

CITY OF HENDERSONVILLE, TENNESSEE  
FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED JUNE 30, 2020

PREPARED BY:  
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORTS

FOR THE YEAR ENDED JUNE 30, 2020

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CITY OF HENDERSONVILLE, TENNESSEE

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CITY OF HENDERSONVILLE, TENNESSEE

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION  
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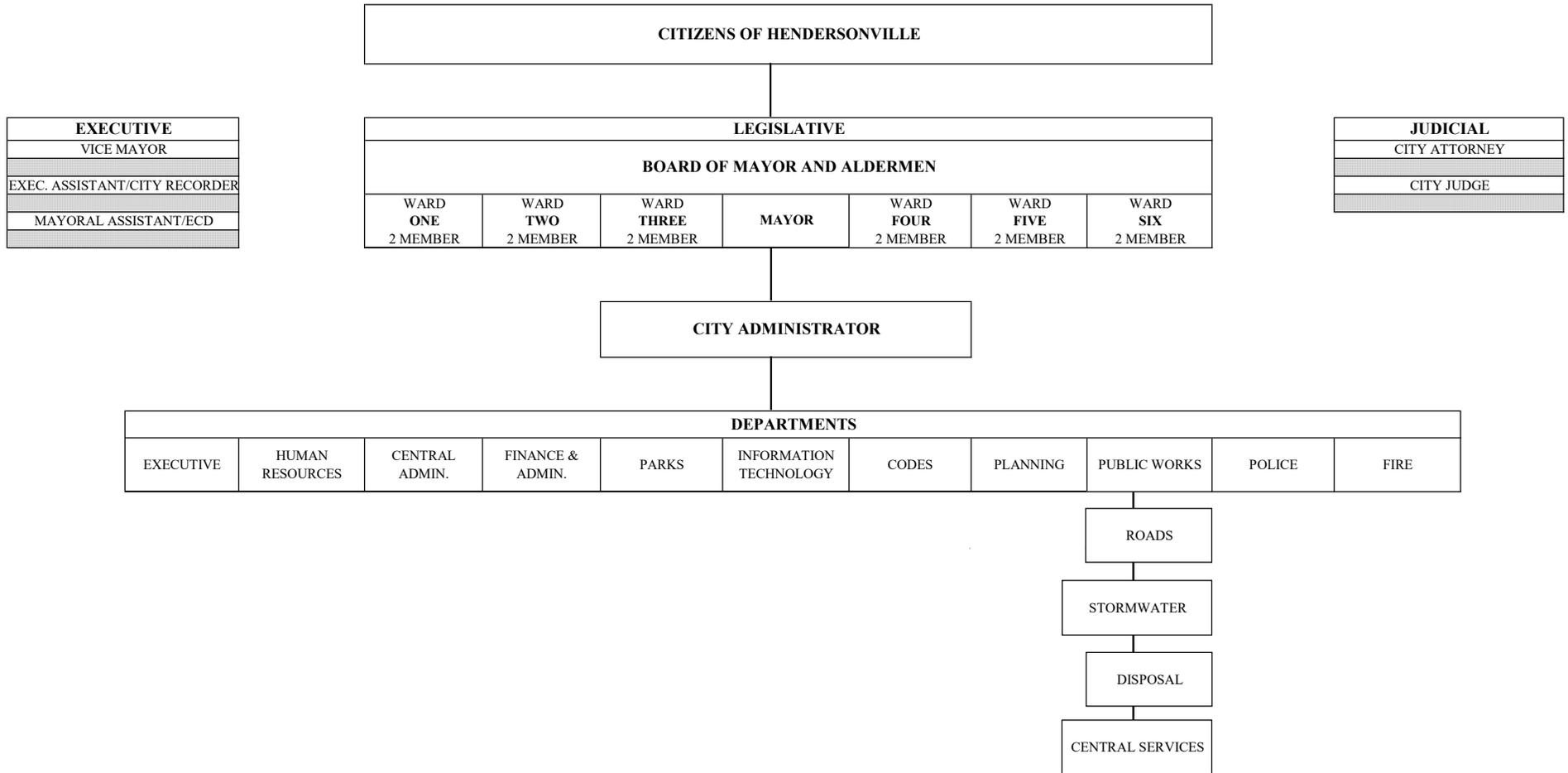
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INTRODUCTORY SECTION

# CITY OF HENDERSONVILLE

## ORGANIZATIONAL CHART

June 30, 2020



OFFICIALS OF THE  
CITY OF HENDERSONVILLE, TN

June 30, 2020

Jamie Clary	Mayor
Arlene Cunningham	Vice Mayor, Ward 3
Peg Petrelli	Alderman, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Scott Sprouse	Alderman, Ward 2
Russ Edwards	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Andrew Bolt	Alderman, Ward 4
Darrell Woodcock	Alderman, Ward 5
Jonathan Hayes	Alderman, Ward 5
Jim Waters	Alderman, Ward 6
Eddie Roberson	Alderman, Ward 6
Dave LeMarbre	City Administrator
Kay Franklin	Executive Assistant / City Recorder
Chris Taylor	Interim Human Resources Director
Robert Manning	Finance Director
Kimberly Deem	CMFO Designee
Andy Gilley	Parks Director
Mary Beth Ippich	Information Technology Manager
Greg Story	Interim Codes Director
Keith Free	Planning Director
Marshall Boyd	Interim 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.

FINANCIAL SECTION



## 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, 2020, 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, 2020, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste 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 61 through 63 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 schedule of expenditures of federal and state awards 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 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 on pages i and ii 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 30, 2019 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 "Kraft CPAs PLLC". The signature is written in a cursive, slightly slanted style.

Nashville, Tennessee  
December 30, 2020

# 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, 2020.

### 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 \$74,614,576 (net position). Of this amount, \$10,267,750 (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 \$6,440,933. 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 \$13,927,007, a decrease of \$1,717,840 in comparison to the prior year. Approximately \$4,021,244 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 \$4,021,244 or 10.9% of the total general fund expenditures.

The City's total debt decreased by \$1,845,244 or (13.5%) 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 eight 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 23-25 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 26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-60 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 64-71 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 \$74,614,576 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (79.4%) 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.

City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 42,218,100	\$ 44,112,001	\$ 114,607	\$ 65,040	\$ 42,332,707	\$ 44,177,041
Capital assets	<u>70,225,662</u>	<u>64,850,985</u>	<u>904,849</u>	<u>940,603</u>	<u>71,130,511</u>	<u>65,791,588</u>
Total assets	<u>112,443,762</u>	<u>108,962,986</u>	<u>1,019,456</u>	<u>1,005,643</u>	<u>113,463,218</u>	<u>109,968,629</u>
Deferred outflows of resources	<u>7,115,736</u>	<u>5,329,633</u>	-	-	<u>7,115,736</u>	<u>5,329,633</u>
Long-term liabilities outstanding	19,312,922	20,140,987	-	-	19,312,922	20,140,987
Other liabilities	<u>5,255,043</u>	<u>6,113,282</u>	<u>78,499</u>	<u>71,063</u>	<u>5,333,542</u>	<u>6,184,345</u>
Total liabilities	<u>24,567,965</u>	<u>26,254,269</u>	<u>78,499</u>	<u>71,063</u>	<u>24,646,464</u>	<u>26,325,332</u>
Deferred inflows of resources	<u>21,317,914</u>	<u>20,799,287</u>	-	-	<u>21,317,914</u>	<u>20,799,287</u>
Net position:						
Net investment capital assets	58,368,186	51,148,265	904,849	940,603	59,273,035	52,088,868
Restricted	5,073,791	6,598,730	-	-	5,073,791	6,598,730
Unrestricted	<u>10,231,642</u>	<u>9,492,068</u>	<u>36,108</u>	<u>(6,023)</u>	<u>10,267,750</u>	<u>9,486,045</u>
Total net position	<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>

An additional portion of the City's net position (6.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10,267,750) 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 \$6,440,933 during the current fiscal year amount to 9.4% of total net position. This increase represents mostly an increase in total revenues exceeding expenditures and amounts within the Nonmajor Governmental Funds.

### Governmental Activities

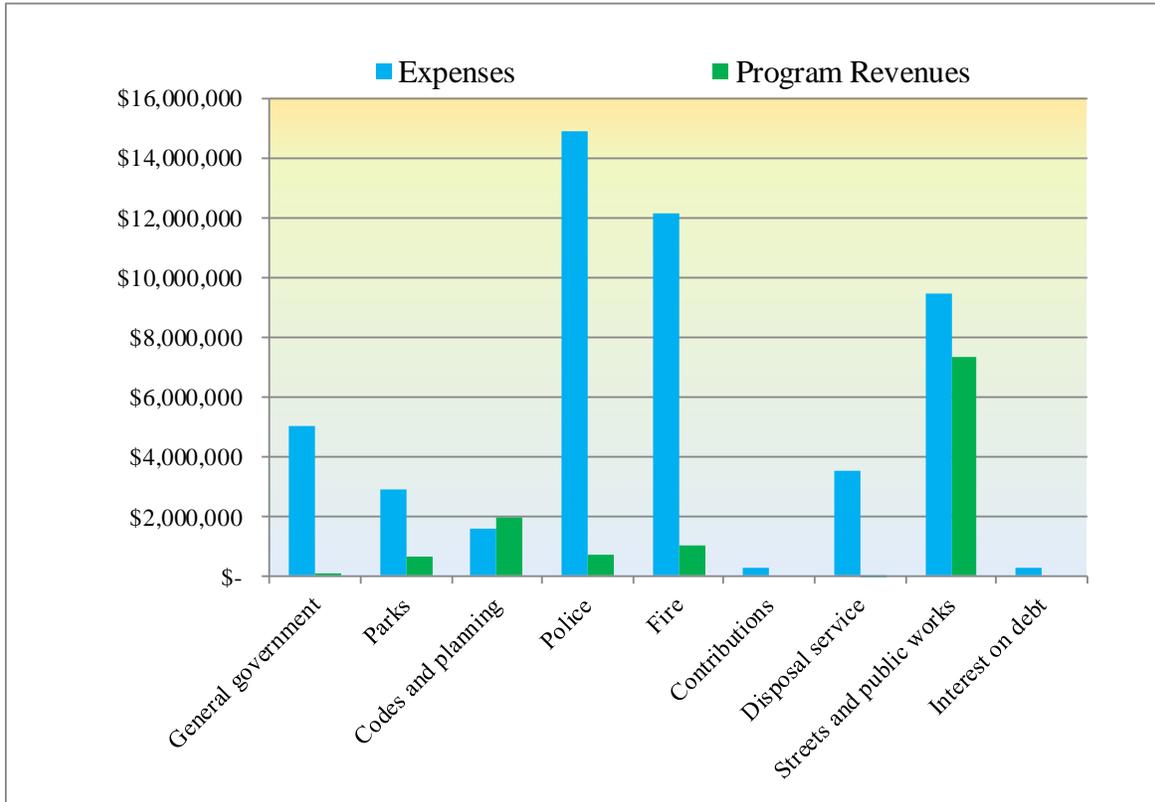
Governmental activities increased the City's net position by \$6,434,556, thereby accounting for 99.9% of the total change in the net position of the City. The key factor for this increase was due in part to significant economic growth experienced throughout the fiscal year, combined with a heavily conservative approach to spending as a 'wait-and-see' method was utilized in response to the newly forming COVID-19 pandemic.

