

CITY OF HENDERSONVILLE, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

PREPARED BY:  
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

# CITY OF HENDERSONVILLE

## ORGANIZATION CHART

June 30, 2019

**CITIZENS**

### LEGISLATIVE

**BOARD OF MAYOR AND ALDERMEN**

WARD <b>ONE</b> 2 MEMBER	WARD <b>TWO</b> 2 MEMBER	WARD <b>THREE</b> 2 MEMBER	<b>MAYOR</b>	WARD <b>FOUR</b> 2 MEMBER	WARD <b>FIVE</b> 2 MEMBER	WARD <b>SIX</b> 2 MEMBER
--------------------------------	--------------------------------	----------------------------------	--------------	---------------------------------	---------------------------------	--------------------------------

### JUDICIAL

CITY ATTORNEY

### EXECUTIVE

VICE MAYOR

EXECUTIVE ASSISTANT/CITY RECORDER

MAYORAL ASSISTANT/ECD

### JUDICIAL

CITY JUDGE

### DEPARTMENTS

EXECUTIVE	IT DEPARTMENT		CENTRAL ADMIN.	PUBLIC WORKS	POLICE
PARKS		FINANCE ADMINISTRATION		ROADS	FIRE
CODES		PERSONNEL/HUMAN RESOURCES		STORM WATER	EMERG. MAN.
PLANNING				DISPOSAL	

OFFICIALS OF THE  
CITY OF HENDERSONVILLE, TENNESSEE

June 30, 2019

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
Eddie Roberson	Alderman, Ward 6
Jim Waters	Alderman, Ward 6
Keith Frees	Planning Director
Scotty Bush	Fire Chief
Robert Manning	Interim Director of Finance
Andy Gilley	Parks Director
Marshall Boyd	Interim Public Works Director
Leonard "Mickey" Miller	Police Chief
Brian Washko	Codes Director
Rod Kirk	Mayoral Assistant, Ec. Com. Dev.
Kay Franklin	Executive Assistant/City Recorder
Mary Beth Ippich	IT Manager
Peter Voss	Human Resources Manager
Kimberly Deem	CMFO Designee

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, the discretely presented component units (in the aggregate) and the aggregate remaining fund information of the City of Hendersonville, Tennessee (the City), as of and for the year ended June 30, 2019, 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, the discretely presented component units (in the aggregate) and the aggregate remaining fund information of the City of Hendersonville, Tennessee as of June 30, 2019, 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 60 through 62 to be presented to supplement the basic financial statements.

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

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and 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.

*Kraft CPAs PLLC*

Nashville, Tennessee  
December 30, 2019

# 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, 2019.

### 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 \$68,173,643 (net position). Of this amount, \$9,486,045 (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 \$2,733,908. This positive change is attributable mostly to an increase of revenues exceeding expenditures related to the Nonmajor Governmental Funds.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,644,847, a decrease of \$1,616,567 in comparison to the prior year. Approximately \$4,204,347 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 \$4,204,347 or 10.9% of the total general fund expenditures.

The City's total debt decreased by \$1,661,280 or (10.7%) during the current fiscal year.

### Overview of the Financial Statements:

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

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

The Statement of Net Position presents information on all of the City's assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, pension obligations and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hendersonville include general government, personnel, central services, finance, parks, codes, planning, police, fire, contributions, disposal service, program cost, streets and public works. The business-type activities of the City include its golf course operations.

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

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

**Fund Financial Statements** A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Hendersonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, solid waste, 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 27-59 of this report.

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hendersonville, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$68,173,643 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (76.4%) 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 44,112,001	\$ 36,515,461 *	\$ 65,040	\$ 70,994	\$ 44,177,041	\$ 36,586,455 *
Capital assets	64,850,985	62,526,783	940,603	976,500	65,791,588	63,503,283
Total assets	108,962,986	99,042,244	1,005,643	1,047,494	109,968,629	100,089,738
Deferred outflows of resources	5,329,633	4,749,066	-	-	5,329,633	4,749,066
Long-term liabilities outstanding	20,140,987	21,595,601	-	-	20,140,987	21,595,601
Other liabilities	6,113,282	4,386,781	71,063	83,031	6,184,345	4,469,812
Total liabilities	26,254,269	25,982,382	71,063	83,031	26,325,332	26,065,413
Deferred inflows of resources	20,799,287	13,333,656	-	-	20,799,287	13,333,656
Net position:						
Net investment capital assets	51,148,265	47,393,105	940,603	976,500	52,088,868	48,369,605
Restricted	6,598,730	6,810,483 *	-	-	6,598,730	6,810,483 *
Unrestricted	9,492,068	10,271,684	(6,023)	(12,037)	9,486,045	10,259,647
Total net position	\$ 67,239,063	\$ 64,475,272	\$ 934,580	\$ 964,463	\$ 68,173,643	\$ 65,439,735

\* 2018 current and other assets and restricted fund balance have been restated to include \$43,097 of grants receivable omitted from the 2018 Schedule of Expenditures of Federal and State Awards.

An additional portion of the City's net position (9.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9,486,045) 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 \$2,733,908 during the current fiscal year amount to 4.0% 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 \$2,763,791, thereby accounting for 101.1% of the total change in the net position of the City. The key factor for this increase was due to an increase in total revenues.

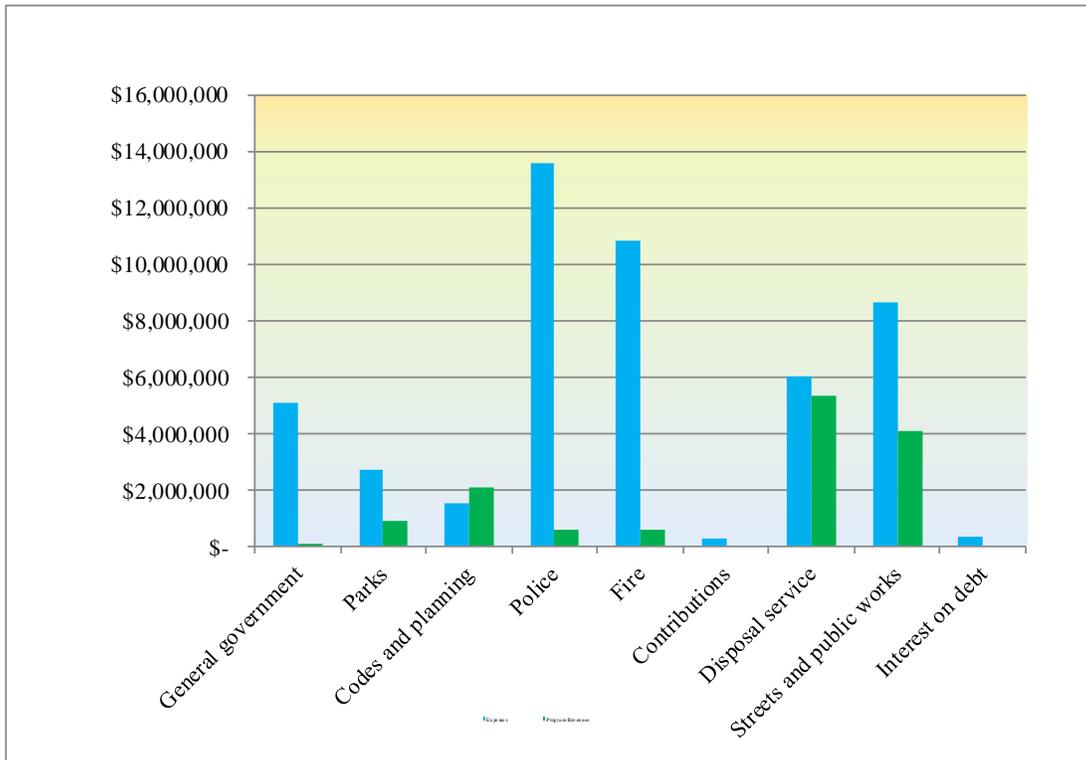
City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 10,363,724	\$ 7,175,702	\$ 789,721	\$ 769,718	\$ 11,153,445	\$ 7,945,420
Operating grants and contributions	2,045,192	2,053,215	-	-	2,045,192	2,053,215
Capital grants and contributions	3,724,028	1,397,187 *	-	-	3,724,028	1,397,187 *
General revenues:						
Property taxes	12,453,782	12,280,935	-	-	12,453,782	12,280,935
Sales taxes	13,459,303	12,776,911	-	-	13,459,303	12,776,911
Other locally assessed taxes	4,581,793	4,897,724	-	-	4,581,793	4,897,724
Other State shared taxes	5,617,345	5,315,557	-	-	5,617,345	5,315,557
Other	573,669	117,562	1,100	261	574,769	117,823
Total revenues	<u>52,818,836</u>	<u>46,014,793</u>	<u>790,821</u>	<u>769,979</u>	<u>53,609,657</u>	<u>46,784,772</u>
Expenses:						
General government	641,981	586,350	-	-	641,981	586,350
Personnel	449,180	447,730	-	-	449,180	447,730
Central services	2,213,220	2,077,320	-	-	2,213,220	2,077,320
Finance	989,843	936,820	-	-	989,843	936,820
Parks	2,686,687	2,710,888	-	-	2,686,687	2,710,888
IT	815,935	749,731	-	-	815,935	749,731
Codes	766,532	745,851	-	-	766,532	745,851
Planning	778,842	630,482	-	-	778,842	630,482
Police	13,555,768	12,322,989	-	-	13,555,768	12,322,989
Fire	10,847,398	9,857,181	-	-	10,847,398	9,857,181
Contributions	249,400	241,400	-	-	249,400	241,400
Disposal service	6,001,994	5,777,510	-	-	6,001,994	5,777,510
Stormwater	1,061,545	-	-	-	1,061,545	-
Drug and forfeiture program costs	12,870	19,199	-	-	12,870	19,199
Streets and Public Works	8,651,120	10,652,930	-	-	8,651,120	10,652,930
Interest expense on long-term debt	332,730	262,589	-	-	332,730	262,589
Golf course	-	-	820,704	886,611	820,704	886,611
Total expenses	<u>50,055,045</u>	<u>48,018,970</u>	<u>820,704</u>	<u>886,611</u>	<u>50,875,749</u>	<u>48,905,581</u>
Increase (decrease) in net position	2,763,791	(2,004,177)	(29,883)	(116,632)	2,733,908	(2,120,809)
Net position						
Beginning of year	<u>64,475,272</u>	<u>66,479,449</u>	<u>964,463</u>	<u>1,081,095</u>	<u>65,439,735</u>	<u>67,560,544</u>
End of year	<u>\$ 67,239,063</u>	<u>\$ 64,475,272</u> *	<u>\$ 934,580</u>	<u>\$ 964,463</u>	<u>\$ 68,173,643</u>	<u>\$ 65,439,735</u> *

