

CITY OF HENDERSONVILLE, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

PREPARED BY:  
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Hendersonville  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# CITY OF HENDERSONVILLE

## ORGANIZATION CHART

JUNE 30, 2018

**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	EMERG. MAN.
CODES	PERSONNEL/HUMAN RESOURCES	STORM WATER	DISPOSAL	
PLANNING				

OFFICIALS OF THE  
CITY OF HENDERSONVILLE, TENNESSEE

June 30, 2018

Jamie Clary	Mayor
Hamilton Frost	Vice Mayor, Ward 5
Peg Petrelli	Alderman, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Scott Sprouse	Alderman, Ward 2
Arlene Cunningham	Alderman, Ward 3
Paul Frisbee	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Andy Gilley	Alderman, Ward 4
Darrell Woodcock	Alderman, Ward 5
Matt Stamper	Alderman, Ward 6
Jim Waters	Alderman, Ward 6
Keith Frees	Planning Director
Scotty Bush	Fire Chief
Ron Minnicks	Director of Finance
Dave LeMarbre	Interim Parks Director
James "Chip" Moore	Public Works Director
Leonard "Mickey" Miller	Police Chief
Steve Mills	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
Michelle Jilek	CPA, CMFOA 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, 2018, 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, 2018, 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.

## EMPHASIS OF A MATTER

### *Restatement*

As part of our audit of the June 30, 2018 financial statements, we also audited the adjustment described in Note 15 that were applied to restate the net position as of July 1, 2017 for the adoption of GASB Statement No. 75, *Accounting and Reporting for Post Employment Benefits Other Than Pensions*. In our opinion, the adjustment is appropriate and has been properly applied. Our opinion is not modified with respect to this matter.

## 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 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.

*Other Reporting Required by Governmental Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 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.



Nashville, Tennessee  
April 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, 2018.

### 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 \$65,396,638 (net position). Of this amount, \$10,259,647 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position decreased by \$2,163,906. This negative change is attributable mostly to an increase of expenses exceeding revenues.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,218,317, an increase of \$4,028,817 in comparison to the prior year. Approximately \$3,932,022 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 \$3,932,022 or 10.3% of the total general fund expenditures.

The City's total debt increased by \$7,039,495 or (82.9%) 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 non-major 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 63-69 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 \$65,396,638 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (73.9%) 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 36,472,364	\$ 31,057,079	\$ 70,994	\$ 135,980	\$ 36,543,358	\$ 31,193,059
Capital assets	62,526,783	61,552,917	976,500	991,400	63,503,283	62,544,317
Total assets	98,999,147	92,609,996	1,047,494	1,127,380	100,046,641	93,737,376
Deferred outflows of resources	4,749,066	5,606,738	-	-	4,749,066	5,606,738
Long-term liabilities outstanding	21,595,601	13,404,460 *	-	-	21,595,601	13,404,460 *
Other liabilities	4,386,781	3,153,547	83,031	46,285	4,469,812	3,199,832
Total liabilities	25,982,382	16,558,007	83,031	46,285	26,065,413	16,604,292
Deferred inflows of resources	13,333,656	12,730,211	-	-	13,333,656	12,730,211
Net position:						
Net investment capital assets	47,393,105	53,689,057	976,500	991,400	48,369,605	54,680,457
Restricted	6,767,386	1,752,464	-	-	6,767,386	1,752,464
Unrestricted	10,271,684	13,486,995 *	(12,037)	89,695	10,259,647	13,576,690 *
Total net position	\$ 64,432,175	\$ 68,928,516	\$ 964,463	\$ 1,081,095	\$ 65,396,638	\$ 70,009,611

\* 2017 unrestricted governmental activities net position was restated in conjunction with the adoption of GASB Statement No. 75, Accounting and Reporting for Other Post Employment Benefits Other Than Pensions. Amounts shown in the 2017 column for governmental activities are the original audited numbers presented in the prior year audit report and have not been adjusted for purposes of management's discussion and analysis.

An additional portion of the City's net position (10.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10,411,043) 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 decreased by \$2,163,906 during the current fiscal year after adoption of GASB Statement No. 75. This decrease is 3.4% of total net position. This decrease represents mostly an increase in total expenditures exceeding revenues and amounts due from other governments.

### Governmental Activities

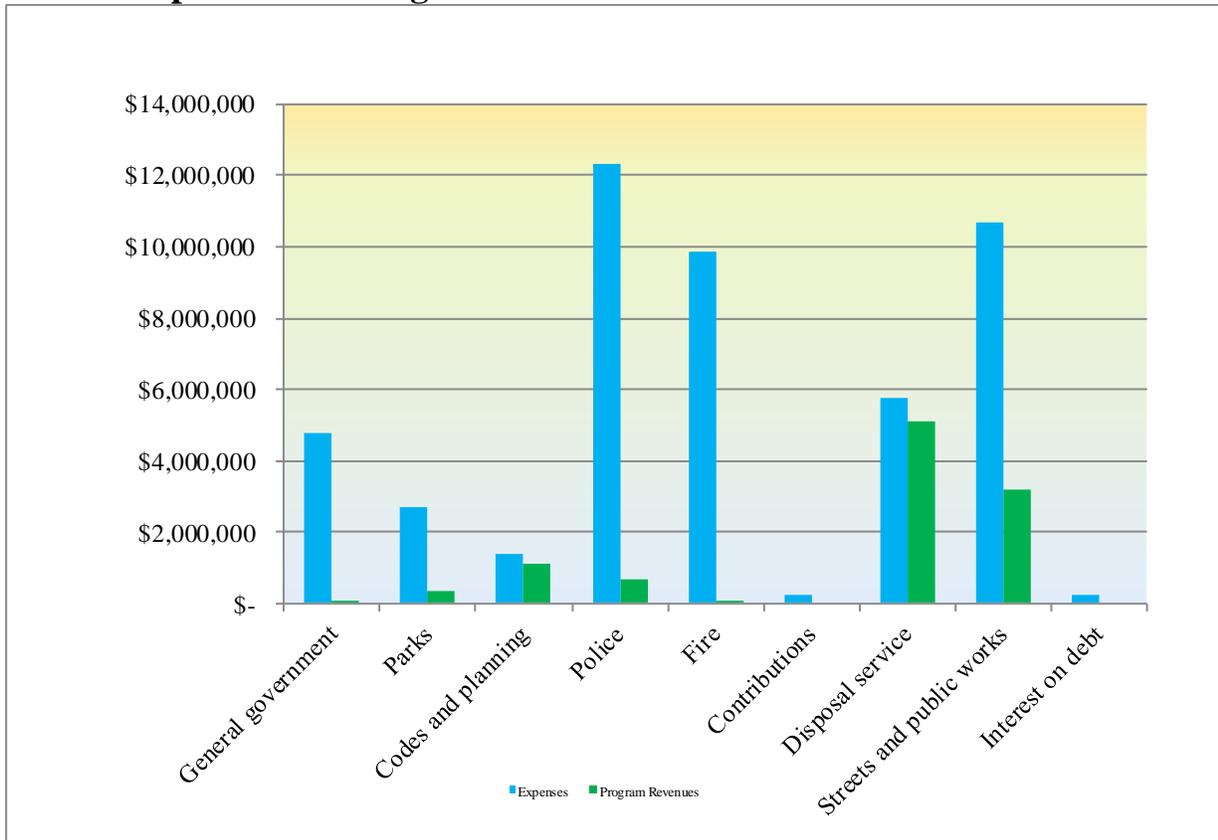
Governmental activities decreased the City's net position by \$2,047,274, thereby accounting for 94.6% of the total change in the net position of the City. The key factor for this decrease was due to an increase in total expenditures.

City of Hendersonville's Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,175,702	\$ 6,984,568	\$ 769,718	\$ 827,391	\$ 7,945,420	\$ 7,811,959
Operating grants and contributions	2,053,215	1,682,944	-	-	2,053,215	1,682,944
Capital grants and contributions	1,354,090	2,004,433	-	-	1,354,090	2,004,433
<b>General revenues:</b>						
Property taxes	12,280,935	11,875,490	-	-	12,280,935	11,875,490
Sales taxes	12,776,911	12,482,225	-	-	12,776,911	12,482,225
Other locally assessed taxes	4,897,724	4,515,176	-	-	4,897,724	4,515,176
Other State shared taxes	5,315,557	5,146,967	-	-	5,315,557	5,146,967
Other	117,562	117,696	261	4,979	117,823	122,675
<b>Total revenues</b>	<b>45,971,696</b>	<b>44,809,499</b>	<b>769,979</b>	<b>832,370</b>	<b>46,741,675</b>	<b>45,641,869</b>
<b>Expenses:</b>						
General government	586,350	463,784	-	-	586,350	463,784
Personnel	447,730	391,863	-	-	447,730	391,863
Central services	2,077,320	2,030,722	-	-	2,077,320	2,030,722
Finance	936,820	933,442	-	-	936,820	933,442
Parks	2,710,888	2,116,119	-	-	2,710,888	2,116,119
IT	749,731	611,823	-	-	749,731	611,823
Codes	745,851	758,752	-	-	745,851	758,752
Planning	630,482	643,513	-	-	630,482	643,513
Police	12,322,989	11,173,075	-	-	12,322,989	11,173,075
Fire	9,857,181	9,465,982	-	-	9,857,181	9,465,982
Contributions	241,400	235,150	-	-	241,400	235,150
Disposal service	5,777,510	4,888,951	-	-	5,777,510	4,888,951
Drug and forfeiture program costs	19,199	23,051	-	-	19,199	23,051
Streets and Public Works	10,652,930	10,260,978	-	-	10,652,930	10,260,978
Interest expense on long-term debt	262,589	187,440	-	-	262,589	187,440
Golf course	-	-	886,611	912,071	886,611	912,071
<b>Total expenses</b>	<b>48,018,970</b>	<b>44,184,645</b>	<b>886,611</b>	<b>912,071</b>	<b>48,905,581</b>	<b>45,096,716</b>
Increase (decrease) in net position	(2,047,274)	624,854	(116,632)	(79,701)	(2,163,906)	545,153
<b>Net position</b>						
Beginning of year - 2018 restated	66,479,449	68,303,662 *	1,081,095	1,160,796	67,560,544	69,464,458 *
End of year	\$ 64,432,175	\$ 68,928,516	\$ 964,463	\$ 1,081,095	\$ 65,396,638	\$ 70,009,611

