunteer firemen	42,000	42,000	37,497	(4,503)
Employee benefits	282,900	282,900	278,129	(4,771)
Contractual services	258,600	277,600	253,448	(24,152)
Supplies	92,000	92,000	85,796	(6,204)
Insurance	50,000	50,000	49,514	(486)

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

Town of Ashland City, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
Other	16,500	16,500	15,607	(893)
Capital outlay	120,000	120,000	125,198	5,198
Total Fire Department	1,709,950	1,728,950	1,662,613	(66,337)
Total Public Safety	3,346,425	3,372,125	2,971,528	(400,597)
Streets:				
Current:				
Salaries and wages	286,640	286,640	272,444	(14,196)
Employee benefits	109,600	109,600	81,083	(28,517)
Contractual services	200,900	381,255	142,774	(238,481)
Supplies	71,400	71,400	25,281	(46,119)
Insurance	11,000	11,000	7,357	(3,643)
Street maintenance supplies	35,500	35,500	15,640	(19,860)
Debt service	16,000	16,000	-	(16,000)
Capital outlay	15,000	24,750	7,763	(16,987)
Total Streets	746,040	936,145	552,342	(383,803)
Senior Citizens:				
Current:				
Salaries and wages	167,100	167,100	117,185	(49,915)
Employee benefits	37,250	37,250	18,839	(18,411)
Contractual services	64,370	64,370	56,731	(7,639)
Supplies	1,550	1,550	1,376	(174)
Insurance	2,500	2,500	2,500	-
Other	15,050	15,050	15,050	-
Capital outlay	11,150	11,150	18,929	7,779
Total Senior Citizens	298,970	298,970	230,610	(68,360)
Parks and Recreation:				
Current:				
Salaries and wages	163,320	163,320	149,748	(13,572)
Employee benefits	53,170	53,170	40,826	(12,344)
Contractual services	162,400	162,400	114,325	(48,075)
Supplies	30,500	29,797	15,953	(13,844)
Park maintenance supplies	6,200	6,200	1,404	(4,796)
Insurance	8,500	9,203	9,203	-
Other	30,000	30,000	8,700	(21,300)
Capital outlay	138,000	150,000	77,611	(72,389)
Total Parks and Recreation	592,090	604,090	417,770	(186,320)
Information Technology:				
Current:				
Salaries and wages	-	50,000	42,052	(7,948)
Employee benefits	-	15,000	6,580	(8,420)
Contractual services	-	108,700	77,863	(30,837)
Supplies	-	32,300	11,894	(20,406)
Insurance	-	-	(12)	(12)
Capital outlay	-	35,000	33,047	(1,953)
Total Information Technology	-	241,000	171,424	(69,576)

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

Town of Ashland City, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Over (Under)
Total Expenditures	5,976,825	7,114,130	5,901,123	(1,213,007)
Net change in fund balance	(589,105)	(1,726,410)	644,802	2,371,212
Fund balance - beginning	6,570,008	6,570,008	6,570,008	-
Fund balance - ending	<u>\$ 5,980,903</u>	<u>\$ 4,843,598</u>	<u>\$ 7,214,810</u>	<u>\$ 2,371,212</u>

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

Town of Ashland City, Tennessee
Statement of Net Position
Proprietary (Water and Sewer) Fund
June 30, 2020

Assets:

Current assets:

Cash and cash equivalents	\$ 2,597,033
Customer accounts receivable, net of allowance doubtful accounts of \$13,000	318,836
Inventory	150,959
Total current assets	<u>3,066,828</u>

Capital assets:

Capital assets, not being depreciated	946,876
Capital assets, being depreciated	26,014,830
Less accumulated depreciation	<u>(11,892,155)</u>
Capital assets, net	<u>15,069,551</u>

Total assets	<u>18,136,379</u>
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Deferred outflows of resources:

Deferred amount on refunding	78,510
TCRS pension-contribution subsequent to valuation date	49,091
TCRS pension-experience	108,545
TCRS pension-change in assumptions	<u>20,878</u>
Total deferred outflows of resources	<u>257,024</u>

Liabilities:

Current liabilities:

Accounts payable	1,410
Current maturities - long-term debt	100,000
Accrued expenses	<u>113,022</u>
Total current liabilities	<u>214,432</u>

Long-term debt:

Long-term debt, net of current portion	2,013,044
Net pension liability-TCRS	<u>21,050</u>
Total noncurrent liabilities	<u>2,034,094</u>

Total liabilities	<u>2,248,526</u>
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Deferred inflows of resources:

Deferred amount on refunding	30,438
TCRS pension-contribution subsequent to valuation date	<u>20,298</u>
Total deferred inflows of resources	<u>50,736</u>

Net Position:

Fund equity

Net investment in capital assets	12,956,507
Unrestricted-unreserved	<u>3,137,634</u>
Total net position	<u>\$ 16,094,141</u>

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

Town of Ashland City, Tennessee
Statement of Revenues, Expenses, and Changes
in Fund Net Position
Proprietary (Water and Sewer) Fund
For the Year Ended June 30, 2020

Operating Revenues:

Metered water sales	\$ 1,650,833
Sewer charges	1,112,684
Connection fees	136,695
Other	53,651
Total operating revenues	<u>2,953,863</u>

Operating Expenses:

Salaries	834,135
Employee benefits	239,450
Utilities	182,945
Repairs and maintenance	174,342
Other contractual services	140,495
Supplies	199,461
Materials	4,052
Insurance	51,342
Depreciation and amortization	541,521
Total operating expenses	<u>2,367,743</u>

Operating income	<u>586,120</u>
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Non-operating revenues (expenses):

Interest income	34,413
Interest expense	(64,462)
Other expenses	(166,940)
Nonoperating revenues (expenses), net	<u>(196,989)</u>

Income before contributions	389,131
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Contributions:

Capital grant from county	250,000
Tap fees	204,806
Total contributions	<u>454,806</u>

Change in net position	843,937
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Net position, beginning of year	<u>15,250,204</u>
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Net position, end of year	<u><u>\$ 16,094,141</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Ashland City, Tennessee
Statement of Cash Flows
Proprietary (Water and Sewer) Fund
For the Year Ended June 30, 2020

Cash Flows from Operating Activities:

Cash received from customers	\$ 2,900,032
Cash paid to suppliers	(745,676)
Cash paid to employees	(1,056,590)
Net cash provided by operating activities	<u>1,097,766</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of plant and equipment	(723,300)
Interest and other expenses paid	(231,402)
Principal payments on debt	(132,000)
Net cash used by capital and related financing activities	<u>(1,086,702)</u>