City of Hendersonville's Net Position

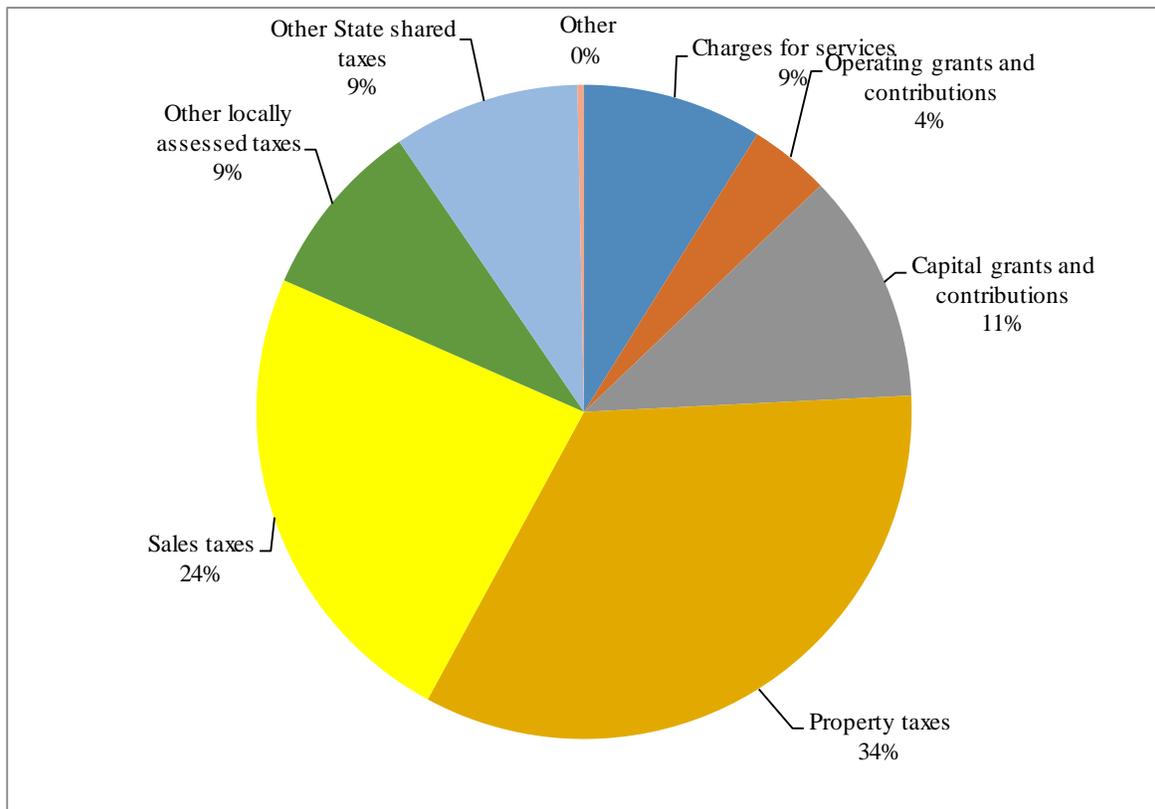
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,264,434	\$ 10,363,724	\$ 814,413	\$ 789,721	\$ 6,078,847	\$ 11,153,445
Operating grants and contributions	2,358,418	2,045,192	-	-	2,358,418	2,045,192
Capital grants and contributions	6,745,962	3,724,028	-	-	6,745,962	3,724,028
<b>General revenues:</b>						
Property taxes	20,011,665	12,453,782	-	-	20,011,665	12,453,782
Sales taxes	14,055,953	13,459,303	-	-	14,055,953	13,459,303
Other locally assessed taxes	5,269,856	4,581,793	-	-	5,269,856	4,581,793
Other State shared taxes	5,463,584	5,617,345	-	-	5,463,584	5,617,345
Other	195,718	573,669	2,435	1,100	198,153	574,769
<b>Total revenues</b>	<b>59,365,590</b>	<b>52,818,836</b>	<b>816,848</b>	<b>790,821</b>	<b>60,182,438</b>	<b>53,609,657</b>
<b>Expenses:</b>						
General government	688,697	641,981	-	-	688,697	641,981
Personnel	435,132	449,180	-	-	435,132	449,180
Central services	1,919,508	2,213,220	-	-	1,919,508	2,213,220
Finance	1,097,832	989,843	-	-	1,097,832	989,843
Parks	2,917,521	2,686,687	-	-	2,917,521	2,686,687
IT	909,304	815,935	-	-	909,304	815,935
Codes	828,917	766,532	-	-	828,917	766,532
Planning	732,069	778,842	-	-	732,069	778,842
Police	14,895,443	13,555,768	-	-	14,895,443	13,555,768
Fire	12,155,907	10,847,398	-	-	12,155,907	10,847,398
Contributions	270,025	249,400	-	-	270,025	249,400
Disposal service	3,536,122	6,001,994	-	-	3,536,122	6,001,994
Stormwater	2,802,804	1,061,545	-	-	2,802,804	1,061,545
Drug and forfeiture program costs	20,399	12,870	-	-	20,399	12,870
Streets and Public Works	9,436,626	8,651,120	-	-	9,436,626	8,651,120
Interest expense on long-term debt	284,728	332,730	-	-	284,728	332,730
Golf course	-	-	810,471	820,704	810,471	820,704
<b>Total expenses</b>	<b>52,931,034</b>	<b>50,055,045</b>	<b>810,471</b>	<b>820,704</b>	<b>53,741,505</b>	<b>50,875,749</b>
Increase (decrease) in net position	6,434,556	2,763,791	6,377	(29,883)	6,440,933	2,733,908
<b>Net position</b>						
Beginning of year	67,239,063	64,475,272	934,580	964,463	68,173,643	65,439,735
End of year	\$ 73,673,619	\$ 67,239,063	\$ 940,957	\$ 934,580	\$ 74,614,576	\$ 68,173,643

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

## Expenses and Program Revenues - Governmental Activities



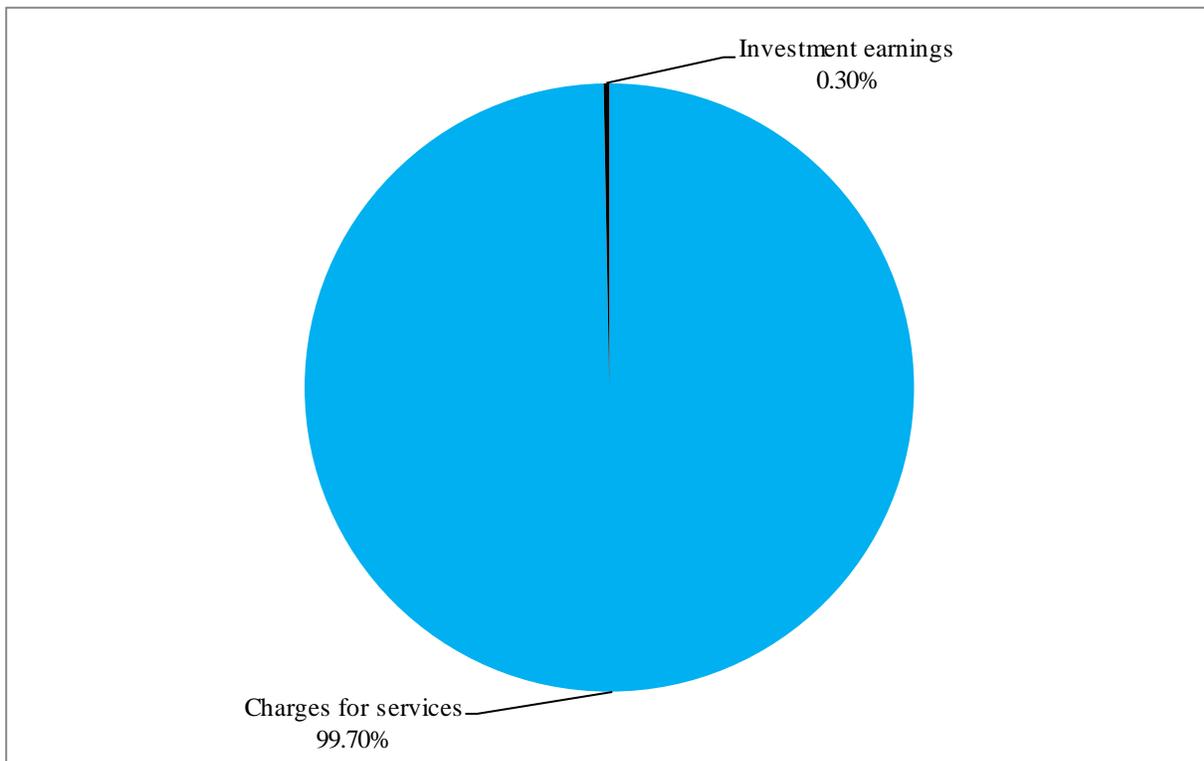
## Revenues by Source - Governmental Activities



## 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 \$13,927,007, a decrease of \$1,717,740 in comparison with the prior year. Approximately 28.9% of this total amount (\$4,021,244) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$9,905,765) indicates that it is not available for new spending because it has been either **1**) restricted for departmental obligations in the amount of (\$2,537,663); **2**) restricted to provide for capital projects (\$2,536,130); **3**) designated non-spendable to provide for prepaid items (\$11,887); **4**) committed to provide for designated departmental projects (\$2,412,617); **5**) assigned for specific projects regarding other governmental funds (\$915,404); **6**) and assigned for departmental obligations in the amount of (\$1,492,365).

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 \$4,021,243, while total fund balance reached \$10,070,113. 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 8.7% of total general fund expenditures, while total fund balance represents 21.8% of that same amount.

The fund balance of the City's General Fund increased by \$58,613 during the current fiscal year. The key factor in this increase was primarily due to restricted spending in the final months of the fiscal year due to the COVID-19 pandemic.

During the fiscal year, the special assessment for disposal costs was eliminated, therefore eliminating the need to maintain a Solid Waste Fund.

At the end of the current fiscal year, total fund balance of the Capital Projects Fund was \$2,536,130. The decrease in total fund balance from the prior fiscal year was \$714,271 due to no additional debt being issued.

At the end of the current fiscal year, fund balance of the State Street Aid fund (nonmajor governmental fund) was \$57,504. The decrease in total fund balance from the prior fiscal year was \$755,912 which is primarily due to paving initiatives beginning in Q4 of the fiscal year.

At the end of the current fiscal year, total fund balance of the Drug Fund (nonmajor governmental fund) was \$280,088. The increase in total fund balance from the prior fiscal year was \$9,768.

At the end of current fiscal year, total fund balance of the Forfeiture Fund (nonmajor governmental fund) was \$13,602. The increase in total fund balance from the prior fiscal year was \$251.

At the end of current fiscal year, total fund balance of the Stormwater Fund (nonmajor governmental fund) was \$958,245. The decrease in total fund balance from the prior fiscal year was \$327,614.