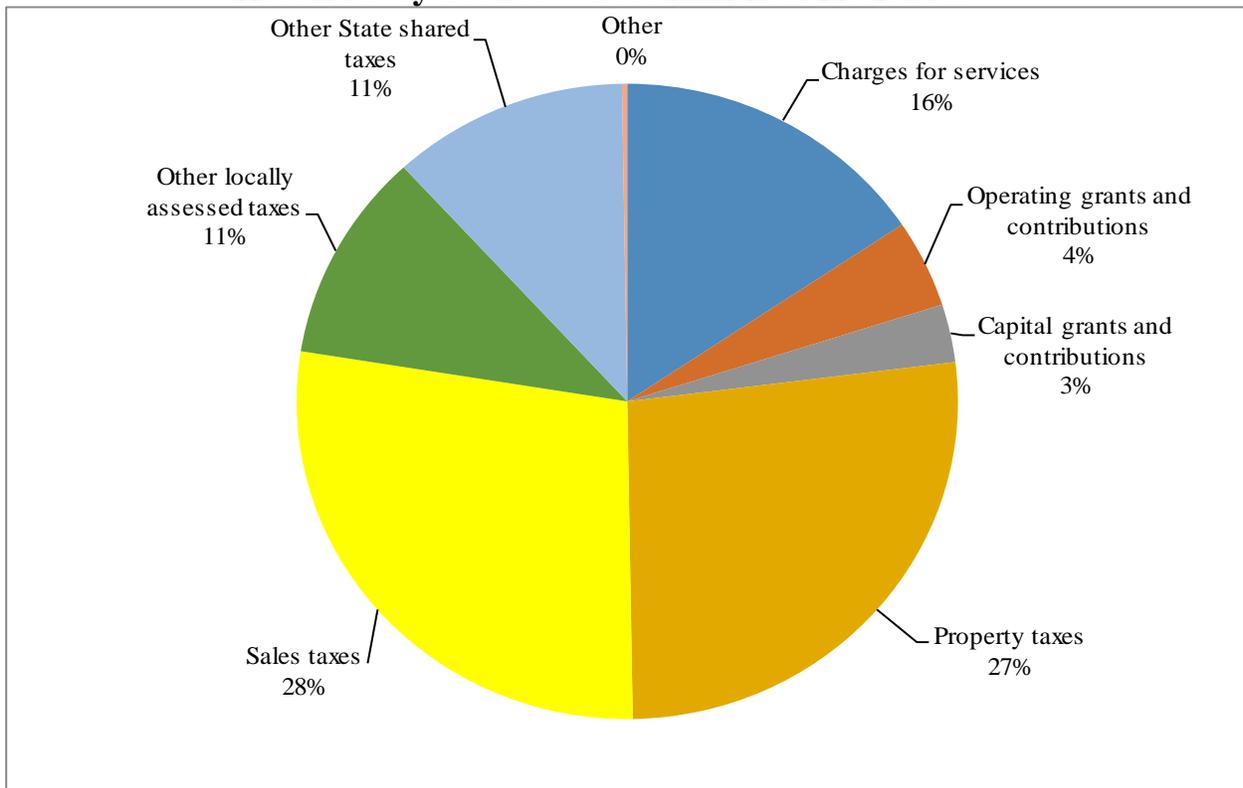
\* 2017 unrestricted governmental activities net position was restated in conjunction with the adoption of GASB Statement No. 75, Accounting and Reporting for Other Post Employment Benefits Other Than Pensions. Amounts shown in the 2017 column for governmental activities are the original audited numbers presented in the prior year audit report and have not been adjusted for purposes of management's discussion and analysis.

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

## Expenses and Program Revenues - Governmental Activities



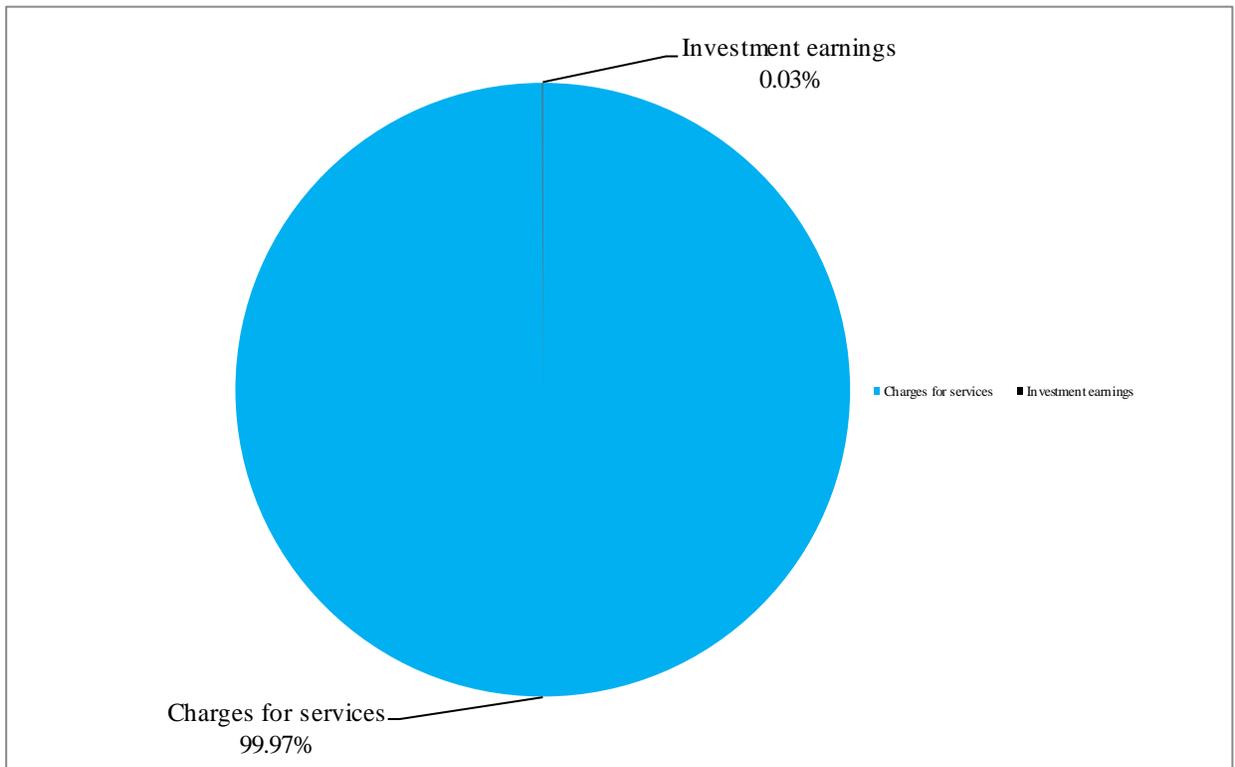
## Revenues by Source - Governmental Activities



## 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 \$17,218,317, an increase of \$4,028,817 in comparison with the prior year. Approximately 22.8% of this total amount (\$3,932,022) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$13,286,295) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$2,508,573); 2) restricted to provide for capital projects (\$5,160,528); 3) designated nonspendable to provide for prepaid items (\$1,215); 4) committed to provide for designated departmental projects (\$1,858,781), 5) assigned for specific projects regarding other governmental funds (\$808,933); 6) assigned for departmental obligations in the amount of (\$1,833,113); 7) and assigned for subsequent year budget in the amount of (\$1,121,152).

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 \$3,932,022, while total fund balance reached \$10,533,539. 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 10.3% of total general fund expenditures, while total fund balance represents 27.6% of that same amount.

The fund balance of the City's General Fund decreased by \$39,511 during the current fiscal year. The key factor in this increase was primarily due to decreases 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 \$5,160,528. The increase in total fund balance from the prior fiscal year was \$3,400,382 due to the increase in capital outlay notes issued in the amount of \$5,793,025.

At the end of the current fiscal year, fund balance of the State Street Aid fund (nonmajor governmental fund) was \$1,254,296. The increase in total fund balance from the prior fiscal year was \$646,276.

At the end of the current fiscal year, total fund balance of the Drug Fund (nonmajor governmental fund) was \$257,130. The increase in total fund balance from the prior fiscal year was \$24,679.

At the end of current fiscal year, total fund balance of the Forfeiture Fund (nonmajor governmental fund) was \$12,824. The decrease in total fund balance from the prior fiscal year was \$3,009.

## 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 (\$12,037). The decrease in total net position of the Golf Course Fund amounted to \$116,632. 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 and other financing sources (uses) by \$3,806,244 and can be briefly summarized as follows:

- The Police department budget was amended by \$20,010 for the Tennessee Highway safety grant for speed enforcement and \$6,828 for a bullet proof vest grant and \$90,000 to purchase automatic license plate recognition cameras and pole.
- Retirement pay for Fire dept. retirees in the amount of \$181,863 and Codes dept. retirees in the amount of \$88,534.
- Payroll additional funding for five additional days of employee compensation for work period changes in the amount of \$253,835.
- Land acquisition of the Batey Farm for a passive park in the amount of \$3,000,000.
- Indian Lake Village appropriations for site improvement in the amount of \$67,175.
- Bluegrass Downs for Bluegrass Downs subdivision for improvements in the amount of \$28,000.
- Feasibility study for impact fees in the amount of \$55,000 and Hockey feasibility study in the amount of \$15,000.

Total general fund revenues for FY 2017-2018 were under budgeted revenues by \$7,169,162 or 15.8%. Total expenditures for FY 2017-2018 were under budgeted expenditures before transfers by \$9,604,422 or 20.2% resulting in a positive variance with final budget before transfers in the amount of \$2,435,260.

Revenues were less than appropriate estimated variances as budgeted. Expenditures were under budget due to delays in projects getting started, grants that were not awarded as expected, and vacancies 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, 2018, amounts to \$63,503,283 (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 .15% (a 1.6% increase for governmental activities and a 1.5% decrease for business-type activities).

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

- \$871,637 in new machinery and equipment purchases.
- \$1,254,389 added to construction in progress projects, the majority of which were added to street projects, park improvements, and pedestrian/bike path construction that were completed.
- \$3,000,022 land acquisition of the Batey farm for a passive park.

