

CITY OF HENDERSONVILLE, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

PREPARED BY:
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

City of Hendersonville



101 Maple Drive North

Hendersonville, TN 37075
www.hvilletn.org

Telephone (615) 822-1000

December 30, 2021

To the Citizens and Aldermen of the City of Hendersonville:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement date for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

KraftCPAs PLLC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Hendersonville’s financial statements for the year ended June 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Hendersonville is located in Sumner County, 22 miles northeast of downtown Nashville and 18 miles from Nashville’s metropolitan airport. Hendersonville offers a convenient location and exceptional scenery with over 26 miles of Old Hickory Lake shoreline. Since its incorporation in 1968, Hendersonville’s population has increased from 116 to 61,753 with a median family income above average for the State of Tennessee and is considered to be the 10th largest city in Tennessee by population. The City of Hendersonville is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Hendersonville was incorporated on June 11, 1968 under the Tennessee Uniform Commission City Manager form of government. On August 7, 1986, a vote by referendum

changed the form of government to the Mayor-Aldermen form. The Board of Mayor and Aldermen is comprised of thirteen members. The Mayor is elected at large and the Aldermen are elected on the basis of six ward districts. Members of the Board of Mayor and Aldermen elected subsequent to 1991 shall be elected to serve four (4) years. All department heads, the City Attorney, City Judge, Chief of Operations, and City Recorder are appointed by the Board of Mayor and Aldermen. The Board of Mayor and Aldermen is responsible for passing ordinances, adopting the budget, appointing committees, and establishing policies, among other things.

The City of Hendersonville provides a full range of municipal services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; sanitation services; recreational and cultural activities; planning and zoning; and general administrative services. The Sumner County Board of Education provides educational services to students within the jurisdiction of the City of Hendersonville. The county school system is part of the Government of Sumner County. Nashville Electric Service, Cumberland Electric Service and Nashville Gas Company provide electrical and natural gas distribution to the City of Hendersonville.

Sewage treatment is provided by the Hendersonville Utility District, which is not part of the government of the City of Hendersonville. Water distribution is provided by the Hendersonville Utility District and the White House Utility District, which are not a part of the government of the City of Hendersonville. Financial data for these entities is not included in the financial statements of this report. However, audited financial statements of these entities are available upon request from their offices. The City contracts for solid waste disposal with a private contractor.

Component units are entities for which the City of Hendersonville is considered to be financially accountable. Financial information for component units is reported in the government-wide financial statements.

The Board of Mayor and Aldermen is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Hendersonville's financial planning and control. The budget detail is prepared by fund (i.e. general), department (i.e. police), and object code. Department heads are authorized to expend funds within total departmental appropriations with some exceptions. However, amendments to the budget that change departmental and/or total appropriations require the adoption of an ordinance by the Board of Mayor and Aldermen. Budget transfers between objects must be approved by resolution and passed by the Board of Mayor and Aldermen.

Local Economy

The City of Hendersonville is a growing residential community having a close proximity to a major metropolitan city with increased growth in industrial, residential, retail and commercial activity. The local economy is currently experiencing increased construction, planned developments and retail business in the area. Hendersonville continues to pursue its efforts in promoting industrial, retail, commercial, and residential growth in fiscal year 2022. The major positive initiatives taken by the City of Hendersonville are as follows:

1. The Economic Development Coordinator works with the Industrial Development Board in serving the City's goals regarding development projects. The City is currently experiencing unprecedented growth in retail, residential and office development.
2. The City enhanced its recreational program by the development of a 5-year Master Plan for the Parks Department, with the assistance of Kimley Horn and Associates.
3. The City continues with its Citywide Traffic Signal Improvement Program intended to improve traffic signal operations along Main Street, New Shackle Island Road, and Indian Lake Blvd.
4. The City is currently working on several projects including sidewalk construction, a \$1,125,000 Sanders Ferry Walking Trail, a Community Development Block Grant to renovate the Senior Citizens Center of Hendersonville, and has budgeted \$1,884,980 for various drainage projects located throughout the City.
5. The City budgeted \$7,390,396 for capital projects in Fiscal Year 2022. New projects include: \$2,500,000 for a new Fire Hall, \$2,600,000 for relocation of an In-line Hockey Rink.

In addition to these initiatives, it appears the overall attitude of the government and the citizens of the City are more than ever concerned with economic growth and the measures necessary to enhance this growth. The City of Hendersonville is committed to building a future in which economic prosperity is balanced with a quality of life for all of its citizens.

In September of 2021, Money.com named the City of Hendersonville number sixteen among its list of ['50 Best Places to Live 2021'](#).

Long-Term Financial Planning

The City has numerous capital projects currently funded and under construction. Several of these are: Drakes Creek Stop 30 widening, Walton Ferry, traffic signal upgrades, drainage, construction of an In-Line Hockey facility, widening of Indian Lake Road, establishing a roundabout at Drakes Creek, a three-phase project for a redesign of Rockland Road, and flood protection at Mary's Magical Place.

The City was reaffirmed as AA+ by Standards and Poor's rating services in April of 2021 while restructuring outstanding debt obligations totaling \$7,645,000. The City also issued a capital outlay note in the amount of \$5,900,000 funding the construction of an indoor In-Line Hockey facility, a new fire hall to expand services, and a fire truck.

Financial Policies

Annual budgets are adopted on an encumbrance basis, which is a basis not consistent with generally accepted accounting principles for all governmental funds except Debt Service and Capital Projects funds. Expenditures may not exceed appropriations authorized by the Mayor and

Aldermen. The legal level of control is held at the department level. The City utilizes departmental budgeting as authorized by the appropriating ordinances and follows these procedures in establishing the budgetary data reflected in the financial statements.

All bonds and notes of the City are to be retired from property tax revenues and are backed by the full faith and credit of the City, except the Revenue and Tax bonds and /capital leases which are to be payable primarily from revenues of the golf course, and secondarily from the taxing power of the City in the event of a deficiency in golf course revenues.

Any single capital purchase in excess of \$10,000 that was not included in the line-item budget estimates must be approved by resolution by the Board of Mayor and Aldermen before the purchase is obligated. The Mayor and Finance Director are authorized to expend appropriated funds to pay the City's debts, to issue refunds for overpayments of taxes and fees, and to transfer funds between banking accounts.

Balances at June 30 of the current fiscal year for commitments made in prior fiscal years for capital or special projects are appropriated from fund balances accumulated in prior fiscal years.

Awards and Acknowledgements

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report (ACFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive financial report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of Kimberly Deem, Assistant Finance Director, and the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the firm of KraftCPAs PLLC, who was most helpful in reviewing the interpretations of financial presentation and disclosure requirements.

Respectfully submitted,



Robert Manning
Finance Director

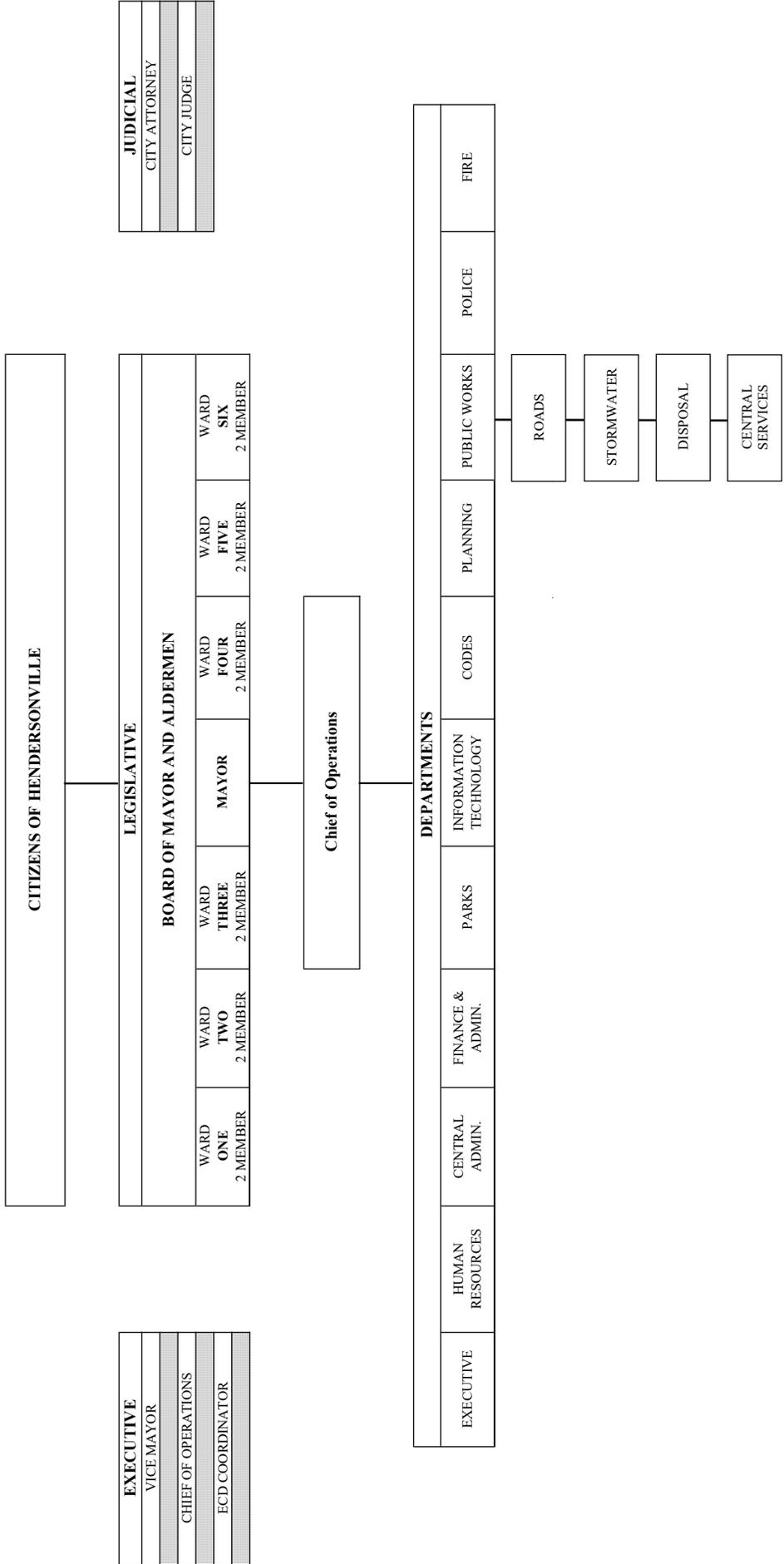


Jamie Clary
Mayor of Hendersonville, Tennessee

CITY OF HENDERSONVILLE

ORGANIZATIONAL CHART

June 30, 2021



OFFICIALS OF THE
CITY OF HENDERSONVILLE, TN

June 30, 2021

Jamie Clary	Mayor
Peg Petrelli	Vice Mayor, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Lee Peterson	Alderman, Ward 2
Arlene Cunningham	Alderman, Ward 3
Russ Edwards	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Karen Dixon	Alderman, Ward 4
Jonathan Hayes	Alderman, Ward 5
Rachel Collins	Alderman, Ward 5
Jim Waters	Alderman, Ward 6
Eddie Roberson	Alderman, Ward 6
Jesse Eckenroth	Chief of Operations
Annette Hunter	City Recorder
Chris Taylor	Human Resources Director
Robert Manning	Finance Director/CMFO Designee
Andy Gilley	Parks Director
Mary Beth Ippich	Information Technology Manager
Greg Story	Codes Director
Keith Free	Planning Director
Marshall Boyd	Public Works Director
Leonard "Mickey" Miller	Police Chief
Scotty Bush	Fire Chief

The City maintains an employee dishonesty, forgery, and theft insurance policy in the amount of \$150,000 per occurrence.

INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Aldermen
City of Hendersonville, Tennessee
Hendersonville, Tennessee

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Hendersonville, Tennessee (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City'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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 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 discretely presented component units and remaining fund information of the City of Hendersonville, Tennessee as of June 30, 2021, 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 14, and the schedule of changes in net pension liability (asset) and related ratios, contributions based on participation in the public employee pension plan of TCRS, and schedule of changes in other post employment benefits liability and related ratios on pages 60 through 62 to be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

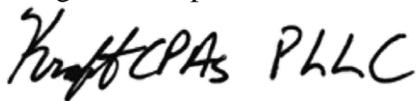
The schedules of expenditures of federal and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section marked “unaudited” have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of the City’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Hendersonville’s internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Knoff CPAs PLLC". The signature is written in a cursive, slightly slanted style.

Nashville, Tennessee
December 28, 2021

CITY OF HENDERSONVILLE, TENNESSEE

Management's Discussion and Analysis

As management of the City of Hendersonville, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021.

Financial Highlights:

The assets and deferred outflows of the City of Hendersonville exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$84,555,127 (net position). Of this amount, \$17,177,849 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$9,940,551. This positive change is attributable mostly to an increase of program revenues from Capital Grants and Contributions.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$28,269,482, a increase of \$14,342,475 in comparison to the prior year. Approximately \$11,710,063 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 \$11,710,063 or 21.9% of the total general fund expenditures.

The City's total debt increased by \$4,177,692, or (34.8%) during the current fiscal year.

Overview of the Financial Statements:

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

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

The Statement of Net Position presents information on all of the City's assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 taxes, pension obligations and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 City of Hendersonville include general government, personnel, central services, finance, parks, codes, planning, police, fire, contributions, disposal service, program cost, streets and public works. The business-type activities of the City include its golf course operations.

The government-wide financial statements include not only the City of Hendersonville itself (known as the primary government), but also legally separate component units for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The component units reported include the Hendersonville Arts Council, Beautiful Hendersonville, Inc., and the Hendersonville Industrial Development Board.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Hendersonville, 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 City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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, government fund financial statements focus on near-term inflows and outflows of spendable 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 the 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 City maintains seven 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, debt service and capital projects funds which are considered to be major funds. 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 City of Hendersonville 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 17-20 of this report.

Proprietary Fund The City of Hendersonville maintains only one type of proprietary fund. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its golf course operations.

The proprietary fund provides 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 22-24 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Hendersonville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 25 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 26-60 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 63-70 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hendersonville, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$84,555,127 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (85.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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

An additional portion of the City’s net position (13.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$17,177,849) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories 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 \$9,940,551 during the current fiscal year amount to 13.3% of total net position. This increase represents mostly an increase in total revenues exceeding expenditures and amounts within the Nonmajor Governmental Funds.

City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 57,882,844	\$ 42,218,100	\$ 278,373	\$ 114,607	\$ 58,161,217	\$ 42,332,707
Capital assets	71,094,546	70,225,662	1,035,809	904,849	72,130,355	71,130,511
Total assets	<u>128,977,390</u>	<u>112,443,762</u>	<u>1,314,182</u>	<u>1,019,456</u>	<u>130,291,572</u>	<u>113,463,218</u>
Deferred outflows of resources	<u>7,474,757</u>	<u>7,115,736</u>	-	-	<u>7,474,757</u>	<u>7,115,736</u>
Long-term liabilities outstanding	25,497,555	19,312,922	-	-	25,497,555	19,312,922
Other liabilities	<u>6,532,381</u>	<u>5,255,043</u>	<u>213,685</u>	<u>78,499</u>	<u>6,746,066</u>	<u>5,333,542</u>
Total liabilities	<u>32,029,936</u>	<u>24,567,965</u>	<u>213,685</u>	<u>78,499</u>	<u>32,243,621</u>	<u>24,646,464</u>
Deferred inflows of resources	<u>20,967,581</u>	<u>21,317,914</u>	-	-	<u>20,967,581</u>	<u>21,317,914</u>
Net position:						
Net investment capital assets	55,963,713	58,368,186	1,035,809	904,849	56,999,522	59,273,035
Restricted	10,377,756	5,073,791	-	-	10,377,756	5,073,791
Unrestricted	<u>17,113,161</u>	<u>10,231,642</u>	<u>64,688</u>	<u>36,108</u>	<u>17,177,849</u>	<u>10,267,750</u>
Total net position	<u>\$ 83,454,630</u>	<u>\$ 73,673,619</u>	<u>\$ 1,100,497</u>	<u>\$ 940,957</u>	<u>\$ 84,555,127</u>	<u>\$ 74,614,576</u>

Governmental Activities

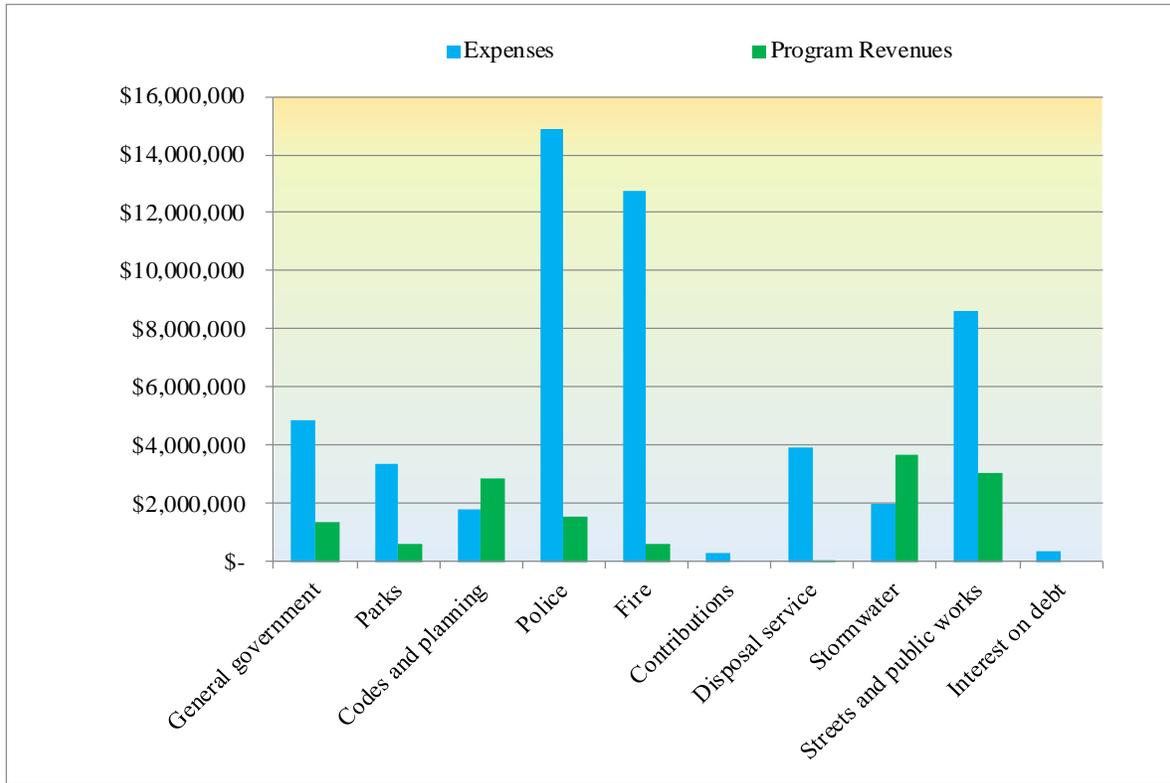
Governmental activities increased the City’s net position by \$9,781,011, thereby accounting for 98.7% of the total change in the net position of the City. The key factor for this increase was due in part to significant economic growth experienced throughout the fiscal year, combined with a heavily conservative approach to spending as a ‘wait-and-see’ method was utilized during the creation of the 2020-2021 budget in response to the then newly forming COVID-19 pandemic.