Cash Flows from Noncapital Activities:

Capital grants	250,000
Tap fees	204,806
Net cash provided by noncapital activities	<u>454,806</u>

Cash Flows from Investing Activities:

Interest received	<u>34,413</u>
Net cash provided by noncapital activities	<u>34,413</u>

Net increase in cash and cash equivalents 500,283

Cash, Beginning of Year 2,096,750

Cash, End of Year \$ 2,597,033

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 586,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation of capital assets	541,521
Amortization	2,140
TCRS pension costs paid (over) under actuarial determined amount	4,917
(Increase) decrease in assets:	
Accounts receivable	(53,831)
Inventory	(3,766)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	20,665
Total adjustments	<u>511,646</u>
Net cash provided by operating activities	<u><u>\$ 1,097,766</u></u>

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

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ashland City, Tennessee (the “Town”) was chartered under Tennessee Private Acts 1921, Section 241. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (police and fire), water and sewerage, streets, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town of Ashland City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the government and its component units. Component units are entities for which the government is considered to be financially accountable. Component units, although legally separate entities, are required to be presented in the government’s financial statements using either a blended or discrete presentation.

As of June 30, 2020, the Town had no component units which were required to be included in these financial statements.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt that was issued for capital purposes is not a part of the calculation of net investment in capital assets, until the proceeds have been used to acquire capital assets.
- *Restricted net position* results from restriction placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Unrestricted net position* consists of net position which does not meet the definition of the two proceeding categories.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

- The General Fund is the Town's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activities of providing water and sewer services to the customers of the system.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, as are the proprietary fund financial statements. 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 property taxes and most governmental revenues as available if received within 60 days of years end. Expenditures are recorded when the related fund 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund (Water and Sewer Fund) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, Town uses committed, assigned, and then unassigned funds.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with financial institutions and amounts deposited with the State of Tennessee Local Government Investment Pool. In addition, certificates of deposit or direct obligations of the Federal government or its agencies that are owned by a specific fund of the Town having a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit and deposits in the investment pool are carried at cost which approximates fair value. The State of Tennessee Local Government Investment Pool is a component of the State of Tennessee State Pooled Investment Fund that is an external investment pool not registered with the Securities and Exchange Commission.

The State Pooled Investment Fund is administered by the State Treasurer and is authorized by state statute to invest funds in accordance with the policy guidelines approved by the Funding Board of the State of Tennessee which exercises oversight responsibility, including the ability to significantly influence operations, designation of management and accountability for all fiscal matters. The Fund is audited annually by the office of the State Comptroller.

Delinquent Taxes Receivable

Delinquent taxes receivable have been included in the General Fund balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2020. Amounts which were available at June 30, 2020 have been recorded as revenue. Property taxes which will be levied October 1, 2020 in the amount of \$888,219 have also been recorded as a receivable with an offsetting deferred revenue to reflect amounts not available at June 30, 2020.

Supply Inventory

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Water & Sewer) Fund - Inventory, principally materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or net realizable value.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet and are eliminated on the government-wide statements. Transfers of monies between funds generally arise as a result of budget appropriations authorizing funds to be transferred from one fund to another.

Compensated Absences

The Town's policy permits employees to accumulate earned but unused annual vacation up to a maximum of 100 hours with any excess transferred to accumulated sick leave. Upon elimination, employees receive payment for accumulated annual leave days. All annual leave is accrued when incurred in the government- wide and proprietary financial statements.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

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

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 two items that qualify for reporting in this category. The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amounts for pensions under TCRS relate to certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, as well as contributions between the measurement and reporting dates, which are accounted for as deferred outflow of resources.

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 two items that qualify for reporting in this category. The assessed and unlevied property taxes reported in the statement of net position arises from imposed nonexchange revenues (property taxes) which are assessed prior to the end of the fiscal year but levied in the subsequent year. The unavailable property tax revenues reported in the government funds balance sheet are current and delinquent property taxes, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The amounts for pensions under TCRS relate to certain differences between projected and actual actuarial results and certain differences between project and actual investment earnings, which are accounted for as deferred inflows of resources in the statement of net position.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Tennessee Consolidated Retirement System

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employees 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 Employees Retirement Plan of TCRS. Investments are report at fair value.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government systems-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed 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 assets lives are not capitalized.

Depreciation has been provided over estimated useful lives using the straight-line method,

<u>Assets</u>	<u>Years</u>
Infrastructure (roads, bridges)	50 years
Buildings	25 - 50 years
Distribution systems	10 - 50 years
Equipment	5 - 15 years
Trucks	5 - 10 years

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.

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.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

The Town implemented Governmental Accounting Standard Board (GASB) Statement 54 for its governmental funds. As a result, fund balance is reported in the fund financial statements under the following categories.

- *Nonspendable fund balance* - represents amounts that are required to be maintained intact, such as inventories and prepaid expenses.
- *Restricted fund balance* - fund balances that can be spent only for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.
- *Committed fund balance* - amounts that can be used only for the specific purposes determined by a formal action of the Town's Board.
- *Assigned fund balance* - amounts the Town intends to use for a specific purpose, but do not meet the definition of being restricted or committed. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance* - represents the residual classification and includes all spendable amounts not included in other classifications within the General Fund that are available for any purpose.

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

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 assessed 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 \$0.5037 per \$100 of assessed valuation for the fiscal year ended June 30, 2020.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Payments may be made during the period from October 1 through February 28, taxes become delinquent March 1 of each tax year. Current tax collections of \$851,103 for the fiscal year ended June 30, 2020 were approximately 96 percent of the tax levy.

Delinquent taxes are turned over to the Clerk and Master of the Cheatham County Chancery Court each year for collection.

Budgets and Budgetary Accounting

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

- The Mayor and Budget Committee submit to the Board of Aldermen the proposed operating budget for the fiscal year. The operating budgets for the General and Special Revenue Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into fund balance of the respective funds at the end of the fiscal year
- The budgets passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance,
- The amounts in the adopted budgets for each fund constitute its total annual appropriation and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless any additional appropriation is made.
- The Mayor and Department Heads may transfer appropriations within the same department other changes in appropriations require board approval. Budgetary control is considered established at the department level.
- Budgeted amounts shown are those originally adopted and amended by the Mayor and Board of Aldermen. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund which appropriations were made at the end of the fiscal year.
- Budgets for the General and Special Revenue Funds (other than Senior Citizen Fund which is not budgeted) are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits

The Town is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2020, the Town invested in short-term certificates of deposit, savings accounts and the Tennessee Local Government Investment Pool. The Town has deposit policies to minimize custodial credit risks.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

A. DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned, or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Deposits were collateralized in accordance with Town policy and the requirements of Tennessee State Statutes at June 30, 2020.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

Cash and cash equivalents included \$8,749,469 on deposit with the Local Government Investment Pool at June 30, 2020.

C. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consists of the following:

Fund	General Fund	Special Revenue Fund	Water and Sewer Fund	Combined Total
Property taxes	\$ 944,216	\$ -	\$ -	\$ 944,216
Other governments	734,870	30,805	-	765,675
Other	71,129	-	-	71,129
Customer accounts	-	-	331,836	331,836
Less: Allowance for doubtful accounts	-	-	(13,000)	(13,000)
Total	<u>\$ 1,750,215</u>	<u>\$ 30,805</u>	<u>\$ 318,836</u>	<u>\$ 2,099,856</u>

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

D. CAPITAL ASSETS

Governmental Activities

A summary of changes in governmental activities capital assets for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<i>Capital assets, not being depreciated -</i>				
Land and land improvements	\$ 1,398,259	\$ 620,000	\$ -	\$ 2,018,259
Construction in progress	693,481	109,010	688,481	114,010
Subtotal	<u>2,091,740</u>	<u>729,010</u>	<u>688,481</u>	<u>2,132,269</u>
<i>Capital assets, being depreciated -</i>				
Building and improvements	6,588,018	10,113	4,975	6,593,156
Equipment	6,596,185	134,829	30,260	6,700,754
Infrastructure	1,460,434	688,481	-	2,148,915
Subtotal	<u>14,644,637</u>	<u>833,423</u>	<u>35,235</u>	<u>15,442,825</u>
<i>Accumulated depreciation -</i>				
Building and improvements	2,268,550	165,941	4,975	2,429,516
Equipment	4,687,246	458,101	30,260	5,115,087
Infrastructure	213,626	60,158	-	273,784
Subtotal	<u>7,169,422</u>	<u>684,200</u>	<u>35,235</u>	<u>7,818,387</u>
Capital assets, being depreciated, net	<u>7,475,215</u>	<u>149,223</u>	<u>-</u>	<u>7,624,438</u>
Capital assets, net	<u>\$ 9,566,955</u>	<u>\$ 878,233</u>	<u>\$ 688,481</u>	<u>\$ 9,756,707</u>

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

General government	\$115,108
Courts	11,770
Public safety:	
Police department	109,679
Fire department	235,821
Parks	75,110
Highways and streets	110,342
Senior citizens	25,454
Information technology	<u>916</u>
Total	<u>\$684,200</u>

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

D. CAPITAL ASSETS - Continued

Business - Type Activities

A summary of changes in Proprietary (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<i>Capital assets, not being depreciated -</i>				
Land	\$ 245,131	\$ 1,025	\$ -	\$ 246,156
Construction in progress	172,539	700,720	172,539	700,720
Subtotal	<u>417,670</u>	<u>701,745</u>	<u>172,539</u>	<u>946,876</u>
<i>Capital assets, being depreciated -</i>				
Equipment	1,510,936	21,555	-	1,532,491
Plant in service	24,309,800	172,539	-	24,482,339
Subtotal	<u>25,820,736</u>	<u>194,094</u>	<u>-</u>	<u>26,014,830</u>
<i>Accumulated depreciation -</i>				
Equipment	997,529	85,103	-	1,082,632
Plant in service	10,353,105	456,418	-	10,809,523
Subtotal	<u>11,350,634</u>	<u>541,521</u>	<u>-</u>	<u>11,892,155</u>
Capital assets, being depreciated, net	<u>14,470,102</u>	<u>(347,427)</u>	<u>-</u>	<u>14,122,675</u>
Capital assets, net	<u>\$ 14,887,772</u>	<u>\$ 354,318</u>	<u>\$ 172,539</u>	<u>\$ 15,069,551</u>

Depreciation expense amounted to \$541,521 for the year ended June 30, 2020.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

E. LONG-TERM LIABILITIES OTHER THAN PENSION OBLIGATION

The following schedules reflects the changes in long-term liabilities other than the pension obligation during the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 146,961	\$ 24,177		\$ 171,138	\$ 171,138
Total Governmental Activities					
Long-term Liabilities	\$ 146,961	\$ 24,177	\$ -	\$ 171,138	\$ 171,138
	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Business-Type Activities:					
Water and Sewer Revenue and Tax Bonds					
Series 2012A .55-3.5%	\$ 2,155,000	\$ -	\$ (95,000)	\$ 2,060,000	\$ 100,000
Water and Sewer Revenue and Tax Bonds					
Series 2012A .55-3.5%	37,000	-	(37,000)	-	-
	2,192,000	\$ -	\$ (132,000)	2,060,000	\$ 100,000
Unamortized premium	56,359			53,044	
Total Business-Type Activities					
Long-term Liabilities	\$ 2,248,359			\$ 2,113,044	

The revenue and tax bonds were issued to finance the Town's water and sewer facilities and are secured by the revenues of the water and sewer system and the taxing power of the Town. Management believes that the Town complies with all significant debt covenants and restrictions as set forth in the bond agreements.

The above bonds payable contain provisions that in the event of default, the lenders can exercise one or more of the following options: 1) make the outstanding bonds with accrued interest due and payable, 2) use any remedy allowed by state or federal law.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

E. LONG-TERM LIABILITIES OTHER THAN PENSION OBLIGATION - Continued

Debt service requirements to maturity for the Water and Sewer Fund debt as of June 30, 2020, are as follows:

Year Ended June 30,	Business-Type Activities	
	Principal	Interest
2021	\$ 100,000	\$ 59,188
2022	100,000	57,188
2023	105,000	55,188
2024	105,000	53,088
2025	105,000	50,463
2026 - 2030	580,000	210,215
2031 - 2035	670,000	119,689
2036 - 2037	295,000	15,575
	2,060,000	\$ 620,594
Unamortized premium	53,044	
Total	\$ 2,113,044	

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. RETIREMENT PLAN

General Information about the Pension Plan

Plan description - Employees of the Town 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes 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 a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently	
Receiving benefits	27
Inactive employees entitled to but not yet	
Receiving benefits	47
Active employees	<u>63</u>
	<u>137</u>

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. RETIREMENT PLAN - Continued

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for Ashland City were \$210,588 based on a rate of 6.50% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town'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 position of any unfunded liability.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions - The total pension liability as of June 30, 2019 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, 2019 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.