	City of Hendersonville's Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,650,819	\$ 4,650,797	\$ 641,194	\$ 641,194	\$ 8,292,013	\$ 5,291,991
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	3,020,369	3,020,369	4,259,559	4,259,559	7,279,928	7,279,928
Machinery and equipment	15,983,324	14,332,479	771,325	717,055	16,754,649	15,049,534
Construction in progress	5,181,916	4,337,527	-	-	5,181,916	4,337,527
Infrastructure	<u>111,880,186</u>	<u>110,765,415</u>	<u>-</u>	<u>-</u>	<u>111,880,186</u>	<u>110,765,415</u>
	153,590,656	146,980,629	6,705,832	6,651,562	160,296,488	153,632,191
Less accumulated depreciation	<u>(91,063,873)</u>	<u>(85,427,712)</u>	<u>(5,729,332)</u>	<u>(5,660,162)</u>	<u>(96,793,205)</u>	<u>(91,087,874)</u>
Net Capital Assets	<u>\$ 62,526,783</u>	<u>\$ 61,552,917</u>	<u>\$ 976,500</u>	<u>\$ 991,400</u>	<u>\$ 63,503,283</u>	<u>\$ 62,544,317</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 \$15,528,485 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**

	City of Hendersonville's Capital Assets					
	Commercial Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 15,133,678	\$ 7,863,860	\$ -	\$ -	\$ 15,133,678	\$ 7,863,860
Obligation to school system	<u>197,425</u>	<u>394,851</u>	<u>-</u>	<u>-</u>	<u>197,425</u>	<u>394,851</u>
	15,331,103	8,258,711	-	-	15,331,103	8,258,711
Note premiums	<u>197,382</u>	<u>230,279</u>	<u>-</u>	<u>-</u>	<u>197,382</u>	<u>230,279</u>
Total long-term debt obligations	<u>\$ 15,528,485</u>	<u>\$ 8,488,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,528,485</u>	<u>\$ 8,488,990</u>

The City of Hendersonville's total debt increased by \$7,039,495 (82.9%) 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 currently 2.9%, which is lower than last year's rate of 3.6%. This compares to the state's average unemployment rate of 3.5% and the national average rate of 3.8%.

In the 2017-2018 budget, General fund revenues and transfers in are budgeted to increase by 16.1% from the 2016-2017 budget year. The City's budget has benefited by an expanding commercial and retail base producing a steady increase in local sales tax receipts, building permits, and business taxes. Economic conditions experienced during the 2017-2018 budget year are trending more favorably but still requires a conservative approach to the 2018-2019 budget.

All of these factors were considered in preparing the City's budget for the 2018-2019 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$10,533,539. The City has appropriated \$1,121,152 of this amount for spending in the 2017-2018 fiscal year budget.

### **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:

Ron Minnicks, Finance  
Director City of Hendersonville  
101 Maple Drive North  
Hendersonville, TN 37075

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Primary Government</u>		<u>Total</u>	<u>Component</u>
	<u>Governmental</u>	<u>Business</u>	<u>Primary</u>	<u>Units</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Units</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 17,659,060	\$ 20,763	\$ 17,679,823	\$ 179,798
Receivables:				
Property taxes	12,986,824	-	12,986,824	-
Other taxes	148,090	-	148,090	-
Disposal fees	129,019	-	129,019	-
Due from other governments	4,760,810	-	4,760,810	10,168
Accounts receivable	-	1,137	1,137	-
Inventories	-	47,266	47,266	-
Prepaid items	1,215	-	1,215	-
Deposits	-	1,828	1,828	-
Restricted assets - cash and cash equivalents:				
Deposit for capital construction - State of Tennessee	787,346	-	787,346	-
Escrow funds	-	-	-	493,286
Capital assets:				
Land and construction in progress	12,832,735	641,194	13,473,929	10,852
Capital assets, net	49,694,048	335,306	50,029,354	35,240
<b>TOTAL ASSETS</b>	<b>98,999,147</b>	<b>1,047,494</b>	<b>100,046,641</b>	<b>729,344</b>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows relating to pensions	4,749,066	-	4,749,066	-
 <u>LIABILITIES</u>				
Accounts payable	825,622	8,092	833,714	17,640
Accrued liabilities	3,554,849	74,939	3,629,788	1,850
Liabilities payable from restricted cash	-	-	-	493,286
Unearned revenue	6,310	-	6,310	-
Long-term liabilities due within one year	2,828,383	-	2,828,383	-
Long-term liabilities due more than one year	14,859,843	-	14,859,843	-
Net pension liability	698,341	-	698,341	-
Net other post employments benefit liability	3,209,034	-	3,209,034	-
<b>TOTAL LIABILITIES</b>	<b>25,982,382</b>	<b>83,031</b>	<b>26,065,413</b>	<b>512,776</b>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Assessed and unlevied taxes and fees	12,933,119	-	12,933,119	-
Deferred inflows related to pensions	400,537	-	400,537	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,333,656</b>	<b>-</b>	<b>13,333,656</b>	<b>-</b>
 <u>NET POSITION</u>				
Net investment in capital assets	47,393,105	976,500	48,369,605	46,092
Restricted for:				
Public works	4,698,489	-	4,698,489	-
Street maintenance	1,722,938	-	1,722,938	-
Law enforcement	282,714	-	282,714	-
Capital projects	63,245	-	63,245	-
Unrestricted	10,271,684	(12,037)	10,259,647	170,476
<b>TOTAL NET POSITION</b>	<b>\$ 64,432,175</b>	<b>\$ 964,463</b>	<b>\$ 65,396,638</b>	<b>\$ 216,568</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

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	\$ 586,350	\$ -	\$ -	\$ -	\$ (586,350)	\$ -	\$ (586,350)	\$ -
Personnel	447,730	-	-	-	(447,730)	-	(447,730)	-
Central services	2,077,320	-	-	-	(2,077,320)	-	(2,077,320)	-
Finance	936,820	91,342	9,500	-	(835,978)	-	(835,978)	-
Parks and recreation	2,710,888	337,198	24,000	11,250	(2,338,440)	-	(2,338,440)	-
Information technology	749,731	-	-	-	(749,731)	-	(749,731)	-
Codes	745,851	961,294	3,000	-	218,443	-	218,443	-
Planning	630,482	109,078	15,000	732	(505,672)	-	(505,672)	-
Police	12,322,989	497,972	149,441	14,911	(11,660,665)	-	(11,660,665)	-
Fire	9,857,181	83,062	-	-	(9,774,119)	-	(9,774,119)	-
Contributions	241,400	-	-	-	(241,400)	-	(241,400)	-
Disposal service	5,777,510	5,091,656	-	-	(685,854)	-	(685,854)	-
Drug and forfeiture program costs	19,199	-	-	-	(19,199)	-	(19,199)	-
Streets and public works	10,652,930	4,100	1,852,274	1,327,197	(7,469,359)	-	(7,469,359)	-
Interest and issuance costs on long-term debt	262,589	-	-	-	(262,589)	-	(262,589)	-
	<u>48,018,970</u>	<u>7,175,702</u>	<u>2,053,215</u>	<u>1,354,090</u>	<u>(37,435,963)</u>	<u>-</u>	<u>(37,435,963)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Golf course	886,611	769,718	-	-	-	(116,893)	(116,893)	-
	<u>886,611</u>	<u>769,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,893)</u>	<u>(116,893)</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 48,905,581</u>	<u>\$ 7,945,420</u>	<u>\$ 2,053,215</u>	<u>\$ 1,354,090</u>	<u>(37,435,963)</u>	<u>(116,893)</u>	<u>(37,552,856)</u>	<u>-</u>
<b>COMPONENT UNITS</b>	<u>\$ 253,185</u>	<u>\$ 127,755</u>	<u>\$ 113,926</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,504)</u>
<b>General revenues:</b>								
Property taxes					12,280,935	-	12,280,935	-
In lieu of taxes					866,060	-	866,060	-
Sales taxes					12,776,911	-	12,776,911	-
Wholesale beer tax					1,026,918	-	1,026,918	-
Wholesale liquor tax					574,855	-	574,855	-
Business tax					1,254,804	-	1,254,804	-
Franchise taxes					1,175,087	-	1,175,087	-
<b>Unrestricted state shared taxes:</b>								
State shared sales tax					4,416,678	-	4,416,678	-
State shared income tax					566,189	-	566,189	-
State shared beer tax					23,966	-	23,966	-
State shared alcoholic beverage tax					206,924	-	206,924	-
Other unrestricted state shared revenues					101,800	-	101,800	-
Unrestricted investment earnings					30,170	261	30,431	311
Other					87,392	-	87,392	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS</b>					<u>35,388,689</u>	<u>261</u>	<u>35,388,950</u>	<u>311</u>
<b>CHANGE IN NET POSITION</b>					<u>(2,047,274)</u>	<u>(116,632)</u>	<u>(2,163,906)</u>	<u>(11,193)</u>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>					<u>66,479,449</u>	<u>1,081,095</u>	<u>67,560,544</u>	<u>227,761</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 64,432,175</u>	<u>\$ 964,463</u>	<u>\$ 65,396,638</u>	<u>\$ 216,568</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<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>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,691,592	\$ -	\$ 4,443,919	\$ -	\$ 1,523,549	\$ 17,659,060
Receivables:						
Property taxes	12,986,824	-	-	-	-	12,986,824
Other taxes	148,090	-	-	-	-	148,090
Disposal fees	-	129,019	-	-	-	129,019
Due from other governments	4,458,230	-	-	-	302,580	4,760,810
Deposit for capital construction - State of Tennessee	-	-	787,346	-	-	787,346
Prepaid items	1,215	-	-	-	-	1,215
Due from other funds	-	454,133	-	-	-	454,133
<b>TOTAL ASSETS</b>	<u>\$ 29,285,951</u>	<u>\$ 583,152</u>	<u>\$ 5,231,265</u>	<u>\$ -</u>	<u>\$ 1,826,129</u>	<u>\$ 36,926,497</u>
<b>LIABILITIES</b>						
Accounts payable	147,669	474,982	70,737	\$ -	\$ 132,234	\$ 825,622
Accrued liabilities	3,341,055	-	-	-	22,353	3,363,408
Due to other funds	454,133	-	-	-	-	454,133
Unearned revenue	6,310	-	-	-	-	6,310
<b>TOTAL LIABILITIES</b>	<u>3,949,167</u>	<u>474,982</u>	<u>70,737</u>	<u>-</u>	<u>154,587</u>	<u>4,649,473</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	14,803,245	108,170	-	-	147,292	15,058,707
<b>FUND BALANCE</b>						
Nonspendable	1,215	-	-	-	-	1,215
Restricted for:						
Public works	502,921	-	4,195,568	-	-	4,698,489
Street maintenance	468,642	-	-	-	1,254,296	1,722,938
Law enforcement	12,760	-	-	-	269,954	282,714
Streets capital projects	-	-	964,960	-	-	964,960
Committed for:						
Information technology	750	-	-	-	-	750
Public works	1,852,031	-	-	-	-	1,852,031
Assigned to:						
Retiree benefits	808,933	-	-	-	-	808,933
General government	328,543	-	-	-	-	328,543
Public works	587,410	-	-	-	-	587,410
Law enforcement	316,599	-	-	-	-	316,599
Parks	435,561	-	-	-	-	435,561
Solid waste	165,000	-	-	-	-	165,000
Subsequent year budget	1,121,152	-	-	-	-	1,121,152
Unassigned	3,932,022	-	-	-	-	3,932,022
<b>TOTAL FUND BALANCES</b>	<u>10,533,539</u>	<u>-</u>	<u>5,160,528</u>	<u>-</u>	<u>1,524,250</u>	<u>17,218,317</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 29,285,951</u>	<u>\$ 583,152</u>	<u>\$ 5,231,265</u>	<u>\$ -</u>	<u>\$ 1,826,129</u>	<u>\$ 36,926,497</u>