City of Hendersonville's Net Position

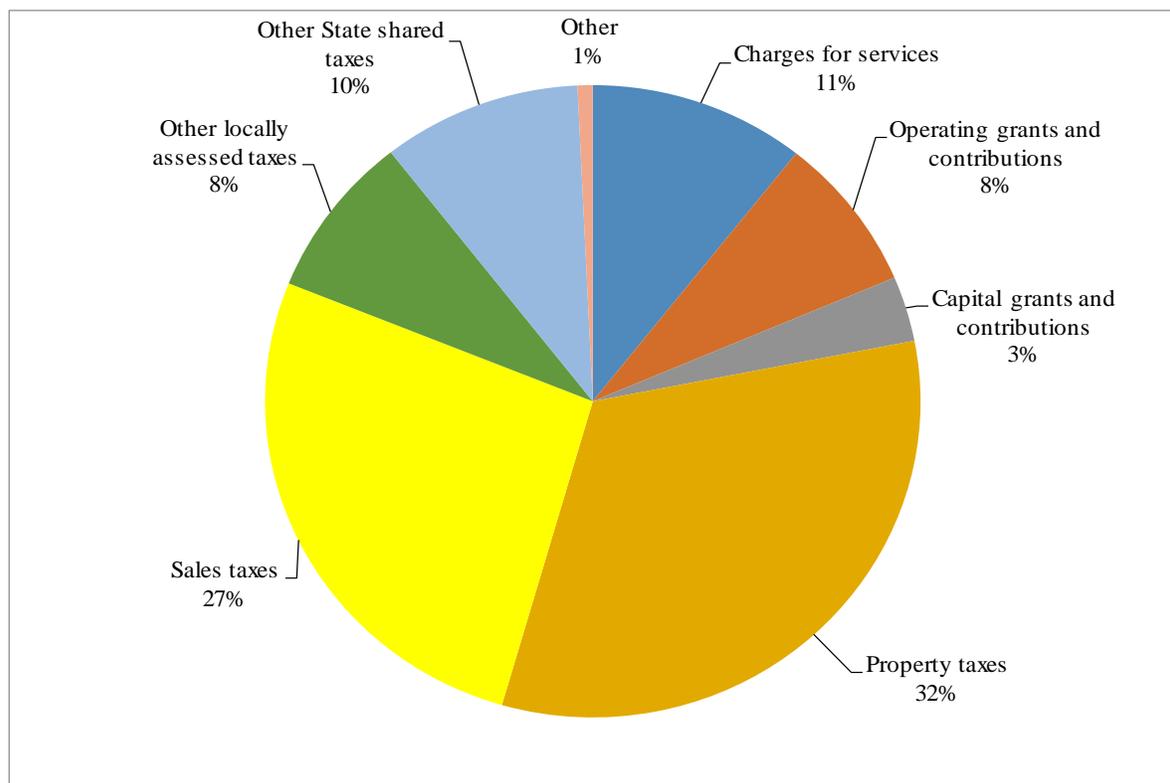
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 6,672,973	\$ 5,264,434	\$ 1,048,790	\$ 814,413	\$ 7,721,763	\$ 6,078,847
Operating grants and contributions	4,977,722	2,358,418	-	-	4,977,722	2,358,418
Capital grants and contributions	2,082,378	6,745,962	-	-	2,082,378	6,745,962
General revenues:						
Property taxes	20,375,330	20,011,665	-	-	20,375,330	20,011,665
Sales taxes	16,662,754	14,055,953	-	-	16,662,754	14,055,953
Other locally assessed taxes	5,226,404	5,269,856	-	-	5,226,404	5,269,856
Other State shared taxes	6,151,195	5,463,584	-	-	6,151,195	5,463,584
Other	467,677	195,718	241	2,435	467,918	198,153
Total revenues	<u>62,616,433</u>	<u>59,365,590</u>	<u>1,049,031</u>	<u>816,848</u>	<u>63,665,464</u>	<u>60,182,438</u>
Expenses:						
General government	795,519	688,697	-	-	795,519	688,697
Personnel	366,683	435,132	-	-	366,683	435,132
Central services	1,367,073	1,919,508	-	-	1,367,073	1,919,508
Finance	1,285,275	1,097,832	-	-	1,285,275	1,097,832
Parks	3,383,563	2,917,521	-	-	3,383,563	2,917,521
IT	1,070,822	909,304	-	-	1,070,822	909,304
Codes	861,354	828,917	-	-	861,354	828,917
Planning	917,944	732,069	-	-	917,944	732,069
Police	14,880,489	14,895,443	-	-	14,880,489	14,895,443
Fire	12,732,161	12,155,907	-	-	12,732,161	12,155,907
Contributions	298,200	270,025	-	-	298,200	270,025
Disposal service	3,900,247	3,536,122	-	-	3,900,247	3,536,122
Stormwater	1,987,956	2,802,804	-	-	1,987,956	2,802,804
Drug and forfeiture program costs	14,264	20,399	-	-	14,264	20,399
Streets and Public Works	8,591,402	9,436,626	-	-	8,591,402	9,436,626
Interest expense on long-term debt	382,470	284,728	-	-	382,470	284,728
Golf course	-	-	889,491	810,471	889,491	810,471
Total expenses	<u>52,835,422</u>	<u>52,931,034</u>	<u>889,491</u>	<u>810,471</u>	<u>53,724,913</u>	<u>53,741,505</u>
Increase (decrease) in net position	9,781,011	6,434,556	159,540	6,377	9,940,551	6,440,933
Net position						
Beginning of year	<u>73,673,619</u>	<u>67,239,063</u>	<u>940,957</u>	<u>934,580</u>	<u>74,614,576</u>	<u>68,173,643</u>
End of year	<u>\$ 83,454,630</u>	<u>\$ 73,673,619</u>	<u>\$ 1,100,497</u>	<u>\$ 940,957</u>	<u>\$ 84,555,127</u>	<u>\$ 74,614,576</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Expenses and Program Revenues - Governmental Activities



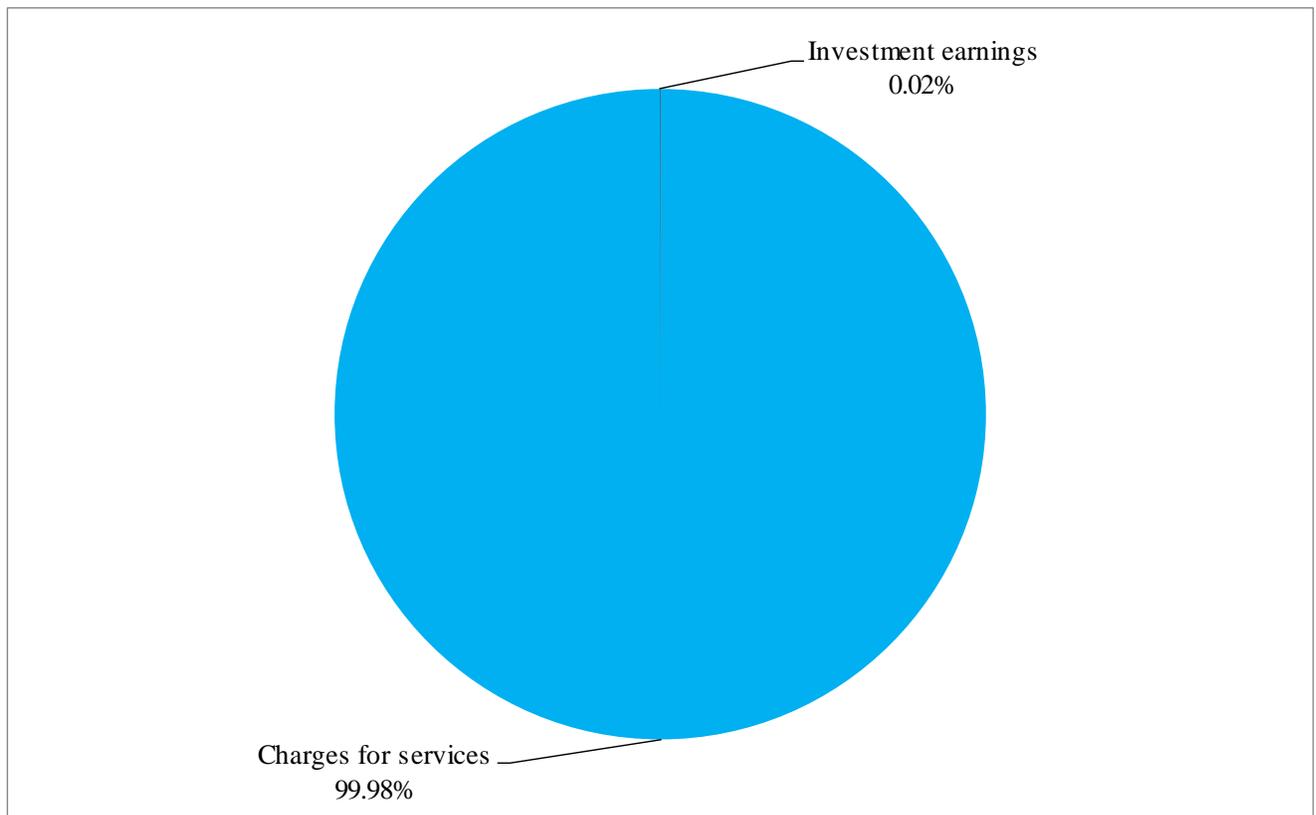
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities Golf Course



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City of Hendersonville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 City's governmental funds reported combined ending fund balances of \$28,269,482, an increase of \$14,342,475 in comparison with the prior year. Approximately 41.4% of this total amount (\$11,710,063) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$16,559,419) indicates that it is not available for new spending because it has been either **1**) restricted for departmental obligations in the amount of (\$2,987,361); **2**) restricted to provide for capital projects (\$7,390,396); **3**) designated non-spendable to provide for prepaid items (\$71,490); **4**) committed to provide for designated departmental projects (\$4,190,881); **5**) assigned for specific projects regarding other governmental funds (\$965,819); **6**) and assigned for departmental obligations in the amount of (\$953,471).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11,710,063, while total fund balance reached \$18,792,666. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.8% of total general fund expenditures, while total fund balance represents 36.5% of that same amount.

The fund balance of the City's General Fund increased by \$8,722,553 during the current fiscal year. The key factor in this increase was a result of several factors, the largest of which stemmed from grants and direct appropriations received from the CARES Act, and a conservative budgeting approach due to the uncertainty surrounding the long-term economic impact of the COVID-19 pandemic. Additional factors include sales tax receipts heavily exceeding expectations, and level costs for employee insurance premiums as compared to the anticipated increase.

At the end of the current fiscal year, total fund balance of the Capital Projects Fund was 7,390,396. The increase in total fund balance from the prior fiscal year was \$4,854,266 due to additional debt being issued for construction of an In-Line Hockey Rink, a Fire Hall, and replacement of a fire truck.

At the end of the current fiscal year, fund balance of the State Street Aid fund (nonmajor governmental fund) was \$240,848. The increase in total fund balance from the prior fiscal year was \$183,344 which is primarily due to increased paving initiatives beginning in Q4 of the prior fiscal year leaving a lower fund balance.

At the end of the current fiscal year, total fund balance of the Drug Fund (nonmajor governmental fund) was \$296,442. The increase in total fund balance from the prior fiscal year was \$16,354.

At the end of current fiscal year, total fund balance of the Forfeiture Fund (nonmajor governmental fund) was \$19,235. The increase in total fund balance from the prior fiscal year was \$5,633.

At the end of current fiscal year, total fund balance of the Stormwater Fund (nonmajor governmental fund) was \$1,529,895. The increase in total fund balance from the prior fiscal year was \$571,650.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail.

Unrestricted net position of the Golf Course Fund at the end of the year amounted to \$213,685. The increase in total net position of the Golf Course Fund amounted to \$159,540. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an overall increase in appropriations to expenditures and other financing sources (uses) by \$4,566,164, the majority of which can be briefly summarized as follows:

- \$650,000 appropriated for transportation improvements to Drakes Creek Road.
- \$364,812 appropriated to cover a COPS hiring grant program.
- \$440,000 appropriated to fund a COLA and Merit raises for eligible employees.
- \$500,000 appropriated for additional supplemental paving projects.
- \$175,000 appropriated for the purchase of new golf carts.
- \$38,354 appropriated for purchase of an unmarked CID vehicle.
- \$111,000 appropriated for Parks Master Plan and Rock Castle contributions
- \$40,201 in appropriations for additional personnel in the Parks Department.

Total general fund revenues for FY 2020-2021 were over budgeted revenues by \$1,993,035 or 3.7%. Total expenditures for FY 2020-2021 were under budgeted expenditures before transfers by \$12,505,144 or 27.8% resulting in a positive variance with final budget before transfers in the amount of \$14,498,179.

Revenues were more than appropriated estimates resulting from significantly increased collections for sales tax receipts and CARES Act funding. Expenditures were under budget partially as a result of restricted operations stemming from the COVID-19 pandemic.

Capital Asset and Debt Administration

Capital Assets

The City of Hendersonville's investment in capital assets for its governmental and business-type activities at June 30, 2021, amounts to \$72,130,355 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.4% (an 1.2% increase for governmental activities and a 14.5% increase for business-type activities).

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

- \$3,990,611 was added in Buildings and Improvements, a majority of which is attributable to the completion of the construction of Fire Hall #2.
- \$582,666 was added in Other Improvements, a majority of which attributable to the Soccer field and irrigation project.
- \$650,903 added to Machinery and Equipment, the majority of which was spent on vehicles for city use and a limb pick-up truck for the Public Works department.
- \$4,480,944 reduction to construction in process. 93% of this is attributed to the completion of Fire Hall #2.
- \$3,047,021 added in Infrastructure due to the completion of multiple phases of various ongoing transportation and drainage projects.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 8,747,555	\$ 7,650,819	\$ 641,194	\$ 641,194	\$ 9,388,749	\$ 8,292,013
Buildings and improvements	15,119,159	11,137,224	1,042,430	1,033,754	16,161,589	12,170,978
Improvements other than buildings	6,097,231	5,514,565	4,259,559	4,259,559	10,356,790	9,774,124
Machinery and equipment	17,957,875	17,308,836	459,359	457,495	18,417,234	17,766,331
Construction in progress	4,833,895	9,314,839	-	-	4,833,895	9,314,839
Infrastructure	121,847,264	118,800,243	-	-	121,847,264	118,800,243
	174,602,979	169,726,526	6,402,542	6,392,002	181,005,521	176,118,528
Less accumulated depreciation	(103,508,433)	(99,500,864)	(5,366,733)	(5,487,153)	(108,875,166)	(104,988,017)
Net Capital Assets	\$ 71,094,546	\$ 70,225,662	\$ 1,035,809	\$ 904,849	\$ 72,130,355	\$ 71,130,511

Additional information on the City of Hendersonville's capital assets can be found in note 3 on page 36 of this report.

Long -Term Debt

At the end of the current year, the City of Hendersonville had total long-term debt outstanding of \$16,166,756, all of which is backed by the full faith and credit of the government. The enterprise fund had no bonded debt outstanding.

City of Hendersonville's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 15,130,833	\$ 11,857,476	\$ -	\$ -	\$ 15,130,833	\$ 11,857,476
Note premiums	1,035,923	131,588	-	-	1,035,923	131,588
Total long-term debt obligations	\$ 16,166,756	\$ 11,989,064	\$ -	\$ -	\$ 16,166,756	\$ 11,989,064

The City of Hendersonville's total debt decreased by \$1,878,141 (13.5%) during the current fiscal year. On April 29, 2021, Standard & Poors Rating Services affirmed the City of Hendersonville's long-term rating of AA+ for the city's debt outstanding.

State statutes impose no debt limit on the amount of general obligation debt a governmental entity may issue.

Additional information on the City of Hendersonville's long-term debt can be found in note 7 beginning on page 39 of this report.

Economic Factors and Next Year's Budget and Rates

Due to the COVID-19 pandemic, the City of Hendersonville experienced a significant rise in unemployment in the final quarter of the 2020-2021 fiscal year, which has continued to steadily decline month over month. The unemployment rate at June 30, 2021 was 4.1%, which is significantly higher than last year's rate of 9.2%. This compares to the state's average unemployment rate of 6.1% and the national average rate of 6.9%. It is worth noting that unemployment rates have continued to trend downward from the highest point in the fiscal year of July 2021, at 9.0%, and at the city's lowest point of 3.7% in May of 2021.

In the 2021-2022 budget, General fund revenues and transfers in are budgeted to increase by 9.4% from the 2020-2021 budget year. For the last several years, the City's budget has benefited by an expanding commercial and retail base producing a consistent increase in local sales tax receipts, building permits, and business taxes. Economic conditions experienced during the 2020-2021 budget year continued to trend favorably despite initial concerns of the COVID-19 pandemic, which left conditions uncertain at the beginning of the fiscal year, and circumstances have continued to outpace expectations. Uncertainty of long-term economic conditions and total impact resulting from the pandemic, along with improving conditions attributed to a cautious approach to the 2021-2022 budget.

All of these factors were considered in preparing the City's budget for the 2021-2022 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Hendersonville Tennessee'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:

Robert Manning, Finance Director
City of Hendersonville
101 Maple Drive North
Hendersonville, TN 37075

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		Total	
	Governmental Activities	Business Activities	Primary Government	Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 30,024,475	\$ 242,814	\$ 30,267,289	\$ 232,148
Receivables:				
Property taxes	20,854,798	-	20,854,798	-
Other taxes	617,678	-	617,678	-
Disposal fees	29,754	-	29,754	-
Stormwater fees	123,122	-	123,122	-
Due from other governments	5,837,578	-	5,837,578	-
Accounts receivable	-	2,077	2,077	-
Inventories	-	32,132	32,132	-
Prepaid items	71,490	-	71,490	-
Deposits	-	1,350	1,350	-
Restricted assets - cash and cash equivalents:				
Deposit for capital construction - State of Tennessee	323,949	-	323,949	-
Capital assets:				
Land and construction in progress	13,581,450	641,194	14,222,644	10,852
Capital assets, net	57,513,096	394,615	57,907,711	26,132
TOTAL ASSETS	<u>128,977,390</u>	<u>1,314,182</u>	<u>130,291,572</u>	<u>269,132</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows relating to pensions	7,474,757	-	7,474,757	-
 <u>LIABILITIES</u>				
Accounts payable	2,784,789	14,746	2,799,535	-
Accrued liabilities	3,687,884	49,942	3,737,826	-
Unearned revenue	59,708	-	59,708	-
Long-term debt due within one year	2,405,598	-	2,405,598	-
Long-term debt due more than one year	13,761,158	-	13,761,158	-
Other long-term liabilities	2,092,870	148,997	2,241,867	-
Net pension liability	4,646,688	-	4,646,688	-
Net other post employment benefits liability	2,591,241	-	2,591,241	-
TOTAL LIABILITIES	<u>32,029,936</u>	<u>213,685</u>	<u>32,243,621</u>	<u>-</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Assessed and unlevied taxes and fees	20,227,543	-	20,227,543	-
Deferred inflows related to pensions	225,412	-	225,412	-
Deferred inflows related to other post employment benefits	514,626	-	514,626	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,967,581</u>	<u>-</u>	<u>20,967,581</u>	<u>-</u>
 <u>NET POSITION</u>				
Net investment in capital assets	55,963,713	1,035,809	56,999,522	36,984
Restricted for:				
Public works	481,407	-	481,407	-
Street maintenance	296,615	-	296,615	-
Law enforcement	334,025	-	334,025	-
General government	345,418	-	345,418	-
Capital projects	7,390,396	-	7,390,396	-
Stormwater	1,529,895	-	1,529,895	-
Unrestricted	17,113,161	64,688	17,177,849	232,148
TOTAL NET POSITION	<u>\$ 83,454,630</u>	<u>\$ 1,100,497</u>	<u>\$ 84,555,127</u>	<u>\$ 269,132</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
GOVERNMENTAL ACTIVITIES:								
General government	\$ 795,519	\$ -	\$ 1,300,614	\$ -	\$ 505,095	\$ -	\$ 505,095	\$ -
Personnel	366,683	-	-	-	(366,683)	-	(366,683)	-
Central services	1,367,073	-	-	-	(1,367,073)	-	(1,367,073)	-
Finance	1,285,275	78,904	-	-	(1,206,371)	-	(1,206,371)	-
Parks and recreation	3,383,563	552,308	13,677	15,313	(2,802,265)	-	(2,802,265)	-
Information technology	1,070,822	-	-	-	(1,070,822)	-	(1,070,822)	-
Codes	861,354	2,690,908	-	-	1,829,554	-	1,829,554	-
Planning	917,944	108,661	-	85,175	(724,108)	-	(724,108)	-
Police	14,880,489	405,724	1,161,461	-	(13,313,304)	-	(13,313,304)	-
Fire	12,732,161	129,918	464,458	-	(12,137,785)	-	(12,137,785)	-
Contributions	298,200	-	-	-	(298,200)	-	(298,200)	-
Disposal service	3,900,247	16,589	-	-	(3,883,658)	-	(3,883,658)	-
Stormwater	1,987,956	2,689,961	-	970,521	1,672,526	-	1,672,526	-
Drug and forfeiture program costs	14,264	-	-	-	(14,264)	-	(14,264)	-
Streets and public works	8,591,402	-	2,037,512	1,011,369	(5,542,521)	-	(5,542,521)	-
Interest and issuance costs on long-term debt	382,470	-	-	-	(382,470)	-	(382,470)	-
	<u>52,835,422</u>	<u>6,672,973</u>	<u>4,977,722</u>	<u>2,082,378</u>	<u>(39,102,349)</u>	<u>-</u>	<u>(39,102,349)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Golf course	889,491	1,048,790	-	-	-	159,299	159,299	-
	<u>889,491</u>	<u>1,048,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,299</u>	<u>159,299</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ 53,724,913	\$ 7,721,763	\$ 4,977,722	\$ 2,082,378	(39,102,349)	159,299	(38,943,050)	-
COMPONENT UNITS	\$ 101,777	\$ 139,249	\$ 24,000	\$ -	-	-	-	61,472
General revenues:								
Property taxes					20,375,330	-	20,375,330	-
In lieu of taxes					837,370	-	837,370	-
Sales taxes					16,662,754	-	16,662,754	-
Wholesale beer tax					1,204,811	-	1,204,811	-
Wholesale liquor tax					775,674	-	775,674	-
Business tax					1,447,088	-	1,447,088	-
Franchise taxes					749,996	-	749,996	-
Hotel/motel tax					211,465	-	211,465	-
Unrestricted state shared taxes:								
State shared sales tax					5,440,086	-	5,440,086	-
State shared income tax					231,852	-	231,852	-
State shared beer tax					24,321	-	24,321	-
State shared alcoholic beverage tax					283,291	-	283,291	-
Other unrestricted state shared revenues					171,645	-	171,645	-
Unrestricted investment earnings					30,936	241	31,177	131
Other					431,499	-	431,499	-
Gain on disposal of assets					5,242	-	5,242	-
TOTAL GENERAL REVENUES					48,883,360	241	48,883,601	131
CHANGE IN NET POSITION					9,781,011	159,540	9,940,551	61,603
NET POSITION - BEGINNING OF YEAR					73,673,619	940,957	74,614,576	207,529
NET POSITION - END OF YEAR					\$ 83,454,630	\$ 1,100,497	\$ 84,555,127	\$ 269,132