### 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 \$36,108. The increase in total net position of the Golf Course Fund amounted to \$6,377. 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 \$8,181,401, the majority of which can be briefly summarized as follows:

- \$4,553,944 was appropriated to cover the Disposal costs as the Special Assessment from prior years was voted to be eliminated. This accounted for 64.3% of the increased appropriations.
- \$150,000 in appropriations for use to purchase a limb truck.
- \$100,000 appropriated for design and drawings for Fire Station 7.
- \$360,000 appropriated for TIF payments due to property tax rate increase.
- \$40,550 appropriated to amend budget for TN Highway Safety Grant and Bulletproof Vest Partnership.
- \$80,686 appropriated for Fire Department Salaries Overtime for staffing of the UTV in parks.
- \$50,000 appropriated to the Supplemental Paving line item
- \$185,000 in appropriations to designate Hotel/Motel Lodging Tax expenses.

Total general fund revenues for FY 2019-2020 were under budgeted revenues by \$9,859,589 or 16.8%. Total expenditures for FY 2019-2020 were under budgeted expenditures before transfers by \$13,863,153 or 23.1% resulting in a positive variance with final budget before transfers in the amount of \$2,550,846.

Revenues were less than appropriate estimates resulting from underspent expenditures on grants. Expenditures were under budget mainly due to heavy conservative efforts at year end combined with multi-year projects being currently incomplete.

### **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, 2020, amounts to \$71,130,511 (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 8.1% (an 8.2% increase for governmental activities and a 3.9% decrease for business-type activities).

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

- \$1,263,182 was added in Buildings and Improvements, a majority of which is attributable to Volunteer Park Concession Stand and the completion of the Horse Barn for the Police Department.
- \$921,817 was added in Other Improvements, a majority of which attributable to Parks Improvements, including LED Lighting and Mary’s Magical Place.
- \$517,619 added to Machinery and Equipment, the majority of which was spent on vehicles for city use and mowing/construction equipment.
- \$1,711,431 added to construction in process. 98% of this is attributed to the construction of the new Fire Hall.
- \$4,954,116 added in Infrastructure due to the completion of multiple phases of various ongoing projects.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,650,819	\$ 7,650,819	\$ 641,194	\$ 641,194	\$ 8,292,013	\$ 8,292,013
Buildings and improvements	11,137,224	9,874,042	1,033,754	1,033,754	12,170,978	10,907,796
Improvements other than buildings	5,514,565	4,592,748	4,259,559	4,259,559	9,774,124	8,852,307
Machinery and equipment	17,308,836	16,791,217	457,495	457,495	17,766,331	17,248,712
Construction in progress	9,314,839	7,603,408	-	-	9,314,839	7,603,408
Infrastructure	118,800,243	113,846,127	-	-	118,800,243	113,846,127
	169,726,526	160,358,361	6,392,002	6,392,002	176,118,528	166,750,363
Less accumulated depreciation	(99,500,864)	(95,507,376)	(5,487,153)	(5,451,399)	(104,988,017)	(100,958,775)
Net Capital Assets	\$ 70,225,662	\$ 64,850,985	\$ 904,849	\$ 940,603	\$ 71,130,511	\$ 65,791,588

Additional information on the City of Hendersonville’s capital assets can be found in note 3 on page 37 of this report.

**Long -Term Debt**

At the end of the current year, the City of Hendersonville had total long-term debt outstanding of \$13,867,205 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	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ 11,857,476	\$ 13,702,720	\$ -	\$ -	\$ 11,857,476	\$ 13,702,720
Note premiums	131,588	164,485	-	-	131,588	164,485
Total long-term debt obligations	\$ 11,989,064	\$ 13,867,205	\$ -	\$ -	\$ 11,989,064	\$ 13,867,205

The City of Hendersonville's total debt decreased by \$1,878,141 (13.5%) during the current fiscal year. On February 27, 2014 Standard & Poors Rating Services raised the City of Hendersonville rating from AA to AA+ based on their local GO criteria published September 12, 2013.

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 40 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 2019-2020 budget year. The unemployment rate at June 30, 2020 was 9.2%, which is significantly higher than last year's rate of 3.2%. This compares to the state's average unemployment rate of 10.1% and the national average rate of 11.2%. It is worth noting that unemployment rates were trending downward from the highest point in April of 2020, at 14.8%, and at the city's lowest point of 2.6% prior to the pandemic.

In the 2020-2021 budget, General fund revenues and transfers in are budgeted to decrease by 9.1% from the 2019-2020 budget year. In prior year, 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 2019-2020 budget year were trending favorably prior to the COVID-19 pandemic, which left conditions uncertain at the close of the fiscal year. Uncertainty of economic conditions and total impact from the pandemic attributed to a conservative approach to the 2020-2021 budget.

All of these factors were considered in preparing the City's budget for the 2020-2021 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, 2020

	Primary Government		Total	
	Governmental Activities	Business Activities	Primary Government	Component Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 14,756,325	\$ 80,464	\$ 14,836,789	\$ 162,549
Receivables:				
Property taxes	20,817,172	-	20,817,172	-
Other taxes	570,581	-	570,581	-
Disposal fees	61,333	-	61,333	-
Stormwater fees	121,169	-	121,169	-
Due from other governments	5,273,536	-	5,273,536	5,508
Accounts receivable	-	1,193	1,193	-
Inventories	-	31,600	31,600	-
Prepaid items	11,887	-	11,887	-
Deposits	-	1,350	1,350	-
Restricted assets - cash and cash equivalents:				
Deposit for capital construction - State of Tennessee	606,097	-	606,097	-
Escrow funds	-	-	-	756,999
Capital assets:				
Land and construction in progress	16,965,658	641,194	17,606,852	10,852
Capital assets, net	53,260,004	263,655	53,523,659	28,620
<b>TOTAL ASSETS</b>	<b>112,443,762</b>	<b>1,019,456</b>	<b>113,463,218</b>	<b>964,528</b>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows relating to pensions	7,115,736	-	7,115,736	-
 <u>LIABILITIES</u>				
Accounts payable	1,745,601	19,889	1,765,490	-
Accrued liabilities	3,468,620	58,610	3,527,230	-
Liabilities payable from restricted cash	-	-	-	756,999
Unearned revenue	40,822	-	40,822	-
Long-term debt due within one year	1,845,244	-	1,845,244	-
Long-term debt due more than one year	10,143,820	-	10,143,820	-
Other long-term liabilities	1,950,143	-	1,950,143	-
Net pension liability	2,834,691	-	2,834,691	-
Net other post employments benefit liability	2,539,024	-	2,539,024	-
<b>TOTAL LIABILITIES</b>	<b>24,567,965</b>	<b>78,499</b>	<b>24,646,464</b>	<b>756,999</b>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Assessed and unlevied taxes and fees	20,227,543	-	20,227,543	-
Deferred inflows related to pensions	1,090,371	-	1,090,371	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>21,317,914</b>	<b>-</b>	<b>21,317,914</b>	<b>-</b>
 <u>NET POSITION</u>				
Net investment in capital assets	58,368,186	904,849	59,273,035	39,472
Restricted for:				
Public works	489,373	-	489,373	-
Street maintenance	621,382	-	621,382	-
Law enforcement	311,038	-	311,038	-
General government	146,298	-	146,298	-
Capital projects	2,536,130	-	2,536,130	-
Stormwater	958,245	-	958,245	-
Sponsorships	11,325	-	11,325	-
Unrestricted	10,231,642	36,108	10,267,750	168,057
<b>TOTAL NET POSITION</b>	<b>\$ 73,673,619</b>	<b>\$ 940,957</b>	<b>\$ 74,614,576</b>	<b>\$ 207,529</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

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
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	\$ 688,697	\$ -	\$ -	\$ -	\$ (688,697)	\$ -	\$ (688,697)	\$ -
Personnel	435,132	-	-	-	(435,132)	-	(435,132)	-
Central services	1,919,508	-	-	-	(1,919,508)	-	(1,919,508)	-
Finance	1,097,832	56,947	-	-	(1,040,885)	-	(1,040,885)	-
Parks and recreation	2,917,521	201,820	52,779	411,136	(2,251,786)	-	(2,251,786)	-
Information technology	909,304	-	-	-	(909,304)	-	(909,304)	-
Codes	828,917	1,810,884	42,035	-	1,024,002	-	1,024,002	-
Planning	732,069	94,358	-	40,163	(597,548)	-	(597,548)	-
Police	14,895,443	409,047	180,000	108,992	(14,197,404)	-	(14,197,404)	-
Fire	12,155,907	85,667	85,044	875,310	(11,109,886)	-	(11,109,886)	-
Contributions	270,025	-	-	-	(270,025)	-	(270,025)	-
Disposal service	3,536,122	(753)	-	-	(3,536,875)	-	(3,536,875)	-
Stormwater	2,802,804	2,604,514	-	-	(198,290)	-	(198,290)	-
Drug and forfeiture program costs	20,399	-	-	-	(20,399)	-	(20,399)	-
Streets and public works	9,436,626	1,950	1,998,560	5,310,361	(2,125,755)	-	(2,125,755)	-
Interest and issuance costs on long-term debt	284,728	-	-	-	(284,728)	-	(284,728)	-
	<u>52,931,034</u>	<u>5,264,434</u>	<u>2,358,418</u>	<u>6,745,962</u>	<u>(38,562,220)</u>	<u>-</u>	<u>(38,562,220)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Golf course	810,471	814,413	-	-	-	3,942	3,942	-
	<u>810,471</u>	<u>814,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,942</u>	<u>3,942</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 53,741,505</b>	<b>\$ 6,078,847</b>	<b>\$ 2,358,418</b>	<b>\$ 6,745,962</b>	<b>(38,562,220)</b>	<b>3,942</b>	<b>(38,558,278)</b>	<b>-</b>
<b>COMPONENT UNITS</b>	<b>\$ 86,507</b>	<b>\$ 65,450</b>	<b>\$ 24,000</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,943</b>
<b>General revenues:</b>								
Property taxes					20,011,665	-	20,011,665	-
In lieu of taxes					1,035,125	-	1,035,125	-
Sales taxes					14,055,953	-	14,055,953	-
Wholesale beer tax					1,097,779	-	1,097,779	-
Wholesale liquor tax					709,500	-	709,500	-
Business tax					1,315,581	-	1,315,581	-
Franchise taxes					858,299	-	858,299	-
Hotel/motel tax					253,572	-	253,572	-
<b>Unrestricted state shared taxes:</b>								
State shared sales tax					4,699,517	-	4,699,517	-
State shared income tax					431,394	-	431,394	-
State shared beer tax					24,064	-	24,064	-
State shared alcoholic beverage tax					177,413	-	177,413	-
Other unrestricted state shared revenues					131,196	-	131,196	-
Unrestricted investment earnings					26,218	92	26,310	175
Other					151,390	2,343	153,733	-
Gain on disposal of assets					18,110	-	18,110	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS</b>					<u>44,996,776</u>	<u>2,435</u>	<u>44,999,211</u>	<u>175</u>
<b>CHANGE IN NET POSITION</b>					<u>6,434,556</u>	<u>6,377</u>	<u>6,440,933</u>	<u>3,118</u>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>					<u>67,239,063</u>	<u>934,580</u>	<u>68,173,643</u>	<u>204,411</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 73,673,619</u>	<u>\$ 940,957</u>	<u>\$ 74,614,576</u>	<u>\$ 207,529</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,707,047	\$ 1,751,825	\$ -	\$ 2,297,453	\$ 14,756,325
Receivables:					
Property taxes	20,817,172	-	-	-	20,817,172
Other taxes	570,581	-	-	-	570,581
Disposal fees	61,333	-	-	-	61,333
Stormwater fees	-	-	-	121,169	121,169
Due from other governments	4,792,516	178,208	-	302,812	5,273,536
Deposit for capital construction - State of Tennessee	-	606,097	-	-	606,097
Prepaid items	11,887	-	-	-	11,887
Due from other funds	-	-	-	2,183	2,183
<b>TOTAL ASSETS</b>	<b>\$ 36,960,536</b>	<b>\$ 2,536,130</b>	<b>\$ -</b>	<b>\$ 2,723,617</b>	<b>\$ 42,220,283</b>
<b>LIABILITIES</b>					
Accounts payable	766,386	-	\$ -	\$ 979,215	\$ 1,745,601
Accrued liabilities	3,159,573	-	-	162,511	3,322,084
Due to other funds	2,183	-	-	-	2,183
Unearned revenue	40,822	-	-	-	40,822
<b>TOTAL LIABILITIES</b>	<b>3,968,964</b>	<b>-</b>	<b>-</b>	<b>1,141,726</b>	<b>5,110,690</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	22,921,459	-	-	261,127	23,182,586
<b>FUND BALANCE</b>					
Nonspendable	11,887	-	-	-	11,887
Restricted for:					
General government	146,298	-	-	-	146,298
Public works	489,373	-	-	-	489,373
Street maintenance	563,878	-	-	57,504	621,382
Law enforcement	17,348	-	-	293,690	311,038
Stormwater	-	-	-	958,245	958,245
Sponsorships	-	-	-	11,325	11,325
Capital projects	-	2,536,130	-	-	2,536,130
Committed for:					
Parks	348,616	-	-	-	348,616
Public works	1,210,081	-	-	-	1,210,081
Fire department	205,971	-	-	-	205,971
Performance bonds appropriated	386,896	-	-	-	386,896
Other	260,753	-	-	-	260,753
Assigned to:					
Retiree benefits	915,404	-	-	-	915,404
General government	228,717	-	-	-	228,717
Public works	270,637	-	-	-	270,637
Law enforcement	624,557	-	-	-	624,557
Fire department	180,036	-	-	-	180,036
Parks	144,748	-	-	-	144,748
Other	43,669	-	-	-	43,669
Unassigned	4,021,244	-	-	-	4,021,244
<b>TOTAL FUND BALANCES</b>	<b>10,070,113</b>	<b>2,536,130</b>	<b>-</b>	<b>1,320,764</b>	<b>13,927,007</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 36,960,536</b>	<b>\$ 2,536,130</b>	<b>\$ -</b>	<b>\$ 2,723,617</b>	<b>\$ 42,220,283</b>