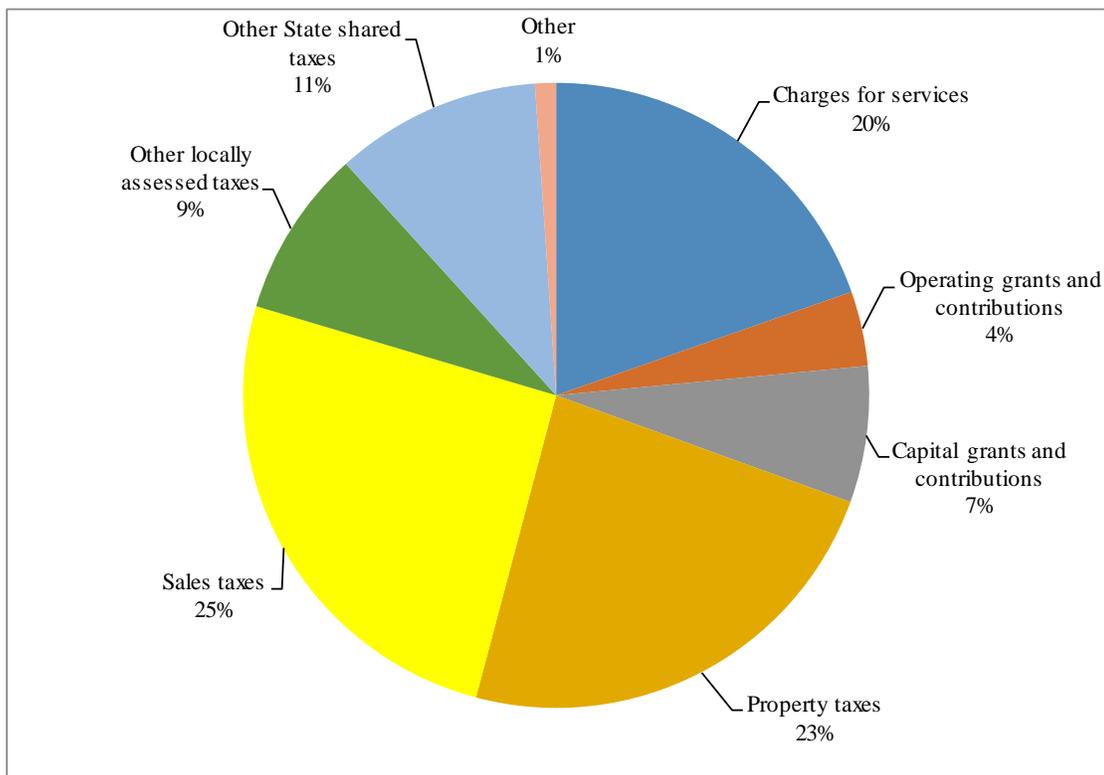
\* 2018 current and other assets and restricted fund balance have been restated to include \$43,097 of grants receivable omitted from the 2018 Schedule of Expenditures of Federal and State Awards.

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

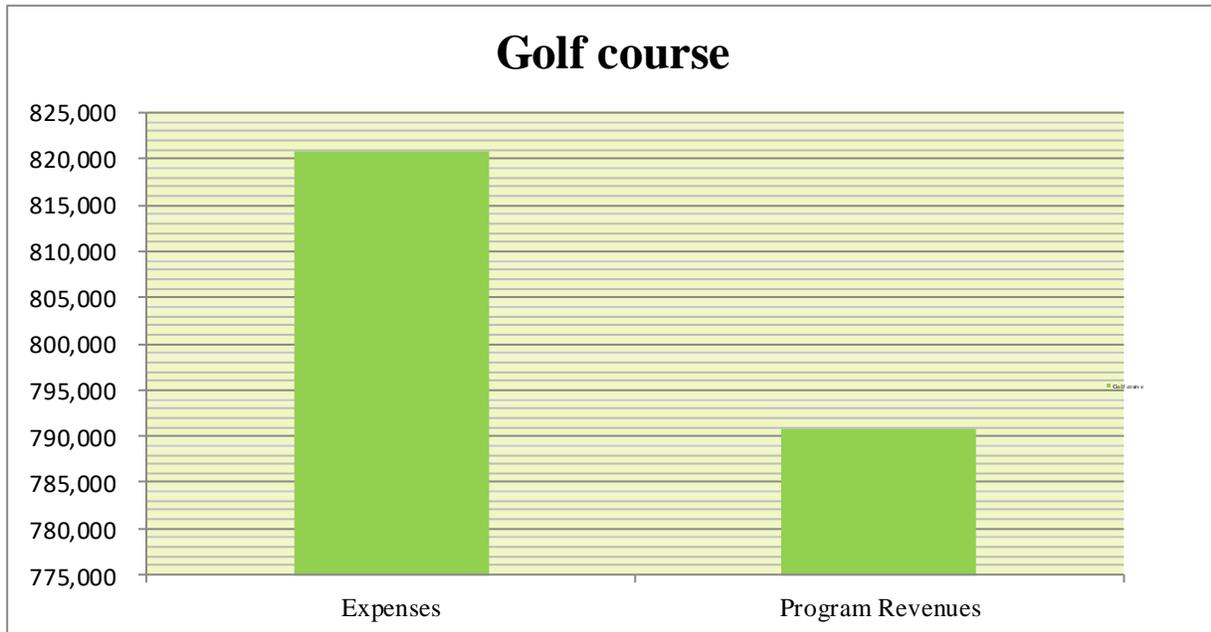
## Expenses and Program Revenues - Governmental Activities



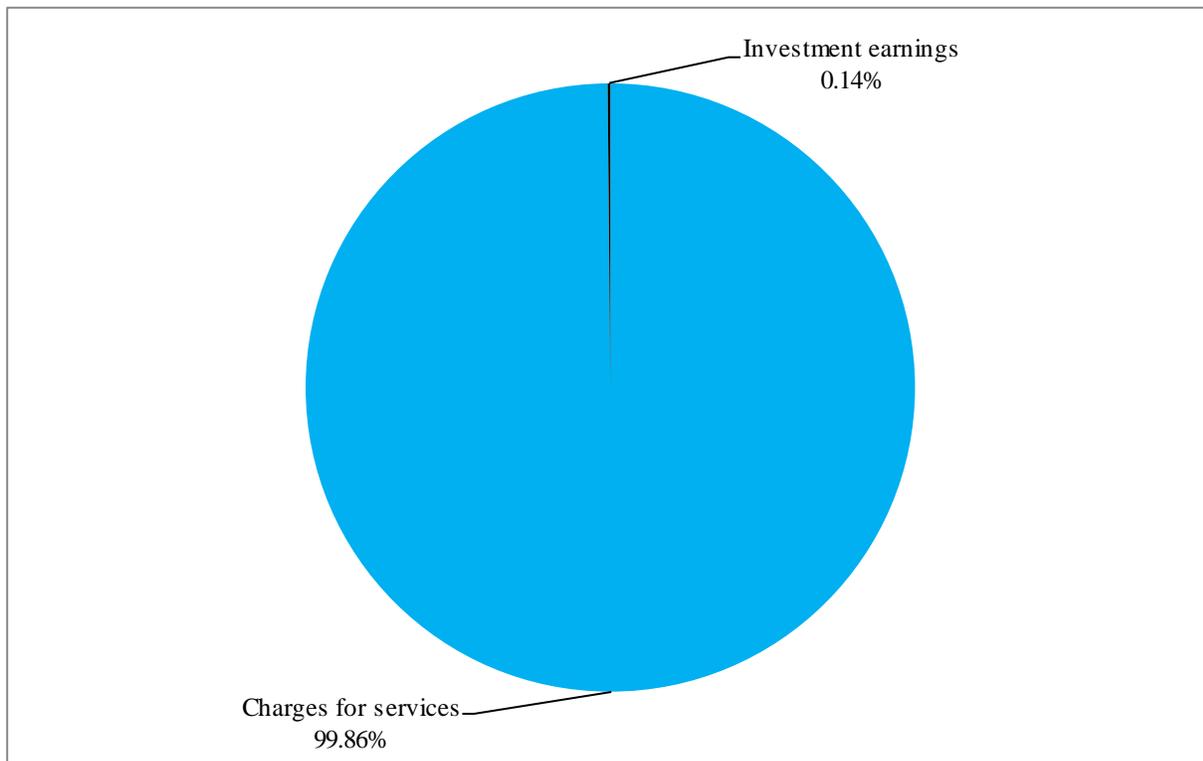
## Revenues by Source - Governmental Activities



## 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 \$15,644,847, a decrease of \$1,616,567 in comparison with the prior year. Approximately 26.9% of this total amount (\$4,204,347) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$11,440,510) indicates that it is not available for new spending because it has been either **1**) restricted for departmental obligations in the amount of (\$3,532,650); **2**) restricted to provide for capital projects (\$3,066,080); **3**) designated non-spendable to provide for prepaid items (\$13,661); **4**) committed to provide for designated departmental projects (\$2,171,651), **5**) assigned for specific projects regarding other governmental funds (\$809,483); **6**) and assigned for departmental obligations in the amount of (\$1,846,975).

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 \$4,204,347, while total fund balance reached \$10,195,821. 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 10.9% of total general fund expenditures, while total fund balance represents 26.5% of that same amount.

The fund balance of the City's General Fund decreased by \$337,718 during the current fiscal year. The key factor in this decrease was primarily due to increases in expenditures exceeding revenues.

At the end of the current fiscal year, total fund balance of the Solid Waste Fund was zero, which is unchanged from the prior fiscal year.

At the end of the current fiscal year, total fund balance of the Capital Projects Fund was \$3,066,080. The decrease in total fund balance from the prior fiscal year was \$2,137,545 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 \$813,416. The decrease in total fund balance from the prior fiscal year was \$440,880.

At the end of the current fiscal year, total fund balance of the Drug Fund (nonmajor governmental fund) was \$270,320. The increase in total fund balance from the prior fiscal year was \$13,190.

At the end of current fiscal year, total fund balance of the Forfeiture Fund (nonmajor governmental fund) was \$13,351. The increase in total fund balance from the prior fiscal year was \$527.

## 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 (\$6,023). The decrease in total net position of the Golf Course Fund amounted to \$29,883. 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 \$738,147, the majority of which can be briefly summarized as follows:

- The Police Department budget was amended by \$20,000 for the Tennessee Highway Safety Grant for road safety and \$7,410 for a bullet proof vest grant.
- The Fire Department budget was amended by \$19,033 for a Firehouse Sub Public Safety Grant.
- \$264,500 in appropriations for project Local Agency Project Agreement, anticipating 50% reimbursements.
- \$141,403 in appropriations for Saundersville Road Local Interchange Connector Project.
- \$100,000 appropriated to supplement possible cash flow shortages at the Country Hills Golf Course during the slower months, to be repaid once general operations resumed.
- The Finance Department budget was amended by \$31,623 to fund one half year salaries and benefits for a new Accountant position within the department.

Additionally, \$786,716 appropriated to both revenues and expenditures for Insurance Proceeds resulting from Flood Damage.

Total general fund revenues for FY 2018-2019 were under budgeted revenues by \$7,315,466 or 15.1%. Total expenditures for FY 2018-2019 were under budgeted expenditures before transfers by \$8,116,650 or 17.4% resulting in a positive variance with final budget before transfers in the amount of \$801,184.

Revenues were less than appropriate estimated variances as budgeted. Expenditures were under budget mainly due to vacancies throughout the year that were not filled as soon as expected.

## **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, 2019, amounts to \$65,791,588 (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 3.6% (a 3.7% increase for governmental activities and a 3.7% decrease for business-type activities).

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

- \$1,572,379 was added in improvements, a majority of which attributable to Park Improvements.
- \$494,063 added to Machinery and Equipment. An estimated 60% of which spent on vehicles for city use.
- \$2,421,492 added to construction in process. The majority of this can be attributed to the construction of the new Fire Hall.
- \$1,965,941 added in Infrastructure due to the completion of multiple phases of various ongoing projects.