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 19,960,368	\$ 7,117,609	\$ -	\$ 2,946,498	\$ 30,024,475
Receivables:					
Property taxes	20,854,798	-	-	-	20,854,798
Other taxes	615,515	-	-	2,163	617,678
Disposal fees	29,754	-	-	-	29,754
Stormwater fees	-	-	-	123,122	123,122
Due from other governments	4,979,761	178,208	-	679,609	5,837,578
Deposit for capital construction - State of Tennessee	-	323,949	-	-	323,949
Prepaid items	71,490	-	-	-	71,490
TOTAL ASSETS	\$ 46,511,686	\$ 7,619,766	\$ -	\$ 3,751,392	\$ 57,882,844
LIABILITIES					
Accounts payable	1,375,466	229,370	\$ -	\$ 1,179,953	\$ 2,784,789
Accrued liabilities	3,377,976	-	-	205,123	3,583,099
Unearned revenue	59,708	-	-	-	59,708
TOTAL LIABILITIES	4,813,150	229,370	-	1,385,076	6,427,596
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	22,905,870	-	-	279,896	23,185,766
FUND BALANCE					
Nonspendable	71,490	-	-	-	71,490
Restricted for:					
General government	345,418	-	-	-	345,418
Public works	481,407	-	-	-	481,407
Street maintenance	55,767	-	-	240,848	296,615
Law enforcement	18,348	-	-	315,677	334,025
Stormwater	-	-	-	1,529,895	1,529,895
Capital projects	-	7,390,396	-	-	7,390,396
Committed for:					
Parks	304,031	-	-	-	304,031
Planning	224,000	-	-	-	224,000
Public works	2,824,703	-	-	-	2,824,703
Police	44,915	-	-	-	44,915
Fire department	330,143	-	-	-	330,143
Performance bonds appropriated	348,399	-	-	-	348,399
Other	103,366	-	-	-	103,366
Assigned to:					
Retiree benefits	965,819	-	-	-	965,819
General government	213,376	-	-	-	213,376
Public works	134,406	-	-	-	134,406
Law enforcement	365,026	-	-	-	365,026
Fire department	118,931	-	-	-	118,931
Parks	123,152	-	-	-	123,152
Other	9,906	-	-	-	9,906
Unassigned	11,710,063	-	-	-	11,710,063
TOTAL FUND BALANCES	18,792,666	7,390,396	-	2,086,420	28,269,482
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 46,511,686	\$ 7,619,766	\$ -	\$ 3,751,392	\$ 57,882,844

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 28,269,482
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	71,094,546
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds Balance Sheet:	
Bonds and notes payable	(15,130,833)
Add: bond premium	(1,035,923)
Compensated absences	(2,092,870)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(104,785)
Net pension liability in governmental activities is not due and payable in the current period and therefore is not reported in the governmental funds Balance Sheet	(4,646,688)
Net OPEB liability in governmental activities is not due and payable in the current period and therefore is not reported in the governmental funds Balance Sheet	(2,591,241)
Employer pension contributions made since the measurement date are deferred outflows of resources in governmental activities but have been expensed in governmental funds Balance Sheet	2,424,131
Deferred outflows of resources that are not financial resources and therefore are not reported in the governmental funds Balance Sheet:	
Deferred inflows related to pensions	(225,412)
Deferred inflows related to other post employment benefits	(514,626)
Other deferred outflows related to pensions	5,050,626
Certain deferred inflows relating to property taxes and other tax revenues in the governmental fund statements is recognized as revenues in the government-wide Statement of Net Position	<u>2,958,223</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 83,454,630</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 41,360,511	\$ -	\$ -	\$ -	\$ 41,360,511
Intergovernmental revenues	9,630,337	-	-	2,844,699	12,475,036
Fines and forfeitures	470,600	-	-	-	470,600
Licenses and permits	3,917,795	-	-	-	3,917,795
Charges for services	264,308	-	-	2,683,986	2,948,294
Contributions	96,390	-	-	-	96,390
Uses of money and property	40,823	6,255	-	10,959	58,037
Other	433,449	-	-	-	433,449
	<u>56,214,213</u>	<u>6,255</u>	<u>-</u>	<u>5,539,644</u>	<u>61,760,112</u>
EXPENDITURES					
Current operations:					
General government	695,210	-	-	-	695,210
Personnel	362,655	-	-	-	362,655
Central services	1,344,879	-	-	-	1,344,879
Finance	1,232,877	-	-	-	1,232,877
Parks and recreation	2,876,615	-	-	-	2,876,615
Information technology	1,035,709	-	-	-	1,035,709
Codes	791,906	-	-	-	791,906
Planning	882,901	-	-	-	882,901
Public works	4,160,138	-	-	-	4,160,138
Police	13,763,039	-	-	-	13,763,039
Fire	11,504,147	-	-	-	11,504,147
Contributions	298,200	-	-	-	298,200
Disposal service	3,900,247	-	-	-	3,900,247
Drug and forfeiture program costs	-	-	-	14,264	14,264
Streets	-	282,148	-	1,632,219	1,914,367
Stormwater	-	-	-	1,987,956	1,987,956
Debt service:					
Principal	-	-	1,845,244	-	1,845,244
Interest	-	-	293,065	-	293,065
Other	-	8,000	85,887	-	93,887
Capital outlay	2,515,933	761,841	-	1,128,224	4,405,998
TOTAL EXPENDITURES	<u>45,364,456</u>	<u>1,051,989</u>	<u>2,224,196</u>	<u>4,762,663</u>	<u>53,403,304</u>
REVENUES OVER (UNDER) EXPENDITURES	10,849,757	(1,045,734)	(2,224,196)	776,981	8,356,808
OTHER FINANCING SOURCES (USES)					
Transfers in	11,325	-	2,138,529	-	2,149,854
Transfers out	(2,138,529)	-	-	(11,325)	(2,149,854)
Capital outlay notes issued	-	5,900,000	-	-	5,900,000
Refunding notes issued	-	-	7,645,000	-	7,645,000
Premiums received on refunding	-	-	948,668	-	948,668
Payments to refunded escrow agent	-	-	(8,508,001)	-	(8,508,001)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,127,204)</u>	<u>5,900,000</u>	<u>2,224,196</u>	<u>(11,325)</u>	<u>5,985,667</u>
NET CHANGE IN FUND BALANCES	8,722,553	4,854,266	-	765,656	14,342,475
FUND BALANCES - BEGINNING OF YEAR	<u>10,070,113</u>	<u>2,536,130</u>	<u>-</u>	<u>1,320,764</u>	<u>13,927,007</u>
FUND BALANCES - END OF YEAR	<u>\$ 18,792,666</u>	<u>\$ 7,390,396</u>	<u>\$ -</u>	<u>\$ 2,086,420</u>	<u>\$ 28,269,482</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 14,342,475
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:	
Acquisition of capital assets	4,405,998
Donations of assets by developers	875,000
Loss on disposition of capital assets	(21,859)
Depreciation expense	(4,390,255)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities	1,845,244
Proceeds from bonds and notes payable are reflected as other financing sources (uses) in governmental fund statements but affect the balances of long-term liabilities in the government-wide statements:	
Issuance of notes payable	(5,900,000)
Governmental funds report the revenue from bond premiums when issued, whereas these amounts are deferred and amortized over the life of the bonds with deferred charges as a result of advance refunding:	
Bond premium	(948,668)
Amortization of bond premiums	44,333
Deferred charges on refunding	781,399
Interest is accrued on the outstanding bonds in the Statement of Activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Accrued interest on debt obligations at June 30, 2021	(104,785)
Accrued interest on debt obligations at June 30, 2020	146,536
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Changes in compensated absences	(142,727)
Actuarially determined pension expense	(3,012,148)
Changes in other post employment benefits obligation	(566,843)
Pension plan contributions after the measurement date are expensed in governmental funds but are considered deferred outflows of resources in the Statement of Net Position	2,424,131
Revenues in the Statement of Activities for property, sales and other taxes that do not provide current financial resources are not reported as revenues for governmental funds	<u>3,180</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,781,011</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BASIS)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Real and personal property	\$ 19,850,000	\$ 19,850,000	\$ 20,338,190	\$ 488,190
Other revenues	33,878,896	34,489,133	35,993,978	1,504,845
TOTAL REVENUE	<u>53,728,896</u>	<u>54,339,133</u>	<u>56,332,168</u>	<u>1,993,035</u>
EXPENDITURES				
Executive	564,100	623,839	604,849	(18,990)
Personnel	504,800	515,000	367,655	(147,345)
Central services	1,586,100	1,589,900	1,344,879	(245,021)
Finance	1,217,600	1,242,700	1,232,877	(9,823)
Information technology	1,002,500	1,013,200	1,033,700	20,500
Parks	2,810,500	3,137,166	2,929,350	(207,816)
Codes	899,100	915,200	711,441	(203,759)
Planning	1,005,800	934,510	918,187	(16,323)
Streets and public works	3,967,300	4,626,095	4,379,354	(246,741)
Police department	13,630,500	13,784,138	13,184,838	(599,300)
Fire department	11,909,300	12,005,656	11,699,734	(305,922)
Contributions	275,200	301,200	298,200	(3,000)
Disposal service	4,225,700	4,170,700	3,900,247	(270,453)
Grants	1,412,100	3,143,973	342,475	(2,801,498)
Capital projects	8,249,100	10,401,991	2,078,934	(8,323,057)
TOTAL EXPENDITURES	<u>53,259,700</u>	<u>58,405,268</u>	<u>45,026,720</u>	<u>(13,378,548)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>469,196</u>	<u>(4,066,135)</u>	<u>11,305,448</u>	<u>(15,371,583)</u>
OTHER FINANCING USES				
Transfers from Sponsorship Fund	-	-	11,325	(11,325)
Transfers to Debt Service Fund	<u>(2,139,100)</u>	<u>(2,139,100)</u>	<u>(2,138,529)</u>	<u>(571)</u>
TOTAL OTHER FINANCING USES	<u>(2,139,100)</u>	<u>(2,139,100)</u>	<u>(2,127,204)</u>	<u>(11,896)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,669,904)</u>	<u>\$ (6,205,235)</u>	9,178,244	<u>\$ (15,383,479)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,030,621</u>	
FUND BALANCE - END OF YEAR			<u>\$ 18,208,865</u>	
Fund balance - End of year (non-GAAP)	\$ 18,208,865			
Add: Current year encumbrances	<u>583,801</u>			
Fund balance - End of year (GAAP)	<u>\$ 18,792,666</u>			

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$	242,814
Receivables		2,077
Inventories		32,132
Other current assets		<u>1,350</u>
TOTAL CURRENT ASSETS		278,373
CAPITAL ASSETS, NET		<u>1,035,809</u>
TOTAL ASSETS		<u>1,314,182</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		14,746
Accrued liabilities		<u>49,942</u>
TOTAL CURRENT LIABILITIES		<u>64,688</u>
LONG-TERM LIABILITY		<u>148,997</u>

NET POSITION

Net investment in capital assets		886,812
Unrestricted		<u>213,685</u>
TOTAL NET POSITION	\$	<u>1,100,497</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND - GOLF COURSE

FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Charges for sales and services	\$ 1,048,790
	<u>1,048,790</u>
OPERATING EXPENSES	
Costs of sales	178,984
Personnel services	424,396
Repairs and maintenance	49,724
Supplies	10,209
Gas	16,710
Credit card charges	20,631
Chemicals and fertilizer	25,049
Utilities	31,761
Depreciation	53,220
Advertising and promotion	2,053
Other operating expenses	36,754
Management services	40,000
	<u>889,491</u>
TOTAL OPERATING EXPENSES	<u>889,491</u>
OPERATING INCOME	<u>159,299</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	241
	<u>241</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>241</u>
CHANGE IN NET POSITION	159,540
NET POSITION - BEGINNING OF YEAR	<u>940,957</u>
NET POSITION - END OF YEAR	<u>\$ 1,100,497</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND - GOLF COURSE

FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,047,906
Cash paid for personnel services	(433,064)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(377,550)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>197,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(18,623)
Repayments on long-term liabilities for golf carts	(16,560)
Interest received	<u>241</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(34,942)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	162,350
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>80,464</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 242,814</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY	
OPERATING ACTIVITIES	
Operating income	\$ <u>159,299</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	53,220
Changes in operating assets and liabilities	
Receivables, net	(884)
Inventories	(532)
Accounts payable	(5,143)
Accrued liabilities	<u>(8,668)</u>
TOTAL ADJUSTMENTS	<u>37,993</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 197,292</u>
NONCASH FINANCING ACTIVITY:	
Golf cart purchase financed with long-term liability	<u>\$ 165,557</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
TRAINING AND TEEN ACTIVITY FUND
JUNE 30, 2021

ASSETS

Cash	\$ 16,432
TOTAL ASSETS	<u>\$ 16,432</u>

LIABILITIES

Amounts due to agencies	\$ 16,432
TOTAL LIABILITIES	<u>\$ 16,432</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The City of Hendersonville, Tennessee was incorporated June 11, 1968 and is located in Sumner County. The City operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements represent the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are in substance, part of the government's operations. The City's discretely presented component units are aggregated and presented in a single column in the government-wide financial statements to emphasize they are legally separate from the primary government. The following is a description of the discretely presented component units.

Hendersonville Arts Council was established to account for the operation of an organization to promote cultural activities within the City. Primary sources of funds are appropriations from the primary government. The Mayor and Board of Aldermen appoint the board of the council. Balances shown for the Arts Council do not include all activities of Monthaven Cultural Center, a separate 501(c)3 organization originally formed by an outside group to support the arts activities of the Council.

Beautiful Hendersonville was established to account for the operation of the organization to promote the beautification of the City and recycling. Primary sources of funds are donations, sale of recyclables and appropriations from the primary government. The Mayor and Board of Aldermen appoint the board. At June 30, 2021, there was no active Board of Directors, and the City is overseeing the bank account until the new Board of Directors is appointed.

Industrial Development Board was established to account for the development of the City's industrial park. Primary sources of funds are sale of industrial lots from land originally purchased by the City. The Mayor and Board of Aldermen appoint the board.

Combining nonmajor component unit schedules are presented in the financial schedule section of this report.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net position and the statement of changes in net position, report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. The fiduciary fund category includes an agency fund type which is unlike other fund types, reporting only assets and liabilities and has no measurement focus, but reports assets and liabilities on the accrual basis of accounting. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. 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 financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes and disposal revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and other shared revenues through intermediate collecting governments are considered measurable and available if received within 30 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims, and judgments are recorded only when payments due.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, franchise taxes, 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.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. During 2021, the City brought the solid waste department back into the General Fund with the elimination of the separate special assessment for waste pick up.

The Capital Projects Fund accounts for the financial resources to be used for acquisition or construction of major government capital assets, improvements or repairs.

The Debt Service Fund accounts for the accumulation and disbursement of funds for governmental debt service requirements.

The City reports the following proprietary fund:

The Golf Enterprise Fund accounts for the activities of the municipal golf course which provides an eighteen-hole golf course for public use. All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Additionally, the City reports the following fiduciary fund:

Training and Teen Activity Agency Fund which is an agency fund type used to account for assets held by the City in a fiduciary capacity on behalf of others for training and teen activities. This fund is unlike other funds in that it reports only assets and liabilities and has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

The City had no internal service funds as of or for the year ended June 30, 2021.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are those charges between various functions whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants (including fines and fees) for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary golf enterprise fund are charges to customers for sales, green fees and rentals. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings accounts and short-term certificates of deposit with an original maturity of three months or less and the Local Government Investment Pool of the State of Tennessee (the "Pool"). The reported value of the Pool is the same as the fair value of the Pool shares.

The City of Hendersonville is authorized to invest in U.S. Government securities and obligations guaranteed by the U.S. Government, deposit accounts at state and federal chartered banks and savings and loan associations; and the Local Government Investment Pool of the State of Tennessee. The pool contains investments in collateralized certificates of deposits, U.S. Treasury Securities and Repurchase Agreements backed by U.S. Treasury Securities. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must be a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal deposit insurance. Collateral requirements are not applicable for financial institutions which participate in the State of Tennessee's collateral pool which is administered by the Tennessee Treasury Department.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

An allowance for uncollectible accounts is not provided based on management's estimate of collectability of such accounts.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of Supplies and Prepaid Items

Inventories of supplies are valued at the later of cost or net realizable value using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepayments of government funds are recorded as expenditures when consumed rather than when purchased. Prepaid amounts relate to postage and insurance.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., road, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets excluding infrastructure, are defined by the City as assets with an initial, individual cost of \$7,000 or more and an estimated useful life in excess of two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$50,000 or more with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, there was no capitalized interest recorded.

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

Buildings	40 years
Improvements other than buildings	15 years
Machinery, equipment and vehicles	5 - 10 years
Road systems infrastructure	25 years
Sidewalks	25 years
Bridges	50 years

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Deferred inflows of resources at June 30, 2021 relate to differences between projected and actual earnings on plan investments on pensions and changes in assumptions in other post employment benefits.

Deferred outflows of resources arise when resources used pertain to future reporting periods. Deferred outflows of resources at June 30, 2021 relate to contributions made into the pension plan after the measurement date, differences between actual and expected experience and changes in actuarial assumptions.

The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discount are deferred and amortized over the life of the bonds or notes using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Loss on refunding, if applicable, is reported as deferred outflow of resources and amortized over the shorter period of the old or new debt.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

City policy permits the accumulation, within certain limitations, of vacation leave and sick days. Vacation leave days may accumulate and carry forward from one calendar year to the next, up to one year's allowed accumulation. In extenuating circumstances, waivers may be received on carryover with limitations. Sick pay may accumulate with no limits. One half of sick leave accumulated may be paid to employees hired before September 1, 1997 when eligible for retirement. No other amounts of sick pay are vested in the event of employee termination.

All vacation and one-half sick pay of eligible employees is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee terminations or retirements.

Other Post Employment Benefits ("OPEB")

The City provides post employment health insurance benefits to eligible retirees hired prior to July 1, 2008 depending years of service prior to age 65. The balance shown as a liability for OPEB represents the actuarially determined total liability representing the present value of projected benefit payments to be provided to current, active and inactive employees past periods of service.