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, 2020

TOTAL GOVERNMENTAL FUND BALANCES	\$ 13,927,007
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	70,225,662
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	(11,857,476)
Add: bond premium	(131,588)
Compensated absences	(1,950,143)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(146,536)
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	(2,834,691)
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	(2,539,024)
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	2,321,220
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	(1,090,371)
Other deferred outflows related to pensions	4,794,516
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>2,955,043</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 73,673,619</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, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 38,052,610	\$ -	\$ -	\$ -	\$ 38,052,610
Intergovernmental revenues	6,872,728	(2,707)	-	1,847,248	8,717,269
Fines and forfeitures	461,529	-	-	-	461,529
Licenses and permits	2,816,218	-	-	-	2,816,218
Charges for services	201,820	-	-	2,577,649	2,779,469
Contributions	107,496	-	-	42,779	150,275
Uses of money and property	36,726	3,728	-	3,874	44,328
Other	182,446	-	-	200,000	382,446
	<u>48,731,573</u>	<u>1,021</u>	<u>-</u>	<u>4,671,550</u>	<u>53,404,144</u>
<b>EXPENDITURES</b>					
Current operations:					
General government	583,105	-	-	-	583,105
Personnel	425,205	-	-	-	425,205
Central services	2,604,890	-	-	-	2,604,890
Finance	1,069,626	-	-	-	1,069,626
Parks and recreation	2,416,791	-	-	31,468	2,448,259
Information technology	870,931	-	-	-	870,931
Codes	817,002	-	-	-	817,002
Planning	718,163	-	-	-	718,163
Public works	4,101,812	-	-	-	4,101,812
Police	14,131,014	9,996	-	-	14,141,010
Fire	11,354,198	-	-	-	11,354,198
Contributions	270,025	-	-	-	270,025
Disposal service	3,776,010	-	-	-	3,776,010
Drug and forfeiture program costs	-	-	-	20,399	20,399
Streets	-	128,471	-	2,769,098	2,897,569
Stormwater	-	-	-	2,802,804	2,802,804
Debt service:					
Principal	-	-	1,845,244	-	1,845,244
Interest	-	-	342,206	-	342,206
Capital outlay	3,346,738	576,825	-	109,963	4,033,526
<b>TOTAL EXPENDITURES</b>	<u>46,485,510</u>	<u>715,292</u>	<u>2,187,450</u>	<u>5,733,732</u>	<u>55,121,984</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	2,246,063	(714,271)	(2,187,450)	(1,062,182)	(1,717,840)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	2,187,450	-	2,187,450
Transfers out	(2,187,450)	-	-	-	(2,187,450)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,187,450)</u>	<u>-</u>	<u>2,187,450</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	58,613	(714,271)	-	(1,062,182)	(1,717,840)
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>10,011,500</u>	<u>3,250,401</u>	<u>-</u>	<u>2,382,946</u>	<u>15,644,847</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,070,113</u>	<u>\$ 2,536,130</u>	<u>\$ -</u>	<u>\$ 1,320,764</u>	<u>\$ 13,927,007</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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,717,840)

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	4,033,526
Donations of assets by developers	5,356,599
Depreciation expense	(4,015,448)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities 1,845,244

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:

Amortization of bond premiums	32,897
-------------------------------	--------

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, 2020	(146,536)
Accrued interest on debt obligations at June 30, 2019	171,117

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	(153,968)
Payments and decreases in post-closure landfill costs previously accrued	239,888
Actuarially determined pension expense	(2,826,610)
Changes in other post employment benefits obligation	689,620

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 2,321,220

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 604,847

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,434,556

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, 2020

	<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	\$ 14,937,919	\$ 20,200,918	\$ 19,813,870	\$ (387,048)
Other revenues	38,190,786	38,390,243	28,917,702	(9,472,541)
TOTAL REVENUE	<u>53,128,705</u>	<u>58,591,161</u>	<u>48,731,572</u>	<u>(9,859,589)</u>
EXPENDITURES				
Executive	590,894	660,894	583,105	(77,789)
Personnel	542,487	542,487	425,205	(117,282)
Central services	2,396,009	2,756,009	2,603,274	(152,735)
Finance	1,185,480	1,125,480	1,066,807	(58,673)
Information technology	933,107	933,107	909,441	(23,666)
Parks	2,558,253	2,584,994	2,559,280	(25,714)
Codes	1,102,143	1,102,143	936,716	(165,427)
Planning	833,233	833,233	744,990	(88,243)
Streets and public works	4,850,832	5,114,072	4,096,604	(1,017,468)
Police department	13,960,556	14,010,531	12,960,888	(1,049,643)
Fire department	11,968,765	12,065,906	11,069,971	(995,935)
Contributions	273,150	273,150	270,025	(3,125)
Disposal service	-	4,443,079	3,776,010	(667,069)
Grants	1,187,133	1,978,756	128,208	(1,850,548)
Capital projects	9,480,436	11,620,038	4,050,202	(7,569,836)
TOTAL EXPENDITURES	<u>51,862,478</u>	<u>60,043,879</u>	<u>46,180,726</u>	<u>(13,863,153)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,266,227</u>	<u>(1,452,718)</u>	<u>2,550,846</u>	<u>(4,003,564)</u>
OTHER FINANCING USES				
Transfers to Debt Service Fund	(2,187,478)	(2,187,478)	(2,187,450)	(28)
*Transfers to Solid Waste Fund	(110,865)	-	-	-
TOTAL OTHER FINANCING USES	<u>(2,298,343)</u>	<u>(2,187,478)</u>	<u>(2,187,450)</u>	<u>(28)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,032,116)</u>	<u>\$ (3,640,196)</u>	363,396	<u>\$ (4,003,592)</u>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED			<u>8,667,225</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,030,621</u>	
Fund balance - End of year (non-GAAP)	\$ 9,030,621			
Add: Current year encumbrances	<u>1,039,492</u>			
Fund balance - End of year (GAAP)	<u>\$ 10,070,113</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)

SOLID WASTE FUND

FOR THE YEAR ENDED JUNE 30, 2020

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>Revenues</u>				
Other:				
Special assessment - disposal fees	\$ 4,553,944	\$ -	\$ -	\$ -
Total Revenues	4,553,944	-	-	-
 <u>Expenditures</u>				
Tipping fees	1,200,000	-	-	-
Disposal service	2,557,464	-	-	-
Brush disposal and other	685,615	-	-	-
Total Expenditures and Encumbrances	4,443,079	-	-	-
 Other Financing Sources (Uses)				
Transfer in	(110,865)	-	-	-
Excess of Revenues Over Expenditures and Encumbrances	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of year			-	
Fund Balance - End of year			\$ -	

Note 1 - The City originally budgeted the Solid Waste Fund as a special assessment, but was later amended to be included with property taxes; therefore the Solid Waste activity has been included with the General Fund at year-end.

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$	80,464
Receivables		1,193
Inventories		31,600
Other current assets		<u>1,350</u>
TOTAL CURRENT ASSETS		114,607
CAPITAL ASSETS, NET		<u>904,849</u>
TOTAL ASSETS		<u>1,019,456</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		19,889
Accrued liabilities		<u>58,610</u>
TOTAL CURRENT LIABILITIES		<u>78,499</u>

NET POSITION

Investment in capital assets		904,849
Unrestricted		<u>36,108</u>
TOTAL NET POSITION	\$	<u>940,957</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, 2020

OPERATING REVENUES	
Charges for sales and services	\$ 814,413
	<u>814,413</u>
OPERATING EXPENSES	
Costs of sales	160,354
Personnel services	402,815
Repairs and maintenance	44,900
Supplies	7,816
Gas	15,795
Credit card charges	15,459
Chemicals and fertilizer	23,271
Utilities	31,670
Depreciation	35,754
Advertising and promotion	2,245
Other operating expenses	30,392
Management services	40,000
	<u>810,471</u>
TOTAL OPERATING EXPENSES	810,471
OPERATING LOSS	<u>3,942</u>
NONOPERATING REVENUES (EXPENSES)	
Other income	2,343
Interest income	92
	<u>2,435</u>
TOTAL NONOPERATING EXPENSES	2,435
CHANGE IN NET POSITION	6,377
NET POSITION - BEGINNING OF YEAR	<u>934,580</u>
NET POSITION - END OF YEAR	<u>\$ 940,957</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 814,394
Cash paid for personnel services	(407,998)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(310,387)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>56,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Insurance proceeds received	2,343
Interest received	<u>92</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,435</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	58,444
CASH - BEGINNING OF YEAR	<u>22,020</u>
CASH - END OF YEAR	<u><u>\$ 80,464</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN	
OPERATING ACTIVITIES	
Operating loss	\$ <u>3,942</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	35,754
Changes in operating assets and liabilities	
Receivables, net	(19)
Inventories	8,872
Other current assets	24
Accounts payable	12,619
Accrued liabilities	<u>(5,183)</u>
TOTAL ADJUSTMENTS	<u>52,067</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 56,009</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
TRAINING AND TEEN ACTIVITY FUND  
JUNE 30, 2020

ASSETS

Cash	\$ <u>20,000</u>
TOTAL ASSETS	\$ <u><u>20,000</u></u>

LIABILITIES

Amounts due to agencies	\$ <u>20,000</u>
TOTAL LIABILITIES	\$ <u><u>20,000</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020, 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, 2020

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 of 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, 2020

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 2020, 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, 2020.