	City of Hendersonville's Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,650,819	\$ 7,650,819	\$ 641,194	\$ 641,194	\$ 8,292,013	\$ 8,292,013
Buildings and improvements	9,874,042	9,874,042	1,033,754	1,033,754	10,907,796	10,907,796
Improvements other than buildings	4,592,748	3,020,369	4,259,559	4,259,559	8,852,307	7,279,928
Machinery and equipment	16,791,217	15,983,324	457,495	771,325	17,248,712	16,754,649
Construction in progress	7,603,408	5,181,916	-	-	7,603,408	5,181,916
Infrastructure	113,846,127	111,880,186	-	-	113,846,127	111,880,186
	160,358,361	153,590,656	6,392,002	6,705,832	166,750,363	160,296,488
Less accumulated depreciation	(95,507,376)	(91,063,873)	(5,451,399)	(5,729,332)	(100,958,775)	(96,793,205)
Net Capital Assets	<u>\$ 64,850,985</u>	<u>\$ 62,526,783</u>	<u>\$ 940,603</u>	<u>\$ 976,500</u>	<u>\$ 65,791,588</u>	<u>\$ 63,503,283</u>

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					
	Commercial Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 13,702,720	\$ 15,133,678	\$ -	\$ -	\$ 13,702,720	\$ 15,133,678
Obligation to school system	-	197,425	-	-	-	197,425
	13,702,720	15,331,103	-	-	13,702,720	15,331,103
Note premiums	164,485	197,382	-	-	164,485	197,382
Total long-term debt obligations	<u>\$ 13,867,205</u>	<u>\$ 15,528,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,867,205</u>	<u>\$ 15,528,485</u>

The City of Hendersonville's total debt decreased by \$1,661,280 (10.7%) 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 41 of this report.

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

The unemployment rate for the City of Hendersonville is 3.2%, which is slightly higher than last year's rate of 3.0%. This compares to the state's average unemployment rate of 3.4% and the national average rate of 3.7%.

In the 2019-2020 budget, General fund revenues and transfers in are budgeted to increase by 9.5% from the 2018-2019 budget 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 2018-2019 budget year are trending more favorably but still requires a conservative approach to the 2019-2020 budget.

All of these factors were considered in preparing the City's budget for the 2019-2020 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, 2019

	Primary Government		Total	
	Governmental Activities	Business Activities	Primary Government	Component Units
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 17,479,728	\$ 22,020	\$ 17,501,748	\$ 163,338
Receivables:				
Property taxes	20,277,035	-	20,277,035	-
Other taxes	148,090	-	148,090	-
Disposal fees	131,609	-	131,609	-
Stormwater fees	96,656	-	96,656	-
Due from other governments	5,230,654	-	5,230,654	5,250
Accounts receivable	-	1,174	1,174	-
Inventories	-	40,472	40,472	-
Prepaid items	13,661	-	13,661	-
Deposits	-	1,374	1,374	10,000
Restricted assets - cash and cash equivalents:				
Deposit for capital construction - State of Tennessee	734,568	-	734,568	-
Escrow funds	-	-	-	520,432
Capital assets:				
Land and construction in progress	15,254,227	641,194	15,895,421	10,852
Capital assets, net	49,596,758	299,409	49,896,167	38,760
<b>TOTAL ASSETS</b>	<b>108,962,986</b>	<b>1,005,643</b>	<b>109,968,629</b>	<b>748,632</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows relating to pensions	5,329,633	-	5,329,633	-
<b><u>LIABILITIES</u></b>				
Accounts payable	2,698,202	7,270	2,705,472	18,433
Accrued liabilities	3,394,612	63,793	3,458,405	5,356
Liabilities payable from restricted cash	-	-	-	520,432
Unearned revenue	20,468	-	20,468	-
Long-term debt due within one year	1,845,244	-	1,845,244	-
Long-term debt due more than one year	12,021,961	-	12,021,961	-
Other long-term liabilities	2,036,063	-	2,036,063	-
Net pension liability	1,009,075	-	1,009,075	-
Net other post employments benefit liability	3,228,644	-	3,228,644	-
<b>TOTAL LIABILITIES</b>	<b>26,254,269</b>	<b>71,063</b>	<b>26,325,332</b>	<b>544,221</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessed and unlevied taxes and fees	20,174,793	-	20,174,793	-
Deferred inflows related to pensions	624,494	-	624,494	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>20,799,287</b>	<b>-</b>	<b>20,799,287</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	51,148,265	940,603	52,088,868	49,612
Restricted for:				
Public works	479,871	-	479,871	-
Street maintenance	1,366,657	-	1,366,657	-
Law enforcement	299,581	-	299,581	-
General government	100,682	-	100,682	-
Capital projects	3,066,080	-	3,066,080	-
Stormwater	1,285,859	-	1,285,859	-
Unrestricted	9,492,068	(6,023)	9,486,045	154,799
<b>TOTAL NET POSITION</b>	<b>\$ 67,239,063</b>	<b>\$ 934,580</b>	<b>\$ 68,173,643</b>	<b>\$ 204,411</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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	\$ 641,981	\$ -	\$ -	\$ -	\$ (641,981)	\$ -	\$ (641,981)	\$ -
Personnel	449,180	-	-	-	(449,180)	-	(449,180)	-
Central services	2,213,220	-	-	-	(2,213,220)	-	(2,213,220)	-
Finance	989,843	65,052	3,000	-	(921,791)	-	(921,791)	-
Parks and recreation	2,686,687	366,385	-	510,000	(1,810,302)	-	(1,810,302)	-
Information technology	815,935	-	-	-	(815,935)	-	(815,935)	-
Codes	766,532	1,464,720	-	-	698,188	-	698,188	-
Planning	778,842	88,577	7,200	549,535	(133,530)	-	(133,530)	-
Police	13,555,768	403,922	127,646	43,433	(12,980,767)	-	(12,980,767)	-
Fire	10,847,398	118,789	-	439,297	(10,289,312)	-	(10,289,312)	-
Contributions	249,400	-	-	-	(249,400)	-	(249,400)	-
Disposal service	6,001,994	5,327,740	-	-	(674,254)	-	(674,254)	-
Stormwater	1,061,545	2,525,089	-	-	1,463,544	-	1,463,544	-
Drug and forfeiture program costs	12,870	-	-	-	(12,870)	-	(12,870)	-
Streets and public works	8,651,120	3,450	1,907,346	2,181,763	(4,558,561)	-	(4,558,561)	-
Interest and issuance costs on long-term debt	332,730	-	-	-	(332,730)	-	(332,730)	-
	<u>50,055,045</u>	<u>10,363,724</u>	<u>2,045,192</u>	<u>3,724,028</u>	<u>(33,922,101)</u>	<u>-</u>	<u>(33,922,101)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Golf course	820,704	789,721	-	-	-	(30,983)	(30,983)	-
	<u>820,704</u>	<u>789,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,983)</u>	<u>(30,983)</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 50,875,749</b>	<b>\$ 11,153,445</b>	<b>\$ 2,045,192</b>	<b>\$ 3,724,028</b>	<b>(33,922,101)</b>	<b>(30,983)</b>	<b>(33,953,084)</b>	<b>-</b>
<b>COMPONENT UNITS</b>	<b>\$ 342,996</b>	<b>\$ 114,145</b>	<b>\$ 216,471</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,380)</b>
<b>General revenues:</b>								
Property taxes					12,453,782	-	12,453,782	-
In lieu of taxes					777,369	-	777,369	-
Sales taxes					13,459,303	-	13,459,303	-
Wholesale beer tax					1,017,361	-	1,017,361	-
Wholesale liquor tax					613,964	-	613,964	-
Business tax					1,304,368	-	1,304,368	-
Franchise taxes					768,049	-	768,049	-
Hotel/motel tax					100,682	-	100,682	-
<b>Unrestricted state shared taxes:</b>								
State shared sales tax					4,597,625	-	4,597,625	-
State shared income tax					666,960	-	666,960	-
State shared beer tax					23,782	-	23,782	-
State shared alcoholic beverage tax					253,643	-	253,643	-
Other unrestricted state shared revenues					75,335	-	75,335	-
Unrestricted investment earnings					31,294	21	31,315	223
Other					528,673	1,079	529,752	-
Gain on disposal of assets					13,702	-	13,702	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS</b>					<u>36,685,892</u>	<u>1,100</u>	<u>36,686,992</u>	<u>223</u>
<b>CHANGE IN NET POSITION</b>					<u>2,763,791</u>	<u>(29,883)</u>	<u>2,733,908</u>	<u>(12,157)</u>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>					<u>64,475,272</u>	<u>964,463</u>	<u>65,439,735</u>	<u>216,568</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 67,239,063</u>	<u>\$ 934,580</u>	<u>\$ 68,173,643</u>	<u>\$ 204,411</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General</u>	<u>Solid</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Waste</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,409,650	\$ -	\$ 2,564,481	\$ -	\$ 3,505,597	\$ 17,479,728
Receivables:						
Property taxes	20,277,035	-	-	-	-	20,277,035
Other taxes	148,090	-	-	-	-	148,090
Disposal fees	-	131,609	-	-	-	131,609
Stormwater fees	-	-	-	-	96,656	96,656
Due from other governments	4,689,416	-	229,384	-	311,854	5,230,654
Deposit for capital construction - State of Tennessee	-	-	734,568	-	-	734,568
Prepaid items	13,661	-	-	-	-	13,661
Due from other funds	-	345,735	-	-	2,183	347,918
<b>TOTAL ASSETS</b>	<b>\$ 36,537,852</b>	<b>\$ 477,344</b>	<b>\$ 3,528,433</b>	<b>\$ -</b>	<b>\$ 3,916,290</b>	<b>\$ 44,459,919</b>
<b>LIABILITIES</b>						
Accounts payable	666,914	372,509	462,353	\$ -	\$ 1,196,426	\$ 2,698,202
Accrued liabilities	3,112,821	-	-	-	110,674	3,223,495
Due to other funds	347,918	-	-	-	-	347,918
Unearned revenue	20,468	-	-	-	-	20,468
<b>TOTAL LIABILITIES</b>	<b>4,148,121</b>	<b>372,509</b>	<b>462,353</b>	<b>-</b>	<b>1,307,100</b>	<b>6,290,083</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	22,193,910	104,835	-	-	226,244	22,524,989
<b>FUND BALANCE</b>						
Nonspendable	13,661	-	-	-	-	13,661
Restricted for:						
General government	100,682	-	-	-	-	100,682
Public works	479,871	-	-	-	-	479,871
Street maintenance	553,241	-	-	-	813,416	1,366,657
Law enforcement	15,910	-	-	-	283,671	299,581
Stormwater	-	-	-	-	1,285,859	1,285,859
Capital projects	-	-	3,066,080	-	-	3,066,080
Committed for:						
Parks	406,961	-	-	-	-	406,961
Public works	1,739,125	-	-	-	-	1,739,125
Police	25,565	-	-	-	-	25,565
Assigned to:						
Retiree benefits	809,483	-	-	-	-	809,483
General government	233,154	-	-	-	-	233,154
Public works	522,828	-	-	-	-	522,828
Law enforcement	656,623	-	-	-	-	656,623
Fire department	345,807	-	-	-	-	345,807
Parks	9,241	-	-	-	-	9,241
Solid waste	79,322	-	-	-	-	79,322
Unassigned	4,204,347	-	-	-	-	4,204,347
<b>TOTAL FUND BALANCES</b>	<b>10,195,821</b>	<b>-</b>	<b>3,066,080</b>	<b>-</b>	<b>2,382,946</b>	<b>15,644,847</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 36,537,852</b>	<b>\$ 477,344</b>	<b>\$ 3,528,433</b>	<b>\$ -</b>	<b>\$ 3,916,290</b>	<b>\$ 44,459,919</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, 2019