Pensions

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

Equity Classification

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (Continued)

Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund balance is reported in the governmental fund financial statements under the following categories:

- *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items.
- *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external source or through enabling legislation. It is the City’s policy to first use the restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available.
- *Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the City Board is also required.
- *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year’s budget are presented as assignments of fund balance.
- *Unassigned fund balance* is the residual classification of the General Fund. The City’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Property Tax , Garbage Disposal and Stormwater Fees

The City’s property tax is levied on the first Monday in October on the assessed value as listed on January 1 for all real and personal property located in the City’s legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made. Since the legal claim is not enforceable until the next fiscal year, these taxes are deferred. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax, Stormwater Fees and Other Receivables (Continued)

Taxes are levied at a rate of \$0.9187 per \$100 of assessed valuation for 2021 and 2020, respectively. Payments may be made during the period from October 1 through February 28. Current tax collections of \$19,864,674 for the fiscal year ended June 30, 2021 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county court clerk for collection.

The government-wide financial statements report property taxes receivable of \$20,854,798. Of this receivable amount, \$20,227,543 represents the estimated net realizable 2021 property taxes. This amount is included in deferred inflows of resources since they are not available until a future period.

The other taxes receivable reported includes \$185,328 for beer and liquor taxes and \$430,187 for franchise fees and hotel/motel taxes.

The government-wide financial statements report delinquent solid waste special assessment fees receivable in the amount of \$29,754. The receivable reported in the governmental funds balance sheet is \$29,754 with an offsetting deferred inflow of resources of \$27,492 for amounts not available at June 30, 2021.

Stormwater fees are billed as a special assessment with the property tax bill and are billed annually on the first Monday in October and are payable through February 28. Stormwater rates vary for individuals and businesses based on the impervious surface area on the lot. Stormwater fees are accounted for in the Stormwater Fund, a non-major governmental special revenue fund.

Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets, liabilities and deferred inflows and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 105% secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Board approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of City staff.

At June 30, 2021, there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2021, the City's reporting entity had no investments.

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The City does not have a formal policy relating to credit risk however the general investment policy allows investments in certificates of deposit in local banks, in Federal National Mortgage Association ("FNMA") discounts notes, as well as investments in the Local Government Investment Pool of the State of Tennessee.

Custodial Risk: The City currently does not invest in securities held by counter parties other than the Local Government Investment Pool of the State of Tennessee.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2021, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 7,650,819	\$ 1,096,736	\$ -	\$ -	\$ 8,747,555
Construction in progress	9,314,839	1,590,597	(6,071,541)	-	4,833,895
Total capital assets not being depreciated	<u>16,965,658</u>	<u>2,687,333</u>	<u>(6,071,541)</u>	<u>-</u>	<u>13,581,450</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	11,137,224	4,226,694	-	(244,759)	15,119,159
Improvements other than building	5,514,565	1,180	-	581,486	6,097,231
Machinery and equipment	17,308,836	1,583,483	(404,545)	(529,899)	17,957,875
Infrastructure	118,800,243	2,853,849	-	193,172	121,847,264
Total capital assets being depreciated	<u>152,760,868</u>	<u>8,665,206</u>	<u>(404,545)</u>	<u>-</u>	<u>161,021,529</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(5,609,111)	(375,011)	-	233,475	(5,750,647)
Improvements other than buildings	(2,504,703)	(286,324)	-	(623,087)	(3,414,114)
Machinery and equipment	(13,155,821)	(1,410,025)	382,686	207,584	(13,975,576)
Infrastructure	(78,231,229)	(2,318,895)	-	182,028	(80,368,096)
Total accumulated depreciation	<u>(99,500,864)</u>	<u>(4,390,255)</u>	<u>382,686</u>	<u>-</u>	<u>(103,508,433)</u>
Governmental activities capital assets, net	<u>\$ 70,225,662</u>	<u>\$ 6,962,284</u>	<u>\$ (6,093,400)</u>	<u>\$ -</u>	<u>\$ 71,094,546</u>

At June 30, 2021, construction in progress consists primarily of capital projects for infrastructure (streets and walking trails), fire hall construction, in-line hockey and other. Estimated costs to complete open projects amount to approximately \$17.7 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2021, was as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 641,194	\$ -	\$ -	\$ -	\$ 641,194
<u>Capital assets being depreciated:</u>					
Buildings and structures	1,033,754	8,676	-	-	1,042,430
Improvements other than buildings	4,259,559	-	-	-	4,259,559
Machinery, equipment and vehicles	457,495	175,504	(173,640)	-	459,359
Total capital assets being depreciated	5,750,808	184,180	(173,640)	-	5,761,348
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(802,338)	(25,937)	-	-	(828,275)
Improvements other than buildings	(4,259,559)	-	-	-	(4,259,559)
Machinery and equipment	(425,256)	(27,283)	173,640	-	(278,899)
Total accumulated depreciation	(5,487,153)	(53,220)	173,640	-	(5,366,733)
Business-type activities capital assets, net	<u>\$ 904,849</u>	<u>\$ 130,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,035,809</u>

Depreciation expense was charged to function/programs as of June 30, 2021, as follows:

Governmental activities:

General government	\$ 118,966
Public safety	1,310,041
Street and public works	2,468,245
Parks	460,814
Codes and planning	<u>32,189</u>

Total depreciation expense - governmental activities \$ 4,390,255

Business-type activities:

Golf enterprise	<u>\$ 53,220</u>
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Donated infrastructure and equipment of \$875,000 is included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2021, was as follows:

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 10,852	\$ -	\$ -	\$ 10,852
 <u>Capital assets being depreciated</u>				
Property and equipment	49,978	-	-	49,978
Less: accumulated depreciation	<u>(21,358)</u>	<u>(2,488)</u>	<u>-</u>	<u>(23,846)</u>
 Total component unit capital assets, net	 <u>\$ 39,472</u>	 <u>\$ (2,488)</u>	 <u>\$ -</u>	 <u>\$ 36,984</u>

NOTE 4 - DEFERRED INFLOWS OF GOVERNMENTAL REVENUES

Deferred inflows of governmental revenues consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2021, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes	\$ 20,227,543	\$ 20,227,543
Delinquent property taxes	-	483,462
Delinquent solid waste fees	-	29,754
Delinquent stormwater fees	-	106,327
State and county shared taxes	<u>-</u>	<u>2,338,680</u>
	 <u>\$ 20,227,543</u>	 <u>\$ 23,185,766</u>

Unearned revenues consist of codes department revenues collected in advance.

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of funds held by the State of Tennessee Department of Transportation which are advance payments on a joint transportation grant project for engineering and purchase right-of-way in the amount of \$323,949.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 6 - INTERFUND TRANSACTIONS

Interfund receivables and payables are attributable to obligations for transfers between funds. The actual cash transfer had not been made at June 30, 2021. These interfund amounts were liquidated subsequent to year end. The General Fund also contributed \$24,000 to a component unit, the Hendersonville Arts Council.

Interfund transfers for the year ended June 30, 2021 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfers From:		
	Governmental Funds		
	Debt Service Additions	Sponsorship Fund	Totals
<u>Transfer Out:</u>			
General Fund	\$ 2,138,529	\$ -	\$ 2,138,529
<u>Transfer In:</u>			
General Fund	\$ -	\$ 11,325	\$ 11,325

Transfers are made from the General Fund to the Debt Service Fund to provide for debt service payments.

NOTE 7 - LONG-TERM DEBT

The government may issue general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities for general government purposes. The government also may issue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service, such as bonds relating to the Golf Enterprise Fund. Should golf revenues be insufficient to pay the debt service, the debt would be payable from the taxing authority of the City.

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
<u>Government Activities</u>					
Capital outlay notes payable	\$ 11,857,476	\$ 13,545,000	\$ 10,271,643	\$ 15,130,833	\$ 2,277,834
Note premiums	131,588	948,668	44,333	1,035,923	127,764
Total governmental activities long-term debt	\$ 11,989,064	\$ 14,493,668	\$ 10,315,976	\$ 16,166,756	\$ 2,405,598

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Long-term bonds and notes at June 30, 2021 consisted of the following obligations:

Governmental activities long-term debt

\$4,100,000 Capital Outlay Notes 2011 - The notes are payable in annual installments through 2023 at a rate of interest of 3.21%.	\$ 680,000
\$6,810,000 Refunding and Improvement Capital Outlay Notes 2012 - The notes are payable in annual installments through 2025 at rates of interest from 2% to 3%.	385,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	520,833
\$5,900,000 Capital Outlay Notes 2021 - The notes are payable in annual installments beginning in 2022 through 2033 at a rate of interest of 1.65%.	5,900,000
\$7,645,000 General Obligation Refunding Capital Outlay Notes 2021 - The notes are payable in annual installments beginning in 2022 through 2030 at rates of interest of 4% to 5%.	<u>7,645,000</u>
Total capital outlay notes payable	15,130,833
Plus: unamortized premium on notes	<u>1,035,923</u>
Total governmental activities long-term debt	<u>\$ 16,166,756</u>

In February 2021, the City issued \$5,900,000 General Obligation Capital Outlay Notes, Series 2021. These notes were issued for the purposes of in-line hockey relocation (\$2,600,000), fire hall construction (\$2,500,000) and fire truck replacements (\$800,000). The notes bear interest at 1.65% and are due in annual installments of \$491,667 plus interest paid semiannually.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 7 - LONG-TERM DEBT (CONTINUED)

In May 2021, the City issued \$7,645,000 in capital outlay refunding notes, to refund the remaining balances on the 2015 capital outlay notes, the twelve-year 2018 capital outlay notes and the seven-year 2018 capital outlay notes. The new refunding notes bear interest at rates ranging from 4.00% to 5.00% and mature between June 30, 2022 and June 30, 2030. The underwriter has computed the true interest cost ("TIC") on the refunding notes to be 0.6018%.

The refunded debt reduced the District's total debt service payments by \$463,602 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt).

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2021, are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 2,277,834	\$ 333,611	\$ 2,611,445
2023	2,148,833	389,770	2,538,603
2024	1,840,834	309,587	2,150,421
2025	1,865,834	238,892	2,104,726
2026	1,795,833	167,871	1,963,704
2027 - 2031	4,218,332	345,013	4,563,345
2032 - 2033	<u>983,333</u>	<u>24,338</u>	<u>1,007,671</u>
Totals	<u>\$ 15,130,833</u>	<u>\$ 1,809,082</u>	<u>\$ 16,939,915</u>

From time to time, industrial revenue bonds are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The IDB of the City of Hendersonville, Tennessee, is a non-profit corporation organized and existing pursuant to Part 53 of Title 7 of the Tennessee Code. Among its powers, the IDB is authorized by statute to issue industrial revenue bonds and to use the proceeds of these bonds to finance certain projects by private sector entities. As of June 30, 2021, the outstanding principal amount of all bonds issued by the IDB is not determinable; however, the aggregate principal amount of all industrial revenue bonds issued by the IDB since January 1, 2000, was approximately \$55.5 million. Payment of the indebtedness represented by these bonds typically is from revenues derived from operations at the sites and payment is typically secured by the real property or personal property acquired with the proceeds of the bonds. These industrial revenue bonds are not obligations of, and are not backed by the full, faith and credit of, the City of Hendersonville, the IDB, the State of Tennessee or any political subdivision of the State of Tennessee. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 8 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities of the City consisted of the following at June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>
Compensated absences	<u>\$ 1,950,143</u>	<u>\$ 676,137</u>	<u>\$ 533,410</u>	<u>\$ 2,092,870</u>

For governmental activities, compensated absences are generally liquidated by the fund in which the employees' time is charged, typically the General Fund and the State Street Aid Fund, a nonmajor governmental fund.

NOTE 9 - DEFERRED COMPENSATION AND FLEXIBLE BENEFIT PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Assets of the plan are not subject to the claims of the City's creditors in accordance with the Small Business Job Protection Act of 1996. The plan is administered by VOYA Retirement Insurance and Annuity Company (VRIAC).

Investments are managed by the plan's trustee under six mutual fund investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

The City allows its employees to participate in a Cafeteria Plan under Section 125 of the Internal Revenue Code. Employees have the opportunity to choose among various tax-free benefits and to have those benefits paid directly by the City. Any forfeiture must be used to pay costs of the plan, reduce costs of benefits or refund pro-rata to participants.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN

Plan Description

Employees of the City 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 publicly available financial report that can be obtained at <http://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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	134
Inactive employees entitled to but not yet receiving benefits	236
Active employees	<u>349</u>
	<u>719</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the Actuarially Determined Contribution (ADC) for the City was \$2,4,24,131 based on a rate of 11.36% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2020 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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

Mortality rates were based on actual experience including an adjustment for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2020 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 expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

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 City 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.

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, 2020	\$ 72,303,403	\$ 69,468,712	\$ 2,834,691
CHANGES FOR THE YEAR:			
Service cost	1,600,624	-	1,600,624
Interest	5,252,546	-	5,252,546
Differences between expected and actual experience	746,203	-	746,203
Changes of assumptions	-	-	-
Contributions - employer	-	2,330,741	(2,330,741)
Contributions - employee	-	55,278	(55,278)
Net investment income	-	3,431,951	(3,431,951)
Benefit payments, including refunds of employee contributions	(2,910,229)	(2,910,229)	-
Administrative expense	-	(30,594)	30,594
Net changes	4,689,144	2,877,147	1,811,997
BALANCE AT JUNE 30, 2021	\$ 76,992,547	\$ 72,345,859	\$ 4,646,688

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, 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:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.25%)</u>	<u>Rate</u>	<u>(8.25%)</u>
		<u>(7.25%)</u>	
City's net pension liability (asset)	\$ <u>15,469,941</u>	\$ <u>4,646,688</u>	\$ <u>(4,330,257)</u>

Pension Expense

For the year ended June 30, 2021, the City recognized pension expense of \$3,012,148.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of</u>	<u>Deferred Inflow of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 3,814,298	\$ 225,412
Net difference between projected and actual earnings on pension plan investments	515,867	-
Changes in assumptions	720,461	-
Contributions subsequent to the measurement date of June 30, 2020	<u>2,424,131</u>	<u>-</u>
Total	\$ <u>7,474,757</u>	\$ <u>225,412</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2020, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 10 - PENSION PLAN (CONTINUED)

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

<u>Year Ended June 30:</u>		
2022	\$	691,857
2023		1,112,350
2024		1,094,424
2025		952,348
2026		507,792
Thereafter		466,434

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, 2021, the City reported a payable of \$204,528 for the outstanding amount of contributions to the pension plan required at the year ended June 20, 2021.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN

Plan Description and Benefits Provided

The City administers the City of Hendersonville Post-Retirement Medical Insurance Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan funded on a “pay as you go” basis, with no assets held in a trust. Benefits are established and amended by the Mayor and Board of Aldermen. Retired employees hired prior to July 1, 2008 with 30 years of service or employees over 60 years of age with 15 years of service with the City of Hendersonville, and who are vested in TCRS, are eligible for the plan. The portion of the premium paid by the City will be the dollar amount the City pays for the current individual employee coverage multiplied by the applicable amount of percentage relative to years of service. The City’s obligation ranges from 25% for 15 years of service, up to 100% for 30 years of service. The retiree is responsible to pay any excess premium charged by the insurer for the amount above the City paid portion. Retiree medical benefits cease at age 65. The plan does not issue a stand-alone report.

Employees Covered

At the measurement date, the following employees of the City were covered by the benefit terms of the LGOP:

	<u>June 30, 2021</u>		
	<u>Single</u>	<u>Employee & Family</u>	<u>Total</u>
Retirees and beneficiaries	14	-	14
Active employees	<u>67</u>	<u>58</u>	<u>125</u>
	<u>81</u>	<u>58</u>	<u>139</u>

For the fiscal year ended June 30, 2021, the City paid \$89,635 for health insurance premiums for retiree coverage (OPEB benefits) as they came due.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Healthcare cost trend rates	Level 4.50%
Retiree's share of benefit-related costs	The retiree contribution will depend on the age and years of service at retirement. No City subsidy for retirees hired on or after July 1, 2008.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2017. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, using the Bond Buyer GO Bond 20 Index.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2021 measured as of June 30, 2021 follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCE AT JUNE 30, 2020	\$ 2,539,024
CHANGES FOR THE YEAR:	
Service cost	84,855
Interest	56,997
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(89,635)
Net changes	52,217
BALANCE AT JUNE 30, 2021	\$ 2,591,241

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate.

	Measurement Date - June 30, 2021		
	1% Decrease	Current Discount Rate	1% Increase
	(1.21%)	(2.21%)	(3.21%)
City's total OPEB liability	\$ 2,797,797	\$ 2,591,241	\$ 2,393,594

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

	Measurement Date - June 30, 2020		
	Current Healthcare Cost Trend Rate		
	1% Decrease	Assumption	1% Increase
	(3.50%)	(4.50%)	(5.50%)
City's total OPEB liability	\$ 2,303,317	\$ 2,591,241	\$ 2,928,524

OPEB Expense

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of \$566,843.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2021, the City reported the following deferred inflows of resources related to OPEB benefits:

	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -
Change of assumptions	514,626
Employer payments subsequent to the measurement date of June 30, 2021	-
Total	\$ 514,626

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

Year Ended June 30:

2022	(140,608)
2023	(140,608)
2024	(140,608)
2025	(92,802)

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Litigation

There are certain pending lawsuits in which the City is involved. The City attorney estimated that potential claims against the City resulting from such litigation would not materially affect the financial statements of the City.

City Golf Course - Management Agreement

On August 28, 1992, the City entered into a management contract with Edwin B. Raskin Company, Inc. to operate and manage the City's golf course. Under the terms of the contract, expenses will be paid by the management company from golf revenues. The City will be responsible for any shortfall. The required personnel will be employees of the management company. The contract provided that the City shall pay a management fee of \$40,000 per year.

Joint Ventures

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville which operates a solid waste transfer station. An agreement between the Resource Authority, the county and the cities provides that Sumner County will pay an annual \$100,000 fee in lieu of tipping fees. The Cities of Gallatin and Hendersonville agree to pay tipping fees in such amounts as may be determined by the Authority but cannot exceed \$45 per ton for solid waste and \$3.50 per cubic yard for brush. Effective July 1, 2011 the tipping fee became \$44 per ton. The City paid no tipping fees and \$88,249 for brush disposal for 2021. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Resource Authority be unable to perform.

Also, during 2014 the City entered into a Post-Closure Monitoring and Maintenance Agreement with the Authority. The agreement provides that the three entities will pay for the post-closure costs associated with the landfills incurred by the Authority. This cost will be paid 3/7 by the county and 2/7 by the cities. During 2021, the amount paid by the City was \$89,638. The City believes that all required payments relating to the post-closure landfill cost have been paid or accrued.

The Authority, as of June 30, 2021, has net investment in capital assets of \$2,404,611, and an unrestricted net position of \$2,279,321. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In February 2017, the Board of Mayor and Aldermen approved the City to join with other Sumner County cities and the Sumner County government to consolidate dispatch services through the Sumner County Emergency Communications District (“E911”). The funding formula for the E911 system is based on ½ of the cost based on population and ½ on calls for service. The percentage applicable to the City in the initial agreement was 29% of the E911 budget, with the percentage to be evaluated every other year. Expenses are billed quarterly. For the year ended June 30, 2021, the City expensed \$974,151 for E911 payments, with \$283,499 payable to the E911 as of year end.

Contracts

The City of Hendersonville has a contract for trash pickup and disposal services that became effective on July 1, 2020 and expires on June 30, 2024. The pick-up rate depends on the frequency of collection and was \$12 per month per unit for the year ended June 30, 2021.

At June 30, 2021, the City had approximately \$3.25 million in construction contracts in process related to capital asset additions.

NOTE 13 - RISK MANAGEMENT

The City of Hendersonville is exposed to various risks for property and casualty losses. For many years, the City has been a member of a public entity risk pool as opposed to purchasing commercial insurance. In fiscal year 2007, the City requested bids for property, casualty, and workers compensation losses from both the public entity risk pool and commercial insurance carriers. The City determined it was more economically feasible to continue coverage with the public risk pool as opposed to purchasing commercial insurance. The City has been a member of the Tennessee Municipal League Risk Management Pool since the Pool’s creation in 1979 by the Tennessee Municipal League (TML), an association of Tennessee cities. The City pays an annual premium to the TML pool for its property, casualty and workers compensation insurance coverage. The TML pool is self-sustaining through member premiums, with adequate reinsurance purchased through commercial reinsurance companies for both general and catastrophic claims with loss attachment levels approved by independent actuaries and auditors.