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, 2020

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, 2020

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, 2020

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, 2020 relate to differences between projected and actual earnings on plan investments.

Deferred outflows of resources arise when resources used pertain to future reporting periods. Deferred outflows of resources at June 30, 2020 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, 2020

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, 2020

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, 2020

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 2020 and 2019. Payments may be made during the period from October 1 through February 28. Current tax collections of \$19,474,642 for the fiscal year ended June 30, 2020 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 \$20,817,172. Of this receivable amount, \$20,227,543 represents the estimated net realizable 2020 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 \$193,757 for beer and liquor taxes \$341,839 for franchise fees and \$15,976 for hotel/motel taxes.

The government-wide financial statements report delinquent solid waste special assessment fees receivable in the amount of \$61,333. The receivable reported in the governmental funds balance sheet is \$61,333 with an offsetting deferred inflow of resources of \$46,280 for amounts not available at June 30, 2020.

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, 2020

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, 2020, there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2020, 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, 2020

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2020, 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	\$ -	\$ -	\$ -	\$ 7,650,819
Construction in progress	7,603,408	3,124,903	(1,413,472)	-	9,314,839
Total capital assets not being depreciated	<u>15,254,227</u>	<u>3,124,903</u>	<u>(1,413,472)</u>	<u>-</u>	<u>16,965,658</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,874,042	1,263,182	-	-	11,137,224
Improvements other than building	4,592,748	921,817	-	-	5,514,565
Machinery and equipment	16,791,217	539,579	(21,960)	-	17,308,836
Infrastructure	113,846,127	4,954,116	-	-	118,800,243
Total capital assets being depreciated	<u>145,104,134</u>	<u>7,678,694</u>	<u>(21,960)</u>	<u>-</u>	<u>152,760,868</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(5,295,265)	(313,846)	-	-	(5,609,111)
Improvements other than buildings	(2,261,737)	(242,966)	-	-	(2,504,703)
Machinery and equipment	(11,922,144)	(1,255,637)	21,960	-	(13,155,821)
Infrastructure	(76,028,230)	(2,202,999)	-	-	(78,231,229)
Total accumulated depreciation	<u>(95,507,376)</u>	<u>(4,015,448)</u>	<u>21,960</u>	<u>-</u>	<u>(99,500,864)</u>
Governmental activities capital assets, net	<u>\$ 64,850,985</u>	<u>\$ 6,788,149</u>	<u>\$ (1,413,472)</u>	<u>\$ -</u>	<u>\$ 70,225,662</u>

At June 30, 2020, construction in progress consists primarily of capital projects for infrastructure (streets and walking trails) and other. Estimated costs to complete open projects amount to approximately \$13.7 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2020, 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	-	-	-	1,033,754
Improvements other than buildings	4,259,559	-	-	-	4,259,559
Machinery, equipment and vehicles	457,495	-	-	-	457,495
Total capital assets being depreciated	<u>5,750,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,750,808</u>
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(776,486)	(25,852)	-	-	(802,338)
Improvements other than buildings	(4,259,559)	-	-	-	(4,259,559)
Machinery and equipment	(415,354)	(9,902)	-	-	(425,256)
Total accumulated depreciation	<u>(5,451,399)</u>	<u>(35,754)</u>	<u>-</u>	<u>-</u>	<u>(5,487,153)</u>
Business-type activities capital assets, net	<u>\$ 940,603</u>	<u>\$ (35,754)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,849</u>

Depreciation expense was charged to function/programs as of June 30, 2020, as follows:

Governmental activities:

General government	\$ 125,503
Public safety	1,066,474
Street and public works	2,370,240
Parks	433,750
Codes and planning	<u>19,481</u>

Total depreciation expense - governmental activities \$ 4,015,448

Business-type activities:

Golf enterprise	<u>\$ 35,754</u>
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Donated infrastructure and equipment of \$5,356,599 is included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2020, 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>(18,869)</u>	<u>(2,489)</u>	<u>-</u>	<u>(21,358)</u>
Total component unit capital assets, net	<u>\$ 41,961</u>	<u>\$ (2,489)</u>	<u>\$ -</u>	<u>\$ 39,472</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, 2020, 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	-	520,602
Delinquent solid waste fees	-	46,280
Delinquent stormwater fees	-	100,352
State and county shared taxes	<u>-</u>	<u>2,287,809</u>
	<u>\$ 20,227,543</u>	<u>\$ 23,182,586</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 \$606,097 and a debt service escrow maintained by the Industrial Development Board ("IDB").

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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, 2020. 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, 2020 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>
	<u>Governmental</u>
	<u>Funds</u>
	Debt
	Service
	<u>Additions</u>
<u>Transfer Out:</u>	
General Fund	<u>\$ 2,187,450</u>

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, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<u>Government Activities</u>					
Capital outlay notes payable	\$ 13,702,720	\$ -	\$ 1,845,244	\$ 11,857,476	\$ 1,845,244
Note premiums	164,485	-	32,897	131,588	-
Total governmental activities long-term debt	<u>\$ 13,867,205</u>	<u>\$ -</u>	<u>\$ 1,878,141</u>	<u>\$ 11,989,064</u>	<u>\$ 1,845,244</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Long-term bonds and notes at June 30, 2020 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%.	\$ 1,022,000
\$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%.	485,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	625,000
\$4,020,400 Capital Outlay Notes 2015 - The notes are payable in annual installments through 2026 at a rate of interest of 2.41%.	2,412,240
\$5,793,025 Capital Outlay Notes 2018 - The notes are payable in annual installments through 2030 at a rate of interest of 2.39%.	4,827,521
\$2,900,000 Capital Outlay Note 2018 - The notes are payable in annual installments beginning in 2020 at a rate of interest of 3.00%.	<u>2,485,715</u>
Total capital outlay notes payable	11,857,476
Plus: unamortized premium on notes	<u>131,588</u>
Total governmental activities long-term debt	<u>\$ 11,989,064</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, 2020, 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, 2020

NOTE 7 - LONG-TERM DEBT (CONTINUED)

In 2006, the City approved an economic impact plan submitted by the IDB for the area located within the City known generally as the Indian Lake Village Economic Development Area. Pursuant to the Plan, the IDB issued its industrial development revenue bonds in the aggregate principal amount of \$18 million, the proceeds of which were used to finance the construction of a bridge across Drakes Creek, the construction of a four-lane divided boulevard from Saundersville Road to Indian Lake Boulevard and the construction of a public park of which four acres is the site of the Hendersonville Public Library. The repayment of the IDB bonds is secured by letters of credit issued by Fifth Third Bank guaranteed by the developer. The City and the County allocated the increase in property tax revenues within the economic development area to the IDB to be used to pay debt service and other authorized expenses related to the bonds. On May 2, 2016, the Industrial Development Board borrowed \$11.4 million from First Tennessee Bank, National Association. The proceeds of this loan were used to pay the bonds in full and created a debt service reserve that is maintained by the IDB in a separate account. The loan is secured by the incremental tax revenues for the project. During fiscal year 2020, the amount of incremental property taxes generated by the economic development area equaled \$1,134,394, and this amount was used for debt service and related expenses of the IDB bonds. As of May 1, 2020, the tax increment financing was paid in full. The City possesses no obligation to repay the loan, and the loan is not reported as a liability of the City in the accompanying financial statement.

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2020, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
2021	\$ 1,845,244	\$ 293,072	\$ 2,138,316
2022	1,845,244	243,827	2,089,071
2023	1,836,243	194,672	2,030,915
2024	1,498,244	145,697	1,643,941
2025	1,498,244	107,584	1,605,828
2026 - 2030	<u>3,334,257</u>	<u>162,696</u>	<u>3,496,953</u>
Totals	<u>\$ 11,857,476</u>	<u>\$ 1,147,548</u>	<u>\$ 13,005,024</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 8 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities of the City consisted of the following at June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>
Compensated absences	\$ 1,796,175	\$ 349,542	\$ 195,574	\$ 1,950,143
Accrued post-closure landfill costs	<u>239,888</u>	<u>-</u>	<u>239,888</u>	<u>-</u>
Other long-term liabilities	<u>\$ 2,036,063</u>	<u>\$ 349,542</u>	<u>\$ 435,462</u>	<u>\$ 1,950,143</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. Post-closure landfill costs will be liquidated from the City's General 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, 2020

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, 2020

NOTE 10 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	129
Inactive employees entitled to but not yet receiving benefits	220
Active employees	<u>327</u>
	<u>676</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, 2020, the Actuarially Determined Contribution (ADC) for the City was \$2,321,220 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, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 10 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

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:

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 10 - PENSION PLAN (CONTINUED)

<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.

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 10 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2018	\$ 66,405,472	\$ 65,396,397	\$ 1,009,075
CHANGES FOR THE YEAR:			
Service cost	1,436,994	-	1,436,994
Interest	4,824,243	-	4,824,243
Differences between expected and actual experience	2,239,070	-	2,239,070
Changes of assumptions	-	-	-
Contributions - employer	-	1,861,492	(1,861,492)
Contributions - employee	-	730	(730)
Net investment income	-	4,840,782	(4,840,782)
Benefit payments, including refunds of employee contributions	(2,602,376)	(2,602,376)	-
Administrative expense	-	(28,313)	28,313
Net changes	<u>5,897,931</u>	<u>4,072,315</u>	<u>1,825,616</u>
BALANCE AT JUNE 30, 2019	<u>\$ 72,303,403</u>	<u>\$ 69,468,712</u>	<u>\$ 2,834,691</u>

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:

	1% Decrease	Current Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
City's net pension liability (asset)	<u>\$ 13,109,834</u>	<u>\$ 2,834,691</u>	<u>\$ (5,678,898)</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 10 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2020, the City recognized pension expense of \$2,826,610.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 3,893,952	\$ 283,069
Net difference between projected and actual earnings on pension plan investments	-	807,302
Changes in assumptions	900,564	-
Contributions subsequent to the measurement date of June 30, 2019	<u>2,321,220</u>	<u>-</u>
Total	<u>\$ 7,115,736</u>	<u>\$ 1,090,371</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	
2021	\$ 799,402
2022	281,698
2023	702,191
2024	684,265
2025	542,189
Thereafter	694,401

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 20, 2020, the City reported a payable of \$199,917 for the outstanding amount of contributions to the pension plan required at the year ended June 20, 2020.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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. 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, 2020</u>		
	<u>Single</u>	<u>Employee &amp; 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, 2020, the City paid \$98,679 for health insurance premiums for retiree coverage (OPEB benefits) as they came due.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 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, 2020, 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 3.88 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, 2020

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2020 measured as of June 30, 2020 follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCE AT JUNE 30, 2019	\$ 3,228,644
CHANGES FOR THE YEAR:	
Service cost	78,498
Interest	126,403
Differences between expected and actual experience	-
Changes in assumptions	(795,842)
Benefit payments	(98,679)
Net changes	(689,620)
BALANCE AT JUNE 30, 2020	\$ 2,539,024

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, 2020		
	1% Decrease	Current Discount Rate	1% Increase
	(1.21%)	(2.21%)	(3.21%)
City's total OPEB liability	\$ 2,741,418	\$ 2,539,024	\$ 2,345,360

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

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.