TOTAL GOVERNMENTAL FUND BALANCES	\$ 15,644,847
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	64,850,985
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	(13,702,720)
Add: bond premium	(164,485)
Compensated absences	(1,796,175)
Post-closure landfill costs relating to Resource Authority	(239,888)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(171,117)
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	(1,009,075)
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	(3,228,644)
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	1,861,492
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	(624,494)
Other deferred outflows related to pensions	3,468,141
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>2,350,196</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 67,239,063</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, 2019

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 29,626,564	\$ -	\$ -	\$ -	\$ -	\$ 29,626,564
Intergovernmental revenues	7,413,611	-	186,287	-	1,817,417	9,417,315
Fines and forfeitures	423,004	-	-	-	-	423,004
Licenses and permits	2,421,681	-	-	-	-	2,421,681
Charges for services	366,385	5,331,075	-	-	2,451,602	8,149,062
Uses of money and property	24,837	-	8,060	-	12,099	44,996
Miscellaneous	699,356	-	-	-	-	699,356
	<u>40,975,438</u>	<u>5,331,075</u>	<u>194,347</u>	<u>-</u>	<u>4,281,118</u>	<u>50,781,978</u>
<b>EXPENDITURES</b>						
Current operations:						
General government	538,560	-	-	-	-	538,560
Personnel	445,824	-	-	-	-	445,824
Central services	2,194,032	-	-	-	-	2,194,032
Finance	1,084,071	-	-	-	-	1,084,071
Parks and recreation	2,253,393	-	-	-	-	2,253,393
Information technology	790,543	-	-	-	-	790,543
Codes	749,423	-	-	-	-	749,423
Planning	782,650	-	-	-	-	782,650
Public works	3,216,273	-	-	-	-	3,216,273
Police	13,031,362	-	-	-	-	13,031,362
Fire	10,230,800	-	-	-	-	10,230,800
Contributions	249,400	-	-	-	-	249,400
Disposal service	-	6,076,106	-	-	-	6,076,106
Drug and forfeiture program costs	-	-	-	-	12,870	12,870
Streets	-	-	32,941	-	2,198,351	2,231,292
Stormwater	-	-	-	-	1,061,545	1,061,545
Debt service:						
Principal	-	-	-	1,628,384	-	1,628,384
Interest	-	-	-	385,731	-	385,731
Other	-	-	-	220	-	220
Capital outlay	2,987,459	-	2,298,951	-	149,656	5,436,066
<b>TOTAL EXPENDITURES</b>	<u>38,553,790</u>	<u>6,076,106</u>	<u>2,331,892</u>	<u>2,014,335</u>	<u>3,422,422</u>	<u>52,398,545</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	2,421,648	(745,031)	(2,137,545)	(2,014,335)	858,696	(1,616,567)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	745,031	-	2,014,335	-	2,759,366
Transfers out	(2,759,366)	-	-	-	-	(2,759,366)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,759,366)</u>	<u>745,031</u>	<u>-</u>	<u>2,014,335</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(337,718)	-	(2,137,545)	-	858,696	(1,616,567)
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (CAPITAL PROJECTS)</b>						
	10,533,539	-	5,203,625	-	1,524,250	17,261,414
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,195,821</u>	<u>\$ -</u>	<u>\$ 3,066,080</u>	<u>\$ -</u>	<u>\$ 2,382,946</u>	<u>\$ 15,644,847</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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,616,567)

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	5,436,066
Donations of assets by developers	1,812,250
Depreciation expense	(4,924,114)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities 1,628,384

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, 2019	(171,117)
Accrued interest on debt obligations at June 30, 2018	191,441

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	49,565
Change in estimate of post-closure landfill costs related to Resource Authority	74,112
Actuarially determined pension expense	(1,815,616)
Changes in other post employment benefits obligation	(19,610)

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 1,861,492

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 224,608

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,763,791

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, 2019

	<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	\$ 12,623,119	\$ 12,623,119	\$ 12,454,413	\$ (168,706)
Other revenues	35,108,390	35,667,785	28,521,025	(7,146,760)
TOTAL REVENUE	<u>47,731,509</u>	<u>48,290,904</u>	<u>40,975,438</u>	<u>(7,315,466)</u>
EXPENDITURES				
Executive	604,845	604,845	538,560	(66,285)
Personnel	518,950	518,950	445,824	(73,126)
Central services	2,180,477	2,180,477	2,130,239	(50,238)
Finance	1,182,103	1,258,462	1,086,890	(171,572)
Information technology	809,525	878,260	776,411	(101,849)
Parks	2,344,404	2,326,252	2,281,962	(44,290)
Codes	825,613	825,613	784,815	(40,798)
Planning	797,346	797,346	744,069	(53,277)
Streets and public works	4,743,052	3,051,581	2,777,163	(274,418)
Police department	13,278,045	13,320,245	13,126,148	(194,097)
Fire department	10,751,944	10,631,944	10,625,674	(6,270)
Contributions	249,400	249,400	249,400	-
Grants	2,505,484	2,532,200	746,908	(1,785,292)
Capital projects	5,074,539	7,428,300	2,173,161	(5,255,139)
TOTAL EXPENDITURES	<u>45,865,727</u>	<u>46,603,874</u>	<u>38,487,224</u>	<u>(8,116,650)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,865,782</u>	<u>1,687,030</u>	<u>2,488,214</u>	<u>(801,184)</u>
OTHER FINANCING USES				
Transfers to Debt Service Fund	(2,042,763)	(2,042,763)	(2,014,335)	(28,428)
*Transfers to Solid Waste Fund	(944,170)	(944,170)	(659,353)	(284,817)
TOTAL OTHER FINANCING USES	<u>(2,986,933)</u>	<u>(2,986,933)</u>	<u>(2,673,688)</u>	<u>(313,245)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,121,151)</u>	<u>\$ (1,299,903)</u>	(185,474)	<u>\$ (1,114,429)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,122,698</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,937,224</u>	
Fund balance - End of year (non-GAAP)	\$ 8,937,224			
Add: Current year encumbrances	1,344,275			
Less: Disposal encumbrance in transfer	<u>(85,678)</u>			
Fund balance - End of year (GAAP)	<u>\$ 10,195,821</u>			

\*Budget Ordinance for General Fund includes net Solid Waste activity. Solid Waste Fund includes gross activity.

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, 2019

	<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	\$ 5,228,893	\$ 5,228,893	\$ 5,331,075	\$ 102,182
Total Revenues	5,228,893	5,228,893	5,331,075	102,182
 <u>Expenditures</u>				
Tipping fees	1,122,156	1,122,156	1,029,630	(92,526)
Disposal service	4,690,907	4,690,907	4,799,190	108,283
Brush disposal and other	360,000	360,000	161,608	(198,392)
Total Expenditures and Encumbrances	6,173,063	6,173,063	5,990,428	(182,635)
 Other Financing Sources (Uses)				
Transfer in	944,170	944,170	659,353	(284,817)
Excess of Revenues Over Expenditures and Encumbrances	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of year			-	
Fund Balance - End of year			\$ -	

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$	22,020
Receivables		1,174
Inventories		40,472
Other current assets		<u>1,374</u>
TOTAL CURRENT ASSETS		65,040
CAPITAL ASSETS, NET		<u>940,603</u>
TOTAL ASSETS		<u>1,005,643</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		7,270
Accrued liabilities		<u>63,793</u>
TOTAL CURRENT LIABILITIES		<u>71,063</u>

NET POSITION

Investment in capital assets		940,603
Unrestricted		<u>(6,023)</u>
TOTAL NET POSITION	\$	<u>934,580</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, 2019

OPERATING REVENUES	
Charges for sales and services	\$ 789,721
	<u>789,721</u>
OPERATING EXPENSES	
Costs of sales	153,530
Personnel services	407,274
Repairs and maintenance	43,808
Supplies	9,020
Gas	15,305
Credit card charges	13,531
Chemicals and fertilizer	25,709
Utilities	37,098
Depreciation	35,897
Advertising and promotion	1,963
Other operating expenses	37,569
Management services	<u>40,000</u>
TOTAL OPERATING EXPENSES	<u>820,704</u>
OPERATING LOSS	<u>(30,983)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>21</u>
TOTAL NONOPERATING EXPENSES	<u>1,100</u>
CHANGE IN NET POSITION	(29,883)
NET POSITION - BEGINNING OF YEAR	<u>964,463</u>
NET POSITION - END OF YEAR	<u>\$ 934,580</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 789,684
Cash paid for personnel services	(418,420)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(331,107)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>157</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Insurance proceeds received	1,079
Interest received	<u>21</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,100</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,257
CASH - BEGINNING OF YEAR	<u>20,763</u>
CASH - END OF YEAR	<u><u>\$ 22,020</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	<u>\$ (30,983)</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	35,897
Changes in operating assets and liabilities	
Receivables, net	(37)
Inventories	6,794
Other current assets	454
Accounts payable	(822)
Accrued liabilities	<u>(11,146)</u>
TOTAL ADJUSTMENTS	<u>31,140</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 157</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
TRAINING AND TEEN ACTIVITY FUND  
JUNE 30, 2019

ASSETS

Cash	\$ 19,960
TOTAL ASSETS	<u>\$ 19,960</u>

LIABILITIES

Amounts due to agencies	\$ 19,960
TOTAL LIABILITIES	<u>\$ 19,960</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 memberships, grants, donations, fees for events and appropriations from the primary government. The Mayor and Board of Aldermen appoint the board 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, 2019, 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, 2019

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, 2019

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.

*The Solid Waste Fund* accounts for the operation of the sanitation solid waste department. Financing is provided by fees for solid 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, 2019.

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, 2019

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, 2019

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, 2019

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, 2019 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, 2019 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, 2019

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, 2019

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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax, Garbage Disposal and Stormwater Fees (Continued)

Taxes are levied at a rate of \$0.758 per \$100 of assessed valuation for 2019 and 2018. Payments may be made during the period from October 1 through February 28. Current tax collections of \$12,156,040 for the fiscal year ended June 30, 2019 were approximately 99 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 \$20,277,035. Of this receivable amount, \$19,864,793 represents the estimated net realizable 2019 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 \$148,090 for beer and liquor taxes.

Disposal fees are billed to finance the City's garbage collection system on a fiscal year basis. Disposal fees are billed annually on the first Monday in October and are payable through February 28. The disposal rate for fiscal year 2019 was \$293 per residence. The disposal fees are accounted for in the Solid Waste Fund, a major governmental fund.

The government-wide financial statements report disposal fees receivable in the amount of \$131,609. The receivable reported in the governmental funds balance sheet is \$131,609 with an offsetting deferred inflow of resources of \$104,835 for amounts not available at June 30, 2019.