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 of return by the target asset allocation percentage and by adding

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. RETIREMENT PLAN - Continued

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	5.9%	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>
		<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 ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. RETIREMENT PLAN - Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 7,086,423	\$ 6,825,848	\$ 260,575
Changes for the year:			
Service cost	222,539	-	222,539
Interest	521,086	-	521,086
Differences between expected and actual experience	(51,285)	-	(51,285)
Contributions-employer	-	199,456	(199,456)
Contributions-employees	-	153,428	(153,428)
Net investment income	-	512,125	(512,125)
Benefit payments, including refunds of employee contributions	(243,126)	(243,126)	-
Administrative expense	-	(5,677)	5,677
Net changes	449,214	616,206	(166,992)
Balance at June 30, 2019	<u>\$ 7,535,637</u>	<u>\$ 7,442,054</u>	<u>\$ 93,583</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability 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%)
Net pension liability (asset)	\$ 1,246,153	\$ 93,583	\$ (825,565)

Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense (negative pension expense). For the year ended June 30, 2020, the Town recognized pension expense (negative pension expense) of \$231,274.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

F. RETIREMENT PLAN - Continued

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, The Town reported defined outflows of 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	\$470,540	\$131,757
Changes in assumptions	87,621	-
Net difference between projected and actual earnings on pension plan investments	-	84,425
Contributions subsequent to the measurement date of June 30, 2019	<u>210,588</u>	<u>N/A</u>
Total	<u>\$768,749</u>	<u>\$216,182</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2019, 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

2021	\$ 90,335
2022	39,288
2023	81,865
2024	85,930
2025	44,921
Thereafter	(360)

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

Payable to the Pension Plan

At June 30, 2020, the Town reported no payable for any outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

G. COMMITMENTS AND CONTINGENCIES

Litigation

The Town, at time to time, is involved in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the Town's attorney is of the opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grants

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

H. RISK MANAGEMENT AND UNCERTAINTIES

The Town is exposed to various risks to general liability and property and casualty losses, The Town deemed it was more economically feasible to participate 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, an association of member Cities. The Town pays an annual premium to the TML for its general liability and property and casualty insurance coverage, the creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation, employees' health and accident, flood and environmental. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years'.

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruptions are currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the Town's results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

I. RECENT ACCOUNTING PRONOUNCEMENTS

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the Town. Management is currently in the process of determining the impact of these Statements to the Town's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, required for fiscal periods beginning after December 15, 2019, fiscal year 2021 for the Town. This Statement enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

I. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

The GASB issued Statement No. 87, *Leases*, required for fiscal periods beginning after June 15, 2021, fiscal year 2022 for the Town. This Statement increases the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhances comparability by requiring lessees and lessors to report leases under a single model, and enhances the usefulness of information by requiring notes to the financial statements regarding leasing arrangements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, required for fiscal periods beginning after December 15, 2020, in fiscal year 2022 for the Town. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.

The GASB issued Statement No. 90, *Majority Equity Interests*, required for fiscal periods beginning after December 15, 2019, in fiscal year 2021 for the Town. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, required for fiscal periods beginning after December 15, 2021, in fiscal year 2023 for the Town. This Statement's objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The GASB issued Statement No. 92, *Omnibus 2020*, which is required as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirement related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and asset, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, fiscal year 2021 for the Town. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021, fiscal year 2023 for the Town. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, fiscal year 2022 for the City, and all reporting periods thereafter.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

I. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, fiscal year 2023 for the Town, and all reporting periods thereafter.

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this Statement are effective immediately.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, fiscal year 2023 for the Town, and all reporting periods thereafter.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
- The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021, fiscal year 2022 for the Town.
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021, fiscal year 2022 for the Town.

Earlier application is encouraged and is permitted by specific requirement as follows:

- Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
- Paragraphs 6 - 9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019, fiscal year 2021 for the Town. Earlier application is encouraged if Statement 84, as amended, has been implemented.

J. SUBSEQUENT EVENTS

In September 2020, the Town Board of Aldermen approved Resolution No. 2020-21 to borrow funds in the aggregate principal amount of not to exceed \$16,599,000 through the issuance of Water and Sewer Revenue and Tax Bonds to finance water and sewer system improvements and extensions. As of the issuance of this report, the bonds have not yet been issued.

REQUIRED SUPPLEMENTAL INFORMATION



Town of Ashland City, Tennessee
Required Supplementary Information
Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
(Unaudited)

	2014	2015	2016	2017	2018	2019
Total Pension Liability (Asset)						
Service cost	\$ 182,232	\$ 192,698	\$ 187,940	\$ 195,263	\$ 210,600	\$ 222,539
Interest	314,111	351,044	369,585	441,228	484,010	521,086
Differences between actual and expected experience	82,029	(197,548)	525,241	222,049	55,725	(51,285)
Changes in assumptions	-	-	-	140,196	-	-
Benefit payments, including refunds of employee contributions	(90,419)	(102,407)	(86,040)	(183,636)	(258,613)	(243,126)
Net change in total pension liability	487,953	243,787	996,726	815,100	491,722	449,214
Total pension liability-beginning	4,051,135	4,539,088	4,782,875	5,779,601	6,594,701	7,086,423
Total pension liability-ending (a)	<u>\$ 4,539,088</u>	<u>\$ 4,782,875</u>	<u>\$ 5,779,601</u>	<u>\$ 6,594,701</u>	<u>\$ 7,086,423</u>	<u>\$ 7,535,637</u>
Plan Fiduciary Net Position						
Contributions-employer	\$ 156,725	\$ 133,701	\$ 150,223	\$ 158,188	\$ 187,023	\$ 199,456
Contributions-employee	116,959	117,281	131,774	138,762	143,864	153,428
Net investment income	674,979	152,285	139,668	629,510	520,612	512,125
Benefit payments, including refunds of employee contributions	(90,419)	(102,407)	(86,040)	(183,636)	(258,613)	(243,126)
Administrative expense	(2,256)	(2,963)	(4,432)	(4,873)	(5,765)	(5,677)
Net change in plan fiduciary net position	855,988	297,897	331,193	737,951	587,121	616,206
Plan fiduciary net position-beginning	4,015,698	4,871,686	5,169,583	5,500,776	6,238,727	6,825,848
Plan fiduciary net position-ending (b)	<u>\$ 4,871,686</u>	<u>\$ 5,169,583</u>	<u>\$ 5,500,776</u>	<u>\$ 6,238,727</u>	<u>\$ 6,825,848</u>	<u>\$ 7,442,054</u>
Net pension liability (a) - (b)	<u>\$ (332,598)</u>	<u>\$ (386,708)</u>	<u>\$ 278,825</u>	<u>\$ 355,974</u>	<u>\$ 260,575</u>	<u>\$ 93,583</u>
Plan fiduciary net position as a percentage of total pension liability	107.33%	108.09%	95.18%	94.60%	96.32%	98.76%
Covered payroll	\$ 2,338,945	\$ 2,345,624	\$ 2,635,486	\$ 2,775,233	\$ 2,877,271	\$ 3,068,545
Net pension liability (asset) as a percentage of covered payroll	-14.22%	-16.49%	10.58%	12.83%	9.06%	3.05%