	Measurement Date - June 30, 2020		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
	(3.50%)	(4.50%)	(5.50%)
City's total OPEB liability	\$ <u>2,256,902</u>	\$ <u>2,539,024</u>	\$ <u>2,869,510</u>

OPEB Expense

For the fiscal year ended June 30, 2020, the City recognized OPEB benefit of \$689,620.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2020, 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	655,234
Employer payments subsequent to the measurement date of June 30, 2020	-
Total	\$ 655,234

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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 \$82,691 for brush disposal for 2020. 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 2020, 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 and has reduced the unpaid long-term liability at June 30, 2020 in the governmental activities balance sheet.

The Authority, as of June 30, 2020, has net investment in capital assets of \$2,595,737, and an unrestricted net position of \$1,264,537. 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, 2020

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, 2020, the City expensed \$865,319 for E911 payments, with \$242,352 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, 2019 and expires on June 30, 2024. The pick-up rate depends on the frequency of collection and was \$11.71 per month per unit for the year ended June 30, 2020.

At June 30, 2020, the City had approximately \$1.2 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, 2020

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, 2020

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	\$ 58,613
Add: Prior year reserve for encumbrances	1,344,275
Less: Current year reserve for encumbrances	(1,039,492)
Encumbrance transferred from disposal fund	<u>79,322</u>
Net change in fund balance, budgetary basis	<u>\$ 442,718</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:

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

	General Fund
Public works/street maintenance	\$ 9,012
Police	280,510
Fire	18,153
Parks	24,598
Information technology	38,445
Capital outlay	513,907
Other	154,867
	<u>\$ 1,039,492</u>

Budget Amendments

The General Fund expenditure budget was amended by \$2,608,080. The major amendments related to public safety and capital projects.

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

In January 2017 GASB issued Statement No. 84, *Fiduciary Activities*, (GASB 84) addresses the identification and reporting for fiduciary activities of state and local governments. GASB 84 describes four fiduciary funds that should be reported: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private trust funds, and (4) custodial trust funds. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2019, in fiscal year 2021 for the City. The City is evaluating the impact that this standard may have on the financial statements and related disclosures. It is expected to further expand the disclosures related to its trust funds.

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, 2020, 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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020

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

The GASB issued Statement No. 92, *Omnibus 2020*, 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 2019-3, 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, 2020.

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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately and are reflected in the effective dates above.

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, 2020

NOTE 16 - COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, 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, 2020.

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.

NOTE 17 - RESTATEMENT

Prior year fund balance has been reclassified between the Capital Projects Fund and General Fund to move certain capital projects expenses in excess of original appropriated amounts within the capital fund borrowings. The effect of this correction on the City’s General and Capital Projects Funds as of July 1, 2019 is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Net position/fund balance, as previously reported	\$ 10,195,821	\$ 3,066,080
To reclassify fund balance between capital projects and general fund for excess 2019 expenditures	<u>(184,321)</u>	<u>184,321</u>
Beginning net position/fund balance, as restated	<u>\$ 10,011,500</u>	<u>\$ 3,250,401</u>

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>
<b><u>TOTAL PENSION LIABILITY</u></b>						
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686	\$ 1,318,881	\$ 1,473,579	\$ 1,436,994
Interest	3,368,278	3,705,243	3,946,154	4,297,607	4,490,625	4,824,243
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
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>
 NET CHANGE IN TOTAL PENSION LIABILITY	 4,593,770	 3,378,301	 4,685,557	 4,532,976	 4,837,510	 5,897,931
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>
 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>
 <b><u>PLAN FIDUCIARY NET POSITION</u></b>						
Contributions - employer	2,400,176	2,317,383	2,396,900	1,689,627	1,725,181	1,816,492
Contributions - employee	1,137	2,018	1,946	-	2,871	730
Net investment income	7,107,505	1,573,964	1,416,316	6,217,909	5,031,585	4,840,782
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)
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>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 8,265,642	 2,454,499	 1,974,973	 5,776,139	 4,526,776	 4,027,315
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>
 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>69,423,712</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>\$ 2,879,691</u>
  Plan fiduciary net position as a percentage of total pension liability	  103.46 %	  101.47 %	  96.60 %	  98.87 %	  98.48 %	  96.02 %
 Covered-employee payroll	 \$ 15,575,435	 \$ 15,532,055	 \$ 16,065,088	 \$ 16,896,265	 \$ 17,251,809	 \$ 18,614,010
 Net pension liability (asset) as a percentage of covered-employee payroll	 (10.87) %	 (4.95) %	 12.09 %	 4.13 %	 5.85 %	 15.47 %

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

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>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,378,735	\$ 1,725,181	\$ 1,861,492	\$ 2,321,220
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>2,321,220</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (310,892)</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	 \$ 18,614,010	 \$ 20,433,275
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	10.00 %	10.00 %	10.00 %	11.36 %

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

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 projection of mortality improvement using Scale MP-2017 (static projection to 6 years beyond the valuation date).
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.

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, 2020

	Special Revenue Funds					Total
	State Street Aid Fund	Forfeiture Fund	Drug Fund	Stormwater Fund	Sponsorship Fund	Nonmajor Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 644,709	\$ 157,080	\$ 280,088	\$ 1,204,251	\$ 11,325	\$ 2,297,453
Accounts receivable	-	-	-	121,169	-	121,169
Due from other funds	-	-	-	2,183	-	2,183
Due from other governments	<u>302,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,812</u>
<b>TOTAL ASSETS</b>	<u>\$ 947,521</u>	<u>\$ 157,080</u>	<u>\$ 280,088</u>	<u>\$ 1,327,603</u>	<u>\$ 11,325</u>	<u>\$ 2,723,617</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>						
<u>Liabilities</u>						
Accounts payable	\$ 710,209	\$ -	\$ -	\$ 269,006	\$ -	\$ 979,215
Accrued liabilities	<u>19,033</u>	<u>143,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,511</u>
<b>Total Liabilities</b>	<u>729,242</u>	<u>143,478</u>	<u>-</u>	<u>269,006</u>	<u>-</u>	<u>1,141,726</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue	<u>160,775</u>	<u>-</u>	<u>-</u>	<u>100,352</u>	<u>-</u>	<u>261,127</u>
<u>Fund Balances</u>						
Restricted	<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>
<b>Total Fund Balances</b>	<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>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 947,521</u>	<u>\$ 157,080</u>	<u>\$ 280,088</u>	<u>\$ 1,327,603</u>	<u>\$ 11,325</u>	<u>\$ 2,723,617</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Special Revenue Funds</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Forfeiture Fund</u>	<u>Drug Fund</u>	<u>Stormwater Fund</u>	<u>Sponsorship Fund</u>	
<u>REVENUES</u>						
Intergovernmental:						
State gasoline tax	\$ 1,817,671	\$ -	\$ -	\$ -	\$ -	\$ 1,817,671
Drug and other related fines, seizures, and sales	-	-	29,577	-	-	29,577
Contributions	-	-	-	-	42,779	42,779
Uses of money and property	1,043	251	590	1,976	14	3,874
Fees for service	-	-	-	2,577,649	-	2,577,649
Miscellaneous	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
 Total Revenues	 <u>2,018,714</u>	 <u>251</u>	 <u>30,167</u>	 <u>2,579,625</u>	 <u>42,793</u>	 <u>4,671,550</u>
 <u>EXPENDITURES</u>						
Street Maintenance:						
Salaries	569,485	-	-	-	-	569,485
Employee benefits	216,098	-	-	-	-	216,098
Other costs - maintenance and lighting	1,983,515	-	-	-	-	1,983,515
Capital outlay	5,528	-	-	-	-	5,528
Drug Fund:						
Other costs	-	-	20,399	-	-	20,399
Stormwater:						
Program costs	-	-	-	2,802,804	-	2,802,804
Capital outlay	-	-	-	104,435	-	104,435
Sponsorship:						
Program costs - special events and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,468</u>	<u>31,468</u>
 Total Expenditures	 <u>2,774,626</u>	 <u>-</u>	 <u>20,399</u>	 <u>2,907,239</u>	 <u>31,468</u>	 <u>5,733,732</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (755,912)	 251	 9,768	 (327,614)	 11,325	 (1,062,182)
 FUND BALANCE - BEGINNING OF YEAR	 <u>813,416</u>	 <u>13,351</u>	 <u>270,320</u>	 <u>1,285,859</u>	 <u>-</u>	 <u>2,382,946</u>
 FUND BALANCE - END 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>

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, 2020

	<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>				
Intergovernmental:				
Gasoline tax, State of Tennessee*	\$ 2,321,858	\$ 2,321,858	\$ 1,817,671	\$ (504,187)
Uses of money and property	900	900	1,043	143
Miscellaneous	-	200,000	200,000	-
Total Revenues	<u>2,322,758</u>	<u>2,522,758</u>	<u>2,018,714</u>	<u>(504,044)</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	652,223	652,223	569,485	(82,738)
Employee benefits	257,902	257,902	216,098	(41,804)
Repairs and maintenance	1,373,045	1,941,045	1,983,515	42,470
Capital outlay	50,000	50,000	5,528	(44,472)
Total Expenditures and Encumbrances	<u>2,333,170</u>	<u>2,901,170</u>	<u>2,774,626</u>	<u>(126,544)</u>
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	<u>\$ (10,412)</u>	<u>\$ (378,412)</u>	(755,912)	<u>\$ 377,500</u>
 FUND BALANCE - BEGINNING OF YEAR			<u>813,416</u>	
 FUND BALANCE - END OF YEAR			<u>\$ 57,504</u>	
 * 1989 tax				
	\$ 147,921			
Three cent tax	274,087			
2017 tax	460,527			
Gas and motor fuel tax	935,136			
	<u>\$ 1,817,671</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, 2020

	<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	\$ 590	\$ 90
Drug related fines, seizures and sales	<u>33,500</u>	<u>33,500</u>	<u>29,577</u>	<u>(3,923)</u>
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>30,167</u>	<u>(3,833)</u>
<u>EXPENDITURES</u>				
Program costs	33,250	33,250	20,399	(12,851)
Capital outlay	<u>750</u>	<u>750</u>	<u>-</u>	<u>(750)</u>
Total Expenditures and Encumbrances	<u>34,000</u>	<u>34,000</u>	<u>20,399</u>	<u>(13,601)</u>
EXCESS (DEFICIT) OF REVENUES				
OVER (UNDER) EXPENDITURES AND				
ENCUMBRANCES				
	<u>\$ -</u>	<u>\$ -</u>	9,768	<u>\$ (9,768)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>270,320</u>	
FUND BALANCE - END OF YEAR			<u>\$ 280,088</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, 2020