The City continues to carry commercial insurance for other potential exposures such as employee health and accident and environmental risks. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years. The City has assumed higher deductibles on certain types of insurance including workers compensation insurance in an effort to lower premiums.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 14 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on an encumbrance basis, which is a basis of accounting not consistent with generally accepted accounting principles, for all governmental funds except Debt Service, Forfeiture Fund and Capital Projects funds. Expenditures may not exceed appropriations authorized by the Mayor and Aldermen. The legal level of control is at the department level. The City utilizes departmental budgeting as authorized by the appropriating ordinances and follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Mayor consults with all department heads prior to January 1st of each year to establish his priorities and objectives with each department for the coming year. The Mayor also sets salary proposals for departments.
2. During January and February, department heads prepare a proposed budget for their department. The Finance Director prepares revenue projections for the budget and prepares a summary of the overall budget for the Mayor to review.
3. Department heads meet with the Mayor and Finance Director to review their budget requests. The Mayor can amend budget requests as he deems necessary.
4. The department heads then present their budget requests to the standing committee to which their department is assigned.
5. During May, the Board of Mayor and Aldermen conduct a budget workshop meeting that addresses specific areas of the budget.
6. At least 10 days before the proposed budget is presented to the Board of Mayor and Aldermen, a notice of public hearing and a copy of the proposed budget is published in a local newspaper of general circulation.
7. At the regular board meeting, prior to the vote on second reading, a public hearing is held to give all voters and taxpayers a chance to be heard in person or by an attorney. Citizens are also always given an opportunity to speak at the beginning of each meeting, so the citizens have two chances to comment on the budget before it is passed on the second and final reading. Prior to July 1st, the budget is legally enacted through passage of an ordinance on two readings.
8. Department heads are authorized to expend funds within total departmental appropriations. However, amendments to the budget changing departmental and/or total appropriations require the passage of an ordinance on two readings. Budget transfers between departments must be approved by resolution and passed by the Board of Mayor and Aldermen.
9. At the end of each year, all unencumbered appropriations which were appropriated on a fiscal year basis revert back to their respective fund balance, except for certain capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 14 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

10. Formal budgetary integration is not employed for the Capital Projects Fund, Forfeiture Fund or the Debt Service Fund because effective budgetary control is alternatively achieved through bond indenture or other provisions. Annual debt service requirements are budgeted in the General Fund through operating transfers to the Debt Service Fund.

The nature and amount of the adjustments necessary to convert the actual GAAP basis to the budgetary basis is as follows:

	<u>General Fund</u>
Net change in fund balance - GAAP basis	\$ 8,722,553
Add: Prior year reserve for encumbrances	1,039,492
Less: Current year reserve for encumbrances	<u>(583,801)</u>
Net change in fund balance, budgetary basis	<u>\$ 9,178,244</u>

Encumbrances

Encumbrances outstanding at year end are reported as a part of assigned or committed fund balance as appropriate. Encumbrances are obligations in the form of signed unfulfilled purchase orders or contracts at the end of the fiscal year. Expenditures plus ending encumbrances less beginning encumbrances may not legally exceed the legally adopted total budget of each department within each department. Encumbrance accounting is utilized for each department within each fund. Encumbrance accounting is utilized for budgetary control purposes and is reflected in the Schedule of Revenue, Expenditures, Encumbrances and Changes in Fund Balance-Budget and Actual to provide a more meaningful comparison with the legally prescribed budget. Encumbrances, however, are not treated as expenditures in the financial statements except for the aforementioned statements which compare budgeted amounts to actual amounts. The significant current year encumbrances are as follows:

	<u>General Fund</u>
Public works/street maintenance	\$ 31,016
Police	249,727
Fire	111,316
Parks	84,242
Information technology	36,436
Capital outlay	5,924
Other	<u>65,140</u>
	<u>\$ 583,801</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 14 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budget Amendments

The General Fund expenditure budget was amended by \$4,566,164. The major amendments related to grants and capital projects.

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which establishes single model for lease accounting based on the foundational principles that leases are financing and require lessee to recognize a lease liability and intangible right-to-use asset. The provisions in GASB 87 are effective for reporting periods beginning after June 15, 2021, in fiscal year 2022 for the City. The City is evaluating the effects of adoption of GASB 87 on its financial statements.

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, 2021, in fiscal year 2022 for the City. 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 City is evaluating the impact that this standard may have on the financial statements and related disclosures.

The GASB issued Statement No. 92, *Omnibus 2021*, which enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining provisions of the statement are effective for reporting periods beginning after June 15, 2021.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, the primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships agreements (PPPs). The requirements of this Statement are effective for fiscal beginning after June 15, 2022, fiscal year 2023 for the City, and all reporting periods thereafter.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangement (SBITAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, fiscal year 2023 for the City, 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 primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Certain provisions of this statement are effective immediately, with the remainder effective for fiscal year ends beginning after June 15, 2021.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021

NOTE 16 - COVID-19 PANDEMIC

On January 30, 2021, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2021, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. Tennessee governor, Bill Lee, declared a state of emergency to facilitate the treatment and containment of COVID-19 on March 12, 2021.

The City is classified by the Department of Homeland Security as part of the nation’s critical infrastructure and continued to provide service to customers. The City took measures to ensure the safety of employees and customers, while continuing to provide services. The City authorized remote work for many employees and adjusted schedules of others to minimize the exposure of people on site. Expectations for good hygiene practices and social distancing were communicated and employees were directed not to come to work if they were sick. Employees were provided hand sanitizer, disinfectant wipes, disinfectant sprays, gloves, and masks. Work areas were expected to be cleaned daily and janitorial staff assisted with cleaning high-touch areas daily.

The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the City operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the City, management is continuing to evaluate the evolving situation and will implement appropriate measures as needed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION
PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>TOTAL PENSION LIABILITY</u>							
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686	\$ 1,318,881	\$ 1,473,579	\$ 1,436,994	\$ 1,600,624
Interest	3,368,278	3,705,243	3,946,154	4,297,607	4,490,625	4,824,243	5,252,546
Changes in benefit terms	-	-	-	-	-	-	-
Differences between actual & expected experience	1,307,633	(46,948)	1,382,178	(419,524)	1,077,067	2,239,070	746,203
Change of assumptions	-	-	-	1,440,903	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,230,315)</u>	<u>(1,424,209)</u>	<u>(1,817,461)</u>	<u>(2,104,891)</u>	<u>(2,203,761)</u>	<u>(2,602,376)</u>	<u>(2,910,229)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,593,770	3,378,301	4,685,557	4,532,976	4,837,510	5,897,931	4,689,144
TOTAL PENSION LIABILITY - BEGINNING	<u>44,377,358</u>	<u>48,971,128</u>	<u>52,349,429</u>	<u>57,034,986</u>	<u>61,567,962</u>	<u>66,405,472</u>	<u>72,303,403</u>
TOTAL PENSION LIABILITY - ENDING (A)	<u>48,971,128</u>	<u>52,349,429</u>	<u>57,034,986</u>	<u>61,567,962</u>	<u>66,405,472</u>	<u>72,303,403</u>	<u>76,992,547</u>
<u>PLAN FIDUCIARY NET POSITION</u>							
Contributions - employer	2,400,176	2,317,383	2,396,900	1,689,627	1,725,181	1,861,492	2,330,741
Contributions - employee	1,137	2,018	1,946	-	2,871	730	55,278
Net investment income	7,107,505	1,573,964	1,416,316	6,217,909	5,031,585	4,840,782	3,431,951
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)	(2,104,891)	(2,203,761)	(2,602,376)	(2,910,229)
Administrative expense	<u>(12,861)</u>	<u>(14,657)</u>	<u>(22,728)</u>	<u>(26,506)</u>	<u>(29,100)</u>	<u>(28,313)</u>	<u>(30,594)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	8,265,642	2,454,499	1,974,973	5,776,139	4,526,776	4,072,315	2,877,147
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>42,398,368</u>	<u>50,664,010</u>	<u>53,118,509</u>	<u>55,093,482</u>	<u>60,869,621</u>	<u>65,396,397</u>	<u>69,468,712</u>
PLAN FIDUCIARY NET POSITION - ENDING (B)	<u>50,664,010</u>	<u>53,118,509</u>	<u>55,093,482</u>	<u>60,869,621</u>	<u>65,396,397</u>	<u>69,468,712</u>	<u>72,345,859</u>
NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	<u>\$ (1,692,882)</u>	<u>\$ (769,080)</u>	<u>\$ 1,941,504</u>	<u>\$ 698,341</u>	<u>\$ 1,009,075</u>	<u>\$ 2,834,691</u>	<u>\$ 4,646,688</u>
Plan fiduciary net position as a percentage of total pension liability	103.46 %	101.47 %	96.60 %	98.87 %	98.48 %	96.08 %	93.96 %
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,809	\$ 18,614,010	\$ 20,517,082
Net pension liability (asset) as a percentage of covered-employee payroll	(10.87) %	(4.95) %	12.09 %	4.13 %	5.85 %	15.23 %	22.65 %

Notes to Schedule:

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

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

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,378,735	\$ 1,725,181	\$ 1,861,492	\$ 2,330,741	\$ 2,424,131
Contributions in relation to the actuarial determined contribution	<u>2,400,176</u>	<u>2,317,383</u>	<u>2,396,900</u>	<u>1,689,627</u>	<u>1,725,181</u>	<u>1,861,492</u>	<u>2,330,741</u>	<u>2,424,131</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (310,892)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,809	\$ 20,517,082	\$ 20,517,086	\$ 21,339,181
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	10.00 %	10.00 %	9.07 %	11.36 %	11.36 %

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

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the July 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

NONMAJOR GOVERNMENTAL AND FIDUCIARY FUNDS

State Street Aid Fund - This fund accounts for all revenue and expenditures from the City's share of state gasoline taxes. Tennessee state law requires these receipts be kept in a separate fund and used for the construction and maintenance of city streets and certain related street expenditures.

Forfeiture Fund - This fund was established to record revenues and expenditures awarded to the City's Police Department by Federal and State courts.

Drug Fund - This fund accounts for funds received directly from the enforcement of laws associated with illegal drug activity. Under state law, the funds are to be used only for the enforcement of the drug laws and for the drug education of the Police Department.

Stormwater Fund - This fund was established to account for stormwater user fees and to implement the City's stormwater management plan to protect water quality and reduce the amount of pollutants entering water bodies.

Sponsorship Fund - This fund was established to account for certain sponsorships and donations received for specific purposes by donors. During 2021 these balances were transferred back to the General Fund.

Training and Teen Activity Agency Fund - This fund accounts for assets held by the City in a fiduciary capacity to others for training and teen activities.

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Stormwater</u>	<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 873,078	\$ 198,276	\$ 297,185	\$ 1,577,959	\$ 2,946,498
Accounts receivable	-	-	2,163	123,122	125,285
Due from other governments	342,345	-	-	337,264	679,609
TOTAL ASSETS	\$ 1,215,423	\$ 198,276	\$ 299,348	\$ 2,038,345	\$ 3,751,392
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 782,045	\$ -	\$ 2,906	\$ 395,002	\$ 1,179,953
Accrued liabilities	18,961	179,041	-	7,121	205,123
Total Liabilities	801,006	179,041	2,906	402,123	1,385,076
<u>Deferred Inflows of Resources</u>					
Unavailable revenue	173,569	-	-	106,327	279,896
<u>Fund Balances</u>					
Restricted	240,848	19,235	296,442	1,529,895	2,086,420
Total Fund Balances	240,848	19,235	296,442	1,529,895	2,086,420
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,215,423	\$ 198,276	\$ 299,348	\$ 2,038,345	\$ 3,751,392

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>State Street Aid Fund</u>	<u>Forfeiture Fund</u>	<u>Drug Fund</u>	<u>Stormwater Fund</u>	<u>Sponsorship Fund</u>	<u>Nonmajor Governmental Funds</u>
<u>REVENUES</u>						
Intergovernmental:						
State gasoline tax	\$ 1,846,331	\$ -	\$ -	\$ -	\$ -	\$ 1,846,331
Drug and other related fines, seizures, and sales	-	-	27,847	-	-	27,847
Grants	-	-	-	970,521	-	970,521
Uses of money and property	720	5,633	2,771	1,835	-	10,959
Fees for service	-	-	-	2,683,986	-	2,683,986
Total Revenues	<u>1,847,051</u>	<u>5,633</u>	<u>30,618</u>	<u>3,656,342</u>	<u>-</u>	<u>5,539,644</u>
<u>EXPENDITURES</u>						
Street Maintenance:						
Salaries and benefits	744,045	-	-	-	-	744,045
Operational expenses	888,174	-	-	-	-	888,174
Capital outlay	31,488	-	-	-	-	31,488
Drug Fund:						
Other costs	-	-	14,264	-	-	14,264
Stormwater:						
Salaries and benefits	-	-	-	283,568	-	283,568
Operational expenses	-	-	-	1,704,388	-	1,704,388
Capital outlay	-	-	-	1,096,736	-	1,096,736
Total Expenditures	<u>1,663,707</u>	<u>-</u>	<u>14,264</u>	<u>3,084,692</u>	<u>-</u>	<u>4,762,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	183,344	5,633	16,354	571,650	-	776,981
OTHER FINANCING USES						
Transfers out	-	-	-	-	11,325	11,325
CHANGE IN FUND BALANCE	183,344	5,633	16,354	571,650	(11,325)	765,656
FUND BALANCE - BEGINNING OF YEAR	<u>57,504</u>	<u>13,602</u>	<u>280,088</u>	<u>958,245</u>	<u>11,325</u>	<u>1,320,764</u>
FUND BALANCE - END OF YEAR	<u>\$ 240,848</u>	<u>\$ 19,235</u>	<u>\$ 296,442</u>	<u>\$ 1,529,895</u>	<u>\$ -</u>	<u>\$ 2,086,420</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BASIS)

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Intergovernmental:				
Gasoline tax, State of Tennessee*	\$ 1,700,000	\$ 1,715,600	\$ 1,846,331	\$ 130,731
Uses of money and property	7,200	7,200	720	(6,480)
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total Revenues	<u>1,709,200</u>	<u>1,724,800</u>	<u>1,847,051</u>	<u>122,251</u>
<u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	674,700	680,100	511,288	(168,812)
Employee benefits	284,800	295,000	232,757	(62,243)
Repairs and maintenance	1,009,000	1,009,000	888,174	(120,826)
Capital outlay	<u>47,000</u>	<u>47,000</u>	<u>31,488</u>	<u>(15,512)</u>
Total Expenditures and Encumbrances	<u>2,015,500</u>	<u>2,031,100</u>	<u>1,663,707</u>	<u>(367,393)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (306,300)</u>	<u>\$ (306,300)</u>	183,344	<u>\$ (489,644)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>57,504</u>	
FUND BALANCE - END OF YEAR			<u>\$ 240,848</u>	
* 1989 tax	\$ 147,818			
Three cent tax	273,896			
2017 tax	476,736			
Gas and motor fuel tax	<u>947,931</u>			
	<u>\$ 1,846,381</u>			

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BASIS)

DRUG FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Other:				
Uses of money and property	\$ 500	\$ 500	\$ 2,771	\$ 2,271
Drug related fines, seizures and sales	<u>25,000</u>	<u>25,000</u>	<u>27,847</u>	<u>2,847</u>
Total Revenues	<u>25,500</u>	<u>25,500</u>	<u>30,618</u>	<u>5,118</u>
<u>EXPENDITURES</u>				
Operational costs	36,200	36,200	14,264	(21,936)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>36,200</u>	<u>36,200</u>	<u>14,264</u>	<u>(21,936)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	<u>\$ (10,700)</u>	<u>\$ (10,700)</u>	16,354	<u>\$ (27,054)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>280,088</u>	
FUND BALANCE - END OF YEAR			<u>\$ 296,442</u>	

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES, ENCUMBRANCES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BASIS)

STORMWATER FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Fees for service	\$ 2,507,200	\$ 2,511,700	\$ 3,654,507	\$ 1,142,807
Uses of money and property	<u>2,000</u>	<u>2,000</u>	<u>1,835</u>	<u>(165)</u>
Total Revenues	<u>2,509,200</u>	<u>2,513,700</u>	<u>3,656,342</u>	<u>1,142,642</u>
<u>EXPENDITURES</u>				
Salaries	293,200	295,500	215,675	(79,825)
Employee benefits	106,400	108,600	67,893	(40,707)
Operational costs	2,683,500	2,683,500	1,704,388	(979,112)
Capital outlay	<u>155,000</u>	<u>155,000</u>	<u>1,096,736</u>	<u>941,736</u>
Total Expenditures and Encumbrances	<u>3,238,100</u>	<u>3,242,600</u>	<u>3,084,692</u>	<u>(157,908)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (728,900)</u>	<u>\$ (728,900)</u>	571,650	<u>\$ (1,300,550)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>958,245</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,529,895</u>	

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

TRAINING AND TEEN ACTIVITY AGENCY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>ASSETS</u>				
Cash	<u>\$ 20,000</u>	<u>\$ 2,766</u>	<u>\$ 6,334</u>	<u>\$ 16,432</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 3,568</u>	<u>\$ 16,432</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2021

	Component Units			Total
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	
ASSETS				
Cash	\$ -	\$ 11,023	\$ 221,125	\$ 232,148
Capital assets, net	<u>26,132</u>	<u>-</u>	<u>10,852</u>	<u>36,984</u>
TOTAL ASSETS	<u>26,132</u>	<u>11,023</u>	<u>231,977</u>	<u>269,132</u>
NET POSITION				
Investment in capital assets	26,132	-	10,852	36,984
Unrestricted	<u>-</u>	<u>11,023</u>	<u>221,125</u>	<u>232,148</u>
TOTAL NET POSITION	<u>\$ 26,132</u>	<u>\$ 11,023</u>	<u>\$ 231,977</u>	<u>\$ 269,132</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2021

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 139,249	\$ 139,249
Operating grants and contributions	24,000	-	-	24,000
Interest income	-	-	131	131
TOTAL REVENUE	<u>24,000</u>	<u>-</u>	<u>139,380</u>	<u>163,380</u>
EXPENSES				
Operating expenses	<u>28,863</u>	<u>-</u>	<u>72,914</u>	<u>101,777</u>
CHANGE IN NET POSITION	(4,863)	-	66,466	61,603
NET POSITION - BEGINNING OF YEAR	<u>30,995</u>	<u>11,023</u>	<u>165,511</u>	<u>207,529</u>
NET POSITION - END OF YEAR	<u>\$ 26,132</u>	<u>\$ 11,023</u>	<u>\$ 231,977</u>	<u>\$ 269,132</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
REVENUES				
Local Taxes:				
Real and personal property	\$ 20,338,190	\$ -	\$ -	\$ 20,338,190
Payments in lieu of property taxes	837,370	-	-	837,370
Local sales taxes	16,489,880	-	-	16,489,880
Wholesale beer	1,204,811	-	-	1,204,811
Wholesale liquor	775,674	-	-	775,674
Hotel/motel tax	211,465	-	-	211,465
Business taxes	1,503,121	-	-	1,503,121
Total Local Taxes	<u>41,360,511</u>	<u>-</u>	<u>-</u>	<u>41,360,511</u>
Intergovernmental:				
State sales tax	5,384,892	-	-	5,384,892
State income tax	440,630	-	-	440,630
State beer tax	24,321	-	-	24,321
State alcoholic beverage tax	289,019	-	-	289,019
State/City street and transportation	101,989	-	-	101,989
State supplemental pay	182,400	-	-	182,400
Excise tax	152,662	-	-	152,662
County	49,896	-	-	49,896
Corp of Engineers	19,088	-	-	19,088
Sports betting tax	18,983	-	-	18,983
Grants	2,966,457	-	-	2,966,457
Total Intergovernmental	<u>9,630,337</u>	<u>-</u>	<u>-</u>	<u>9,630,337</u>
Fines and Forfeitures:				
City court and other	392,289	-	-	392,289
Penalties	78,311	-	-	78,311
Total Fines and Forfeitures	<u>470,600</u>	<u>-</u>	<u>-</u>	<u>470,600</u>
Licenses and Permits:				
Building permits	2,300,376	-	-	2,300,376
Franchise taxes	749,996	-	-	749,996
Other permits	867,423	-	-	867,423
Total Licenses and Permits	<u>3,917,795</u>	<u>-</u>	<u>-</u>	<u>3,917,795</u>
Charges for Services:				
Recreational fees	264,308	-	-	264,308
Disposal fees	-	-	-	-
Total Charges for Services	<u>264,308</u>	<u>-</u>	<u>-</u>	<u>264,308</u>