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, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$ 17,218,317
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	62,526,783
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds Balance Sheet:	
Bonds and notes payable	(15,331,103)
Add: bond premium	(197,382)
Compensated absences	(1,845,741)
Post-closure landfill costs relating to Resource Authority	(314,000)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(191,441)
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	(698,341)
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	(3,209,034)
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	1,725,181
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	(400,537)
Other deferred outflows related to pensions	3,023,885
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>2,125,588</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 64,432,175</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, 2018

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 28,793,994	\$ -	\$ -	\$ -	\$ -	\$ 28,793,994
Intergovernmental revenues	5,709,012	-	86,404	-	1,743,728	7,539,144
Fines and forfeitures	522,233	-	-	-	-	522,233
Licenses and permits	2,283,966	-	-	-	-	2,283,966
Charges for services	337,198	5,096,760	-	-	-	5,433,958
Uses of money and property	20,272	-	7,829	-	2,069	30,170
Miscellaneous	232,690	-	-	-	-	232,690
	<u>37,899,365</u>	<u>5,096,760</u>	<u>94,233</u>	<u>-</u>	<u>1,745,797</u>	<u>44,836,155</u>
<b>EXPENDITURES</b>						
Current operations:						
General government	483,009	-	-	-	-	483,009
Personnel	447,371	-	-	-	-	447,371
Central services	2,058,315	-	-	-	-	2,058,315
Finance	924,439	-	-	-	-	924,439
Parks and recreation	2,310,277	-	120,000	-	-	2,430,277
Information technology	725,602	-	-	-	-	725,602
Codes	815,371	-	-	-	-	815,371
Planning	616,866	-	-	-	-	616,866
Public works	4,154,241	-	-	-	-	4,154,241
Police	11,978,528	-	-	-	-	11,978,528
Fire	9,430,304	-	-	-	-	9,430,304
Contributions	241,400	-	-	-	-	241,400
Disposal service	-	5,777,510	-	-	-	5,777,510
Drug and forfeiture program costs	-	-	-	-	19,199	19,199
Streets	-	-	978,206	-	1,024,410	2,002,616
Debt service:						
Principal	-	-	-	1,620,633	-	1,620,633
Interest	-	-	-	198,389	-	198,389
Other	10,561	-	-	-	-	10,561
Capital outlay	3,973,688	-	1,557,802	-	34,242	5,565,732
<b>TOTAL EXPENDITURES</b>	<u>38,169,972</u>	<u>5,777,510</u>	<u>2,656,008</u>	<u>1,819,022</u>	<u>1,077,851</u>	<u>49,500,363</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(270,607)</u>	<u>(680,750)</u>	<u>(2,561,775)</u>	<u>(1,819,022)</u>	<u>667,946</u>	<u>(4,664,208)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	680,750	169,132	1,819,022	-	2,668,904
Transfers out	(2,668,904)	-	-	-	-	(2,668,904)
Capital outlay notes issued	2,900,000	-	5,793,025	-	-	8,693,025
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>231,096</u>	<u>680,750</u>	<u>5,962,157</u>	<u>1,819,022</u>	<u>-</u>	<u>8,693,025</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(39,511)</u>	<u>-</u>	<u>3,400,382</u>	<u>-</u>	<u>667,946</u>	<u>4,028,817</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>10,573,050</u>	<u>-</u>	<u>1,760,146</u>	<u>-</u>	<u>856,304</u>	<u>13,189,500</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,533,539</u>	<u>\$ -</u>	<u>\$ 5,160,528</u>	<u>\$ -</u>	<u>\$ 1,524,250</u>	<u>\$ 17,218,317</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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 4,028,817
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	5,565,732
Donations of assets by developers	1,098,679
Depreciation expense	(5,690,545)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities	1,620,633
Proceeds from bonds and notes payable are reflected as other financing sources (uses) in governmental fund statements but affect the balances of long-term liabilities in the government-wide statements:	
Issuance of notes payable	(8,693,025)
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, 2018	(191,441)
Accrued interest on debt obligations at June 30, 2017	104,905
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	73,136
Actuarially determined pension expense	(1,740,227)
Changes in other post employment benefits obligation	(18,878)
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	1,725,181
Revenues in the Statement of Activities for property, sales and other taxes that do not provide current financial resources are not reported as revenues for governmental funds	<u>36,862</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,047,274)</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Real and personal property	\$ 12,417,211	\$ 12,417,211	\$ 12,316,918	\$ (100,293)
Other revenues	32,624,478	32,651,316	25,582,447	(7,068,869)
TOTAL REVENUE	<u>45,041,689</u>	<u>45,068,527</u>	<u>37,899,365</u>	<u>(7,169,162)</u>
EXPENDITURES				
Executive	542,355	542,355	469,259	(73,096)
Personnel	467,656	497,656	447,371	(50,285)
Central services	2,075,669	2,075,669	1,905,718	(169,951)
Finance	1,148,497	1,148,497	924,439	(224,058)
Information technology	757,182	757,181	439,220	(317,961)
Parks	2,304,466	2,304,466	2,249,209	(55,257)
Codes	842,959	856,179	808,395	(47,784)
Planning	758,484	758,484	608,333	(150,151)
Streets and public works	4,565,432	4,535,432	4,209,927	(325,505)
Police department	12,119,235	12,284,549	11,559,436	(725,113)
Fire department	9,125,363	9,561,061	9,535,885	(25,176)
Contributions	242,400	242,400	241,400	(1,000)
Grants	2,700,050	2,726,888	43,681	(2,683,207)
Capital projects	6,169,270	9,334,445	4,564,367	(4,770,078)
Debt service	1,000	1,000	200	(800)
TOTAL EXPENDITURES	<u>43,820,018</u>	<u>47,626,262</u>	<u>38,006,840</u>	<u>(9,619,422)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,221,671</u>	<u>(2,557,735)</u>	<u>(107,475)</u>	<u>(2,450,260)</u>
OTHER FINANCING USES				
Proceeds from issuance of debt	-	2,900,000	2,900,000	-
Transfers to Debt Service Fund	(1,843,036)	(1,843,036)	(1,829,383)	(13,653)
Transfers to Capital Projects Fund	-	-	(169,132)	169,132
*Transfers to Solid Waste Fund	<u>(957,891)</u>	<u>(986,177)</u>	<u>(680,750)</u>	<u>(305,427)</u>
TOTAL OTHER FINANCING USES	<u>(2,800,927)</u>	<u>70,787</u>	<u>220,735</u>	<u>(149,948)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,579,256)</u>	<u>\$ (2,486,948)</u>	113,260	<u>\$ (2,600,208)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,009,438</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,122,698</u>	
Fund balance - End of year (non-GAAP)	\$ 9,122,698			
Add: Current year encumbrances	1,575,841			
Less: Disposal fees transfer related to encumbrances	<u>(165,000)</u>			
Fund balance - End of year (GAAP)	<u>\$ 10,533,539</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, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>Revenues</u>				
Other:				
Special assessment - disposal fees	\$ 4,989,033	\$ 4,989,033	\$ 5,096,760	\$ 107,727
Total Revenues	<u>4,989,033</u>	<u>4,989,033</u>	<u>5,096,760</u>	<u>107,727</u>
 <u>Expenditures</u>				
Tipping fees	1,100,000	1,100,000	971,315	(128,685)
Disposal service	4,546,210	4,574,496	4,640,034	65,538
Brush disposal and other	<u>300,714</u>	<u>300,714</u>	<u>331,161</u>	<u>30,447</u>
Total Expenditures and Encumbrances	<u>5,946,924</u>	<u>5,975,210</u>	<u>5,942,510</u>	<u>(32,700)</u>
 Other Financing Sources (Uses)				
Transfer in	<u>957,891</u>	<u>986,177</u>	<u>845,750</u>	<u>(140,427)</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of year			<u>-</u>	
Fund Balance - End of year			<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$	20,763
Receivables		1,137
Inventories		47,266
Other current assets		<u>1,828</u>
TOTAL CURRENT ASSETS		70,994
CAPITAL ASSETS, NET		<u>976,500</u>
TOTAL ASSETS		<u>1,047,494</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		8,092
Accrued liabilities		<u>74,939</u>
TOTAL CURRENT LIABILITIES		<u>83,031</u>

NET POSITION

Investment in capital assets		976,500
Unrestricted		<u>(12,037)</u>
TOTAL NET POSITION	\$	<u>964,463</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, 2018

OPERATING REVENUES	
Charges for sales and services	\$ 769,718
	<u>769,718</u>
OPERATING EXPENSES	
Costs of sales	154,032
Personnel services	415,439
Repairs and maintenance	33,681
Supplies	11,459
Gas	18,020
Credit card charges	13,135
Chemicals and fertilizer	22,249
Utilities	34,812
Depreciation	69,170
Advertising and promotion	3,400
Other operating expenses	71,214
Management services	<u>40,000</u>
TOTAL OPERATING EXPENSES	<u>886,611</u>
OPERATING LOSS	<u>(116,893)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>261</u>
TOTAL NONOPERATING EXPENSES	<u>261</u>
CHANGE IN NET POSITION	(116,632)
NET POSITION - BEGINNING OF YEAR	<u>1,081,095</u>
NET POSITION - END OF YEAR	<u>\$ 964,463</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 769,720
Cash paid for personnel services	(370,526)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(369,595)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(10,401)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plan and equipment	(54,270)
Interest received	<u>261</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(54,009)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,410)
CASH - BEGINNING OF YEAR	<u>85,173</u>
CASH - END OF YEAR	<u>\$ 20,763</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	<u>\$ (116,893)</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	69,170
Changes in operating assets and liabilities	
Receivables, net	2
Inventories	901
Other current assets	(327)
Accounts payable	(8,167)
Accrued liabilities	<u>44,913</u>
TOTAL ADJUSTMENTS	<u>106,492</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (10,401)</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
TRAINING AND TEEN ACTIVITY FUND  
JUNE 30, 2018

ASSETS

Cash	\$ <u>23,701</u>
TOTAL ASSETS	\$ <u><u>23,701</u></u>

LIABILITIES

Amounts due to agencies	\$ <u>23,701</u>
TOTAL LIABILITIES	\$ <u><u>23,701</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, 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, 2018

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, 2018

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 budgeted for a Stormwater Fund for fiscal year 2018, however the fund did not have any revenues or expenditures for the current year. Activity in that fund began subsequent to year end.