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

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

Town of Ashland City, Tennessee
Required Supplementary Information
Schedules of Employer Contributions - Pension Plan
Based on Participation in the Public Employee Pension Plan of the TCRS
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$ 156,725	\$ 133,701	\$ 150,223	\$ 88,807	\$ 164,004	\$ 174,907	\$ 210,588
Contributions in relation to the actuarially determine contribution	<u>156,725</u>	<u>133,701</u>	<u>150,223</u>	<u>158,188</u>	<u>187,023</u>	<u>199,456</u>	<u>210,588</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,381)</u>	<u>\$ (23,019)</u>	<u>\$ (24,549)</u>	<u>\$ -</u>
Covered payroll	\$ 2,339,176	\$ 2,345,624	\$ 2,635,486	\$ 2,775,233	\$ 2,877,271	\$ 3,068,545	\$ 3,899,778
Contributions as a percentage of covered payroll	6.70%	5.70%	5.70%	5.70%	6.50%	6.50%	5.40%
Notes to Schedule							

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

See independent auditor's report.

TOWN OF ASHLAND CITY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2020 are based on the results of the June 30, 2018 actuarial valuation.

Detailed below are the 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	Various
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 net pension liability (asset). In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**COMBINING AND INDIVIDUAL NONMAJOR FUND
STATEMENTS AND SCHEDULES**



Town of Ashland City, Tennessee
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2020

	<u>Special Revenue Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>State</u>	<u>Drug</u>	<u>Project</u>	<u>Non Major</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
Assets:				
Cash	\$ 558,835	\$ 61,939	\$ 255,265	\$ 876,039
Accounts receivable:				
Other governments	30,805	-	-	30,805
	<u>30,805</u>	<u>-</u>	<u>-</u>	<u>30,805</u>
Total assets	<u>\$ 589,640</u>	<u>\$ 61,939</u>	<u>\$ 255,265</u>	<u>\$ 906,844</u>
Liabilities:				
Accounts payable	\$ -	\$ 3,820	\$ -	\$ 3,820
Total liabilities	<u>-</u>	<u>3,820</u>	<u>-</u>	<u>3,820</u>
Fund Balances:				
Restricted for:				
Roads and streets	589,640	-	-	589,640
Public safety	-	58,119	-	58,119
Capital projects	-	-	255,265	255,265
Total fund balances	<u>589,640</u>	<u>58,119</u>	<u>255,265</u>	<u>903,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 589,640</u>	<u>\$ 61,939</u>	<u>\$ 255,265</u>	<u>\$ 906,844</u>

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

Town of Ashland City, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Total Non Major Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>		
Revenues:				
Taxes:				
Intergovernmental:				
State gasoline tax	\$ 185,267	\$ -	\$ -	\$ 185,267
Fines and forfeitures:				
Drug related fines	-	2,450	-	2,450
Miscellaneous:				
Interest	620	5	3,313	3,938
	<u>185,887</u>	<u>2,455</u>	<u>3,313</u>	<u>191,655</u>
Total revenues				
	<u>185,887</u>	<u>2,455</u>	<u>3,313</u>	<u>191,655</u>
Expenditures:				
Current:				
Public safety	-	981	-	981
Streets	7	-	-	7
	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total expenditures				
	<u>7</u>	<u>981</u>	<u>-</u>	<u>988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>185,880</u>	<u>1,474</u>	<u>3,313</u>	<u>190,667</u>
Fund balance - beginning	<u>403,760</u>	<u>56,645</u>	<u>251,952</u>	<u>712,357</u>
Fund balance - ending	<u>\$ 589,640</u>	<u>\$ 58,119</u>	<u>\$ 255,265</u>	<u>\$ 903,024</u>

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

Town of Ashland City, Tennessee
Schedule of Revenues, Expenditures and
Change in Fund Balances (GAAP Basis) and Actual
State Street Aid Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental:				
State gasoline tax:				
Gas and motor fuel tax	\$ 201,000	\$ 201,000	\$ 94,652	\$ (106,348)
Gas 1989	-	-	15,038	15,038
Gas 2017	-	-	47,713	47,713
Gas 3 cent	-	-	27,864	27,864
Total state gasoline tax	201,000	201,000	185,267	(15,733)
Miscellaneous:				
Interest income	500	500	620	120
Total revenues	201,000	201,000	185,887	(15,733)
Expenditures:				
Capital outlay:				
Road bridge repairs	140,000	140,000	7	139,993
Total expenditures	140,000	140,000	7	139,993
Excess (deficiency) of revenues over (under) expenditures	61,000	61,000	185,880	124,260
Fund balance - beginning	403,760	403,760	403,760	-
Fund balance - ending	\$ 464,760	\$ 464,760	\$ 589,640	124,880

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

Town of Ashland City, Tennessee
Schedule of Revenues, Expenditures and
Change in Fund Balances (GAAP Basis) and Actual
Drug Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Fines and forfeits:				
Drug-related fines:	\$ 30,000	\$ 30,000	\$ 2,450	\$ (27,550)
Miscellaneous:				
Interest	5	5	5	-
Total revenues	<u>30,005</u>	<u>30,005</u>	<u>2,455</u>	<u>(27,550)</u>
Expenditures:				
Current:				
Telephone and communication	1,500	1,500	-	1,500
Drug investigation and control	25,000	25,000	-	25,000
Other expenses	<u>3,505</u>	<u>3,505</u>	<u>981</u>	<u>2,524</u>
Total expenditures	<u>30,005</u>	<u>30,005</u>	<u>981</u>	<u>29,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,474</u>	<u>1,474</u>
Fund balance - beginning	<u>56,645</u>	<u>56,645</u>	<u>56,645</u>	<u>-</u>
Fund balance - ending	<u>\$ 56,645</u>	<u>\$ 56,645</u>	<u>\$ 58,119</u>	<u>1,474</u>

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

FINANCIAL SCHEDULES



Town of Ashland City, Tennessee
Capital Assets Used in the Operation of the Governmental Funds
Schedule of Changes in Capital Assets - By Type
June 30, 2020

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>
Land	\$ 1,398,259	\$ 620,000	\$ -	\$ 2,018,259
Buildings and improvements	6,588,018	10,113	4,975	6,593,156
Infrastructure	1,460,434	688,481	-	2,148,915
Equipment	6,596,185	134,829	30,260	6,700,754
Construction in progress	<u>693,481</u>	<u>109,010</u>	<u>688,481</u>	<u>114,010</u>
	<u>\$ 16,736,377</u>	<u>\$ 1,562,433</u>	<u>\$ 723,716</u>	<u>\$ 17,575,094</u>

See independent auditor's report.