(continued on following page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES (CONTINUED)

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
Contributions:				
Contributions	<u>\$ 96,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,390</u>
Uses of Money and Property				
Interest	21,294	6,255	-	27,549
Sale of assets	<u>19,529</u>	<u>-</u>	<u>-</u>	<u>19,529</u>
Total Uses of Money and Property	<u>40,823</u>	<u>6,255</u>	<u>-</u>	<u>47,078</u>
Other Revenues:				
Contributions from others	33,992	-	-	33,992
Miscellaneous	<u>399,457</u>	<u>-</u>	<u>-</u>	<u>399,457</u>
Total Other Revenues	<u>433,449</u>	<u>-</u>	<u>-</u>	<u>433,449</u>
TOTAL REVENUES	<u>\$ 56,214,213</u>	<u>\$ 6,255</u>	<u>\$ -</u>	<u>\$ 56,220,468</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES				
General Government:				
Salaries	\$ 412,853	\$ -	\$ -	\$ 412,853
Employee benefits	134,674	-	-	134,674
Repairs and maintenance	25,000	-	-	25,000
Travel and training	2,392	-	-	2,392
Supplies	4,379	-	-	4,379
Outside services	4,594	-	-	4,594
Telephone	772	-	-	772
Other costs	<u>110,546</u>	<u>-</u>	<u>-</u>	<u>110,546</u>
Total General Government	<u>695,210</u>	<u>-</u>	<u>-</u>	<u>695,210</u>
Personnel:				
Salaries	235,613	-	-	235,613
Employee benefits	62,082	-	-	62,082
Travel and training	11,434	-	-	11,434
Supplies	5,603	-	-	5,603
Outside services	41,549	-	-	41,549
Other costs	<u>6,374</u>	<u>-</u>	<u>-</u>	<u>6,374</u>
Total Personnel	<u>362,655</u>	<u>-</u>	<u>-</u>	<u>362,655</u>
Central Services:				
Salaries	277,749	-	-	277,749
Employee benefits	153,479	-	-	153,479
Repairs and maintenance	145,338	-	-	145,338
Supplies	8,638	-	-	8,638
Insurance	619,876	-	-	619,876
Outside services	66,766	-	-	66,766
Utilities	41,755	-	-	41,755
Other costs	<u>31,278</u>	<u>-</u>	<u>-</u>	<u>31,278</u>
Total Central Services	<u>1,344,879</u>	<u>-</u>	<u>-</u>	<u>1,344,879</u>
Finance:				
Salaries	657,298	-	-	657,298
Employee benefits	236,982	-	-	236,982
Travel and training	3,830	-	-	3,830
Supplies	24,844	-	-	24,844
Outside services	79,503	-	-	79,503
Other costs	<u>230,420</u>	<u>-</u>	<u>-</u>	<u>230,420</u>
Total Finance	<u>1,232,877</u>	<u>-</u>	<u>-</u>	<u>1,232,877</u>
Information Technology:				
Salaries	388,498	-	-	388,498
Employee benefits	145,864	-	-	145,864
Travel and training	6,529	-	-	6,529
Supplies	4,212	-	-	4,212
Outside services	274,413	-	-	274,413
Telephone	156,254	-	-	156,254
Other costs	<u>59,939</u>	<u>-</u>	<u>-</u>	<u>59,939</u>
Total Information Technology	<u>1,035,709</u>	<u>-</u>	<u>-</u>	<u>1,035,709</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES (CONTINUED)				
Parks:				
Salaries	\$ 1,296,400	\$ -	\$ -	\$ 1,296,400
Employee benefits	393,641	-	-	393,641
Repairs and maintenance	285,085	-	-	285,085
Travel and training	4,327	-	-	4,327
Supplies	141,986	-	-	141,986
Outside services	10,869	-	-	10,869
Utilities	218,708	-	-	218,708
Other costs	<u>525,599</u>	-	-	<u>525,599</u>
Total Parks	<u>2,876,615</u>	<u>-</u>	<u>-</u>	<u>2,876,615</u>
Codes:				
Salaries	558,697	-	-	558,697
Employee benefits	203,398	-	-	203,398
Repairs and maintenance	2,436	-	-	2,436
Travel and training	1,253	-	-	1,253
Supplies	14,831	-	-	14,831
Telephone	6,786	-	-	6,786
Other costs	<u>4,505</u>	-	-	<u>4,505</u>
Total Codes	<u>791,906</u>	<u>-</u>	<u>-</u>	<u>791,906</u>
Planning:				
Salaries	607,773	-	-	607,773
Employee benefits	193,512	-	-	193,512
Repairs and maintenance	2,989	-	-	2,989
Travel and training	2,688	-	-	2,688
Supplies	10,638	-	-	10,638
Outside services	8,809	-	-	8,809
Utilities	4,919	-	-	4,919
Other costs	<u>51,573</u>	-	-	<u>51,573</u>
Total Planning	<u>882,901</u>	<u>-</u>	<u>-</u>	<u>882,901</u>
Street and Public Works:				
Salaries	1,209,288	-	-	1,209,288
Employee benefits	414,384	-	-	414,384
Repairs and maintenance	248,459	-	-	248,459
Travel and training	3,225	-	-	3,225
Supplies	79,765	-	-	79,765
Outside services	145,654	-	-	145,654
Utilities	381,733	-	-	381,733
Other costs	<u>1,677,630</u>	<u>282,148</u>	-	<u>1,959,778</u>
Total Streets and Public Works	<u>4,160,138</u>	<u>282,148</u>	<u>-</u>	<u>4,442,286</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES (CONTINUED)				
Police Department:				
Salaries	\$ 8,611,236	\$ -	\$ -	\$ 8,611,236
Employee benefits	2,989,682	-	-	2,989,682
Repairs and maintenance	240,570	-	-	240,570
Travel and training	88,511	-	-	88,511
Supplies	445,135	-	-	445,135
Outside services	169,693	-	-	169,693
Telephone and utilities	149,129	-	-	149,129
Other costs	1,067,363	-	-	1,067,363
Investigations	<u>1,720</u>	<u>-</u>	<u>-</u>	<u>1,720</u>
Total Police Department	<u>13,763,039</u>	<u>-</u>	<u>-</u>	<u>13,763,039</u>
Fire Department:				
Salaries	7,837,351	-	-	7,837,351
Employee benefits	2,906,651	-	-	2,906,651
Repairs and maintenance	214,224	-	-	214,224
Travel and training	88,754	-	-	88,754
Supplies	197,528	-	-	197,528
Outside services	111,890	-	-	111,890
Telephone and utilities	93,706	-	-	93,706
Other costs	<u>54,043</u>	<u>-</u>	<u>-</u>	<u>54,043</u>
Total Fire Department	<u>11,504,147</u>	<u>-</u>	<u>-</u>	<u>11,504,147</u>
Contributions:				
Senior Citizens	15,000	-	-	15,000
Community Child Care	16,000	-	-	16,000
HHS Stars	12,000	-	-	12,000
Hendersonville Public Library	50,000	-	-	50,000
Chamber of Commerce	15,000	-	-	15,000
Samaratin	12,500	-	-	12,500
Forward Sumner	5,000	-	-	5,000
Health Department	12,000	-	-	12,000
Hendersonville Home Bound Meals Program	9,900	-	-	9,900
Ashley's Place	5,000	-	-	5,000
Beech High School	12,000	-	-	12,000
Component units	24,000	-	-	24,000
Other	<u>109,800</u>	<u>-</u>	<u>-</u>	<u>109,800</u>
Total Contributions	<u>298,200</u>	<u>-</u>	<u>-</u>	<u>298,200</u>
Disposal services	3,900,247	-	-	3,900,247
Debt service	-	8,000	2,224,196	2,232,196
Capital outlay	<u>2,515,933</u>	<u>761,841</u>	<u>-</u>	<u>3,277,774</u>
TOTAL EXPENDITURES	<u>\$ 45,364,456</u>	<u>\$ 1,051,989</u>	<u>\$ 2,224,196</u>	<u>\$ 48,640,641</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2021

<u>Tax Year</u>		<u>Taxes Receivable June 30, 2020</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2021</u>
2011	*	\$ 7,913	\$ -	\$ -	\$ 7,913
2012	*	8,937	-	(15)	8,922
2013	*	9,964	-	(17)	9,947
2014	*	10,279	-	(340)	9,939
2015	*	16,322	-	(973)	15,349
2016	*	19,116	-	(5,915)	13,201
2017	*	41,803	-	(12,968)	28,835
2018	*	69,727	-	(37,601)	32,126
2019	*	390,151	-	(251,997)	138,154
2020		<u>-</u>	<u>20,227,543</u>	<u>(19,864,674)</u>	<u>362,869</u>
		<u>\$ 574,212</u>	<u>\$ 20,227,543</u>	<u>\$ (20,174,500)</u>	627,255
2021	**				<u>20,227,543</u>
Taxes receivable					<u>\$ 20,854,798</u>

- * Turned over to County Clerk for collections.
- ** Unlevied taxes receivable (anticipated current year levy)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN DISPOSAL FEES RECEIVABLE

JUNE 30, 2021

Assessment Year		Special Assessment Receivable June 30, 2020	Assessments	Collections and Adjustments	Special Assessment Receivable June 30, 2021
2011	*	\$ 756	\$ -	\$ -	\$ 756
2012	*	1,530	-	-	1,530
2013	*	1,813	-	-	1,813
2014	*	1,841	-	(263)	1,578
2015	*	1,841	-	-	1,841
2016	*	6,049	-	(2,367)	3,682
2017	*	12,496	-	(6,248)	6,248
2018	*	34,281	-	(21,975)	12,306
2019					
2020		-	-	-	-
		<u>\$ 60,607</u>	<u>\$ -</u>	<u>\$ (30,853)</u>	<u>\$ 29,754</u>

* Turned over to County Clerk for collections.

NOTE 1 - With the elimination of the separate special assessment for disposal fees in tax year 2019 (fiscal year 2020), uncollected receivables were moved back to the General Fund.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN STORMWATER FEES RECEIVABLE

JUNE 30, 2021

<u>Tax Year</u>	<u>Special Assessment Receivable June 30, 2020</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Special Assessment Receivable June 30, 2021</u>
2018	\$ 38,106	\$ -	\$ (18,743)	\$ 19,363
2019	83,063	-	(51,454)	31,609
2020	<u>-</u>	<u>2,690,502</u>	<u>(2,618,352)</u>	<u>72,150</u>
	<u>\$ 121,169</u>	<u>\$ 2,690,502</u>	<u>\$ (2,688,549)</u>	<u>\$ 123,122</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2021

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 6/30/2020</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2021</u>
GOVERNMENTAL ACTIVITIES									
<u>CAPITAL OUTLAY NOTES</u>									
<u>Payable through Debt Service Fund</u>									
Capital Outlay Notes 2011	\$ 4,100,000	3.21 %	1/5/2011	1/1/2023	\$ 1,022,000	\$ -	\$ (342,000)	\$ -	\$ 680,000
Capital Outlay Refunding Notes 2012	\$ 6,810,000	2.00 to 3.00 %	10/10/2012	7/1/2024	485,000	-	(100,000)	-	385,000
Capital Outlay Notes 2013, 12 year	\$ 1,250,000	1.75 %	11/1/2013	7/1/2025	625,000	-	(104,167)	-	520,833
Capital Outlay Notes 2015	\$ 4,020,400	2.41 %	10/30/2015	7/1/2025	2,412,240	-	(402,040)	(2,010,200)	-
Capital Outlay Notes 2018, 12 year	\$ 5,793,025	2.39 %	9/26/2017	7/1/2029	4,827,521	-	(482,752)	(4,344,769)	-
Capital Outlay Notes 2018, 7 year	\$ 2,900,000	3.00 %	5/30/2018	7/1/2025	2,485,715	-	(414,285)	(2,071,430)	-
Capital Outlay Notes, 2021, 12 year	\$ 5,900,000	1.65 %	2/4/2021	2/4/2033	-	5,900,000	-	-	5,900,000
Capital Outlay Refunding Notes, 2021	\$ 7,645,000	4.00 to 5.00 %	5/18/2021	7/1/3030	-	7,645,000	-	-	7,645,000
Total Notes Payable through Debt Service Fund					<u>\$ 11,857,476</u>	<u>\$ 13,545,000</u>	<u>\$ (1,845,244)</u>	<u>\$ (8,426,399)</u>	<u>\$ 15,130,833</u>
TOTAL LONG-TERM DEBT					<u>\$ 11,857,476</u>	<u>\$ 13,545,000</u>	<u>\$ (1,845,244)</u>	<u>\$ (8,426,399)</u>	<u>\$ 15,130,833</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2021

Fiscal Year	Capital Outlay Notes - 2011		Capital Outlay Refunding Notes - 2012		Capital Outlay Notes - 2013		Capital Outlay Refunding Notes - 2021	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 342,000	\$ 21,828	\$ 100,000	\$ 6,700	\$ 104,167	\$ 12,853	\$ 1,240,000	\$ 194,880
2023	338,000	10,850	95,000	4,750	104,166	10,282	1,120,000	274,650
2024	-	-	95,000	2,850	104,167	7,712	1,150,000	217,900
2025	-	-	95,000	950	104,167	5,155	1,175,000	159,775
2026	-	-	-	-	104,166	2,571	1,200,000	100,400
2027	-	-	-	-	-	-	430,000	61,800
2028	-	-	-	-	-	-	435,000	44,500
2029	-	-	-	-	-	-	445,000	26,900
2030	-	-	-	-	-	-	450,000	9,000
Total	<u>\$ 680,000</u>	<u>\$ 32,678</u>	<u>\$ 385,000</u>	<u>\$ 15,250</u>	<u>\$ 520,833</u>	<u>\$ 38,573</u>	<u>\$ 7,645,000</u>	<u>\$ 1,089,805</u>

Fiscal Year	Capital Outlay Notes - 2021		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Debt
2022	\$ 491,667	\$ 97,350	\$ 2,277,834	\$ 333,611	\$ 2,611,445
2023	491,667	89,238	2,148,833	389,770	2,538,603
2024	491,667	81,125	1,840,834	309,587	2,150,421
2025	491,667	73,012	1,865,834	238,892	2,104,726
2026	491,667	64,900	1,795,833	167,871	1,963,704
2027	491,667	56,788	921,667	118,588	1,040,255
2028	491,666	48,675	926,666	93,175	1,019,841
2029	491,666	40,562	936,666	67,462	1,004,128
2030	491,666	32,450	941,666	41,450	983,116
2031	491,667	24,338	491,667	24,338	516,005
2032	491,666	16,225	491,666	16,225	507,891
2033	491,667	8,113	491,667	8,113	499,780
Total	<u>\$ 5,900,000</u>	<u>\$ 632,776</u>	<u>\$ 15,130,833</u>	<u>\$ 1,809,082</u>	<u>\$ 16,939,915</u>

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

<u>Grant Description</u>	<u>Federal CFDA#</u>	<u>Grant Number</u>	<u>(Accrued) Deferred 7/1/2020</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>(Accrued) Deferred 6/30/2021</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
<u>Passed through the Tennessee Department of Economic and Community Development:</u>							
Community Development Block Grant	14.218	B-16-MC-47-0015	\$ (878)	\$ 878	\$ -	\$ -	\$ -
Community Development Block Grant	14.218	B-17-MC-47-0015	(14,329)	14,329	-	-	-
Community Development Block Grant	14.218	B-18-MC-47-0015	(13)	683	670	-	-
Community Development Block Grant	14.218	B-19-MC-47-0015	-	4,350	4,350	-	-
Total Passed through the Tennessee Department of Economic and Community Development			(15,220)	20,240	5,020	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			(15,220)	20,240	5,020	-	-
U.S. DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership Program	16.607		(7,425)	7,425	-	-	-
Bulletproof Vest Partnership Program	16.607		-	-	10,025	(37)	(10,062)
COPS Hiring Grant	16.710		-	74,913	91,812	-	(16,899)
TOTAL U.S. DEPARTMENT OF JUSTICE			(7,425)	82,338	101,837	(37)	(26,961)
U.S. DEPARTMENT OF TRANSPORTATION							
<u>Passed through the Tennessee Department of Transportation</u>							
Highway Planning and Construction Cluster: Drakes Creek Road Widening	20.205	140137	(72,620)	3,986	16,560	17,105	(68,089)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant Traffic Sign Upgrade Project	20.205	60151	-	28,355	68,180	-	(39,825)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant Signal Timing Optimization	20.205	180179	-	80,155	80,155	-	-
Highway Planning and Construction Cluster: Sanders Ferry Walking Trail	20.205	120012	-	-	12,480	-	(12,480)
Community Based Traffic Safety Enforcement and Education - TN Hwy Safety Grant	20.600	Z20THS107	(10,216)	14,601	4,385	-	-
Community Based Traffic Safety Enforcement and Education - TN Hwy Safety Grant	20.600		-	-	9,161	-	(9,161)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			(82,836)	127,097	190,921	17,105	(129,555)
U.S. DEPARTMENT OF TREASURY							
<u>Passed thorough the Tennessee Department of Finance and Administration</u>							
Coronavirus Relief Fund		* 21.019 - COVID	-	863,640	863,640	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY							
<u>Passed through the Federal Emergency Management Agency</u>							
Assistance to Firefighters Grant	97.044		-	23,834	23,834	-	-
SAFER Grant	97.083	EMW-2017-FH-00138	(110,670)	463,463	440,624	-	(87,831)
<u>Passed through the Tennessee Emergency Management Agency</u>							
Hazard Mitigation Grant Program (HMGP)		* 97.039 HGMP 4320-0003 TID #0430	-	633,257	970,521	-	(337,264)
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			(110,670)	1,120,554	1,434,979	-	(425,095)
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ (216,151)	\$ 2,213,869	\$ 2,596,397	\$ 17,068	\$ (581,611)
EXPENDITURES OF STATE AWARDS							
<u>Tennessee Department of Finance and Administration</u>							
FY 21 Direct Appropriation Grant for Governmental Entities			\$ -	\$ 1,300,614	\$ 886,777	\$ -	\$ 413,837 #
<u>Tennessee Department of Transportation</u>							
Saundersville Railroad Trestle		83LPLM-S3-106	(287,947)	-	57,034	-	(344,981)
TOTAL EXPENDITURES OF STATE AWARDS			\$ (287,947)	\$ 1,300,614	\$ 943,811	\$ -	\$ 68,856

* Major program under Single Audit

Grant is a non-reciprocal non-exchange transaction (contribution) that has restricted use but not conditions to overcome and any unspent monies are treated as restricted fund balance at year-end.

Summary of Expenditures by CFDA Number

14.218	\$ 5,020
16.607	101,837
20.205	177,375
20.600	13,546
21.019 - COVID	863,640
97.039	970,521
97.044	23,834
97.083	440,624
Total	\$ 2,596,397

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal and state award activity of the City of Hendersonville, Tennessee (the "City"), under programs of the federal and state government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to present the financial position, changes in net position or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The City did not pass any federal awards through to subrecipients.

STATISTICAL INFORMATION

STATISTICAL SECTION

(Not Covered by Report of Independent Certified Public Accountants)

This part of the City of Hendersonville’s annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

CONTENTS

	<u>Schedule</u>
<u>Financial Trends</u> These Schedules contain trend information to help readers understand how the City’s financial performance and well-being have changed over time.	1 - 4
<u>Revenue Capacity</u> These Schedules contain information to help readers assess the City’s most significant local revenue source - it property tax.	5 - 9
<u>Debt Capacity</u> These Schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	10 - 14
<u>Demographic and Economic Information</u> These Schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place.	15 - 16
<u>Operating Information</u> Thee Schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	17 - 19

Sources: Except where noted, the information in these Schedules is derived from the City of Hendersonville’s comprehensive annual financial reports for the relevant year.