The City had no internal service funds as of or for the year ended June 30, 2018.

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, 2018

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, 2018

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, 2018

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, 2018 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, 2018 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, 2018

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, 2018

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 and Garbage Disposal 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax and Garbage Disposal Fees (Continued)

Taxes are levied at a rate of \$0.758 per \$100 of assessed valuation for 2018 and 2017. 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, 2018 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 \$12,986,824. Of this receivable amount, \$12,623,119 represents the estimated net realizable 2018 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 2018 was \$284 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 \$129,019. The receivable reported in the governmental funds balance sheet is \$129,019 with an offsetting deferred inflows of resources of \$108,170 for amounts not available at June 30, 2018.

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.

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2018, 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, 2018

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2018, 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	\$ 4,650,797	\$ 3,000,022	\$ -	\$ -	\$ 7,650,819
Construction in progress	4,337,527	844,389	-	-	5,181,916
Total capital assets not being depreciated	<u>8,988,324</u>	<u>3,844,411</u>	<u>-</u>	<u>-</u>	<u>12,832,735</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,874,042	-	-	-	9,874,042
Improvements other than building	3,020,369	-	-	-	3,020,369
Machinery and equipment	14,332,479	1,705,229	(54,384)	-	15,983,324
Infrastructure	110,765,415	1,114,771	-	-	111,880,186
Total capital assets being depreciated	<u>137,992,305</u>	<u>2,820,000</u>	<u>(54,384)</u>	<u>-</u>	<u>140,757,921</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(4,769,975)	(212,592)	-	-	(4,982,567)
Improvements other than buildings	(1,854,280)	(131,609)	-	-	(1,985,889)
Machinery and equipment	(10,277,866)	(894,701)	54,384	-	(11,118,183)
Infrastructure	(68,525,591)	(4,451,643)	-	-	(72,977,234)
Total accumulated depreciation	<u>(85,427,712)</u>	<u>(5,690,545)</u>	<u>54,384</u>	<u>-</u>	<u>(91,063,873)</u>
Governmental activities capital assets, net	<u>\$ 61,552,917</u>	<u>\$ 973,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,526,783</u>

At June 30, 2018, construction in progress consists primarily of capital projects for Arrowhead Park and other park projects, new fire hall drainage improvements, traffic signal upgrades, street widening and other. Estimated costs to complete open projects amount to approximately \$5.9 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2018, 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	717,055	54,270	-	-	771,325
Total capital assets being depreciated	<u>6,010,368</u>	<u>54,270</u>	<u>-</u>	<u>-</u>	<u>6,064,638</u>
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(724,043)	(26,580)	-	-	(750,623)
Improvements other than buildings	(4,259,559)	-	-	-	(4,259,559)
Machinery and equipment	(676,560)	(42,590)	-	-	(719,150)
Total accumulated depreciation	<u>(5,660,162)</u>	<u>(69,170)</u>	<u>-</u>	<u>-</u>	<u>(5,729,332)</u>
Business-type activities capital assets, net	<u>\$ 991,400</u>	<u>\$ (14,900)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,500</u>

Depreciation expense was charged to function/programs as of June 30, 2018, as follows:

Governmental activities:

General government	\$ 124,467
Public safety	798,149
Street and public works	4,478,770
Parks	276,803
Codes and planning	<u>12,356</u>
Total depreciation expense - governmental activities	<u>\$ 5,690,545</u>

Business-type activities:

Golf enterprise	<u>\$ 69,170</u>
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Donated infrastructure and equipment of \$1,098,679 is included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2018, 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>	<u>\$ 27,590</u>	<u>\$ 7,650</u>	<u>\$ -</u>	<u>\$ 35,240</u>

NOTE 4 - DEFERRED INFLOWS OF GOVERNMENTAL REVENUES

Deferred inflows of governmental revenues consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2018, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes	\$ 12,623,119	\$ 12,623,119
Delinquent property taxes	-	322,807
Delinquent solid waste fees	-	108,170
State and county shared taxes	<u>310,000</u>	<u>2,004,611</u>
	<u>\$ 12,933,119</u>	<u>\$ 15,058,707</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 \$787,346 and a debt service escrow maintained by the Industrial Development Board ("IDB").

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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, 2018. This amounted to \$454,133 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. These interfund amounts were liquidated subsequent to year end. Additionally, the General Fund contributed \$12,500 to a component unit, the Hendersonville Arts Council.

Interfund transfers for the year ended June 30, 2018 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>			
	<u>Governmental</u>			
	<u>Funds</u>			
	<u>Solid</u>	<u>Capital</u>	<u>Debt</u>	
	<u>Waste</u>	<u>Projects</u>	<u>Service</u>	
	<u>Balance</u>	<u>Fund</u>	<u>Additions</u>	<u>Totals</u>
<u>Transfer Out:</u>				
General Fund	\$ 680,750	\$ 169,132	\$ 1,819,022	\$ 2,668,904

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. Transfers to the Capital Projects Fund were to increase the escrow account held with the State of Tennessee for a change order on transportation grant project.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

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.

For governmental activities, compensated absences and Other Post-Employment Benefits (“OPEB”) obligations 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.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
<u>Government Activities</u>					
Capital outlay notes payable	\$ 7,863,860	\$ 8,693,025	\$ 1,423,207	\$ 15,133,678	\$ 1,430,958
Obligation to county school system	<u>394,851</u>	<u>-</u>	<u>197,426</u>	<u>197,425</u>	<u>197,425</u>
	8,258,711	8,693,025	1,620,633	15,331,103	1,628,383
Note premiums	<u>230,279</u>	<u>-</u>	<u>32,897</u>	<u>197,382</u>	<u>-</u>
Total governmental activities long-term debt	<u>8,488,990</u>	<u>8,693,025</u>	<u>1,653,530</u>	<u>15,528,485</u>	<u>1,628,383</u>
Compensated absences	1,918,877	1,176,133	1,249,269	1,845,741	1,200,000
Accrued post-closure landfill costs	<u>314,000</u>	<u>-</u>	<u>-</u>	<u>314,000</u>	<u>-</u>
Total primary government long-term liabilities	<u>\$ 10,721,867</u>	<u>\$ 9,869,158</u>	<u>\$ 2,902,799</u>	<u>\$ 17,688,226</u>	<u>\$ 2,828,383</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE (CONTINUED)

Long-term bonds and notes at June 30, 2018 consisted of the following obligations:

\$4,100,000 Capital Outlay Notes 2011 - The notes are payable in annual installments through 2023 at a rate of interest of 3.21%.	\$ 1,706,000
\$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%.	685,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	833,333
\$4,020,400 Capital Outlay Notes 2015 - The notes are payable in annual installments through 2026 at a rate of interest of 2.41%.	3,216,320
\$5,793,025 Capital Outlay Notes 2018 - The notes are payable in annual installments through 2030 at a rate of interest of 2.39%.	5,793,025
\$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%.	2,900,000
\$987,129 Obligation to County School System - The obligation is payable in five annual installments which began in 2015 and relates to unreimbursed county share of liquor taxes. Interest is not charged.	<u>197,425</u>
Total capital outlay and other notes payable	15,331,103
Plus: unamortized premium on notes	<u>197,382</u>
Total governmental activities long-term debt	<u><u>\$ 15,528,485</u></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, 2018, 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, 2018

NOTE 7 - LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE (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 2018, the amount of incremental property taxes generated by the economic development area equaled \$677,151, 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, 2018, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
2019	\$ 1,628,383	\$ 389,378	\$ 2,017,761
2020	1,845,244	342,234	2,187,478
2021	1,845,243	293,072	2,138,315
2022	1,845,244	243,826	2,089,070
2023	1,836,243	194,672	2,030,915
2024 - 2028	5,365,241	392,901	5,758,142
2029 - 2030	965,505	23,076	988,581
Totals	<u>\$ 15,331,103</u>	<u>\$ 1,879,159</u>	<u>\$ 17,210,262</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 8 - 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.

NOTE 9 - 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 [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 - PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	107
Inactive employees entitled to but not yet receiving benefits	218
Active employees	<u>319</u>
	<u>644</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, 2017, the Actuarially Determined Contribution (ADC) for the City was \$1,689,627 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, 2017, 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, 2018

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2017 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 3.46 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, 2016 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

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.

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, 2018

NOTE 9 - 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, 2018

NOTE 9 - 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, 2016	\$ 57,034,986	\$ 55,093,482	\$ 1,941,504
CHANGES FOR THE YEAR:			
Service cost	1,318,881	-	1,318,881
Interest	4,297,607	-	4,297,607
Differences between expected and actual experience	(419,524)	-	(419,524)
Changes of assumptions	1,440,903	-	1,440,903
Contributions - employer	-	1,689,627	(1,689,627)
Contributions - employee	-	-	-
Net investment income	-	6,217,909	(6,217,909)
Benefit payments, including refunds of employee contributions	(2,104,891)	(2,104,891)	-
Administrative expense	-	(26,506)	26,506
Net changes	4,532,976	5,776,139	(1,243,163)
BALANCE AT JUNE 30, 2017	\$ 61,567,962	\$ 60,869,621	\$ 698,341

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

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

	1% Decrease	Current Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
City's net pension liability (asset)	\$ 9,616,568	\$ 698,341	\$ (6,683,443)

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2018, the City recognized pension expense of \$1,740,227.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, 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	\$ 1,763,095	\$ 398,383
Changes of assumptions	1,260,790	-
Net difference between projected and actual earnings on pension plan investments	-	2,154
Contributions subsequent to the measurement date of June 30, 2017	<u>1,725,181</u>	<u>-</u>
Total	<u>\$ 4,749,066</u>	<u>\$ 400,537</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2017, 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>	
2019	\$ 212,664
2020	989,503
2021	537,732
2022	20,028
2023	440,521
Thereafter	422,900

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, 2018

NOTE 10 - 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, 2018</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, 2018, 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, 2018

NOTE 10 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 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, 2017 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, 2012 - June 30, 2016. 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, 2018

NOTE 10 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2018 measured as of June 30, 2018 follows:

	Increase (Decrease)
	Total OPEB Liability
BALANCE AT JUNE 30, 2017	\$ <u>3,190,156</u>
CHANGES FOR THE YEAR:	
Service cost	75,566
Interest	123,220
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	<u>(179,908)</u>
Net changes	<u>18,878</u>
BALANCE AT JUNE 30, 2018	\$ <u><u>3,209,034</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 (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	Measurement Date - June 30, 2018		
	1% Decrease	Current Discount Rate	1% Increase
	(2.88%)	(3.88%)	(4.88%)
City's total OPEB liability	\$ <u>2,963,936</u>	\$ <u>3,209,034</u>	\$ <u>3,472,943</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 10 - 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, 2018		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's total OPEB liability	<u>\$ 2,891,283</u>	<u>\$ 3,209,034</u>	<u>\$ 3,581,319</u>

OPEB Expense

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$198,786.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2018, the City does not report any deferred outflows of resources or deferred inflows of resources related to OPEB benefits.