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, 2019

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, 2019, there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2019, 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, 2019

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2019, 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	<u>5,181,916</u>	<u>4,597,774</u>	<u>(2,176,282)</u>	<u>-</u>	<u>7,603,408</u>
Total capital assets not being depreciated	<u>12,832,735</u>	<u>4,597,774</u>	<u>(2,176,282)</u>	<u>-</u>	<u>15,254,227</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,874,042	-	-	-	9,874,042
Improvements other than building	3,020,369	1,572,379	-	-	4,592,748
Machinery and equipment	15,983,324	1,288,307	(480,414)	-	16,791,217
Infrastructure	<u>111,880,186</u>	<u>1,966,138</u>	<u>(197)</u>	<u>-</u>	<u>113,846,127</u>
Total capital assets being depreciated	<u>140,757,921</u>	<u>4,826,824</u>	<u>(480,611)</u>	<u>-</u>	<u>145,104,134</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(4,982,567)	(312,698)	-	-	(5,295,265)
Improvements other than buildings	(1,985,889)	(275,848)	-	-	(2,261,737)
Machinery and equipment	(11,118,183)	(1,284,375)	480,414	-	(11,922,144)
Infrastructure	<u>(72,977,234)</u>	<u>(3,051,193)</u>	<u>197</u>	<u>-</u>	<u>(76,028,230)</u>
Total accumulated depreciation	<u>(91,063,873)</u>	<u>(4,924,114)</u>	<u>480,611</u>	<u>-</u>	<u>(95,507,376)</u>
Governmental activities capital assets, net	<u>\$ 62,526,783</u>	<u>\$ 4,500,484</u>	<u>\$ (2,176,282)</u>	<u>\$ -</u>	<u>\$ 64,850,985</u>

At June 30, 2019, construction in progress consists primarily of capital projects for park projects, a new fire hall, street widening and other. Estimated costs to complete open projects amount to approximately \$10.2 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2019, 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	771,325	-	(313,830)	-	457,495
Total capital assets being depreciated	<u>6,064,638</u>	<u>-</u>	<u>(313,830)</u>	<u>-</u>	<u>5,750,808</u>
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(750,623)	(25,863)	-	-	(776,486)
Improvements other than buildings	(4,259,559)	-	-	-	(4,259,559)
Machinery and equipment	(719,150)	(10,034)	313,830	-	(415,354)
Total accumulated depreciation	<u>(5,729,332)</u>	<u>(35,897)</u>	<u>313,830</u>	<u>-</u>	<u>(5,451,399)</u>
Business-type activities capital assets, net	<u>\$ 976,500</u>	<u>\$ (35,897)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 940,603</u>

Depreciation expense was charged to function/programs as of June 30, 2019, as follows:

Governmental activities:

General government	\$ 124,115
Public safety	1,135,194
Street and public works	3,220,829
Parks	430,548
Codes and planning	<u>13,428</u>

Total depreciation expense - governmental activities \$ 4,924,114

Business-type activities:

Golf enterprise	<u>\$ 35,897</u>
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Donated infrastructure and equipment of \$1,861,492 is included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2019, 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>				
	\$ 35,240	\$ 3,520	\$ -	\$ 38,760

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, 2019, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes	\$ 19,864,793	\$ 19,864,793
Delinquent property taxes	-	322,807
Delinquent solid waste fees	-	104,835
Delinquent stormwater fees	-	73,487
State and county shared taxes	310,000	2,159,067
	<u>\$ 20,174,793</u>	<u>\$ 22,524,989</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 \$734,568 and a debt service escrow maintained by the Industrial Development Board ("IDB").

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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, 2019. This amounted to \$345,735 which was an amount due from the General Fund to the Solid Waste Fund which represents collection of Solid Waste assessments not yet transferred to the Solid Waste Fund. Additionally, \$2,183 was payable from the General Fund to the Stormwater Fund for interest income earned on Stormwater Funds. 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, 2019 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In: Governmental Funds		
	Solid Waste Balance	Debt Service Additions	Totals
<u>Transfer Out:</u>			
General Fund	\$ 745,031	\$ 2,014,335	\$ 2,759,366

Transfers are made from the General Fund to the Solid Waste Fund to fund shortfalls in revenues and 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, 2019:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Government Activities</u>					
Capital outlay notes payable	\$ 15,133,678	\$ -	\$ 1,430,958	\$ 13,702,720	\$ 1,845,244
Obligation to county school system	197,425	-	197,425	-	-
	15,331,103	-	1,628,383	13,702,720	1,845,244
Note premiums	197,382	-	32,897	164,485	-
Total governmental activities long-term debt	\$ 15,528,485	\$ -	\$ 1,661,280	\$ 13,867,205	\$ 1,845,244

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Long-term bonds and notes at June 30, 2019 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%.	\$ 1,364,000
\$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%.	585,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	729,167
\$4,020,400 Capital Outlay Notes 2015 - The notes are payable in annual installments through 2026 at a rate of interest of 2.41%.	2,814,280
\$5,793,025 Capital Outlay Notes 2018 - The notes are payable in annual installments through 2030 at a rate of interest of 2.39%.	5,310,273
\$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>2,900,000</u>
Total capital outlay and other notes payable	-
Plus: unamortized premium on notes	<u>164,485</u>
Total governmental activities long-term debt	<u>\$ 164,485</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, 2019, 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, 2019

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 2019, the amount of incremental property taxes generated by the economic development area equaled \$767,467, and this amount was used for debt service and related expenses of the IDB bonds. 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, 2019, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
2020	\$ 1,845,244	\$ 342,234	\$ 2,187,478
2021	1,845,244	293,072	2,138,316
2022	1,845,244	243,826	2,089,070
2023	1,836,244	194,672	2,030,916
2024	1,498,244	145,696	1,643,940
2025 - 2029	4,349,748	264,512	4,614,260
2030 - 2031	482,753	5,769	488,522
Totals	<u>\$ 13,702,720</u>	<u>\$ 1,489,782</u>	<u>\$ 15,192,501</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 8 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities of the City consisted of the following at June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Compensated absences	\$ 1,845,741	\$ 1,673,581	\$ 1,723,147	\$ 1,796,175
Accrued post-closure landfill costs	<u>314,000</u>	<u>-</u>	<u>74,112</u>	<u>239,888</u>
Other long-term liabilities	<u>\$ 2,159,741</u>	<u>\$ 1,673,581</u>	<u>\$ 1,797,259</u>	<u>\$ 2,036,063</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, 2019

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, 2019

NOTE 10 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	119
Inactive employees entitled to but not yet receiving benefits	234
Active employees	<u>305</u>
	<u>658</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, 2019, the Actuarially Determined Contribution (ADC) for the City was \$1,861,492 based on a rate of 10.00% 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, 2018, 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, 2019

NOTE 10 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

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

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

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

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, 2019

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, 2019

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, 2017	\$ 61,567,962	\$ 60,869,621	\$ 698,341
<b>CHANGES FOR THE YEAR:</b>			
Service cost	1,473,579	-	1,473,579
Interest	4,490,625	-	4,490,625
Differences between expected and actual experience	1,077,067	-	1,077,067
Changes of assumptions	-	-	-
Contributions - employer	-	1,725,181	(1,725,181)
Contributions - employee	-	2,871	(2,871)
Net investment income	-	5,031,585	(5,031,585)
Benefit payments, including refunds of employee contributions	(2,203,761)	(2,203,761)	-
Administrative expense	-	(29,100)	29,100
Net changes	4,837,510	4,526,776	310,734
BALANCE AT JUNE 30, 2018	\$ 66,405,472	\$ 65,396,397	\$ 1,009,075

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:

	Current Discount		
	1% Decrease	Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
City's net pension liability (asset)	\$ 10,438,985	\$ 1,009,075	\$ (6,809,789)

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 10 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$1,815,616.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, 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	\$ 2,387,464	\$ 340,729
Net difference between projected and actual earnings on pension plan investments	-	283,765
Changes in assumptions	1,080,677	-
Contributions subsequent to the measurement date of June 30, 2018	<u>1,861,492</u>	<u>-</u>
Total	<u>\$ 5,329,633</u>	<u>\$ 624,494</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction (increase) to net 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>	
2020	\$ 996,769
2021	544,998
2022	27,294
2023	447,787
2024	429,861
Thereafter	396,938

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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, 2019</u>		
	<u>Single</u>	<u>Employee &amp; Family</u>	<u>Total</u>
Retirees and beneficiaries	16	-	16
Active employees	<u>77</u>	<u>60</u>	<u>137</u>
	<u>93</u>	<u>60</u>	<u>153</u>

For the fiscal year ended June 30, 2019, the City paid \$179,908 for health insurance premiums for retiree coverage (OPEB benefits) as they came due.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 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	7.00% for 2018, decreasing 0.50% per year to a level 5.00% in fiscal year 2022
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, 2018, 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, 2019

NOTE 11 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2019 measured as of June 30, 2019 follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCE AT JUNE 30, 2018	\$ <u>3,209,034</u>
CHANGES FOR THE YEAR:	
Service cost	78,498
Interest	121,020
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	<u>(179,908)</u>
Net changes	<u>19,610</u>
BALANCE AT JUNE 30, 2019	\$ <u><u>3,228,644</u></u>

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 (2.88%) or 1-percentage-point higher (4.88%) than the current discount rate.

	<u>Measurement Date - June 30, 2019</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(2.88%)</u>	<u>Rate</u>	<u>(4.88%)</u>
	<u>(2.88%)</u>	<u>(3.88%)</u>	<u>(4.88%)</u>
City's total OPEB liability	\$ <u>3,494,166</u>	\$ <u>3,228,644</u>	\$ <u>2,982,049</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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 (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	Measurement Date - June 30, 2019		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's total OPEB liability	\$ 2,908,952	\$ 3,228,644	\$ 3,603,204

OPEB Expense

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$199,518.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2019, the City does not report any deferred outflows of resources or deferred inflows of resources related to OPEB benefits.

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 \$59,303 for brush disposal for 2019. 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 2019, the amount paid by the City was \$74,112. The City believes that a total payment of \$314,000 will be required to be made relating to the post closure landfill cost, and has accrued the unpaid amount as a long-term liability at June 30, 2019 in the governmental activities balance sheet. (\$90,888 remains in encumbrances at June 30, 2019).

The Authority, as of June 30, 2019, has net investment in capital assets of \$2,340,649, and an unrestricted net position of \$256,569. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

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, 2019, the City expensed \$895,107 for E911 payments, with \$232,862 payable to the E911 as of year end.

Contracts

The City of Hendersonville had a contract for trash pickup and disposal services that expired June 30, 2019. The pick-up rate is \$20.63 per month and the hauling and disposal rate is \$46.16 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2019, the City had approximately \$5 million in construction contracts in process related to fire hall construction, concession stands and the horse barn.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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.

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 14 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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.
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	\$ (337,718)
Add: Prior year reserve for encumbrances	1,575,841
Less: Current year reserve for encumbrances	(1,344,275)
Less: Disposal fund encumbrance paid through transfer	<u>(79,322)</u>
Net change in fund balance, budgetary basis	<u>\$ (185,474)</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Encumbrances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
Public works/street maintenance	\$ 224,113	\$ 9,996	\$ -
Police	639,872	-	-
Fire	345,808	-	-
Parks	9,241	-	-
Information technology	7,941	-	-
Other	117,300	-	9,435
	<u>\$ 1,344,275</u>	<u>\$ 9,996</u>	<u>\$ 9,435</u>

Budget Amendments

The General Fund expenditure budget was amended by \$755,721. The major amendments related to streets and capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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, 2018. The City does not believe this statement should significantly impact the financial statements and related disclosures.

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 December 15, 2019. The City is evaluating the effects of adoption of GASB 87.

In September 2018, GASB Statement 90, *Majority Equity Interests*, which is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of GASB 90 are effective for reporting periods beginning after December 15, 2019. The City is evaluating the effects of adoption of GASB 90.