Town of Ashland City, Tennessee
Capital Assets Used in the Operation of the Governmental Funds
Schedule of Changes in Capital Assets - By Function and Activity
June 30, 2020

Description - Asset Cost	Land and Land Improvements	Buildings and Improvements	Infrastructure	Equipment	Construction in Progress	Total
General government	\$ 1,158,929	\$ 2,511,621	\$ 632,254	\$ 180,262	\$ 5,000	\$ 4,488,066
City court	-	-	-	108,257	-	108,257
Codes	-	-	-	54,531	-	54,531
Police department	-	25,000	-	1,238,703	-	1,263,703
Fire department	124,850	1,633,229	649,350	3,415,884	100,000	5,923,313
Streets	104,816	757,782	74,844	1,156,049	-	2,093,491
Senior citizens	22,500	889,907	-	84,940	-	997,347
Parks and recreation	607,164	775,617	792,467	438,091	-	2,613,339
Information technology	-	-	-	24,037	9,010	33,047
	<u>2,018,259</u>	<u>6,593,156</u>	<u>2,148,915</u>	<u>6,700,754</u>	<u>114,010</u>	<u>17,575,094</u>
Description - Accumulated Depreciation	Land	Buildings and Improvements	Infrastructure	Equipment	Construction in Progress	Total
General government	-	788,054	164,455	252,101	-	1,204,610
City court	-	-	-	94,287	-	94,287
Codes	-	-	-	54,531	-	54,531
Police department	-	7,000	-	1,049,182	-	1,056,182
Fire department	-	694,400	51,948	2,447,260	-	3,193,608
Streets	-	270,111	22,453	889,088	-	1,181,652
Senior citizens	-	348,647	-	64,146	-	412,793
Parks and recreation	-	321,304	34,928	263,576	-	619,808
Construction in progress	-	-	-	916	-	916
	<u>-</u>	<u>2,429,516</u>	<u>273,784</u>	<u>5,115,087</u>	<u>-</u>	<u>7,818,387</u>
Description - Net Book Value	Land	Buildings and Improvements	Infrastructure	Equipment	Construction in Progress	Total
General government	1,158,929	1,723,567	467,799	(71,839)	5,000	3,283,456
City court	-	-	-	13,970	-	13,970
Codes	-	-	-	-	-	-
Police department	-	18,000	-	189,521	-	207,521
Fire department	124,850	938,829	597,402	968,624	100,000	2,729,705
Streets	104,816	487,671	52,391	266,961	-	911,839
Senior citizens	22,500	541,260	-	20,794	-	584,554
Parks and recreation	607,164	454,313	757,539	174,515	-	1,993,531
Construction in progress	-	-	-	23,121	9,010	32,131
	<u>\$ 2,018,259</u>	<u>\$ 4,163,640</u>	<u>\$ 1,875,131</u>	<u>\$ 1,585,667</u>	<u>\$ 114,010</u>	<u>\$ 9,756,707</u>

See independent auditor's report.

Town of Ashland City, Tennessee
Schedule of Changes in Property Taxes Receivable
For the Year Ended June 30, 2020

<u>Tax Year</u>	<u>Balance July 1, 2019</u>	<u>Levy</u>	<u>Collections and Changes and Adjustments</u>	<u>Allowance for Doubtful Accounts</u>	<u>Balance June 30, 2020</u>
2020	\$ -	\$ 888,219	\$ -	\$ -	\$ 888,219
2019	890,519	-	(851,103)	(1,973)	37,443
2018	17,842	-	(4,995)	(1,927)	10,920
2017	3,518	-	3,164	(1,671)	5,012
2016	3,518	-	(1,212)	(1,153)	1,153
2015	2,371	-	649	(1,812)	1,208
2014	1,774	-	(122)	(1,391)	261
2013	422	-	(5)	(417)	-
2012	664	-	153	(817)	-
2011	411	-	209	(620)	-
2010	241	-	119	(360)	-
2009	546	-	313	(859)	-
	<u>\$ 921,826</u>	<u>\$ 888,219</u>	<u>\$ (852,830)</u>	<u>\$ (13,000)</u>	<u>\$ 944,216</u>

Note: Property taxes delinquent as of April 1st are turned over to the Clerk and Master of the County Chancery Court each year for collection. All of the taxes above are delinquent and subject to collection proceedings.

See independent auditor's report.

Town of Ashland City, Tennessee
Schedule of Debt Service Requirements
June 30, 2020

Business-Type Activities (Water and Sewer Fund)			
For the Year Ended June 30,	Water and Sewer Revenue and Tax Bonds Series 2012A		
	Principal	Interest	
2021	\$ 100,000	\$	59,188
2022	100,000		57,188
2023	105,000		55,188
2024	105,000		53,088
2025	105,000		50,463
2026	110,000		47,838
2027	115,000		45,088
2028	115,000		42,213
2029	120,000		39,338
2030	120,000		35,738
2031	125,000		32,138
2032	130,000		28,388
2033	135,000		24,163
2034	140,000		19,775
2035	140,000		15,225
2036	145,000		10,325
2037	150,000		5,250
	<u>\$ 2,060,000</u>	<u>\$</u>	<u>620,594</u>

See independent auditor's report.