NOTE 11 - 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, 2018

NOTE 11 - 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 \$31,080 for brush disposal for 2018. 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 2013 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 2018, the amount paid by the City was \$39,867. The City believes that a payment of \$314,000 will be required to be made relating to the post closure landfill cost, and has accrued this as a long-term liability at June 30, 2018 in the governmental activities balance sheet (\$165,000 has been recorded as an encumbrance at June 30, 2018).

The Authority, as of June 30, 2018, has net investment in capital assets of \$1,427,381, and an unrestricted net deficit of \$147,062. 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 2016, 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, 2018, the City expensed \$850,183 for E911 payments, with \$451,795 payable to the E911 as of year end.

Contracts

The City of Hendersonville has a contract for trash pickup and disposal services. 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, 2018, the City had approximately \$3 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, 2018

NOTE 12 - 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 13 - 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, 2018

NOTE 13 - 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 ten 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:

Net change in fund balance - GAAP basis	\$ (39,511)
Add: Prior year reserve for encumbrances	1,563,612
Less: Current year reserve for encumbrances	(1,575,841)
Add: Disposal fund encumbrance through transfer	<u>165,000</u>
Net change in fund balance, budgetary basis	<u><u>\$ 113,260</u></u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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>State Street Aid Fund (Nonmajor fund)</u>	<u>Capital Projects Fund</u>
Public works/street maintenance	\$ 573,718	\$ 515,800	\$ 70,212
Police	347,005	-	-
Parks	422,440	-	-
Information technology	20,523	-	-
Disposal	165,000	-	-
Other	47,155	-	-
	<u>\$ 1,575,841</u>	<u>\$ 515,800</u>	<u>\$ 70,212</u>

Budget Amendments

The General Fund expenditure budget was amended by \$3,834,530. The major amendments related to grants, equipment purchase and capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 14 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, (GASB 83) addresses accounting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a capital asset. Governmental entities with such obligations to perform future asset retirement activities should recognize a liability and corresponding deferred outflow when the liability is both incurred and reasonably estimable based on the guidance of GASB 83. The deferred outflow will then be recognized as an expense over the expected life of the asset, and the liability adjusted to reflect the effects of inflation or deflation. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The City is evaluating the impact that this standard may have on the financial statements and related disclosures.

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 June 15, 2018. The City is evaluating the impact that this standard may have on the financial statements and related disclosures. It is expected to further expand the disclosures related to its trust funds.

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which establishes single model for lease accounting based on the foundational principles that leases are financing, and require lessee to recognize a lease liability and intangible right-to-use asset. The provisions in GASB 87 are effective for reporting periods beginning after December 15, 2019. The City is evaluating the effects of adoption of GASB 87.

In March 2018, GASB issued Statement No. 88, *Certain disclosures related to Debt, including Direct Borrowing and Direct Placements*, (GASB 88) which expands the disclosures related to debt for matters such as unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreement related to significant events of default significant termination events and significant acceleration clauses. The standard also adds direct borrowings as debt subject to these disclosure requirements. The provisions in GASB 88 are effective for reporting periods beginning after June 15, 2018. The City is evaluating the effects of adoption of GASB 88 which may expand some disclosures related to debt.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

NOTE 15 - ADOPTION OF GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Prior year net position has been adjusted due to the adoption of Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The objective of this statement is to improve accounting and reporting by state and local governments for other Post Employment benefits. This statement requires the liability of employers and non-employer contributing entities to employees for defined benefit OPEB to be measured as the portion of the present value of projected benefit payments to be provided to current, active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability). The effect of the adoption of this statement on the City's governmental activities net position as of July 1, 2017 is as follows:

	<u>Governmental Activities</u>
Net position/fund balance, as previously reported	\$ 68,928,516
Effect of adoption of <i>GASB Statement No. 75</i> - other post employment benefits (OPEB):	
Remove prior year OPEB liability	741,089
Record total OPEB liability	<u>(3,190,156)</u>
Beginning net position/fund balance, as restated	<u>\$ 66,479,449</u>

NOTE 16 - SUBSEQUENT EVENT

In September 2018, the City accepted a three-year Staffing Adequate Fire and Emergency Response (SAFER) grant totaling approximately \$3 million to fund additional fire positions. The City's share of this grant is expected to be approximately \$1,170,000.

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>TOTAL PENSION LIABILITY</u>				
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686	\$ 1,318,881
Interest	3,368,278	3,705,243	3,946,154	4,297,607
Changes in benefit terms	-	-	-	-
Differences between actual & expected experience	1,307,633	(46,948)	1,382,178	(419,524)
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>
 NET CHANGE IN TOTAL PENSION LIABILITY	 4,593,770	 3,378,301	 4,685,557	 4,532,976
TOTAL PENSION LIABILITY - BEGINNING	<u>44,377,358</u>	<u>48,971,128</u>	<u>52,349,429</u>	<u>57,034,986</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>PLAN FIDUCIARY NET POSITION</u>				
Contributions - employer	2,400,176	2,317,383	2,396,900	1,689,627
Contributions - employee	1,137	2,018	1,946	-
Net investment income	7,107,505	1,573,964	1,416,316	6,217,909
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)	(2,104,891)
Administrative expense	<u>(12,861)</u>	<u>(14,657)</u>	<u>(22,728)</u>	<u>(26,506)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 8,265,642	 2,454,499	 1,974,973	 5,776,139
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>
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>
 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>

Plan fiduciary net position as a percentage of total pension liability	103.46 %	101.47 %	96.60 %	98.87 %
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265
Net pension liability (asset) as a percentage of covered-employee payroll	(10.87) %	(4.95) %	12.09 %	4.13 %

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>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,378,735	\$ 1,725,181
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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (310,892)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,810
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	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 2017 were calculated based on the July 30, 2015 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	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 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	2.5 percent

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS

MEASUREMENT YEAR ENDED JUNE 30

	<u>2018</u>
<b><u>TOTAL OPEB LIABILITY</u></b>	
Service cost	\$ 75,566
Interest on the total OPEB liability	123,220
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>
 <b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	 18,878
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<u>3,190,156</u>
 <b>TOTAL OPEB LIABILITY - ENDING</b>	 <u>\$ 3,209,034</u>

Covered-employee payroll	N/A	
Total OPEB liability as a percentage of covered-employee payroll	N/A	%

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, 2018
Measurement Date	June 30, 2018

**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, 2017 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 2022.

**Other Information** See the actuarial valuation report as of July 1, 2018 (dated November 19, 2018).

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.

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, 2018

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,192,180	\$ 74,239	\$ 257,130	\$ 1,523,549
Due from other governments	<u>302,580</u>	<u>-</u>	<u>-</u>	<u>302,580</u>
TOTAL ASSETS	<u>\$ 1,494,760</u>	<u>\$ 74,239</u>	<u>\$ 257,130</u>	<u>\$ 1,826,129</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF</u>				
<u>RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 70,819	\$ 61,415	\$ -	\$ 132,234
Accrued liabilities	<u>22,353</u>	<u>-</u>	<u>-</u>	<u>22,353</u>
Total Liabilities	<u>93,172</u>	<u>61,415</u>	<u>-</u>	<u>154,587</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>147,292</u>	<u>-</u>	<u>-</u>	<u>147,292</u>
 <u>Fund Balances</u>				
Restricted	<u>1,254,296</u>	<u>12,824</u>	<u>257,130</u>	<u>1,524,250</u>
Total Fund Balances	<u>1,254,296</u>	<u>12,824</u>	<u>257,130</u>	<u>1,524,250</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,494,760</u>	<u>\$ 74,239</u>	<u>\$ 257,130</u>	<u>\$ 1,826,129</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue Funds</u>			Total
	State Street Aid Fund	Forfeiture Fund	Drug Fund	Nonmajor Governmental Funds
<u>REVENUES</u>				
Intergovernmental:				
State gasoline tax	\$ 1,703,386	\$ -	\$ -	\$ 1,703,386
Drug and other related fines, seizures, and sales	-	-	40,342	40,342
Uses of money and property	<u>1,542</u>	<u>64</u>	<u>463</u>	<u>2,069</u>
 Total Revenues	 <u>1,704,928</u>	 <u>64</u>	 <u>40,805</u>	 <u>1,745,797</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	615,022	-	-	615,022
Employee benefits	237,506	-	-	237,506
Other costs - maintenance and lighting	171,882	-	-	171,882
Capital outlay	34,242	-	-	34,242
 Program costs:				
Drug Fund:				
Other costs	<u>-</u>	<u>3,073</u>	<u>16,126</u>	<u>19,199</u>
 Total Expenditures	 <u>1,058,652</u>	 <u>3,073</u>	 <u>16,126</u>	 <u>1,077,851</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 646,276	 (3,009)	 24,679	 667,946
 FUND BALANCE - BEGINNING OF YEAR	 <u>608,020</u>	 <u>15,833</u>	 <u>232,451</u>	 <u>856,304</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 1,254,296</u>	 <u>\$ 12,824</u>	 <u>\$ 257,130</u>	 <u>\$ 1,524,250</u>

CITY OF HENDERSONVILLE, TENNESSEE

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

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 1,859,798	\$ 1,859,798	\$ 1,703,386	\$ (156,412)
Uses of money and property	<u>900</u>	<u>900</u>	<u>1,542</u>	<u>642</u>
Total Revenues	<u>1,860,698</u>	<u>1,860,698</u>	<u>1,704,928</u>	<u>(155,770)</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	889,272	889,272	615,022	(274,250)
Employee benefits	344,263	344,263	237,506	(106,757)
Repairs and maintenance	744,500	744,500	648,682	(95,818)
Capital outlay	<u>91,000</u>	<u>91,000</u>	<u>10,242</u>	<u>(80,758)</u>
Total Expenditures and Encumbrances	<u>2,069,035</u>	<u>2,069,035</u>	<u>1,511,452</u>	<u>(557,583)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (208,337)</u>	<u>\$ (208,337)</u>	193,476	<u>\$ (713,353)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>545,020</u>	
FUND BALANCE - END OF YEAR			<u>\$ 738,496</u>	
 * 1989 tax	 \$ 156,917			
Three cent tax	290,840			
2017 tax	237,841			
Gas and motor fuel tax	<u>981,710</u>			
	<u>\$ 1,667,308</u>			
 Fund balance - end of year (non-GAAP)	 \$ 738,496			
+ Current year encumbrances	<u>515,800</u>			
Fund balance - end of year (GAAP)	<u>\$ 1,254,296</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, 2018