CITY OF HENDERSONVILLE
NET ASSETS/POSITION BY COMPONENT (UNAUDITED)
LAST TEN FISCAL YEARS

Schedule 1

(Prepared using the accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 50,385,520	\$ 59,308,345	\$ 60,427,388	\$ 52,388,396	\$ 51,563,776	\$ 53,689,057	\$ 47,393,105	\$ 51,148,265	\$ 58,368,186	\$ 55,963,713
Restricted for:										
Public works	450,727	440,630	443,905	471,249	484,932	479,871	4,698,489	479,871	489,373	481,407
Street maintenance	1,364,406	2,109,167	1,989,933	1,668,231	909,128	950,640	1,722,938	1,366,657	621,382	296,615
Law enforcement	143,742	166,945	177,854	257,651	238,660	258,708	282,714	299,581	311,038	334,025
Solid waste disposal	113,876	98,291	92,112	-	-	-	-	-	-	-
Parks	25,911	25,912	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	100,682	146,298	345,418
Capital projects	466,662	1,163,364	137,513	132,409	253,932	63,245	63,245	3,066,080	2,536,130	7,390,396
Stormwater	-	-	-	-	-	-	-	1,285,859	958,245	1,529,895
Other	-	-	-	-	769,080	-	-	-	11,325	-
Unrestricted	4,389,697	4,672,865	4,237,502	10,360,224	14,084,154	13,486,995	10,271,684	9,492,068	10,231,642	17,113,161
Total governmental activities net position	\$ 57,340,541	\$ 67,985,519	\$ 67,506,207	\$ 65,278,160	\$ 68,303,662	\$ 68,928,516	\$ 64,432,175	\$ 67,239,063	\$ 73,673,619	\$ 83,454,630
Business-type activities										
Net investment in capital assets	\$ 1,424,832	\$ 1,422,028	\$ 1,191,349	\$ 1,122,051	\$ 1,055,312	\$ 991,400	\$ 976,500	\$ 940,603	\$ 904,849	\$ 1,035,809
Unrestricted	110,100	91,840	100,562	125,104	105,484	89,695	(12,037)	(6,023)	36,108	64,688
Total business-type activities net position	\$ 1,534,932	\$ 1,513,868	\$ 1,291,911	\$ 1,247,155	\$ 1,160,796	\$ 1,081,095	\$ 964,463	\$ 934,580	\$ 940,957	\$ 1,100,497
Primary government										
Net investment in capital assets	\$ 51,810,352	\$ 60,954,601	\$ 61,618,737	\$ 53,510,447	\$ 52,619,088	\$ 54,680,457	\$ 48,369,605	\$ 52,088,868	\$ 59,273,035	\$ 56,999,522
Restricted for:										
Public works	450,727	440,630	443,905	471,249	484,932	479,871	4,698,489	479,871	489,373	296,615
Street maintenance	1,364,406	1,884,939	1,989,933	1,668,231	909,128	950,640	1,722,938	1,366,657	621,382	481,407
Law enforcement	143,742	166,945	177,854	257,651	238,660	258,708	282,714	299,581	311,038	334,025
Solid waste disposal	113,876	98,291	92,112	-	-	-	-	-	-	-
Parks	25,911	25,912	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	100,682	146,298	345,418
Capital projects	466,662	1,163,364	137,513	132,409	253,932	63,245	63,245	3,066,080	2,536,130	7,390,396
Stormwater	-	-	-	-	-	-	-	1,285,859	958,245	1,529,895
Other	-	-	-	-	769,080	-	-	-	11,325	-
Unrestricted	4,499,797	4,764,705	4,338,064	10,485,328	14,189,638	13,576,690	10,259,647	9,486,045	10,267,750	17,177,849
Total primary government net position	\$ 58,875,473	\$ 69,499,387	\$ 68,798,118	\$ 66,525,315	\$ 69,464,458	\$ 70,009,611	\$ 65,396,638	\$ 68,173,643	\$ 74,614,576	\$ 84,555,127

CITY OF HENDERSONVILLE
CHANGES IN NET ASSETS/POSITION (UNAUDITED)
LAST TEN FISCAL YEARS

Schedule 2

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EXPENSES										
Governmental Activities:										
General government	\$ 588,385	\$ 599,373	\$ 611,768	\$ 511,914	\$ 461,174	\$ 463,784	\$ 586,350	\$ 641,981	\$ 688,697	\$ 795,519
Personnel	275,582	287,082	307,249	295,704	343,659	391,863	447,730	449,180	435,132	366,683
Central services	1,492,771	1,599,478	1,794,169	1,923,094	1,906,242	2,030,722	2,077,320	2,213,220	1,919,508	1,367,073
Finance	772,429	943,891	900,653	836,380	953,047	933,442	936,820	989,843	1,097,832	1,285,275
Parks	1,717,639	1,901,842	1,967,782	1,899,688	2,057,819	2,116,119	2,710,888	2,686,687	2,917,521	3,383,563
Information technology	-	-	-	237,969	446,225	611,823	749,731	815,935	909,304	1,070,822
Codes	701,823	744,323	766,109	700,171	718,402	758,752	745,851	766,532	828,917	861,354
Planning	523,417	506,212	752,671	807,010	710,526	643,513	630,482	778,842	732,069	917,944
Police	9,373,511	9,556,547	10,190,417	9,845,376	10,391,599	11,173,075	12,322,989	13,555,768	14,895,443	14,880,489
Fire	7,808,722	8,755,714	9,364,318	8,490,945	8,972,110	9,465,982	9,857,181	10,847,398	12,155,907	12,732,161
Contributions	228,750	228,750	233,150	234,650	234,650	235,150	241,400	249,400	270,025	298,200
Disposal service	4,580,896	4,690,339	4,822,061	4,997,329	6,025,955	4,888,951	5,777,510	6,001,994	3,536,122	3,900,247
Program costs	-	-	-	-	-	-	-	1,061,545	2,802,804	1,987,956
Program costs	41,734	15,766	17,543	29,743	50,665	23,051	19,199	12,870	20,399	14,264
Streets and public works	6,425,222	7,363,860	7,521,104	7,808,136	9,405,256	10,260,978	10,652,930	8,651,120	9,436,626	8,591,402
Interest expense on long-term debt	432,096	350,448	264,699	225,080	212,616	187,440	262,589	332,730	284,728	382,470
Total governmental activities	<u>34,962,977</u>	<u>37,543,625</u>	<u>39,513,692</u>	<u>38,843,189</u>	<u>42,889,945</u>	<u>44,184,645</u>	<u>48,018,970</u>	<u>50,055,045</u>	<u>52,931,034</u>	<u>52,835,422</u>
Business-type activities:										
Golf Course	\$ 966,007	\$ 968,630	\$ 985,162	\$ 840,726	\$ 943,937	\$ 912,071	\$ 886,611	\$ 820,704	\$ 810,471	\$ 889,491
Total business-type activities	<u>966,007</u>	<u>968,630</u>	<u>985,162</u>	<u>840,726</u>	<u>943,937</u>	<u>912,071</u>	<u>886,611</u>	<u>820,704</u>	<u>810,471</u>	<u>889,491</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 35,928,984</u>	<u>\$ 38,512,255</u>	<u>\$ 40,498,854</u>	<u>\$ 39,683,915</u>	<u>\$ 43,833,882</u>	<u>\$ 45,096,716</u>	<u>\$ 48,905,581</u>	<u>\$ 50,875,749</u>	<u>\$ 53,741,505</u>	<u>\$ 53,724,913</u>
PROGRAM REVENUES										
Governmental Activities:										
Charges for services:										
Finance	\$ 72,043	\$ 70,076	\$ 75,056	\$ 67,928	\$ 69,891	\$ 52,201	\$ 91,342	\$ 65,052	\$ 56,947	\$ 78,904
Parks	153,723	146,694	163,007	181,003	382,952	341,937	337,198	366,385	201,820	552,308
Codes	666,318	507,924	764,866	1,172,941	1,438,140	1,203,629	961,294	1,464,720	1,810,884	2,690,908
Planning	161,002	84,560	173,005	64,938	65,239	110,335	109,078	88,577	94,358	108,661
Police	579,650	562,545	530,827	615,558	562,554	537,760	497,972	403,922	409,047	405,724
Fire	-	-	-	146,736	107,110	111,875	83,062	118,789	85,667	129,918
Disposal service	4,117,835	4,214,169	4,328,291	4,491,716	4,537,509	4,621,956	5,091,656	5,327,740	(753)	16,589
Stormwater	-	-	-	-	-	-	-	2,525,089	2,604,514	2,689,961
Streets and public works	-	-	-	-	2,300	4,875	4,100	3,450	1,950	-
Operating grants and contributions	2,420,534	1,717,007	1,981,342	1,693,631	1,796,210	1,682,944	2,053,215	2,045,192	2,358,418	4,977,722
Capital grants and contributions	3,440,122	14,603,705	2,690,020	4,366,166	4,063,741	2,004,433	1,354,090	3,724,028	6,745,962	2,082,378
Total governmental activities and program revenues	<u>11,611,227</u>	<u>21,906,680</u>	<u>10,706,414</u>	<u>12,800,617</u>	<u>13,025,646</u>	<u>10,671,945</u>	<u>10,583,007</u>	<u>16,132,944</u>	<u>14,368,814</u>	<u>13,733,073</u>
Business-type activities:										
Charges for services:										
Golf course	807,223	773,593	807,896	840,650	857,375	827,391	769,718	789,721	814,413	1,048,790
Total business-type activities program revenues	<u>807,223</u>	<u>773,593</u>	<u>807,896</u>	<u>840,650</u>	<u>857,375</u>	<u>827,391</u>	<u>769,718</u>	<u>789,721</u>	<u>814,413</u>	<u>1,048,790</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 12,418,450</u>	<u>\$ 22,680,273</u>	<u>\$ 11,514,310</u>	<u>\$ 13,641,267</u>	<u>\$ 13,883,021</u>	<u>\$ 11,499,336</u>	<u>\$ 11,352,725</u>	<u>\$ 16,922,665</u>	<u>\$ 15,183,227</u>	<u>\$ 14,781,863</u>
NET (EXPENSE)/REVENUE										
Governmental activities	\$ (23,351,750)	\$ (15,636,945)	\$ (28,807,278)	\$ (26,042,572)	\$ (29,864,299)	\$ (33,512,700)	\$ (37,436,963)	\$ (33,922,101)	\$ (38,562,220)	\$ (39,102,349)
Business-type activities	(158,784)	(195,037)	(177,266)	(76)	(86,562)	(84,680)	(116,893)	(30,983)	3,942	159,299
TOTAL PRIMARY GOVERNMENT NET EXPENSE	<u>\$ (23,510,534)</u>	<u>\$ (15,831,982)</u>	<u>\$ (28,984,544)</u>	<u>\$ (26,042,648)</u>	<u>\$ (29,950,861)</u>	<u>\$ (33,597,380)</u>	<u>\$ (37,552,856)</u>	<u>\$ (33,953,084)</u>	<u>\$ (38,558,278)</u>	<u>\$ (38,943,050)</u>

CITY OF HENDERSONVILLE
CHANGES IN NET ASSETS/POSITION (UNAUDITED) (CONTINUED)
LAST TEN FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/POSITION										
Governmental activities:										
Taxes:										
Property and in lieu of taxes	\$ 10,395,977	\$ 10,466,430	\$ 10,635,693	\$ 10,733,814	\$ 12,536,288	\$ 12,735,380	\$ 13,146,995	\$ 13,231,151	\$ 21,046,790	\$ 21,212,700
Sales	8,706,782	9,358,299	10,020,450	10,683,972	11,355,539	12,482,225	12,776,911	13,459,303	14,055,953	16,662,754
Wholesale beer tax	887,003	929,388	944,129	956,362	977,554	1,011,321	1,026,918	1,017,361	1,097,779	1,204,811
Wholesale liquor tax	319,398	351,331	417,539	477,604	535,971	556,104	574,855	613,964	709,500	775,674
Business tax	761,176	974,806	882,621	986,136	1,114,201	1,164,209	1,254,804	1,304,368	1,315,581	1,447,088
Franchise taxes	730,581	757,106	779,309	834,214	876,894	923,652	1,175,087	768,049	858,299	749,996
Hotel/motel tax	-	-	-	-	-	-	-	100,682	253,572	211,465
Unrestricted state shared taxes:										
State shared sales tax	3,487,993	3,555,315	3,675,558	3,844,821	4,186,058	4,290,951	4,416,678	4,597,625	4,699,517	5,440,086
State shared income tax	445,897	602,307	633,813	814,449	873,932	626,085	566,189	666,960	431,394	231,852
State shared beer tax	25,218	25,399	24,308	24,570	25,084	24,805	23,966	23,782	24,064	24,321
State shared alcoholic beverage tax	134,151	138,950	152,711	160,452	174,490	166,904	206,924	253,643	177,413	283,291
Unrestricted other state shared taxes	16,518	23,298	37,918	27,122	133,036	38,222	101,800	75,335	131,196	171,645
Unrestricted investment earnings	53,998	34,283	21,922	23,015	27,987	24,546	30,170	31,294	26,218	30,936
Other	123,607	68,035	57,118	133,002	88,792	93,150	87,392	542,375	169,500	436,741
Special item	-	-	-	(6,351,071)	-	-	-	-	-	-
Transfers	-	(173,640)	44,877	44,877	-	-	-	-	-	-
Total government activities	26,088,299	27,111,307	28,327,966	23,393,339	32,905,826	34,137,554	35,388,689	36,685,892	44,996,776	48,883,360
Business-type activities:										
Investment earnings	365	333	186	197	203	169	261	21	92	241
Miscellaneous income	-	-	-	-	-	4,810	-	1,079	2,343	-
Transfers	-	173,640	(44,877)	(44,877)	-	-	-	-	-	-
Total business-type activities	365	173,973	(44,691)	(44,680)	203	4,979	261	1,100	2,435	241
TOTAL PRIMARY GOVERNMENT	\$ 26,088,664	\$ 27,285,280	\$ 28,283,275	\$ 23,348,659	\$ 32,906,029	\$ 34,142,533	\$ 35,388,950	\$ 36,686,992	\$ 44,999,211	\$ 48,883,601
CHANGE IN NET POSITION										
Governmental activities	\$ 2,736,549	\$ 11,474,362	\$ (479,312)	\$ (2,649,233)	\$ 3,041,527	\$ 624,854	\$ (2,047,274)	\$ 2,763,791	\$ 6,434,556	\$ 9,781,011
Business-type activities	(158,419)	(21,064)	(221,957)	(44,756)	(86,359)	(79,701)	(116,632)	(29,883)	6,377	159,540
TOTAL PRIMARY GOVERNMENT	\$ 2,578,130	\$ 11,453,298	\$ (701,269)	\$ (2,693,989)	\$ 2,955,168	\$ 545,153	\$ (2,163,906)	\$ 2,733,908	\$ 6,440,933	\$ 9,940,551

CITY OF HENDERSONVILLE
FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

Schedule 3 (Prepared using the modified accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental Funds:										
General Fund:										
Nonspendable	4,155	17,493	73,510	278,000	6,046	601,677	1,215	13,661	11,887	71,490
Restricted	519,482	1,035,950	991,591	1,036,187	887,274	832,915	984,323	1,149,704	1,216,897	900,940
Committed	277,622	274,997	267,175	836,158	2,532,774	2,010,771	1,852,781	2,171,651	2,412,317	4,179,557
Assigned	3,681,641	4,593,972	4,760,199	3,015,185	2,336,958	3,969,543	3,763,198	2,656,458	2,407,768	1,930,616
Unassigned	2,179,647	1,802,256	1,030,329	2,829,182	3,607,022	3,158,144	3,932,022	4,204,347	4,021,244	11,710,063
Total general fund	<u>\$ 6,662,547</u>	<u>\$ 7,724,668</u>	<u>\$ 7,122,804</u>	<u>\$ 7,994,712</u>	<u>\$ 9,370,074</u>	<u>\$ 10,573,050</u>	<u>\$ 10,533,539</u>	<u>\$ 10,195,821</u>	<u>\$ 10,070,113</u>	<u>\$ 18,792,666</u>
All Other Governmental Funds:										
Nonspendable reported in Special Revenue Funds	-	-	2,535	-	-	-	-	-	-	-
Restricted reported in Special Revenue Funds	1,343,940	1,358,574	1,601,330	1,360,944	745,446	856,304	1,524,250	2,382,946	2,536,130	7,390,396
Restricted reported in Capital Projects Fund	3,714,801	3,672,665	4,242,382	3,270,823	5,145,662	1,760,146	5,160,528	3,066,080	1,320,764	2,086,420
Total all other governmental funds	<u>\$ 5,058,741</u>	<u>\$ 5,031,239</u>	<u>\$ 5,846,247</u>	<u>\$ 4,631,767</u>	<u>\$ 5,891,108</u>	<u>\$ 2,616,450</u>	<u>\$ 6,684,778</u>	<u>\$ 5,449,026</u>	<u>\$ 3,856,894</u>	<u>\$ 9,476,816</u>
Total	<u>\$ 11,721,288</u>	<u>\$ 12,755,907</u>	<u>\$ 12,969,051</u>	<u>\$ 12,626,479</u>	<u>\$ 15,261,182</u>	<u>\$ 13,189,500</u>	<u>\$ 17,218,317</u>	<u>\$ 15,644,847</u>	<u>\$ 13,927,007</u>	<u>\$ 28,269,482</u>

CITY OF HENDERSONVILLE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS

Schedule 4

(Prepared using the modified accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES										
Taxes	\$ 20,870,520	\$ 22,129,587	\$ 22,914,476	\$ 23,829,117	\$ 26,620,140	\$ 27,820,614	\$ 28,793,994	\$ 29,626,564	\$ 38,052,610	\$ 41,360,511
Intergovernmental	8,100,213	10,924,360	8,120,595	7,424,580	8,661,973	8,677,784	7,539,144	9,417,315	8,717,269	12,475,036
Fines and fees	572,903	595,632	550,316	514,335	515,320	503,072	522,233	423,004	461,529	470,600
Licenses and permits	1,560,101	1,349,590	1,717,180	2,202,399	2,474,785	2,330,781	2,283,966	2,421,681	2,816,218	3,917,795
Charges for services	4,244,748	4,376,448	4,497,477	4,651,311	4,929,764	4,954,836	5,433,958	8,149,062	2,779,469	2,948,294
Contributions	-	-	-	-	-	-	-	-	150,275	96,390
Uses of money, property and miscellaneous	53,998	34,283	21,922	37,749	29,039	37,912	30,170	44,996	44,328	58,037
Other	220,291	1,297,224	182,985	319,257	482,841	328,539	232,690	699,356	382,446	433,499
TOTAL REVENUES	35,622,774	40,707,124	38,004,951	38,978,748	43,713,862	44,653,538	44,836,155	50,781,978	53,404,144	61,760,162
EXPENDITURES										
General government	389,440	396,272	427,151	434,423	392,171	360,566	483,009	538,560	583,105	695,210
Personnel	272,531	287,784	305,524	315,919	399,598	377,876	447,371	445,824	425,205	362,655
Central services	1,492,771	1,599,478	1,794,169	1,894,510	1,887,501	2,032,366	2,058,315	2,194,032	2,604,890	1,344,879
Finance	775,140	852,925	905,613	877,973	995,139	922,366	924,439	1,084,071	1,069,626	1,232,877
Parks	1,481,399	1,629,574	1,684,978	1,700,430	1,942,921	2,065,364	2,430,277	2,253,393	2,448,259	2,876,615
IT	-	-	-	219,792	446,661	605,882	725,602	790,543	870,931	1,035,709
Codes	686,682	736,517	748,439	738,692	761,569	727,566	815,371	749,423	817,002	791,906
Planning	520,495	505,872	749,722	847,660	699,858	634,172	616,866	782,650	718,163	882,901
Public works	2,094,358	2,169,770	2,097,416	1,967,093	3,136,010	4,182,272	4,154,241	3,216,273	4,101,812	4,160,138
Police	8,832,841	8,964,947	9,764,722	10,030,094	10,524,713	10,760,909	11,978,528	13,031,362	14,141,010	13,763,039
Fire	7,563,874	8,212,617	9,085,509	8,798,116	9,081,173	8,851,924	9,430,304	10,230,800	11,354,198	11,504,147
Contributions	228,750	228,750	233,150	234,650	234,650	235,150	241,400	249,400	270,025	298,200
Disposal service	4,580,896	4,690,339	4,822,061	4,997,329	5,275,955	5,324,951	5,777,510	6,076,106	3,776,010	3,900,247
Program costs	41,734	15,766	17,543	29,743	50,665	23,051	19,199	12,870	20,399	14,264
Streets	1,014,149	1,388,321	1,369,890	1,964,121	2,252,749	1,538,262	2,002,616	2,231,292	2,897,569	1,914,367
Stormwater	-	-	-	-	-	-	-	1,061,545	2,802,804	1,987,956
Debt service - Principal	1,740,500	7,852,821	2,070,185	2,282,594	2,338,593	2,150,633	1,620,633	1,628,384	1,845,244	1,845,244
Debt service - Interest	447,936	391,010	299,374	284,817	226,984	263,322	198,389	385,731	342,206	293,065
Debt service - Other	-	-	-	-	-	200	10,561	220	-	93,887
Capital outlay	3,384,494	6,548,414	2,711,238	1,748,241	4,436,624	5,668,388	5,565,732	5,436,066	4,033,526	4,405,998
TOTAL EXPENDITURES	35,547,990	46,471,177	39,086,684	39,366,197	45,083,534	46,725,220	49,500,363	52,398,545	55,121,984	53,403,304
Excess of revenues over (under) expenditures	74,784	5,764,053	(1,081,733)	(387,449)	(1,369,672)	2,071,682	(4,664,208)	(1,616,567)	(1,717,840)	8,356,858
OTHER FINANCING SOURCES (USES)										
Bond, notes, premiums, and leases	270,370	7,196,540	1,250,000	-	4,020,400	-	8,693,025	-	-	5,985,667
Operating transfers	-	(173,640)	44,877	44,877	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	270,370	7,022,900	1,294,877	44,877	4,020,400	-	8,693,025	-	-	5,985,667
Special item	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balance	\$ 345,154	\$ 1,258,847	\$ 213,144	\$ (342,572)	\$ 2,650,728	\$ (2,071,682)	\$ 4,028,817	\$ (1,616,567)	\$ (1,717,840)	\$ 14,342,525
Debt service as a percentage of noncapital expenditures	6.8 %	20.6 %	6.5 %	3.1 %	6.3 %	5.9 %	4.2 %	4.3 %	4.3 %	4.6 %