Town of Ashland City, Tennessee
Schedule of Changes in Long-Term Debt by Individual Issue
June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
Business-Type Activities:									
<u>BONDS PAYABLE</u>									
Water and Sewer Fund:									
Water and Sewer Revenues and Tax Bonds Series 2012A	\$ 2,770,000	.55 - 3.5%	12/21/2012	6/30/2037	\$ 2,155,000	\$ -	\$ (95,000)	\$ -	\$ 2,060,000
Total Bonds Payable					<u>2,155,000</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>	<u>2,060,000</u>
<u>NOTES PAYABLE</u>									
Water and Sewer Fund:									
Capital Outlay Note Series 2012	\$ 226,000	2.78%	10/1/2012	10/1/2019	<u>37,000</u>	<u>-</u>	<u>(37,000)</u>	<u>-</u>	<u>-</u>
Total Notes Payable					<u>37,000</u>	<u>-</u>	<u>(37,000)</u>	<u>-</u>	<u>-</u>
Total Indebtedness Paid by Water and Sewer Fund					<u>\$ 2,192,000</u>	<u>\$ -</u>	<u>\$ (132,000)</u>	<u>\$ -</u>	<u>\$ 2,060,000</u>

See independent auditor's report.

Town of Ashland City, Tennessee
Schedule of Property Tax Rates and Assessed Value of Taxable Property
(Unaudited)
Ten Year Summary

<u>Tax Year</u>	<u>Property Tax Rate*</u>	<u>Assessed Value of Taxable Property</u>
2020	\$ 0.50	\$ 176,338,849
2019	0.50	176,801,089
2018	0.59	150,930,918
2017	0.44	153,220,652
2016	0.44	153,342,381
2015	0.46	141,058,626
2014	0.46	143,226,717
2013	0.46	143,252,051
2012	0.46	142,241,385
2011	0.46	139,651,260
2010	0.46	130,430,957

*Per \$100 of assessed value

See independent auditor's report.

Town of Ashland City, Tennessee
Schedule of Salaries and Bonds of Principal Officials
June 30, 2020
(Unaudited)

<u>Official</u>	<u>Name</u>	<u>Salary per Month</u>	<u>Bond Amount</u>	<u>Expiration</u>
Mayor	Steve Allen	\$ 1,740	\$ 150,000	7/1/2021
Aldermen	Each Meeting	94	N/A	N/A
Recorder	Kellie Reed	5,600	150,000	7/1/2021

See independent auditor's report.


Town of Ashland City, Tennessee
Schedule of Utility Statistical Data
June 30, 2020
(Unaudited)

<u>Utility Rates (Per 1,000 Gallons)</u>	<u>Water</u>		<u>Sewer</u>
	<u>Inside City</u>	<u>Outside City</u>	
Base Charge (Minimum Fee)	\$ 10.89	\$ 20.44	\$ 10.89
First Gallon Used to Last Gallon	\$ 7.17	\$ 8.18	\$ 7.17

The number of customers at June 30, 2020 was 2,208.

See independent auditor's report.

TOWN OF ASHLAND CITY, TENNESSEE
AWWA WATER SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
 American Water Works Association,
 Copyright © 2014. All Rights Reserved.

[?](#) Click to access definition

[+](#) Click to add a comment

Water Audit Report for: Town of Ashland City (0000023)

Reporting Year: 2019-2020 7/2019 - 6/2020

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

----- Enter grading in column 'E' and 'J' ----->

WATER SUPPLIED

Volume from own sources:	+	?	9	295.254	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: 295.254 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt:	+	?	n/a	0.000	MG/Yr
Value:	+	?	n/a	0.000	MG/Yr

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+	?	8	204.082	MG/Yr
Billed unmetered:	+	?	8	0.009	MG/Yr
Unbilled metered:	+	?	7	2.664	MG/Yr
Unbilled unmetered:	+	?	7	11.794	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 218.549 MG/Yr

Click here: [?](#) for help using option buttons below

Pcnt: 0.000 Value: 11.794 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25% Value: 0.000 MG/Yr

9.50% 0.100 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

76.706 MG/Yr

Apparent Losses

Unauthorized consumption: 0.738 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 21.703 MG/Yr

Systematic data handling errors: 0.100 MG/Yr

Apparent Losses: 22.541 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 54.165 MG/Yr

WATER LOSSES: 76.706 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 91.164 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 59.5 miles

Number of active AND inactive service connections: 2,575

Service connection density: 43 conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: 70.0 psi

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 70.0 psi

(length of service line, beyond the property boundary, that is the responsibility of the utility)

COST DATA

Total annual cost of operating water system: 2,367,743 \$/Year

Customer retail unit cost (applied to Apparent Losses): \$8.84 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): \$4,756.47 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

*** YOUR SCORE IS: 82 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Customer metering inaccuracies

3: Unauthorized consumption

TOWN OF ASHLAND CITY, TENNESSEE
AWWA WATER SCHEDULE - Continued
FOR THE YEAR ENDED JUNE 30, 2020
UNAUDITED

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association. Copyright © 2014, All Rights Reserved.
<div style="display: flex; justify-content: space-between;"> <div> Water Audit Report for: Town of Ashland City (0000023) Reporting Year: 2019-2020 7/2019 - 6/2020 </div> <div style="text-align: right; color: red; font-weight: bold;"> *** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 *** </div> </div>		
System Attributes:		
	Apparent Losses:	22.541 MG/Yr
	+ Real Losses:	54.165 MG/Yr
	= Water Losses:	76.706 MG/Yr
	? Unavoidable Annual Real Losses (UARL):	18.09 MG/Yr
	Annual cost of Apparent Losses:	\$199,260
	Annual cost of Real Losses:	\$257,633
		Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	30.9%
	Non-revenue water as percent by cost of operating system:	22.2% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	23.98 gallons/connection/day
	Real Losses per service connection per day:	57.63 gallons/connection/day
	Real Losses per length of main per day*:	N/A
	Real Losses per service connection per day per psi pressure:	0.82 gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	54.16 million gallons/year
	? Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.99
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