	<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	\$ 400	\$ 400	\$ 463	\$ 63
Drug related fines, seizures and sales	<u>33,000</u>	<u>33,000</u>	<u>40,342</u>	<u>7,342</u>
Total Revenues	<u>33,400</u>	<u>33,400</u>	<u>40,805</u>	<u>7,405</u>
<u>EXPENDITURES</u>				
Program costs	31,250	28,250	16,126	(12,124)
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total Expenditures and Encumbrances	<u>56,250</u>	<u>53,250</u>	<u>16,126</u>	<u>(37,124)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (22,850)</u>	<u>\$ (19,850)</u>	24,679	<u>\$ (29,719)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>232,451</u>	
FUND BALANCE - END OF YEAR			<u>\$ 257,130</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, 2018

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>ASSETS</u>				
Cash	<u>\$ 26,171</u>	<u>\$ 2,560</u>	<u>\$ 5,030</u>	<u>\$ 23,701</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 26,171</u>	<u>\$ -</u>	<u>\$ 2,470</u>	<u>\$ 23,701</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2018

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 7,728	\$ 11,023	\$ 161,047	\$ 179,798
Accounts receivable	5,047	-	5,121	10,168
Capital assets, net	35,240	-	10,852	46,092
Cash - restricted escrow funds	-	-	493,286	493,286
<b>TOTAL ASSETS</b>	<u>48,015</u>	<u>11,023</u>	<u>670,306</u>	<u>729,344</u>
<b>LIABILITIES</b>				
Accounts payable	7,736	-	9,904	17,640
Escrow funds payable from restricted cash	-	-	493,286	493,286
<b>TOTAL LIABILITIES</b>	<u>9,586</u>	<u>-</u>	<u>503,190</u>	<u>512,776</u>
<b>NET POSITION</b>				
Investment in capital assets	35,240	-	10,852	46,092
Unrestricted	<u>3,189</u>	<u>11,023</u>	<u>156,264</u>	<u>170,476</u>
<b>TOTAL NET POSITION</b>	<u>\$ 38,429</u>	<u>\$ 11,023</u>	<u>\$ 167,116</u>	<u>\$ 216,568</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2018

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
REVENUES				
Charges for services	\$ 66,652	\$ -	\$ 61,103	\$ 127,755
Operating grants and contributions	113,926	-	-	113,926
Interest income	40	-	271	311
TOTAL REVENUE	<u>180,618</u>	<u>-</u>	<u>61,374</u>	<u>241,992</u>
EXPENSES				
Operating expenses	<u>181,226</u>	<u>250</u>	<u>71,709</u>	<u>253,185</u>
CHANGE IN NET POSITION	(608)	(250)	(10,335)	(11,193)
NET POSITION - BEGINNING OF YEAR	<u>39,037</u>	<u>11,273</u>	<u>177,451</u>	<u>227,761</u>
NET POSITION - END OF YEAR	<u>\$ 38,429</u>	<u>\$ 11,023</u>	<u>\$ 167,116</u>	<u>\$ 216,568</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<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>REVENUES</b>					
<b>Local Taxes:</b>					
Real and personal property	\$ 12,316,918	\$ -	\$ -	\$ -	\$ 12,316,918
Payments in lieu of property taxes	866,060	-	-	-	866,060
Local sales taxes	12,724,268	-	-	-	12,724,268
Wholesale beer	1,026,918	-	-	-	1,026,918
Wholesale liquor	574,855	-	-	-	574,855
Business taxes	<u>1,284,975</u>	-	-	-	<u>1,284,975</u>
Total Local Taxes	<u>28,793,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,793,994</u>
<b>Intergovernmental:</b>					
State sales tax	4,381,557	-	-	-	4,381,557
State income tax	566,189	-	-	-	566,189
State beer tax	23,966	-	-	-	23,966
State alcoholic beverage tax	206,924	-	-	-	206,924
State/City street and transportation	103,508	-	-	-	103,508
State supplemental pay	119,400	-	-	-	119,400
Excise tax	81,444	-	-	-	81,444
County	57,739	-	-	-	57,739
Corp of Engineers	13,555	-	-	-	13,555
Grants	<u>154,730</u>	-	-	-	<u>154,730</u>
Total Intergovernmental	<u>5,709,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,709,012</u>
<b>Fines and Forfeitures:</b>					
City court and other	430,891	-	-	-	430,891
Penalties	<u>91,342</u>	-	-	-	<u>91,342</u>
Total Fines and Forfeitures	<u>522,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,233</u>
<b>Licenses and Permits:</b>					
Building permits	845,921	-	-	-	845,921
Franchise taxes	1,175,087	-	-	-	1,175,087
Other permits	<u>262,958</u>	-	-	-	<u>262,958</u>
Total Licenses and Permits	<u>2,283,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,283,966</u>
<b>Charges for Services:</b>					
Recreational fees	337,198	-	-	-	337,198
Disposal fees	-	<u>5,096,760</u>	-	-	<u>5,096,760</u>
Total Charges for Services	<u>337,198</u>	<u>5,096,760</u>	<u>-</u>	<u>-</u>	<u>5,433,958</u>
<b>Uses of Money and Property</b>					
Interest	<u>20,272</u>	-	<u>7,829</u>	-	<u>28,101</u>
Total Uses of Money and Property	<u>20,272</u>	<u>-</u>	<u>7,829</u>	<u>-</u>	<u>28,101</u>
<b>Other Revenues:</b>					
Contributions from others	-	-	86,404	-	86,404
Miscellaneous	<u>232,690</u>	-	-	-	<u>232,690</u>
Total Other Revenues	<u>232,690</u>	<u>-</u>	<u>86,404</u>	<u>-</u>	<u>319,094</u>
<b>TOTAL REVENUES</b>	<u>\$ 37,899,365</u>	<u>\$ 5,096,760</u>	<u>\$ 94,233</u>	<u>\$ -</u>	<u>\$ 43,090,358</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 285,440	\$ -	\$ -	\$ -	\$ 285,440
Employee benefits	92,262	-	-	-	92,262
Travel and training	9,330	-	-	-	9,330
Supplies	5,677	-	-	-	5,677
Outside services	24,679	-	-	-	24,679
Telephone	2,076	-	-	-	2,076
Other costs	63,545	-	-	-	63,545
Total General Government	<u>483,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,009</u>
<b>Personnel:</b>					
Salaries	284,708	-	-	-	284,708
Employee benefits	59,558	-	-	-	59,558
Travel and training	11,641	-	-	-	11,641
Supplies	12,258	-	-	-	12,258
Outside services	62,501	-	-	-	62,501
Other costs	16,705	-	-	-	16,705
Total Personnel	<u>447,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,371</u>
<b>Central Services:</b>					
Salaries	232,562	-	-	-	232,562
Employee benefits	192,130	-	-	-	192,130
Repairs and maintenance	107,684	-	-	-	107,684
Supplies	14,960	-	-	-	14,960
Insurance	591,957	-	-	-	591,957
Outside services	62,829	-	-	-	62,829
Utilities	47,732	-	-	-	47,732
Tax increment bond payment	677,151	-	-	-	677,151
Other costs	131,310	-	-	-	131,310
Total Central Services	<u>2,058,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,058,315</u>
<b>Finance:</b>					
Salaries	564,223	-	-	-	564,223
Employee benefits	164,603	-	-	-	164,603
Travel and training	4,151	-	-	-	4,151
Supplies	30,254	-	-	-	30,254
Outside services	65,379	-	-	-	65,379
Other costs	95,829	-	-	-	95,829
Total Finance	<u>924,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>924,439</u>
<b>Information Technology:</b>					
Salaries	179,486	-	-	-	179,486
Employee benefits	61,985	-	-	-	61,985
Supplies	19,076	-	-	-	19,076
Outside services	233,226	-	-	-	233,226
Telephone	128,379	-	-	-	128,379
Other costs	103,450	-	-	-	103,450
Total Information Technology	<u>725,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725,602</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 1,057,311	\$ -	\$ -	\$ -	\$ 1,057,311
Employee benefits	275,347	-	-	-	275,347
Repairs and maintenance	262,040	-	120,000	-	382,040
Travel and training	4,625	-	-	-	4,625
Supplies	95,199	-	-	-	95,199
Outside services	81,164	-	-	-	81,164
Utilities	233,150	-	-	-	233,150
Other costs	301,441	-	-	-	301,441
<b>Total Parks</b>	<u>2,310,277</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>2,430,277</u>
<b>Codes:</b>					
Salaries	587,904	-	-	-	587,904
Employee benefits	190,129	-	-	-	190,129
Repairs and maintenance	5,512	-	-	-	5,512
Travel and training	2,658	-	-	-	2,658
Supplies	11,050	-	-	-	11,050
Outside services	4,622	-	-	-	4,622
Telephone	3,739	-	-	-	3,739
Other costs	9,757	-	-	-	9,757
<b>Total Codes</b>	<u>815,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,371</u>
<b>Planning:</b>					
Salaries	425,155	-	-	-	425,155
Employee benefits	128,864	-	-	-	128,864
Repairs and maintenance	1,772	-	-	-	1,772
Travel and training	5,149	-	-	-	5,149
Supplies	11,734	-	-	-	11,734
Outside services	7,801	-	-	-	7,801
Utilities	3,527	-	-	-	3,527
Other costs	32,864	-	-	-	32,864
<b>Total Planning</b>	<u>616,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,866</u>
<b>Street and Public Works:</b>					
Salaries	1,250,253	-	-	-	1,250,253
Employee benefits	452,045	-	-	-	452,045
Repairs and maintenance	156,411	-	-	-	156,411
Travel and training	7,242	-	-	-	7,242
Supplies	99,419	-	-	-	99,419
Outside services	278,436	-	-	-	278,436
Utilities	398,796	-	-	-	398,796
Other costs	1,511,639	-	978,206	-	2,489,845
<b>Total Streets and Public Works</b>	<u>4,154,241</u>	<u>-</u>	<u>978,206</u>	<u>-</u>	<u>5,132,447</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