	<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	\$ 2,500,000	\$ 2,500,000	\$ 2,577,649	\$ 77,649
Uses of money and property	<u>1,000</u>	<u>1,000</u>	<u>1,976</u>	<u>976</u>
Total Revenues	<u>2,501,000</u>	<u>2,501,000</u>	<u>2,579,625</u>	<u>78,625</u>
<u>EXPENDITURES</u>				
Program costs	2,833,473	2,833,473	2,793,369	(40,104)
Capital outlay	<u>312,500</u>	<u>312,500</u>	<u>104,435</u>	<u>(208,065)</u>
Total Expenditures and Encumbrances	<u>3,145,973</u>	<u>3,145,973</u>	<u>2,897,804</u>	<u>(248,169)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (644,973)</u>	<u>\$ (644,973)</u>	(318,179)	<u>\$ (326,794)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,276,424</u>	
FUND BALANCE - END OF YEAR			<u>\$ 958,245</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, 2020

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>ASSETS</u>				
Cash	<u>\$ 19,960</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 20,000</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 19,960</u>	<u>\$ -</u>	<u>\$ (40)</u>	<u>\$ 20,000</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2020

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
ASSETS				
Cash	\$ 2,375	\$ 11,023	\$ 149,151	\$ 162,549
Accounts receivable	-	-	5,508	5,508
Capital assets, net	28,620	-	10,852	39,472
Cash - restricted escrow funds	-	-	756,999	756,999
TOTAL ASSETS	<u>30,995</u>	<u>11,023</u>	<u>922,510</u>	<u>964,528</u>
LIABILITIES				
Escrow funds payable from restricted cash	-	-	756,999	756,999
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>756,999</u>	<u>756,999</u>
NET POSITION				
Investment in capital assets	28,620	-	10,852	39,472
Unrestricted	<u>2,375</u>	<u>11,023</u>	<u>154,659</u>	<u>168,057</u>
TOTAL NET POSITION	<u>\$ 30,995</u>	<u>\$ 11,023</u>	<u>\$ 165,511</u>	<u>\$ 207,529</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2020

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 65,450	\$ 65,450
Operating grants and contributions	24,000	-	-	24,000
Interest income	-	-	175	175
TOTAL REVENUE	<u>24,000</u>	<u>-</u>	<u>65,625</u>	<u>89,625</u>
EXPENSES				
Operating expenses	<u>32,202</u>	<u>-</u>	<u>54,305</u>	<u>86,507</u>
CHANGE IN NET POSITION	(8,202)	-	11,320	3,118
NET POSITION - BEGINNING OF YEAR	<u>39,197</u>	<u>11,023</u>	<u>154,191</u>	<u>204,411</u>
NET POSITION - END OF YEAR	<u>\$ 30,995</u>	<u>\$ 11,023</u>	<u>\$ 165,511</u>	<u>\$ 207,529</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>REVENUES</b>				
<b>Local Taxes:</b>				
Real and personal property	\$ 19,813,870	\$ -	\$ -	\$ 19,813,870
Payments in lieu of property taxes	1,035,125	-	-	1,035,125
Local sales taxes	13,871,863	-	-	13,871,863
Wholesale beer	1,097,779	-	-	1,097,779
Wholesale liquor	709,500	-	-	709,500
Hotel/motel tax	253,572	-	-	253,572
Business taxes	1,270,901	-	-	1,270,901
Total Local Taxes	<u>38,052,610</u>	<u>-</u>	<u>-</u>	<u>38,052,610</u>
<b>Intergovernmental:</b>				
State sales tax	4,671,212	-	-	4,671,212
State income tax	222,616	-	-	222,616
State beer tax	24,064	-	-	24,064
State alcoholic beverage tax	212,542	-	-	212,542
State/City street and transportation	101,989	-	-	101,989
State supplemental pay	180,000	-	-	180,000
Excise tax	131,196	-	-	131,196
County	42,590	-	-	42,590
Corp of Engineers	23,090	-	-	23,090
Grants	1,263,429	-	-	1,263,429
Total Intergovernmental	<u>6,872,728</u>	<u>-</u>	<u>-</u>	<u>6,872,728</u>
<b>Fines and Forfeitures:</b>				
City court and other	404,914	-	-	404,914
Penalties	56,615	-	-	56,615
Total Fines and Forfeitures	<u>461,529</u>	<u>-</u>	<u>-</u>	<u>461,529</u>
<b>Licenses and Permits:</b>				
Building permits	1,541,834	-	-	1,541,834
Franchise taxes	858,299	-	-	858,299
Other permits	416,085	-	-	416,085
Total Licenses and Permits	<u>2,816,218</u>	<u>-</u>	<u>-</u>	<u>2,816,218</u>
<b>Charges for Services:</b>				
Recreational fees	201,820	-	-	201,820
Disposal fees	-	-	-	-
Total Charges for Services	<u>201,820</u>	<u>-</u>	<u>-</u>	<u>201,820</u>

(continued on following page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES (CONTINUED)

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
Contributions:				
Contributions	<u>\$ 107,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,496</u>
Uses of Money and Property				
Interest	18,616	3,728	-	22,344
Sale of assets	<u>18,110</u>	<u>-</u>	<u>-</u>	<u>18,110</u>
Total Uses of Money and Property	<u>36,726</u>	<u>3,728</u>	<u>-</u>	<u>40,454</u>
Other Revenues:				
Contributions from others	35,329	(2,707)	-	32,622
Miscellaneous	<u>147,117</u>	<u>-</u>	<u>-</u>	<u>147,117</u>
Total Other Revenues	<u>182,446</u>	<u>(2,707)</u>	<u>-</u>	<u>179,739</u>
TOTAL REVENUES	<u>\$ 48,731,573</u>	<u>\$ 1,021</u>	<u>\$ -</u>	<u>\$ 48,732,594</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Salaries	\$ 388,292	\$ -	\$ -	\$ 388,292
Employee benefits	102,744	-	-	102,744
Repairs and maintenance	286	-	-	286
Travel and training	7,978	-	-	7,978
Supplies	10,273	-	-	10,273
Outside services	9,013	-	-	9,013
Telephone	1,163	-	-	1,163
Other costs	<u>63,356</u>	<u>-</u>	<u>-</u>	<u>63,356</u>
<b>Total General Government</b>	<u>583,105</u>	<u>-</u>	<u>-</u>	<u>583,105</u>
<b>Personnel:</b>				
Salaries	296,127	-	-	296,127
Employee benefits	66,524	-	-	66,524
Travel and training	4,433	-	-	4,433
Supplies	12,075	-	-	12,075
Outside services	28,761	-	-	28,761
Other costs	<u>17,285</u>	<u>-</u>	<u>-</u>	<u>17,285</u>
<b>Total Personnel</b>	<u>425,205</u>	<u>-</u>	<u>-</u>	<u>425,205</u>
<b>Central Services:</b>				
Salaries	262,321	-	-	262,321
Employee benefits	169,643	-	-	169,643
Repairs and maintenance	134,189	-	-	134,189
Supplies	9,016	-	-	9,016
Insurance	750,789	-	-	750,789
Outside services	63,162	-	-	63,162
Utilities	45,420	-	-	45,420
Tax increment bond payment	1,134,394	-	-	1,134,394
Other costs	<u>35,956</u>	<u>-</u>	<u>-</u>	<u>35,956</u>
<b>Total Central Services</b>	<u>2,604,890</u>	<u>-</u>	<u>-</u>	<u>2,604,890</u>
<b>Finance:</b>				
Salaries	628,542	-	-	628,542
Employee benefits	222,026	-	-	222,026
Travel and training	2,318	-	-	2,318
Supplies	38,948	-	-	38,948
Outside services	74,992	-	-	74,992
Other costs	<u>102,800</u>	<u>-</u>	<u>-</u>	<u>102,800</u>
<b>Total Finance</b>	<u>1,069,626</u>	<u>-</u>	<u>-</u>	<u>1,069,626</u>
<b>Information Technology:</b>				
Salaries	345,591	-	-	345,591
Employee benefits	117,963	-	-	117,963
Travel and training	3,227	-	-	3,227
Supplies	12,208	-	-	12,208
Outside services	234,372	-	-	234,372
Telephone	156,763	-	-	156,763
Other costs	<u>807</u>	<u>-</u>	<u>-</u>	<u>807</u>
<b>Total Information Technology</b>	<u>870,931</u>	<u>-</u>	<u>-</u>	<u>870,931</u>

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CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Total Major</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>EXPENDITURES (CONTINUED)</b>				
<b>Parks:</b>				
Salaries	\$ 1,185,026	\$ -	\$ -	\$ 1,185,026
Employee benefits	352,749	-	-	352,749
Repairs and maintenance	279,201	-	-	279,201
Travel and training	7,473	-	-	7,473
Supplies	53,375	-	-	53,375
Outside services	7,899	-	-	7,899
Utilities	207,619	-	-	207,619
Other costs	323,449	-	-	323,449
<b>Total Parks</b>	<u>2,416,791</u>	<u>-</u>	<u>-</u>	<u>2,416,791</u>
<b>Codes:</b>				
Salaries	557,273	-	-	557,273
Employee benefits	179,551	-	-	179,551
Repairs and maintenance	4,278	-	-	4,278
Travel and training	10,127	-	-	10,127
Supplies	34,467	-	-	34,467
Outside services	19,589	-	-	19,589
Telephone	6,438	-	-	6,438
Other costs	5,279	-	-	5,279
<b>Total Codes</b>	<u>817,002</u>	<u>-</u>	<u>-</u>	<u>817,002</u>
<b>Planning:</b>				
Salaries	505,852	-	-	505,852
Employee benefits	159,286	-	-	159,286
Repairs and maintenance	2,665	-	-	2,665
Travel and training	3,192	-	-	3,192
Supplies	12,660	-	-	12,660
Outside services	1,428	-	-	1,428
Utilities	3,168	-	-	3,168
Other costs	29,912	-	-	29,912
<b>Total Planning</b>	<u>718,163</u>	<u>-</u>	<u>-</u>	<u>718,163</u>
<b>Street and Public Works:</b>				
Salaries	1,222,902	-	-	1,222,902
Employee benefits	460,851	-	-	460,851
Repairs and maintenance	179,106	-	-	179,106
Travel and training	3,822	-	-	3,822
Supplies	88,709	-	-	88,709
Outside services	192,007	-	-	192,007
Utilities	389,782	-	-	389,782
Other costs	1,564,633	128,471	-	1,693,104
<b>Total Streets and Public Works</b>	<u>4,101,812</u>	<u>128,471</u>	<u>-</u>	<u>4,230,283</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