NOTE 16 - RESTATEMENT

Prior year net position/fund balance has been adjusted in the Capital Projects Fund to correct an error in the opening receivable balance in the Schedule of Expenditures of Federal Awards. As a result, the City should have recorded revenues and a related receivable balance at June 30, 2018. The effect of this correction on the City's governmental activities, governmental fund and Capital Projects Fund as of July 1, 2018 is as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>	<u>Capital Projects Fund</u>
Net position/fund balance, as previously reported	\$ 64,432,175	\$ 17,218,317	\$ 5,160,528
To accrue additional revenue and grants receivable at June 30, 2018	<u>43,097</u>	<u>43,097</u>	<u>43,097</u>
Beginning net position/fund balance, as restated	<u>\$ 64,475,272</u>	<u>\$ 17,261,414</u>	<u>\$ 5,203,625</u>

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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>TOTAL PENSION LIABILITY</u>					
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686	\$ 1,318,881	\$ 1,473,579
Interest	3,368,278	3,705,243	3,946,154	4,297,607	4,490,625
Changes in benefit terms	-	-	-	-	-
Differences between actual & expected experience	1,307,633	(46,948)	1,382,178	(419,524)	1,077,067
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>
 NET CHANGE IN TOTAL PENSION LIABILITY	 4,593,770	 3,378,301	 4,685,557	 4,532,976	 4,837,510
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>
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>PLAN FIDUCIARY NET POSITION</u>					
Contributions - employer	2,400,176	2,317,383	2,396,900	1,689,627	1,725,181
Contributions - employee	1,137	2,018	1,946	-	2,871
Net investment income	7,107,505	1,573,964	1,416,316	6,217,909	5,031,585
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)	(2,104,891)	(2,203,761)
Administrative expense	<u>(12,861)</u>	<u>(14,657)</u>	<u>(22,728)</u>	<u>(26,506)</u>	<u>(29,100)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 8,265,642	 2,454,499	 1,974,973	 5,776,139	 4,526,776
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>
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>
 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>
  Plan fiduciary net position as a percentage of total pension liability	  103.46 %	  101.47 %	  96.60 %	  98.87 %	  98.48 %
 Covered-employee payroll	 \$ 15,575,435	 \$ 15,532,055	 \$ 16,065,088	 \$ 16,896,265	 \$ 17,251,810
 Net pension liability (asset) as a percentage of covered-employee payroll	 (10.87) %	 (4.95) %	 12.09 %	 4.13 %	 5.85 %

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>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,378,735	\$ 1,725,181	\$ 1,861,492
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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (310,892)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,810	\$ 18,614,920
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	10.00 %	10.00 %	10.00 %

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 2019 were calculated based on the July 30, 2018 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

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

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

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS

MEASUREMENT YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>
<u>TOTAL OPEB LIABILITY</u>		
Service cost	\$ 75,566	\$ 78,498
Interest on the total OPEB liability	123,220	121,020
Changes in benefit terms	-	-
Differences between expected and actual experience of the total OPEB liability	-	-
Change of assumptions and other inputs	-	-
Benefit payments	<u>(179,908)</u>	<u>(179,908)</u>
 NET CHANGE IN TOTAL OPEB LIABILITY	 18,878	 19,610
TOTAL OPEB LIABILITY - BEGINNING	<u>3,190,156</u>	<u>3,209,034</u>
 TOTAL OPEB LIABILITY - ENDING	 <u>\$ 3,209,034</u>	 <u>\$ 3,228,644</u>
  Covered-employee payroll	  \$ 8,424,310	  \$ 8,424,310
 Total OPEB liability as a percentage of covered-employee payroll	 38.09 %	 38.33 %

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

NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Valuation Date June 30, 2019  
Measurement Date June 30, 2019

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

Actuarial cost method Entry Age Normal Cost Method - Level Percentage of Projected Salary  
Inflation 3.00%  
Discount rate 3.88% (0.88% real rate of return plus 3.00% inflation)  
Average Per Capita Claim Cost

Age	Medical
55	\$ 9,935
56	\$ 10,184
57	\$ 10,438
58	\$ 10,699
59	\$ 10,967
60	\$ 11,241
61	\$ 11,522
62	\$ 11,810
63	\$ 12,105
64	\$ 12,408

Retirement age Retirement rates used in the July 1, 2018 actuarial valuation of the TCRS. They are based on the results of a state-wide experience study (undertaken on behalf of TCRS).  
Mortality RPH-2014 Total Mortality Table for valuation and MP-2017 mortality projection  
Healthcare cost trend rates Initial 7.00% for fiscal year 2018, decreasing 0.50% per year to a level 5.00% in fiscal year 2023.

**Other Information** See the actuarial valuation report for the year ended June 30, 2019 (dated October 3, 2019).  
There were no benefit changes during the measurement period.

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.

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, 2019

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Stormwater</u>	<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
 <u>ASSETS</u>					
Cash and cash equivalents	\$ 988,931	\$ 103,680	\$ 270,320	\$ 2,142,666	\$ 3,505,597
Accounts receivable	-	-	-	96,656	96,656
Due from other funds	-	-	-	2,183	2,183
Due from other governments	311,854	-	-	-	311,854
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,300,785</u>	<u>\$ 103,680</u>	<u>\$ 270,320</u>	<u>\$ 2,241,505</u>	<u>\$ 3,916,290</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF</u>					
<u>RESOURCES AND FUND BALANCE</u>					
 <u>Liabilities</u>					
Accounts payable	\$ 314,267	\$ -	\$ -	\$ 882,159	\$ 1,196,426
Accrued liabilities	20,345	90,329	-	-	110,674
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>334,612</u>	<u>90,329</u>	<u>-</u>	<u>882,159</u>	<u>1,307,100</u>
 <u>Deferred Inflows of Resources</u>					
Unavailable revenue	152,757	-	-	73,487	226,244
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Fund Balances</u>					
Restricted	813,416	13,351	270,320	1,285,859	2,382,946
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>813,416</u>	<u>13,351</u>	<u>270,320</u>	<u>1,285,859</u>	<u>2,382,946</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS</u>					
<u>OF RESOURCES AND FUND BALANCE</u>					
	<u>\$ 1,300,785</u>	<u>\$ 103,680</u>	<u>\$ 270,320</u>	<u>\$ 2,241,505</u>	<u>\$ 3,916,290</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Stormwater</u>	<u>Nonmajor</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
					<u>Funds</u>
<u>REVENUES</u>					
Intergovernmental:					
State gasoline tax	\$ 1,798,658	\$ -	\$ -	\$ -	\$ 1,798,658
Drug and other related fines, seizures, and sales	-	-	18,759	-	18,759
Uses of money and property	2,088	527	7,301	2,183	12,099
Fees for service	-	-	-	2,451,602	2,451,602
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,800,746	527	26,060	2,453,785	4,281,118
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>					
Street Maintenance:					
Salaries	574,278	-	-	-	574,278
Employee benefits	214,312	-	-	-	214,312
Other costs - maintenance and lighting	1,409,761	-	-	-	1,409,761
Capital outlay	43,275	-	-	-	43,275
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Drug Fund:					
Other costs	-	-	12,870	-	12,870
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Stormwater:					
Program costs	-	-	-	1,061,545	1,061,545
Capital outlay	-	-	-	106,381	106,381
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,241,626	-	12,870	1,167,926	3,422,422
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(440,880)	527	13,190	1,285,859	858,696
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - BEGINNING OF YEAR	1,254,296	12,824	257,130	-	1,524,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	\$ 813,416	\$ 13,351	\$ 270,320	\$ 1,285,859	\$ 2,382,946
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,996,750	\$ 1,996,750	\$ 1,798,658	\$ (198,092)
Uses of money and property	<u>900</u>	<u>900</u>	<u>2,088</u>	<u>1,188</u>
Total Revenues	<u>1,997,650</u>	<u>1,997,650</u>	<u>1,800,746</u>	<u>(196,904)</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	930,177	930,177	574,278	(355,899)
Employee benefits	358,809	358,809	214,312	(144,497)
Repairs and maintenance	658,664	658,664	893,961	235,297
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>43,275</u>	<u>(6,725)</u>
Total Expenditures and Encumbrances	<u>1,997,650</u>	<u>1,997,650</u>	<u>1,725,826</u>	<u>(271,824)</u>
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	<u>\$ -</u>	<u>\$ -</u>	74,920	<u>\$ (74,920)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>738,496</u>	
FUND BALANCE - END OF YEAR			<u>\$ 813,416</u>	
 * 1989 tax				
	\$ 155,425			
Three cent tax	287,991			
2017 tax	380,569			
Gas and motor fuel tax	<u>974,673</u>			
	<u>\$ 1,798,658</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, 2019

	<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	\$ 7,301	\$ 6,801
Drug related fines, seizures and sales	<u>33,500</u>	<u>33,500</u>	<u>18,759</u>	<u>(14,741)</u>
Total Revenues	<u>34,000</u>	<u>34,000</u>	<u>26,060</u>	<u>(7,940)</u>
<u>EXPENDITURES</u>				
Program costs	33,250	33,250	12,870	(20,380)
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total Expenditures and Encumbrances	<u>58,250</u>	<u>58,250</u>	<u>12,870</u>	<u>(45,380)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (24,250)</u>	<u>\$ (24,250)</u>	13,190	<u>\$ (37,440)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>257,130</u>	
FUND BALANCE - END OF YEAR			<u>\$ 270,320</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, 2019

	<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>				
Fees for service	\$ 2,464,763	\$ 2,464,763	\$ 2,451,602	\$ (13,161)
Uses of money and property	<u>1,000</u>	<u>1,000</u>	<u>2,183</u>	<u>1,183</u>
Total Revenues	<u>2,465,763</u>	<u>2,465,763</u>	<u>2,453,785</u>	<u>(11,978)</u>
<u>EXPENDITURES</u>				
Program costs	2,018,263	2,018,263	1,070,980	(947,283)
Capital outlay	<u>447,500</u>	<u>447,500</u>	<u>106,381</u>	<u>(341,119)</u>
Total Expenditures and Encumbrances	<u>2,465,763</u>	<u>2,465,763</u>	<u>1,177,361</u>	<u>(1,288,402)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ -</u>	1,276,424	<u>\$ (1,276,424)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,276,424</u>	
Fund balance - end of year (non-GAAP)	\$ 1,276,424			
+ Current year encumbrances	<u>9,435</u>			
Fund balance - end of year (GAAP)	<u>\$ 1,285,859</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, 2019

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>ASSETS</u>				
Cash	<u>\$ 23,701</u>	<u>\$ 1,747</u>	<u>\$ 5,488</u>	<u>\$ 19,960</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 23,701</u>	<u>\$ -</u>	<u>\$ 3,741</u>	<u>\$ 19,960</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2019

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 3,916	\$ 11,023	\$ 148,399	\$ 163,338
Accounts receivable	-	-	5,250	5,250
Prepaid and other assets	10,000	-	-	10,000
Capital assets, net	38,760	-	10,852	49,612
Cash - restricted escrow funds	-	-	520,432	520,432
<b>TOTAL ASSETS</b>	<u>52,676</u>	<u>11,023</u>	<u>684,933</u>	<u>748,632</u>
<b>LIABILITIES</b>				
Accounts payable	8,123	-	10,310	18,433
Accrued expenses	5,356	-	-	5,356
Escrow funds payable from restricted cash	-	-	520,432	520,432
<b>TOTAL LIABILITIES</b>	<u>13,479</u>	<u>-</u>	<u>530,742</u>	<u>544,221</u>
<b>NET POSITION</b>				
Investment in capital assets	38,760	-	10,852	49,612
Unrestricted	437	11,023	143,339	154,799
<b>TOTAL NET POSITION</b>	<u>\$ 39,197</u>	<u>\$ 11,023</u>	<u>\$ 154,191</u>	<u>\$ 204,411</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2019