	<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>Police Department:</b>					
Salaries	\$ 7,337,557	\$ -	\$ -	\$ -	\$ 7,337,557
Employee benefits	2,314,156	-	-	-	2,314,156
Repairs and maintenance	329,206	-	-	-	329,206
Travel and training	57,934	-	-	-	57,934
Supplies	560,637	-	-	-	560,637
Outside services	97,807	-	-	-	97,807
Telephone and utilities	123,653	-	-	-	123,653
Other costs	1,125,673	-	-	-	1,125,673
Investigations	31,905	-	-	-	31,905
<b>Total Police Department</b>	<u>11,978,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,978,528</u>
<b>Fire Department:</b>					
Salaries	6,396,798	-	-	-	6,396,798
Employee benefits	2,176,151	-	-	-	2,176,151
Repairs and maintenance	200,368	-	-	-	200,368
Travel and training	62,820	-	-	-	62,820
Supplies	212,626	-	-	-	212,626
Outside services	42,348	-	-	-	42,348
Telephone and utilities	70,111	-	-	-	70,111
Other costs	269,082	-	-	-	269,082
<b>Total Fire Department</b>	<u>9,430,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,430,304</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	25,000	-	-	-	25,000
Other	78,900	-	-	-	78,900
<b>Total Contributions</b>	<u>241,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,400</u>
Disposal services	-	5,777,510	-	-	5,777,510
Debt service	10,561	-	-	1,819,022	1,829,583
Capital outlay	3,973,688	-	1,557,802	-	5,531,490
<b>TOTAL EXPENDITURES</b>	<u>\$ 38,169,972</u>	<u>\$ 5,777,510</u>	<u>\$ 2,656,008</u>	<u>\$ 1,819,022</u>	<u>\$ 48,422,512</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2018

<u>Tax Year</u>		<u>Taxes Receivable July 1, 2017</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2018</u>
2007	*	\$ 6,262	\$ -	\$ (6,262)	\$ -
2008	*	25,156	-	(1,554)	23,602
2009	*	19,512	-	(3,488)	16,024
2010	*	20,457	-	(3,043)	17,414
2011	*	14,149	-	(3,627)	10,522
2012	*	20,732	-	(6,654)	14,078
2013	*	26,780	-	(14,448)	12,332
2014	*	46,153	-	(29,986)	16,167
2015	*	66,772	-	(41,948)	24,824
2016	*	196,031	-	(141,511)	54,520
2017		<u>-</u>	<u>12,330,262</u>	<u>(12,156,040)</u>	<u>174,222</u>
		<u>\$ 442,004</u>	<u>\$ 12,330,262</u>	<u>\$ (12,408,561)</u>	363,705
2018	**				<u>12,623,119</u>
Taxes receivable					<u>\$ 12,986,824</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, 2018

Assessment <u>Year</u>	Taxes Receivable <u>July 1, 2017</u>	Assessments	Collections and Adjustments	Taxes Receivable <u>June 30, 2018</u>
2008	\$ 436	\$ -	\$ -	\$ 436
2009	1,624	-	(696)	928
2010	1,694	-	(242)	1,452
2011	2,520	-	(756)	1,764
2012	4,845	-	(1,785)	3,060
2013	6,993	-	(4,144)	2,849
2014	12,887	-	(7,364)	5,523
2015	22,355	-	(15,254)	7,101
2016	82,866	-	(57,969)	24,897
2017	-	5,032,764	(4,951,755)	81,009
	<u>\$ 136,220</u>	<u>\$ 5,032,764</u>	<u>\$ (5,039,965)</u>	<u>\$ 129,019</u>

\* Turned over to County Clerk for collections.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2018

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
2019	\$ 342,000	\$ 54,763	\$ 100,000	\$ 12,700	\$ 104,166	\$ 20,564	\$ 402,040	\$ 77,513
2020	342,000	43,784	100,000	10,700	104,167	17,993	402,040	67,824
2021	342,000	32,806	100,000	8,700	104,166	15,465	402,040	58,135
2022	342,000	21,828	100,000	6,700	104,167	12,853	402,040	48,446
2023	338,000	10,850	95,000	4,750	104,166	10,282	402,040	38,757
2024	-	-	95,000	2,850	104,167	7,712	402,040	29,068
2025	-	-	95,000	950	104,167	5,155	402,040	19,378
2026	-	-	-	-	104,167	2,571	402,040	9,689
<b>Total</b>	<b>\$ 1,706,000</b>	<b>\$ 164,031</b>	<b>\$ 685,000</b>	<b>\$ 47,350</b>	<b>\$ 833,333</b>	<b>\$ 92,595</b>	<b>\$ 3,216,320</b>	<b>\$ 348,810</b>

Fiscal Year	Capital Outlay Notes - 2018		Capital Outlay Notes - 2018		Obligation to County School System		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt
2019	\$ 482,752	\$ 169,221	\$ -	\$ 54,617	\$ 197,425	\$ -	\$ 1,628,383	\$ 389,378	\$ 2,017,761
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	-	-	1,845,243	293,072	2,138,315
2022	482,752	98,071	414,285	55,928	-	-	1,845,244	243,826	2,089,070
2023	482,752	86,533	414,285	43,500	-	-	1,836,243	194,672	2,030,915
2024	482,752	74,995	414,285	31,072	-	-	1,498,244	145,697	1,643,941
2025	482,752	63,458	414,285	18,643	-	-	1,498,244	107,584	1,605,828
2026	482,752	51,920	414,290	6,214	-	-	1,403,249	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>\$ 5,793,025</b>	<b>\$ 867,256</b>	<b>\$ 2,900,000</b>	<b>\$ 359,117</b>	<b>\$ 197,425</b>	<b>\$ -</b>	<b>\$ 15,331,103</b>	<b>\$ 1,879,159</b>	<b>\$ 17,210,262</b>

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Grant Description	Federal CFDA#	Grant Number	(Accrued) Deferred 7/1/17	Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/18
<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-15-MC-47-0015	\$ (12,413)	\$ 12,413	\$ -	\$ -	\$ -
Community Development Block Grant	14.218	B-16-MC-47-0015	-	-	15,000	-	(15,000)
Total Passed through the Tennessee Department of Economic and Community Development			(12,413)	12,413	15,000	-	(15,000)
<u>Passed through the Tennessee Housing Development</u>							
Emergency Solutions Grant Program	14.231	ESG-15-20	-	732	732	-	-
HOME Grant	14.239	HM-17-10	-	3,000	3,000	-	-
Total Passed through the Tennessee Housing Development			-	3,732	3,732	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			(12,413)	16,145	18,732	-	(15,000)
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Bulletproof Vest Partnership Program	16.607		(9,000)	8,032	-	968	-
Bulletproof Vest Partnership Program	16.607		-	-	6,828	-	(6,828)
JAG Tasers	16.738		-	15,000	15,000	-	-
TOTAL U.S. DEPARTMENT OF JUSTICE			(9,000)	23,032	21,828	968	(6,828)
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
<u>Passed through the Tennessee Department of Transportation</u>							
Highway Planning and Construction Cluster: Transportation Enhancement Program	20.205	090183	(3,821)	-	-	3,821	-
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant							
Traffic Sign Upgrade Project	20.205	60151	(208)	16,318	16,110	-	-
Highway Planning and Construction Cluster: Greenway Grant	20.205	120012	-	1,168	-	(1,168)	-
Highway Planning and Construction Cluster: Drakes Creek Road Widening	20.205	140137	-	-	45,860	-	(45,860)
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	56132	-	14,707	16,009	-	(1,302)
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	51818	(1,563)	1,528	8,117	35	(8,117)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			(5,592)	33,721	86,096	2,688	(55,279)
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ (27,005)</b>	<b>\$ 72,898</b>	<b>\$ 126,656</b>	<b>\$ 3,656</b>	<b>\$ (77,107)</b>
<b>EXPENDITURES OF STATE AWARDS</b>							
<u>Tennessee Department of Environment and Conservation</u>							
LPRF Arrowhead Park Soccer Complex		50740	\$ -	\$ 21,000	\$ 24,000	\$ -	\$ (3,000)
<u>Tennessee Department of Transportation</u>							
Saundersville Railroad Trestle		83LPLM-S3-106	-	86,403	86,403	-	-
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<b>\$ -</b>	<b>\$ 107,403</b>	<b>\$ 110,403</b>	<b>\$ -</b>	<b>\$ (3,000)</b>

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, 2018. The information in this schedule is presented in accordance with the requirements of the *Tennessee Audit Manual*. 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	\$ 15,000
14.231	732
14.239	3,000
16.607	6,828
16.738	15,000
20.205	61,970
20.600	24,126

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.

Total	\$ 126,656
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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, 2018, 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 April 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 2018-001 and 2018-002 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.

A handwritten signature in black ink that reads "HCPAs PLLC". The signature is stylized and appears to be written in a cursive or semi-cursive font.

Nashville, Tennessee  
April 30, 2019

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS**

PRIOR YEAR

No findings noted.

CURRENT YEAR

2018 - 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

Certain materially significant financial data regarding capital assets was unable to be timely compiled to allow the financial statements to be issued within six months of year end in accordance with the State of Tennessee Contract to Audit Accounts. Additionally, certain other accounts required adjustment to be properly stated in accordance with GAAP, including property taxes receivable and revenue, grants receivable, contracts payable and certain fund balance restrictions for improvement projects.

Cause

An extended vacancy in the position of Assistant Finance Director from late August 2018 through March 2019 did not allow the department sufficient resources to perform routine daily tasks and adequately close the remaining year end financial audit documentation necessary for report preparation.

Effect

The financial statements were unable to be issued timely to allow the users to assess the financial position of the City.

Recommendation

The City has subsequently filled the Assistant Finance Director role, which should allow for the timely closing and reconciliation of accounts.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

2018 - 001 INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Management's Response

The City of Hendersonville's management acknowledges the importance of timely reporting of all financial data and have maintained this responsibility each year however; Fiscal Year 2018 was proven to be an unusual and very unique year as far as staff turnover in the Finance department where the Assistant Finance director resigned in April of 2018 and the new replacement Assistant Finance director resigned in September of 2018. The position for the second replacement was not filled until March 11, 2019. In addition; there was a turnover in the Payroll specialist position and the Property Tax Accounting Technician position. All positions are critical to the efficient operation of the Finance department and to manage the timely recording and reporting of the City's financial information.

2018 - 002 ADHERENCE TO INTERNAL POLICIES AND PROCEDURES

Criteria

Management is responsible for adherence to internal policies and procedures established by the City.

Condition

As part of the audit, we were made aware of certain instances where normal personnel policies related to salary rates (Municipal Code Section 4-304) were not either followed or adequately documented as to the reasons for departure. Additionally, certain expenditures were paid and then later reimbursed for items that did not fall within normal City purchases.

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, to consult with those in positions of more experience to ensure compliance.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2018

2018 - 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.