	<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	\$ 8,422,274	\$ -	\$ -	\$ 8,422,274
Employee benefits	2,785,536	-	-	2,785,536
Repairs and maintenance	318,381	-	-	318,381
Travel and training	41,626	-	-	41,626
Supplies	1,388,847	-	-	1,388,847
Outside services	152,809	-	-	152,809
Telephone and utilities	154,570	-	-	154,570
Other costs	862,284	9,996	-	872,280
Investigations	<u>4,687</u>	<u>-</u>	<u>-</u>	<u>4,687</u>
Total Police Department	<u>14,131,014</u>	<u>9,996</u>	<u>-</u>	<u>14,141,010</u>
Fire Department:				
Salaries	7,705,184	-	-	7,705,184
Employee benefits	2,719,543	-	-	2,719,543
Repairs and maintenance	210,735	-	-	210,735
Travel and training	79,723	-	-	79,723
Supplies	392,297	-	-	392,297
Outside services	48,646	-	-	48,646
Telephone and utilities	82,190	-	-	82,190
Other costs	<u>115,880</u>	<u>-</u>	<u>-</u>	<u>115,880</u>
Total Fire Department	<u>11,354,198</u>	<u>-</u>	<u>-</u>	<u>11,354,198</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	9,375	-	-	9,375
Forward Sumner	5,000	-	-	5,000
Health Department	12,000	-	-	12,000
Component units	24,000	-	-	24,000
Other	<u>111,650</u>	<u>-</u>	<u>-</u>	<u>111,650</u>
Total Contributions	<u>270,025</u>	<u>-</u>	<u>-</u>	<u>270,025</u>
Disposal services	3,776,010	-	-	3,776,010
Debt service	-	-	2,187,450	2,187,450
Capital outlay	<u>3,346,738</u>	<u>576,825</u>	<u>-</u>	<u>3,923,563</u>
 TOTAL EXPENDITURES	 <u>\$ 46,485,510</u>	 <u>\$ 715,292</u>	 <u>\$ 2,187,450</u>	 <u>\$ 49,388,252</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2020

<u>Tax Year</u>	<u>Taxes Receivable June 30, 2019</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2020</u>
2010	\$ 15,620	\$ -	\$ (203)	\$ 15,417
2011	8,116	-	(203)	7,913
2012	9,433	-	(496)	8,937
2013	10,093	-	(129)	9,964
2014	11,241	-	(962)	10,279
2015	18,867	-	(2,545)	16,322
2016	30,562	-	(11,446)	19,116
2017	56,716	-	(14,913)	41,803
2018	237,367	-	(167,640)	69,727
2019	<u>-</u>	<u>19,864,793</u>	<u>(19,474,642)</u>	<u>390,151</u>
	<u>\$ 398,015</u>	<u>\$ 19,864,793</u>	<u>\$ (19,673,179)</u>	589,629
2020				<u>20,227,543</u>
Taxes receivable				<u>\$ 20,817,172</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, 2020

Assessment Year	Special Assessment Receivable		Collections and Adjustments	Special Assessment Receivable	
	June 30, 2019	Assessments		June 30, 2020	
2010	*	\$ 968	\$ -	\$ (242)	\$ 726
2011	*	1,008	-	(252)	756
2012	*	2,040	-	(510)	1,530
2013	*	2,072	-	(259)	1,813
2014	*	2,630	-	(789)	1,841
2015	*	3,682	-	(1,841)	1,841
2016	*	10,783	-	(4,734)	6,049
2017	*	21,016	-	(8,520)	12,496
2018	*	86,946	-	(52,665)	34,281
2019		-	-	-	-
		<u>\$ 131,145</u>	<u>\$ -</u>	<u>\$ (69,812)</u>	<u>\$ 61,333</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, 2020

<u>Tax Year</u>	<u>Special Assessment Receivable June 30, 2019</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Special Assessment Receivable June 30, 2020</u>
2018	\$ 96,656	\$ -	\$ (58,550)	\$ 38,106
2019	<u>-</u>	<u>2,594,910</u>	<u>(2,511,847)</u>	<u>83,063</u>
	<u>\$ 96,656</u>	<u>\$ 2,594,910</u>	<u>\$ (2,570,397)</u>	<u>\$ 121,169</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2020

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 6/30/2019</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2020</u>
<b>GOVERNMENTAL ACTIVITIES</b>									
<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	\$ 1,364,000	\$ -	\$ (342,000)	\$ -	\$ 1,022,000
Capital Outlay Refunding Notes 2012	\$ 6,810,000	2.00 to 3.00 %	10/10/2012	7/1/2024	585,000	-	(100,000)	-	485,000
Capital Outlay Notes 2013, 12 year	\$ 1,250,000	1.75 %	11/1/2013	7/1/2025	729,167	-	(104,167)	-	625,000
Capital Outlay Notes 2015	\$ 4,020,400	2.41 %	10/30/2015	7/1/2025	2,814,280	-	(402,040)	-	2,412,240
Capital Outlay Notes 2018, 12 year	\$ 5,793,025	2.39 %	9/26/2017	7/1/2029	5,310,273	-	(482,752)	-	4,827,521
Capital Outlay Notes 2018, 7 year	\$ 2,900,000	3.00 %	5/30/2018	7/1/2025	2,900,000	-	(414,285)	-	2,485,715
Total Notes Payable through Debt Service Fund					<u>\$ 13,702,720</u>	<u>\$ -</u>	<u>\$ (1,845,244)</u>	<u>\$ -</u>	<u>\$ 11,857,476</u>
<b>TOTAL LONG-TERM DEBT</b>					<u>\$ 13,702,720</u>	<u>\$ -</u>	<u>\$ (1,845,244)</u>	<u>\$ -</u>	<u>\$ 11,857,476</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2020

Fiscal Year	Capital Outlay Notes - 2011		Capital Outlay Refunding Notes - 2012		Capital Outlay Notes - 2013		Capital Outlay Notes - 2015	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 342,000	\$ 32,806	\$ 100,000	\$ 8,700	\$ 104,167	\$ 15,465	\$ 402,040	\$ 58,135
2022	342,000	21,828	100,000	6,700	104,167	12,853	402,040	48,446
2023	338,000	10,850	95,000	4,750	104,166	10,282	402,040	38,757
2024	-	-	95,000	2,850	104,167	7,712	402,040	29,067
2025	-	-	95,000	950	104,167	5,155	402,040	19,378
2026	-	-	-	-	104,166	2,571	402,040	9,689
2027	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,022,000</b>	<b>\$ 65,484</b>	<b>\$ 485,000</b>	<b>\$ 23,950</b>	<b>\$ 625,000</b>	<b>\$ 54,038</b>	<b>\$ 2,412,240</b>	<b>\$ 203,472</b>

Fiscal Year	Capital Outlay Notes - 2018		Capital Outlay Notes - 2018		Total Principal	Total Interest	Total Long-Term Debt
	Principal	Interest	Principal	Interest			
2021	\$ 482,752	\$ 109,609	\$ 414,285	\$ 68,357	\$ 1,845,244	\$ 293,072	\$ 2,138,316
2022	482,752	98,071	414,285	55,929	1,845,244	243,827	2,089,071
2023	482,752	86,533	414,285	43,500	1,836,243	194,672	2,030,915
2024	482,752	74,996	414,285	31,072	1,498,244	145,697	1,643,941
2025	482,752	63,458	414,285	18,643	1,498,244	107,584	1,605,828
2026	482,752	51,920	414,290	6,214	1,403,248	70,394	1,473,642
2027	482,752	40,382	-	-	482,752	40,382	523,134
2028	482,752	28,844	-	-	482,752	28,844	511,596
2029	482,752	17,307	-	-	482,752	17,307	500,059
2030	482,753	5,769	-	-	482,753	5,769	488,522
<b>Total</b>	<b>\$ 4,827,521</b>	<b>\$ 576,889</b>	<b>\$ 2,485,715</b>	<b>\$ 223,715</b>	<b>\$ 11,857,476</b>	<b>\$ 1,147,548</b>	<b>\$ 13,005,024</b>

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Grant Description	Federal CFDA#	Grant Number	(Accrued) Deferred 7/1/19	Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/20
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<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	-	40,857	54,796	(390)	(14,329)
Community Development Block Grant	14.218	B-18-MC-47-0015	(36,926)	56,198	19,285	-	(13)
Community Development Block Grant	14.218	B-19-MC-47-0015	(11,045)	31,045	20,000	-	-
Total Passed through the Tennessee Department of Economic and Community Development			(47,971)	128,100	94,959	(390)	(15,220)
<u>Passed through the Tennessee Housing Development Agency:</u>							
HOME Grant	14.239	HM-17-10	-	42,035	42,035	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			(47,971)	170,135	136,994	(390)	(15,220)
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership Program	16.607		(6,828)	6,828	-	-	-
Bulletproof Vest Partnership Program	16.607		-	-	7,425	-	(7,425)
TOTAL U.S. DEPARTMENT OF JUSTICE			(6,828)	6,828	7,425	-	(7,425)
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
<u>Passed through the Tennessee Department of Transportation:</u>							
Highway Planning and Construction Cluster: Drakes Creek Road Widening	20.205	140137	(83,637)	66,399	13,717	(41,665)	(72,620)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant							
Traffic Sign Upgrade Project	20.205	60151	(12,961)	13,607	646	-	-
Highway Planning and Construction Cluster: Greenway Grant	20.205	120012	(13,600)	14,820	-	(1,220)	-
Highway Planning and Construction Cluster: Sanders Ferry Walking Trail	20.205		(7,831)	13,143	5,312	-	-
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	51818/DD-17-01	(5,919)	-	-	5,919	-
Community Based Traffic Safety Enforcement and Education - TN Hwy Safety Grant	20.600	Z19THS126	(5,487)	15,945	11,463	1,005	-
Community Based Traffic Safety Enforcement and Education - TN Hwy Safety Grant	20.600	Z20THS107	-	4,447	14,663	-	(10,216)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			(129,435)	128,361	45,801	(35,961)	(82,836)
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
<u>Passed through the Federal Emergency Management Agency:</u>							
SAFER Grant	* 97.083	EMW-2017-FH-00138	(12,300)	776,940	875,310	-	(110,670)
<u>Passed through the Tennessee Emergency Management Agency:</u>							
Disaster Grants - Public Assistance	97.036	6175207	-	70,988	70,988	-	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			(12,300)	847,928	946,298	-	(110,670)
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ (196,534)</b>	<b>\$ 1,153,252</b>	<b>\$ 1,136,518</b>	<b>\$ (36,351)</b>	<b>\$ (216,151)</b>
<b>EXPENDITURES OF STATE AWARDS</b>							
<u>Tennessee Department of Environment and Conservation:</u>							
LPRF Arrowhead Park Soccer Complex		50740	\$ (150,100)	\$ 126,000	\$ -	\$ 24,100	\$ -
<u>Tennessee Department of Transportation:</u>							
Saundersville Railroad Trestle		83LPLM-S3-106	(229,384)	48,469	109,739	2,707	(287,947)
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<b>\$ (379,484)</b>	<b>\$ 174,469</b>	<b>\$ 109,739</b>	<b>\$ 26,807</b>	<b>\$ (287,947)</b>

\* Major program under Single Audit

Summary of Expenditures by CFDA Number

**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, 2020. 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.

14.218	\$ 94,959
14.239	42,035
16.607	7,425
20.205	19,675
20.600	26,126
97.036	70,988
97.083	875,310
<b>Total</b>	<b>\$ 1,136,518</b>

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, 2020, 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 30, 2020.

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.

Kraft CPAs PLLC

Nashville, Tennessee  
December 30, 2020

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, 2020. 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, 2020.

## 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.

*Kraft CPAs PLLC*

Nashville, Tennessee  
December 30, 2020



CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

**SECTION II - FINANCIAL STATEMENT FINDINGS**

PRIOR YEAR

2019 - 001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Status: Finding was resolved in the current year.

2018 - 002 ADHERENCE TO INTERNAL POLICIES AND PROCEDURES

Status: Finding was not repeated in the current year.

CURRENT YEAR

No findings noted.