	Component Units			Total
	Arts Council	Beautiful Hendersonville	Industrial Development	
REVENUES				
Charges for services	\$ 51,532	\$ -	\$ 62,613	\$ 114,145
Operating grants and contributions	216,471	-	-	216,471
Interest income	-	-	223	223
TOTAL REVENUE	<u>268,003</u>	<u>-</u>	<u>62,836</u>	<u>330,839</u>
EXPENSES				
Operating expenses	<u>267,235</u>	<u>-</u>	<u>75,761</u>	<u>342,996</u>
CHANGE IN NET POSITION	768	-	(12,925)	(12,157)
NET POSITION - BEGINNING OF YEAR	<u>38,429</u>	<u>11,023</u>	<u>167,116</u>	<u>216,568</u>
NET POSITION - END OF YEAR	<u>\$ 39,197</u>	<u>\$ 11,023</u>	<u>\$ 154,191</u>	<u>\$ 204,411</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u> <u>Fund</u>	<u>Solid</u> <u>Waste</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total Major</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>					
<b>Local Taxes:</b>					
Real and personal property	\$ 12,454,413	\$ -	\$ -	\$ -	\$ 12,454,413
Payments in lieu of property taxes	777,369	-	-	-	777,369
Local sales taxes	13,384,591	-	-	-	13,384,591
Wholesale beer	1,017,361	-	-	-	1,017,361
Wholesale liquor	613,964	-	-	-	613,964
Hotel/motel tax	100,682	-	-	-	100,682
Business taxes	<u>1,278,184</u>	-	-	-	<u>1,278,184</u>
<b>Total Local Taxes</b>	<u>29,626,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,626,564</u>
<b>Intergovernmental:</b>					
State sales tax	4,589,929	-	-	-	4,589,929
State income tax	666,960	-	-	-	666,960
State beer tax	23,782	-	-	-	23,782
State alcoholic beverage tax	212,613	-	-	-	212,613
State/City street and transportation	102,004	-	-	-	102,004
State supplemental pay	123,000	-	-	-	123,000
Excise tax	75,335	-	-	-	75,335
County	40,711	-	-	-	40,711
Corp of Engineers	4,954	-	-	-	4,954
Grants	<u>1,574,323</u>	-	-	-	<u>1,574,323</u>
<b>Total Intergovernmental</b>	<u>7,413,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,413,611</u>
<b>Fines and Forfeitures:</b>					
City court and other	357,952	-	-	-	357,952
Penalties	<u>65,052</u>	-	-	-	<u>65,052</u>
<b>Total Fines and Forfeitures</b>	<u>423,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,004</u>
<b>Licenses and Permits:</b>					
Building permits	1,210,191	-	-	-	1,210,191
Franchise taxes	768,049	-	-	-	768,049
Other permits	<u>443,441</u>	-	-	-	<u>443,441</u>
<b>Total Licenses and Permits</b>	<u>2,421,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,421,681</u>
<b>Charges for Services:</b>					
Recreational fees	366,385	-	-	-	366,385
Disposal fees	-	<u>5,331,075</u>	-	-	<u>5,331,075</u>
<b>Total Charges for Services</b>	<u>366,385</u>	<u>5,331,075</u>	<u>-</u>	<u>-</u>	<u>5,697,460</u>
<b>Uses of Money and Property</b>					
Interest	18,383	-	8,060	-	26,443
Sale of assets	<u>6,454</u>	-	-	-	<u>6,454</u>
<b>Total Uses of Money and Property</b>	<u>24,837</u>	<u>-</u>	<u>8,060</u>	<u>-</u>	<u>32,897</u>
<b>Other Revenues:</b>					
Contributions from others	486,950	-	186,287	-	673,237
Miscellaneous	<u>212,406</u>	-	-	-	<u>212,406</u>
<b>Total Other Revenues</b>	<u>699,356</u>	<u>-</u>	<u>186,287</u>	<u>-</u>	<u>885,643</u>
<b>TOTAL REVENUES</b>	<u>\$ 40,975,438</u>	<u>\$ 5,331,075</u>	<u>\$ 194,347</u>	<u>\$ -</u>	<u>\$ 46,500,860</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Solid Waste 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	\$ 329,629	\$ -	\$ -	\$ -	\$ 329,629
Employee benefits	110,296	-	-	-	110,296
Travel and training	6,569	-	-	-	6,569
Supplies	6,733	-	-	-	6,733
Outside services	12,631	-	-	-	12,631
Telephone	1,640	-	-	-	1,640
Other costs	71,062	-	-	-	71,062
<b>Total General Government</b>	<u>538,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,560</u>
<b>Personnel:</b>					
Salaries	296,041	-	-	-	296,041
Employee benefits	61,513	-	-	-	61,513
Travel and training	15,106	-	-	-	15,106
Supplies	10,348	-	-	-	10,348
Outside services	47,199	-	-	-	47,199
Other costs	15,617	-	-	-	15,617
<b>Total Personnel</b>	<u>445,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>445,824</u>
<b>Central Services:</b>					
Salaries	265,301	-	-	-	265,301
Employee benefits	181,907	-	-	-	181,907
Repairs and maintenance	134,943	-	-	-	134,943
Supplies	10,927	-	-	-	10,927
Insurance	663,816	-	-	-	663,816
Outside services	58,361	-	-	-	58,361
Utilities	55,036	-	-	-	55,036
Tax increment bond payment	767,467	-	-	-	767,467
Other costs	56,274	-	-	-	56,274
<b>Total Central Services</b>	<u>2,194,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,194,032</u>
<b>Finance:</b>					
Salaries	672,948	-	-	-	672,948
Employee benefits	194,279	-	-	-	194,279
Travel and training	1,209	-	-	-	1,209
Supplies	29,291	-	-	-	29,291
Outside services	88,640	-	-	-	88,640
Other costs	97,704	-	-	-	97,704
<b>Total Finance</b>	<u>1,084,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,084,071</u>
<b>Information Technology:</b>					
Salaries	243,387	-	-	-	243,387
Employee benefits	86,315	-	-	-	86,315
Travel and training	8,962	-	-	-	8,962
Supplies	24,873	-	-	-	24,873
Outside services	258,088	-	-	-	258,088
Telephone	168,618	-	-	-	168,618
Other costs	300	-	-	-	300
<b>Total Information Technology</b>	<u>790,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>790,543</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>EXPENDITURES (CONTINUED)</b>					
<b>Parks:</b>					
Salaries	\$ 1,138,305	\$ -	\$ -	\$ -	\$ 1,138,305
Employee benefits	327,924	-	-	-	327,924
Repairs and maintenance	241,547	-	-	-	241,547
Travel and training	14,302	-	-	-	14,302
Supplies	22,619	-	-	-	22,619
Outside services	26,011	-	-	-	26,011
Utilities	244,618	-	-	-	244,618
Other costs	238,067	-	-	-	238,067
<b>Total Parks</b>	<u>2,253,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,253,393</u>
<b>Codes:</b>					
Salaries	526,357	-	-	-	526,357
Employee benefits	173,436	-	-	-	173,436
Repairs and maintenance	2,557	-	-	-	2,557
Travel and training	17,405	-	-	-	17,405
Supplies	18,434	-	-	-	18,434
Outside services	1,268	-	-	-	1,268
Telephone	4,108	-	-	-	4,108
Other costs	5,858	-	-	-	5,858
<b>Total Codes</b>	<u>749,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,423</u>
<b>Planning:</b>					
Salaries	463,314	-	-	-	463,314
Employee benefits	138,122	-	-	-	138,122
Repairs and maintenance	2,177	-	-	-	2,177
Travel and training	6,477	-	-	-	6,477
Supplies	12,981	-	-	-	12,981
Outside services	38,581	-	-	-	38,581
Utilities	4,688	-	-	-	4,688
Other costs	116,310	-	-	-	116,310
<b>Total Planning</b>	<u>782,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,650</u>
<b>Street and Public Works:</b>					
Salaries	1,366,528	-	-	-	1,366,528
Employee benefits	499,447	-	-	-	499,447
Repairs and maintenance	150,903	-	-	-	150,903
Travel and training	6,901	-	-	-	6,901
Supplies	100,701	-	-	-	100,701
Outside services	193,029	-	-	-	193,029
Utilities	478,904	-	-	-	478,904
Other costs	419,860	-	32,941	-	452,801
<b>Total Streets and Public Works</b>	<u>3,216,273</u>	<u>-</u>	<u>32,941</u>	<u>-</u>	<u>3,249,214</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

<u>EXPENDITURES (CONTINUED)</u>	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>Police Department:</b>					
Salaries	\$ 7,929,731	\$ -	\$ -	\$ -	\$ 7,929,731
Employee benefits	2,503,707	-	-	-	2,503,707
Repairs and maintenance	358,497	-	-	-	358,497
Travel and training	84,499	-	-	-	84,499
Supplies	745,256	-	-	-	745,256
Outside services	111,892	-	-	-	111,892
Telephone and utilities	158,820	-	-	-	158,820
Other costs	1,135,789	-	-	-	1,135,789
Investigations	<u>3,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,171</u>
<b>Total Police Department</b>	<u>13,031,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,031,362</u>
<b>Fire Department:</b>					
Salaries	7,072,600	-	-	-	7,072,600
Employee benefits	2,325,851	-	-	-	2,325,851
Repairs and maintenance	185,935	-	-	-	185,935
Travel and training	111,895	-	-	-	111,895
Supplies	273,115	-	-	-	273,115
Outside services	43,143	-	-	-	43,143
Telephone and utilities	75,387	-	-	-	75,387
Other costs	<u>142,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,874</u>
<b>Total Fire Department</b>	<u>10,230,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,230,800</u>
<b>Contributions:</b>					
Senior Citizens	15,000	-	-	-	15,000
Community Child Care	16,000	-	-	-	16,000
HHS Stars	12,000	-	-	-	12,000
Hendersonville Public Library	50,000	-	-	-	50,000
Chamber of Commerce	15,000	-	-	-	15,000
Samaratin	12,500	-	-	-	12,500
Forward Sumner	5,000	-	-	-	5,000
Health Department	12,000	-	-	-	12,000
Component units	24,000	-	-	-	24,000
Other	<u>87,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,900</u>
<b>Total Contributions</b>	<u>249,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,400</u>
Disposal services	-	6,076,106	-	-	6,076,106
Debt service	-	-	-	2,014,335	2,014,335
Capital outlay	<u>2,987,459</u>	<u>-</u>	<u>2,298,951</u>	<u>-</u>	<u>5,286,410</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 38,553,790</u>	<u>\$ 6,076,106</u>	<u>\$ 2,331,892</u>	<u>\$ 2,014,335</u>	<u>\$ 48,976,123</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2019

<u>Tax Year</u>		<u>Taxes Receivable July 1, 2018</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2019</u>
2009	*	\$ 16,024	\$ -	\$ (1,797)	\$ 14,227
2010	*	17,414	-	(1,794)	15,620
2011	*	10,522	-	(2,406)	8,116
2012	*	14,078	-	(4,645)	9,433
2013	*	12,332	-	(2,239)	10,093
2014	*	16,167	-	(4,926)	11,241
2015	*	24,824	-	(5,957)	18,867
2016	*	54,520	-	(23,958)	30,562
2017	*	174,222	-	(117,506)	56,716
2018		<u>-</u>	<u>12,426,026</u>	<u>(12,188,659)</u>	<u>237,367</u>
		<u>\$ 340,103</u>	<u>\$ 12,426,026</u>	<u>\$ (12,353,887)</u>	412,242
2019	**				<u>19,864,793</u>
Taxes receivable					<u>\$ 20,277,035</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, 2019