City of Hendersonville, Tennessee
Revenue Capacity Information
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years

Schedule 5

Fiscal Year	Real Property					Estimated Actual Value	Total Direct Tax Rate*
	Industrial & Commercial	Farm & Residential	Personal Property	Public Utility	Total Assessed Value		
2012	442,151,760	988,999,800	42,213,969	17,391,211	1,490,756,740	5,241,935,461	0.6500
2013	443,628,677	997,170,533	43,338,302	18,106,094	1,502,243,606	5,285,753,401	0.6500
2014	440,270,117	1,006,573,069	44,115,671	17,720,720	1,508,679,577	5,314,617,102	0.6500
2015	439,051,452	1,010,361,629	44,579,810	17,272,369	1,511,265,260	5,327,244,660	0.6500
2016	444,883,652	1,025,248,084	49,089,966	18,176,318	1,537,398,020	5,418,475,735	0.7580
2017	459,899,552	1,049,878,394	49,056,055	17,051,405	1,575,885,406	6,052,133,998	0.7580
2018	483,938,432	1,071,168,662	57,956,623	16,184,364	1,629,248,081	6,240,949,169	0.7580
2019	492,045,712	1,100,086,559	50,001,090	14,670,314	1,656,803,675	7,360,619,605	0.7580
2020	591,362,520	1,515,262,524	70,481,107	20,208,189	2,197,314,340	7,820,689,385	0.9187
2021	592,794,440	1,547,715,032	73,889,516	20,227,402	2,234,626,390	7,965,484,597	0.9187

Property is assessed as follows:

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

* Per \$100 of assessed valuation

Note - Property of the City is reappraised frequently. For this reason appraised value is considered equal to actual value

Source: City tax rolls

City of Hendersonville, Tennessee
Revenue Capacity Information
Direct and Overlapping Property Tax Rates, Last Ten Years

Schedule 6

Fiscal Year	Direct Rate City	Overlapping Rate County **	Total
2012	0.6500 %	2.0208 %	2.6708 %
2013	0.6500	2.0208	2.6708
2014	0.6500	2.0208	2.6708
2015	0.6500	2.5000	3.1500
2016	0.7580	2.5000	3.2580
2017	0.7580	2.5000	3.2580
2018	0.7580	2.5000	3.2580
2019	0.7580	2.5000	3.2580
2020	0.9187	2.2620	3.1807
2021	0.9187	2.2620	3.1807

Source - County Tax Assessor

The Direct Rate is a single rate with no components

Levied per \$100 of assessed value

** Levied on County property within the City

Source: City tax rolls

City of Hendersonville, Tennessee

**Revenue Capacity Information
Principal Property Taxpayers, Current Year and Nine Years Ago**

Schedule 7

Taxpayer	2021			2012		
	Taxable Assessed Value*	Rank	Percent of Total Assessed Value	Taxable Assessed Value*	Rank	Percent of Total Assessed Value
Glenbrook Apartments GP	\$ 14,134,120	1	0.63%			
Monthaven Park LLC	13,717,520	2	0.61%	12,003,880	4	0.81%
Hendersonville Hospital Corp / HCA	13,015,720	3	0.58%	14,251,843	2	0.96%
HSRE Indian Lake LLC	12,454,560	4	0.55%			
Mid America Apartments LP	12,379,000	5	0.55%			
Point at Waterford LLC	12,370,369	6	0.55%			
USPG Indian Lake LLC (Formerly, Inland American Hendersonville)	9,542,240	7	0.42%	22,308,360	1	1.50%
Breit Steadfast MF Catare	9,207,240	8	0.41%			
Bel Hendersonville LLC	8,885,360	9	0.39%			
Piedmont Natural Gas Company	8,370,072	10	0.37%	6,616,724	10	0.44%
Walmart Real Estate Realty				13,280,960	3	0.89%
Adventura at Indian Lake V				11,053,240	5	0.74%
Grove at Waterford				8,320,000	6	0.56%
HD Development of Maryland				6,770,600	7	0.45%
DRG Hendersonville Etal (Gables)				6,691,800	8	0.45%
Union Dominion Realty, LP				6,684,840	9	0.45%
Totals	<u>\$ 114,076,201</u>		<u>5.07%</u>	<u>\$ 107,982,247</u>		<u>7.24%</u>
Total Assessed Value	<u>\$ 2,251,285,171</u>			<u>\$ 1,491,078,308</u>		

Source:

* Property Tax Assessment Roll

City of Hendersonville, Tennessee
Revenue Capacity Information
Property Tax Levies and Collections, Last Ten Fiscal Years

Schedule 8

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collected as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
2012	9,692,009	9,363,490	97%	320,606	9,684,096	99.92%	7,913	0.0816%
2013	9,765,249	9,550,408	98%	205,919	9,756,327	99.91%	8,922	0.0914%
2014	9,809,921	9,605,463	98%	194,511	9,799,974	99.90%	9,947	0.1014%
2015	9,814,009	9,604,742	98%	199,328	9,804,070	99.90%	9,939	0.1013%
2016	11,648,086	11,435,416	98%	197,321	11,632,737	99.87%	15,349	0.1318%
2017	11,895,688	11,699,657	98%	182,830	11,882,487	99.89%	13,201	0.1110%
2018	12,330,262	12,156,040	99%	145,387	12,301,427	99.77%	28,835	0.2339%
2019	12,426,026	12,188,659	98%	205,241	12,393,900	99.74%	32,126	0.2585%
2020	19,864,793	19,474,642	98%	251,997	19,726,639	99.30%	138,154	0.6955%
2021	20,240,755	19,877,886	98%	0	19,877,886	98.21%	362,869	1.7928%
							627,255	

Taxes are assessed as of January 1 and due on October 1 each year.
Taxes become delinquent on February 28 of the following year.

City of Hendersonville, Tennessee
Revenue Capacity Information
Local Sales Tax Collections, Last Ten Fiscal Years

Schedule 9

Fiscal Year	Total Remittances From State	Local Tax Rate*	State Tax Rate	Total Tax Rate
2012	8,621,073	2.25%	7.00%	9.25%
2013	9,333,249	2.25%	7.00%	9.25%
2014	9,955,473	2.25%	7.00%	9.25%
2015	10,700,689	2.25%	7.00%	9.25%
2016	11,464,879	2.25%	7.00%	9.25%
2017	12,301,376	2.25%	7.00%	9.25%
2018	12,776,911	2.25%	7.00%	9.25%
2019	13,459,303	2.25%	7.00%	9.25%
2020	14,055,953	2.25%	7.00%	9.25%
2021	16,662,754	2.25%	7.00%	9.25%

Local sales tax is collected by the Tennessee Department of Revenue and remitted to the City on a monthly basis. Due to this, category, industry and other source information was not readily available. Attempts are being made to accumulate this information to include in the report.

* Sumner County retains half of the local tax rate for schools. The above remittances are the City's half.

Source: Sales tax reports provided by the State of Tennessee

City of Hendersonville, Tennessee
Revenue Capacity Information
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Schedule 10

Fiscal Year	Population	Governmental Activities				Business-type activities	Total Primary Government	Percent of Personal Income	Debt Per Capita
		General Obligation Bonds	Obligation to County Schools	Capital Outlay Notes	Note Premiums (Discounts)	Golf Course Bonds			
2012	51,325	1,555,000	987,129	10,245,370	-	-	12,787,499	0.83%	249
2013	53,080	-	987,129	11,207,636	364,451	-	12,559,216	0.72%	230
2014	54,068	-	987,129	10,361,682	338,682	-	11,687,493	0.67%	210
2015	55,153	-	789,703	7,937,833	312,913	-	9,040,449	0.49%	164
2016	56,018	-	592,277	9,817,066	263,176	-	10,672,519	0.58%	191
2017	57,050	-	394,851	7,863,860	230,279	-	8,488,990	0.44%	149
2018	57,634	-	197,426	15,133,678	197,382	-	15,528,486	0.81%	269
2019	58,113	-	-	13,702,720	164,485	-	13,867,205	0.67%	239
2020	59,323	-	-	11,857,475	131,588	-	11,989,063	0.54%	202
2021	61,753	-	-	14,639,167	1,035,923	-	15,675,090	0.68%	254

Notes:

Details of the City's Debt can be found in Note 6 to the current financial statements

Debt includes related premiums and discounts

* See schedule 15 for personal income information

City of Hendersonville, Tennessee
Debt Capacity Information
Ratios of General Obligation Debt Outstanding, Last Ten Fiscal Years

Schedule 11

Fiscal Year	Population	Estimated Appraised Value	General Obligation Bonds	Obligation to County Schools	Capital Notes	Note Premiums (Discounts)	Total	Ratio of General Obligation Debt to Appraisal Value	Net General Obligation Debt Per Capita
2012	51,325	5,241,935,461	1,555,000	987,129	10,245,370	-	12,787,499	0.24%	249
2013	53,080	5,285,753,401	-	987,129	11,207,636	364,451	12,559,216	0.24%	237
2014	54,068	5,314,617,102	-	987,129	10,361,682	338,682	11,687,493	0.22%	216
2015	55,153	5,327,244,660	-	789,703	7,937,833	312,913	9,040,449	0.17%	164
2016	56,018	5,418,475,735	-	592,277	9,817,066	263,176	10,672,519	0.20%	191
2017	57,050	6,052,133,998	-	394,851	7,863,860	230,279	8,488,990	0.14%	149
2018	57,634	6,240,949,169	-	197,426	15,133,678	197,382	15,528,486	0.25%	269
2019	58,113	7,360,619,605	-	-	13,702,720	164,485	13,867,205	0.19%	239
2020	59,323	7,820,689,385	-	-	11,857,475	131,588	11,989,063	0.15%	202
2021	61,753	7,965,484,597	-	-	14,639,167	1,035,923	15,675,090	0.20%	254

Notes:

The above general obligation debt includes capital outlay notes since they were required to be paid from the tax base of the City. Debt includes related premiums and discounts.

City of Hendersonville, Tennessee
Debt Capacity Information
Direct and Overlapping Governmental Activities Debt

Schedule 12

Jurisdiction	General Obligation Debt Outstanding	Percentage Applicable to City*	Amount Applicable to City*
City of Hendersonville	\$ 15,675,090	100.00%	\$ 15,675,090
Sumner County	\$ 275,960,000	34.92%	\$ 96,363,678
Total	291,635,090		\$ 112,038,768

* Based upon Assessed Value of Property in
County: \$ 6,399,376,939
City: 2,234,626,390

City of Hendersonville, Tennessee
Debt Capacity Information
Debt Margin Information, Last Ten Fiscal Years

Schedule 13

Fiscal Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Assessed Value	7,965,484,597	\$7,820,689,385	\$7,360,619,605	6,240,949,169	6,052,133,998	\$5,418,475,735	\$5,327,244,660	5,314,617,102	5,285,753,401	5,241,935,461
General Obligation Debt	\$ 15,675,090	11,989,063	13,867,205	15,528,486	\$ 8,488,990	10,672,519	9,040,449	11,687,493	12,559,216	12,787,499
Debt as a % of Assessed Value	0.20%	0.15%	0.19%	0.25%	0.14%	0.20%	0.17%	0.22%	0.24%	0.24%

Note - The City has no legal debt limit.

City of Hendersonville, Tennessee
Debt Capacity Information
Pledged - Revenue Coverage, Last Ten Years

Schedule 14

Golf Course Enterprise Fund

Fiscal Year	Golf Course						
	Gross Revenues*	Direct** Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2012	807,588	760,594	46,994	-	-	-	-
2013	773,926	762,636	11,290	-	-	-	-
2014	808,082	746,725	61,357	-	-	-	-
2015	840,847	771,428	69,419	-	-	-	-
2016	857,578	830,221	27,357	-	-	-	-
2017	832,370	804,201	28,169	-	-	-	-
2018	769,979	817,441	(47,462)	-	-	-	-
2019	789,742	784,807	4,935	-	-	-	-
2020	816,848	774,717	42,131	-	-	-	-
2021	1,049,031	836,271	212,760	165,557	***	-	165,557

* Includes nonoperating revenues

** Net of depreciation, amortization and payments to the City for golf carts and mowers.

***Owed to City of Hendersonville - General Fund

City of Hendersonville, Tennessee
Demographic and Economic Information
Demographic and Economic Statistics, Last Ten Years

Schedule 15

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age*	School Enrollment**	Unemployment Rate*
2012	51,325	1,539,750,000	30,000	38.7	12,785	6.8%
2013	53,080	1,704,876,520	32,119	37.8	13,857	6.8%
2014	54,068	1,766,509,696	32,672	37.8	16,224	5.5%
2015	55,153	1,782,324,348	32,316	37.8	14,206	4.8%
2016	56,018	1,847,921,784	32,988	39.4	14,058	3.9%
2017	57,050	1,902,104,050	33,341	40.2	14,198	3.6%
2018	57,634	1,915,754,160	33,240	40.2	14,923	3.3%
2019	58,113	2,067,544,314	35,578	40.1	14,350	3.2%
2020	59,323	2,206,341,016	37,192	40.1	14,583	9.2%
2021	61,753	2,319,684,752 ***	37,564 ***	40.1	14,500	4.5%

* Department of Labor, Research and Statistics

** Sumner Board of Education

***Estimated

Total Personal Income is calculated using population and per capita personal income information

City of Hendersonville, Tennessee
Demographic and Economic Information
Principal Employers, Current Year and Nine Years Ago

Schedule 16

Employer	2021			2012		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Xtend Healthcare	1,105	1	32.59%	-	-	-
Hendersonville Medical Center	690	2	20.35%	500	1	18.86%
City of Hendersonville	375	3	11.06%	361	3	13.62%
MGM Windows	225	4	6.64%	195	7	7.36%
Novita and Osram Business	195	5	5.75%	-	-	-
Smith Travel Research	180	6	5.31%	-	-	-
Aladdin Temp Rite	175	7	5.16%	175	9	6.60%
Sumner County YMCA	151	8	4.45%	-	-	-
NT Glass	150	9	4.42%	-	-	-
Aergo Solutions	145	10	4.28%	-	-	-
Wal-Mart	-	-	-	400	2	15.09%
Windham Professionals	-	-	-	250	4	0.09
McDonalds	-	-	-	220	5	8.30%
Digital Connections	-	-	-	200	6	7.54%
Lowe's Home Improvement	-	-	-	180	8	6.79%
Sam's Club	-	-	-	170	10	6.41%
Totals	<u>3,391</u>		<u>100%</u>	<u>2,651</u>		<u>100.0%</u>

City of Hendersonville, Tennessee
Operating Information
Full-Time Equivalent City Government Employees by Function, Last Ten Fiscal Years

Schedule 17

Function	Full-Time Equivalent Employees as of June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government	5	5	4	4	3	3	4	4	4	5
Personnel	6	5	4	4	4	4	3	3	3	3
Central Service	4	4	-	-	-	-	-	-	-	-
Finance	13	12	10	10	9	9	9	9	9	9
Parks	30	25	20	18	19	17	16	16	14	16
Information Technology	5	4	3	3	2	2	2	n/a	n/a	n/a
Codes	13	13	11	10	9	8	9	9	9	10
Planning	9	8	6	6	17	6	6	5	5	6
Police	150	146	141	146	137	134	127	121	119	123
Fire	123	127	102	110	102	101	101	101	103	104
Streets and Public Works	45	47	50	50	38	34	32	27	32	35
Golf Course*	5	6	6	7	7	4	6	6	6	5
	408	402	357	368	347	322	315	301	304	316

* Golf course workers are leased employees

Source: City Personnel Department

City of Hendersonville, Tennessee
Operating Information
Operating Indicators by Function/Program, Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Police										
Calls	31,817	40,239	34,997	32,109	41,122	43,863	44,712	41,227	42,102	51,042
Fire										
Emergency Responses										
Fire Calls	715	7,078	7,990	7,634	5,745	5,647	4,658	4,181	4,166	4,600
Codes										
Building Permits Issued	4,709	3,124	2,581	2,378	774	787	618	628	579	439
Disposal Service										
Refuse Collected* (number of homes)	19,075	18,731	18,597	18,168	17,334	17,212	16,918	16,633	16,325	16,200
Golf Course										
Rounds Played	25,756	22,282	21,075	21,073	23,303	23,319	22,526	23,741	22,671	22,977

Note: Indicators are not available for the general government, personnel, central service, finance and planning functions

* Collection service is contracted out

Source: Various City Departments

City of Hendersonville, Tennessee
Operating Information
Capital Assets Statistics by Function, Last Ten Fiscal Years

Schedule 19

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Parks										
Acres	630	630	630	630	595	595	540	540	540	540
Parks	8	8	8	8	7	7	7	7	7	7
Autos and Trucks	20	21	20	20	20	20	20	20	20	17
Codes										
Autos and Trucks	10	10	8	7	7	6	6	8	7	7
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Vehicles, Motorcycles and Boats	203	188	186	180	163	154	145	173	163	153
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Fire Trucks	12	12	12	13	13	13	12	12	11	11
Autos and Trucks	15	15	15	15	13	12	10	11	12	12
Fire Boats	3	3	3	3	3	3	3	3	3	3
Streets and Public Works										
Streets (miles)	383	382.5	382	381	376	376	374	371	369	363

Note: Capital asset statistics are not available for (or not applicable) for the general government, personnel, central services, finance, planning and disposal service functions.

Source: Departments within City Hall

OTHER REPORTS 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

Board of Mayor and Aldermen
City of Hendersonville, Tennessee
Hendersonville, 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 discretely presented component units and remaining fund information of City of Hendersonville, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Hendersonville, Tennessee’s basic financial statements, and have issued our report thereon dated December 28, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of Hendersonville, Tennessee’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 City of Hendersonville, Tennessee’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hendersonville, Tennessee’s internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether City of Hendersonville, Tennessee'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 our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, stylized font.

Nashville, Tennessee
December 28, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Mayor and Aldermen
City of Hendersonville, Tennessee
Hendersonville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Hendersonville, Tennessee's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Hendersonville, Tennessee's major federal programs for the year ended June 30, 2021. The City of Hendersonville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the City of Hendersonville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hendersonville, Tennessee's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, City of Hendersonville, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of City of Hendersonville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing for our audit of compliance, we considered City of Hendersonville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hendersonville's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "Knapf CPAs PLLC".

Nashville, Tennessee
December 28, 2021

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019 - COVID 97.036	Coronavirus Relief Fund Hazard Mitigation Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

PRIOR YEAR

No findings noted.

CURRENT YEAR

No findings noted.