TOWN OF ASHLAND CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

GRANTOR AGENCY	FEDERAL CFDA NUMBER	GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE JULY 1, 2019	RECEIPTS	EXPENDITURES	ADJUSTMENTS	ACCRUED (DEFERRED) REVENUE JUNE 30, 2020
<u>Federal Financial Awards</u>								
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>								
SAFER Grant	97.083	EMW-2013-FF-00489	\$ -	\$ 2,142	\$ 2,142	\$ -	\$ -	\$ -
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			-	2,142	2,142	-	-	-
<u>U.S. DEPARTMENT OF HUMAN HEALTH AND HUMAN SERVICES</u>								
Title III -B Program - Senior Citizens *	93.044	2006-21	-	6,234	23,250	20,752	-	3,736
TOTAL U.S. DEPARTMENT OF HUMAN HEALTH AND HUMAN SERVICES			-	6,234	23,250	20,752	-	3,736
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>								
Highway Planning and Construction Program **	20.205	TAP-9327 (10)	-	356,143	355,400	-	(743)	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	356,143	355,400	-	(743)	-
<u>U.S. DEPARTMENT OF JUSTICE</u>								
Bulletproof Vest Partnership	16.607	OMB #1121-0235	-	-	-	6,000	-	6,000
TOTAL U.S. DEPARTMENT OF JUSTICE			-	-	-	6,000	-	6,000
Total Federal Financial Awards			\$ -	\$ 364,519	\$ 380,792	\$ 26,752	\$ (743)	\$ 9,736
<u>State Financial Awards</u>								
<u>TENNESSEE COMMISSION ON AGING</u>								
Senior Citizens Program	NA	2006-21	\$ -	\$ 3,138	\$ 12,549	\$ 12,548	\$ -	\$ 3,137
TOTAL TENNESSEE COMMISSION ON AGING			-	3,138	12,549	12,548	-	3,137
<u>TENNESSEE HOUSING DEVELOPMENT AGENCY</u>								
Home Grant *	NA	15-THDA-H-02 or HM-14-03	-	-	172,631	172,631	-	-
TOTAL TENNESSEE HOUSING DEVELOPMENT AGENCY			-	-	172,631	172,631	-	-
Total State Financial Awards			\$ -	\$ 3,138	\$ 185,180	\$ 185,179	\$ -	\$ 3,137

* Passed through the Greater Nashville Regional Council

** Passed through the Tennessee Department of Transportation

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal and State Awards summarizes the expenditures of the Town of Ashland City under programs of the federal and state government for the year ended June 30, 2020. The schedule is presented using the modified accrual basis of accounting.

Note 2: There were no amounts passed through to subrecipients during the year ended June 30, 2020.

Note 3: The Town of Ashland City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

COMPLIANCE AND INTERNAL CONTROL SECTION





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*

The Board of Mayor and Aldermen
Town of Ashland City, Tennessee

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ashland City, Tennessee (the “Town”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, but other matters that are required to be reported under the State of Tennessee Audit Manual are referenced as 2020-002 in the accompanying Schedule of Findings and Responses.

The Town's Response to Findings

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

Purpose of This Report

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

Crosslin, PLLC

Nashville, Tennessee
January 21, 2021

TOWN OF ASHLAND CITY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statements Findings

2020-001 - Accounting System and Accounting Discipline

Condition, Criteria, Cause, and Effect:

Year-end financial statements are to be prepared on a modified accrual basis for government funds statements and on the full accrual basis for the proprietary funds and government-wide statements. However, with a few exceptions, the Town maintains its general ledger on a cash basis throughout the fiscal year and has relied on audit adjustments to correctly reflect receivables and payables in the financial statements. Certain other accounting functions, such as proper maintenance of the general ledger and various reconciliations of asset and liability accounts were not performed or not performed consistently during the fiscal year. We encountered various instances where schedules and support provided to us during the audit did not agree with what was recorded in the general ledger. A lack of understanding of certain accounting principles appears to have contributed to these deficiencies. These issues required certain adjustments to be made during the audit process to the following accounts and financial statement areas:

- Cash
- Tax receivables
- Accounts and other receivables
- Fund due to and from accounts
- Accounts payable, accrued expenses and other
- Capital assets (including proper capitalization and depreciation)
- Deferred outflows and inflows
- Pension accounts
- Various revenue and expense accounts

Recommendation:

We recommend that the Town improve its accounting processes, implement additional accounting procedures and assure personnel are in place or receive the appropriate level of training that will facilitate the production of accurate financial information on the appropriate basis of accounting for financial reporting. This could be also be supplemented by an outside accounting firm or contractor to perform certain procedures related to the accounting function of the Town. In addition, the development over time of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations and reviews would also be beneficial.

Management Response:

Management concurs with the finding and The Town is in the process of putting procedures in place to improve its accounting processes, implement additional accounting procedures and assure personnel are in place or receive the appropriate level of training that will facilitate the production of accurate financial information on the appropriate basis of accounting for financial reporting.

TOWN OF ASHLAND CITY, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statements Findings – Continued

2020-002 - Inappropriate and Unauthorized Expenditures of Town Funds and Unauthorized Use of Town Capital Assets

Condition, Criteria, Cause, Questioned Costs and Effect:

It is believed that a Town employee has made unauthorized, inappropriate and/or personal expenditures with Town funds, as well as engaged in unauthorized and inappropriate use of Town capital assets on multiple occasions during the fiscal years 2019 and 2020. The aggregate amount of these expenditures and value of the unauthorized use of assets is unknown at this time. These matters were reported to the appropriate authorities at the State Comptroller of the Treasury and an investigation is currently ongoing by the State of Tennessee Comptroller of the Treasury, Division of Investigations.

Recommendation:

None as of the date of this report. Recommendations will be determined and made at the conclusion of the State's investigation.

Management Response:

Management of the Town is cooperating with the current State investigation into this matter, and at its conclusion will evaluate its options and actions based on the investigation's outcome and results.

TOWN OF ASHLAND CITY, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Findings

Finding Number	Finding Title	Status
None		

Schedule of Expenditures of Federal and State Awards

There were no prior year findings in the Schedule of Expenditures of Federal and State Awards.



Town of Ashland City

PO Box 36 233 Tennessee Waltz Parkway, Suite 103
Ashland City, Tennessee 37015
Phone 615-792-4211 Fax: 615-792-3501

Management's Corrective Action Plan

Audit period: June 30, 2020

The findings from the June 30, 2020, Schedule of Findings and Responses are discussed below.

2020-001 - Accounting System and Accounting Discipline

Contact person: Gayle Bowman

Planned Corrective Action: The Town is in the process of putting procedures in place to improve its accounting processes, implement additional accounting procedures and assure personnel are in place or receive the appropriate level of training that will facilitate the production of accurate financial information on the appropriate basis of accounting for financial reporting.

Anticipated Completion Date: The Town anticipates that procedures will be in place as of June 30, 2021.

2020-002 - Inappropriate and Unauthorized Expenditures of Town Funds and Unauthorized Use of Town Capital Assets

Contact person: Gayle Bowman

Planned Corrective Action: Management of the Town is cooperating with the current State investigation into this matter, and at its conclusion will evaluate its options and actions based on the investigation's outcome and results.

Anticipated Completion Date: To be determined by the State's investigation into the matters.

Signature: _____

Gayle Bowman