Assessment Year		Special Assessment Receivable July 1, 2018	Assessments	Collections and Adjustments	Special Assessment Receivable June 30, 2019
2009	*	\$ 928	\$ -	\$ (464)	\$ 464
2010	*	1,452	-	(484)	968
2011	*	1,764	-	(756)	1,008
2012	*	3,060	-	(1,020)	2,040
2013	*	2,849	-	(777)	2,072
2014	*	5,523	-	(2,893)	2,630
2015	*	7,101	-	(3,419)	3,682
2016	*	24,897	-	(14,114)	10,783
2017	*	81,009	-	(59,993)	21,016
2018		-	5,300,956	(5,214,010)	86,946
		<u>\$ 128,583</u>	<u>\$ 5,300,956</u>	<u>\$ (5,297,930)</u>	<u>\$ 131,609</u>

\* Turned over to County Clerk for collections.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN STORMWATER FEES RECEIVABLE

JUNE 30, 2019

<u>Tax Year</u>	<u>Special Assessment Receivable July 1, 2018</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Special Assessment Receivable June 30, 2019</u>
2018	\$ -	\$ 2,575,028	\$ (2,478,372)	\$ 96,656
	<u>\$ -</u>	<u>\$ 2,575,028</u>	<u>\$ (2,478,372)</u>	<u>\$ 96,656</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2019

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7/1/2018</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2019</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	\$ 1,706,000	\$ -	\$ (342,000)	\$ -	\$ 1,364,000
Capital Outlay Refunding Notes 2012	\$ 6,810,000	2.00 to 3.00 %	10/10/2012	7/1/2024	685,000	-	(100,000)	-	585,000
Capital Outlay Notes 2013, 12 year	\$ 1,250,000	1.75 %	11/1/2013	7/1/2025	833,333	-	(104,166)	-	729,167
Capital Outlay Notes 2015	\$ 4,020,400	2.41 %	10/30/2015	7/1/2025	3,216,320	-	(402,040)	-	2,814,280
Capital Outlay Notes 2018, 12 year	\$ 5,793,025	2.39 %	9/26/2017	7/1/2029	5,793,025	-	(482,752)	-	5,310,273
Capital Outlay Notes 2018, 7 year	\$ 2,900,000	3.00 %	5/30/2018	7/1/2025	2,900,000	-	-	-	2,900,000
Total Notes Payable through Debt Service Fund					<u>\$ 15,133,678</u>	<u>\$ -</u>	<u>\$ (1,430,958)</u>	<u>\$ -</u>	<u>\$ 13,702,720</u>
<u>OTHER LONG-TERM DEBT</u>									
<u>Payable through Debt Service Fund</u>									
Payable to Sumner County, 5 year	\$ 987,129	0 %	10/8/2013	08/2018	197,426	-	(197,426)	-	-
Total Other Long-Term Debt through Debt Service Fund					<u>\$ 197,426</u>	<u>\$ -</u>	<u>\$ (197,426)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LONG-TERM DEBT</b>					<u>\$ 15,331,104</u>	<u>\$ -</u>	<u>\$ (1,628,384)</u>	<u>\$ -</u>	<u>\$ 13,702,720</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2019

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
2020	\$ 342,000	\$ 43,784	\$ 100,000	\$ 10,700	\$ 104,167	\$ 17,994	\$ 402,040	\$ 67,824
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	104,167	10,282	402,040	38,757
2024	-	-	95,000	2,850	104,167	7,712	402,040	29,068
2025	-	-	95,000	950	104,167	5,155	402,040	19,378
2026	-	-	-	-	104,167	2,571	402,040	9,689
2027	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,364,000</b>	<b>\$ 109,268</b>	<b>\$ 585,000</b>	<b>\$ 34,650</b>	<b>\$ 729,167</b>	<b>\$ 72,031</b>	<b>\$ 2,814,280</b>	<b>\$ 271,297</b>

Fiscal Year	Capital Outlay Notes - 2018		Capital Outlay Notes - 2018		Total Principal	Total Interest	Total Long-Term Debt
	Principal	Interest	Principal	Interest			
2020	\$ 482,752	\$ 121,147	\$ 414,285	\$ 80,786	\$ 1,845,244	\$ 342,234	\$ 2,187,478
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	243,826	2,089,070
2023	482,752	86,533	414,285	43,500	1,836,244	194,672	2,030,916
2024	482,752	74,996	414,285	31,072	1,498,244	145,696	1,643,940
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	1,403,249	70,394	1,473,643
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>\$ 5,310,273</b>	<b>\$ 698,036</b>	<b>\$ 2,900,000</b>	<b>\$ 304,500</b>	<b>\$ 13,702,720</b>	<b>\$ 1,489,782</b>	<b>\$ 15,192,501</b>

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Grant Description	Federal CFDA#	Grant Number	(Accrued) Deferred 7/1/18	Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/19
<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-14-MC-47-0015	\$ -	\$ 30,432	\$ 30,432	\$ -
Community Development Block Grant	*	14.218	B-15-MC-47-0015	-	107,505	-	-
Community Development Block Grant	*	14.218	B-16-MC-47-0015	-	191,191	-	-
Community Development Block Grant	*	14.218	B-17-MC-47-0015	-	112,505	-	-
Community Development Block Grant	*	14.218	B-18-MC-47-0015	(15,000)	81,919	-	(36,926)
Community Development Block Grant	*	14.218	B-19-MC-47-0015	-	11,045	-	(11,045)
Total Passed through the Tennessee Department of Economic and Community Development			(15,000)	523,552	556,523	-	(47,971)
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>(15,000)</b>	<b>523,552</b>	<b>556,523</b>	<b>-</b>	<b>(47,971)</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership Program		16.607	(6,828)	-	-	-	(6,828)
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>(6,828)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,828)</b>
<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	(45,860)	1,074	38,851	-	(83,637)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant							
Traffic Sign Upgrade Project	20.205	60151	-	1,140	14,101	-	(12,961)
Highway Planning and Construction Cluster: Greenway Grant	20.205	120012	-	1,220	14,820	-	(13,600)
Highway Planning and Construction Cluster: Sanders Ferry Walking Trail	20.205		-	-	7,831	-	(7,831)
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	56132/DD-18-02	(1,302)	1,302	-	-	-
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	51818/DD-17-01	(8,117)	3,439	1,241	-	(5,919)
Community Based Traffic Safety Enforcement and Education - TN Hwy Safety Grant	20.600	Z19THS126	-	2,709	8,196	-	(5,487)
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<b>(55,279)</b>	<b>10,884</b>	<b>85,040</b>	<b>-</b>	<b>(129,435)</b>
<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	-	407,963	420,263	-	(12,300)
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>-</b>	<b>407,963</b>	<b>420,263</b>	<b>-</b>	<b>(12,300)</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ (77,107)</b>	<b>\$ 942,399</b>	<b>\$ 1,061,826</b>	<b>\$ -</b>	<b>\$ (196,534)</b>
<b>EXPENDITURES OF STATE AWARDS</b>							
<u>Tennessee Department of Environment and Conservation</u>							
LPRF Arrowhead Park Soccer Complex		50740	\$ (3,000)	\$ 352,900	\$ 500,000	\$ -	\$ (150,100)
Clean Tennessee Energy Grant Program		32701-02804	-	7,200	7,200	-	-
<u>Tennessee Department of Transportation</u>							
Saundersville Railroad Trestle		83LPLM-S3-106	(43,097)	-	186,287	-	(229,384)
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<b>\$ (46,097)</b>	<b>\$ 360,100</b>	<b>\$ 693,487</b>	<b>\$ -</b>	<b>\$ (379,484)</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, 2019. 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.

14.218	\$ 556,523
20.205	75,603
20.600	9,437
97.083	420,263
Total	\$ 1,061,826

**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.

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, discretely presented component units (in the aggregate) and the aggregate remaining fund information of City of Hendersonville, Tennessee, as of and for the year ended June 30, 2019, 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, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

## 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

*Kemp CPAs PLLC*

Nashville, Tennessee  
December 30, 2019

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, 2019. 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, 2019.

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.



Nashville, Tennessee  
December 30, 2019

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal control over major programs:

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

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

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

Identification of major programs:

**CFDA Number(s)** **Name of Federal Program or Cluster**

14.218 Community Development Block Grant

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

Auditee qualified as low-risk auditee?  yes  no

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

**SECTION II - FINANCIAL STATEMENT FINDINGS**

PRIOR YEAR

2018 - 001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Status: Incorporated into current year finding 2019-001 below.

2018 - 002 ADHERENCE TO INTERNAL POLICIES AND PROCEDURES

Status: Incorporated into current year finding 2019-002 below.

CURRENT YEAR

2019 - 001 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting so that financial statements are complete, accurate and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition

Material audit adjustments were required in order to give an opinion that the financial statements present fairly the financial position of the City in accordance with GAAP.

Cause

An extended vacancy in the position of Assistant Finance Director from late August 2018 through March 2019, and the retirement of the previous Finance Director in May 2019 did not allow the remaining staff sufficient resources to perform routine daily tasks and adequately reconcile and close year end general ledger balances completely and accurately before the audit commenced.

Effect

Certain general ledger accounts were adjusted by the auditors, with journal entries and supporting workpapers reviewed and approved by management as part of the review process.

Recommendation

Since year-end, the City has promoted the Assistant Finance Director to Finance Director, and he has hired both a new Assistant Finance Director and Senior Accountant that are performing the duties required to timely close and reconcile the books and records and to prevent and timely detect errors in financial reporting.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

2019 - 001 INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Management's Response

Management concurs with the finding. The City of Hendersonville's management acknowledges the importance of timely reporting of all financial data and will continue to maintain this responsibility going forward. As previously stated, the personnel and staffing levels of the Finance Department have been filled since year-end, and proper procedures and controls have been implemented to ensure timely fiscal reporting on both a month and year-end basis. Cross-training, position backups, and standard operating procedures are being established to prevent future disruptions due to vacancies as all positions are considered critical to the efficient operation of the timely recording and reporting of the City's financial information.

2019 - 002 ADHERENCE TO INTERNAL POLICIES AND PROCEDURES

Criteria

Management is responsible for adherence to internal policies and procedures established by the City and statutes established by the State of Tennessee.

Condition

As part of the audit, we were made aware an instance where a new employee appears to have been granted additional vacation above the standards as part of their employment, however this was not documented in the employees file. Additionally, we were made aware of two instances of donations made to non-profit organizations that did not go through the channels prescribed by Tennessee Code Annotated Section 6-54-111.

Cause

Lack of understanding or familiarity with certain policies and procedures.

Effect

The effect of not adhering to policies and procedures could create an environment where not following established policies could be deemed acceptable.

Recommendation

We recommend that management adhere to established policies, and in instances where protocol is unknown or unclear (such as the donations to the nonprofit organizations), to consult and collaborate with appropriate personnel in positions to ensure compliance with policies and procedures. Documentation of the consultation should be maintained.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

2019 - 002      ADHERENCE TO INTERNAL POLICIES AND PROCEDURES (CONTINUED)

Management's Response

The City of Hendersonville's management acknowledges the importance of adhering to internal control policies and procedures established by the City. Additional controls will be put in place to identify any deviations from approved City policy requiring documentation as to why there was a deviation from policy or procedure and steps to address any non-compliance to the approved policies and procedures.