

CITY OF HENDERSONVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY:
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

December 23, 2016

To the Honorable Mayor, Members of the Board, and Citizens of the City of Hendersonville:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

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

KraftCPAs PLLC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Hendersonville’s financial statements for the year ended June 30, 2016. The independent auditor’s report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Hendersonville is located in Sumner County, 22 miles northeast of downtown Nashville and 18 miles from Nashville’s metropolitan airport. Hendersonville offers a convenient location and exceptional scenery with over 26 miles of Old Hickory Lake shoreline. Since its incorporation in 1968, Hendersonville’s population has increased from 116 to 56,018, with median family income well above average for the State of Tennessee. It is considered to be the 11th largest city in Tennessee by population. The City of Hendersonville is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Hendersonville was incorporated on June 11, 1968 under the Tennessee Uniform Commission City Manager form of government. On August 7, 1986, a vote by referendum changed the form of government to the Mayor-Aldermen form. The Board of Mayor and Aldermen is comprised of thirteen members. The Mayor is elected at large and the Aldermen are elected on the basis of six ward districts. Members of the Board of Mayor and Aldermen elected subsequent to 1991 shall be elected to serve four (4) years. All department heads, the City Attorney, City Judge, and City Recorder are appointed by the Board of Mayor and Aldermen. The Board of Mayor and Aldermen is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and establishing policies.

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

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

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

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

Local Economy

The City of Hendersonville is a growing residential community having a close proximity to a major metropolitan city with increased growth in industrial, residential, retail and commercial activity. The local economy is currently experiencing increased construction, planned developments and new retail business in the area. Hendersonville continues to

pursue its efforts in promoting industrial, retail, commercial, and residential growth in fiscal year 2016. The major positive initiatives taken by the City of Hendersonville are as follows:

1. The mayoral assistant for Economic and Community Development works with the Industrial Development Board in serving the City's goals regarding development projects. The City is currently experiencing continued growth in retail, residential and office development with new development approved for construction.
2. The City is designing the widening of Drakes Creek North at Stop 30 road and replacing the bridge at the intersection of Stop 30 and Drakes Creek. This will improve the road to the schools north of the City and to the new 1100 lot Durham Farm residential development. This project is estimated at about five million dollars. In addition to the Durham Farm development an additional 1000 residential lots are under construction.
3. The City will continue to enhance its recreational program by the development of phase 2 in Arrowhead Park by adding a number of significant services and facilities to its Park System which include additional soccer fields, lacrosse fields, a playground area, a Police Mounted Patrol Stables and training area for the horses, a walking trail and maintenance building to house employees and equipment. Portions of the pedestrian bicycle path project have been completed. Additional Park facilities, fencing, improvements to the dog park, and shelters were completed in other park areas.
4. The City is implementing a Citywide Traffic Signal Improvement Program at a cost of approximately one million four hundred thousand dollars.
5. The City is currently working on several projects including sidewalk construction, a one million twenty five thousand dollar Sanders Ferry Bike Pedestrian Trail, a two hundred thousand dollar Community Development Block Grant to enhance lower income areas of the City and is spending one million five hundred thousand dollars on various drainage projects located throughout the City.
6. The City is implementing a mulch facility which is expected to save \$50,000 a year and a pavement management program to more effectively use paving dollars.
7. The City qualified for \$7,558,456 in federal Urban-Surface Transportation Program (U-STP) funds for infrastructure projects which includes widening New Shackle Island Road, from Iris Drive to SR-386, four million dollars for the local interchange connector @ Saundersville Road and 386 to close an at grade intersection, and 1.3 million dollar reconstruction of Volunteer Road. The other projects are currently in the right of way or construction phases.

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

Long-Term Financial Planning

The City has numerous capital projects currently funded and under construction. Several of these are: sidewalks, Drakes Creek Stop 30 widening, Walton Ferry/Main Street intersection right of way acquisition, traffic signal upgrades, drainage, lighting, paving projects and expansion of retail development along Indian Lake Boulevard. Also; a storm water fee feasibility study is underway and if implemented will bring in over \$500,000 in revenue a year from these fees.

Financial Policies

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

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

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

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

Awards and Acknowledgements

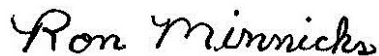
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hendersonville for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the thirty third consecutive year that the government has

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

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

The preparation of this report would not have been possible without the efficient and dedicated services of Dana Swinea, Assistant Finance Director and the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Mayor and Aldermen for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville's finances. The firm of KraftCPAs PLLC, Certified Public Accountants was most helpful in reviewing the interpretations of financial presentation and disclosure requirements.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ron Minnicks".

Ron Minnicks
Finance Director



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

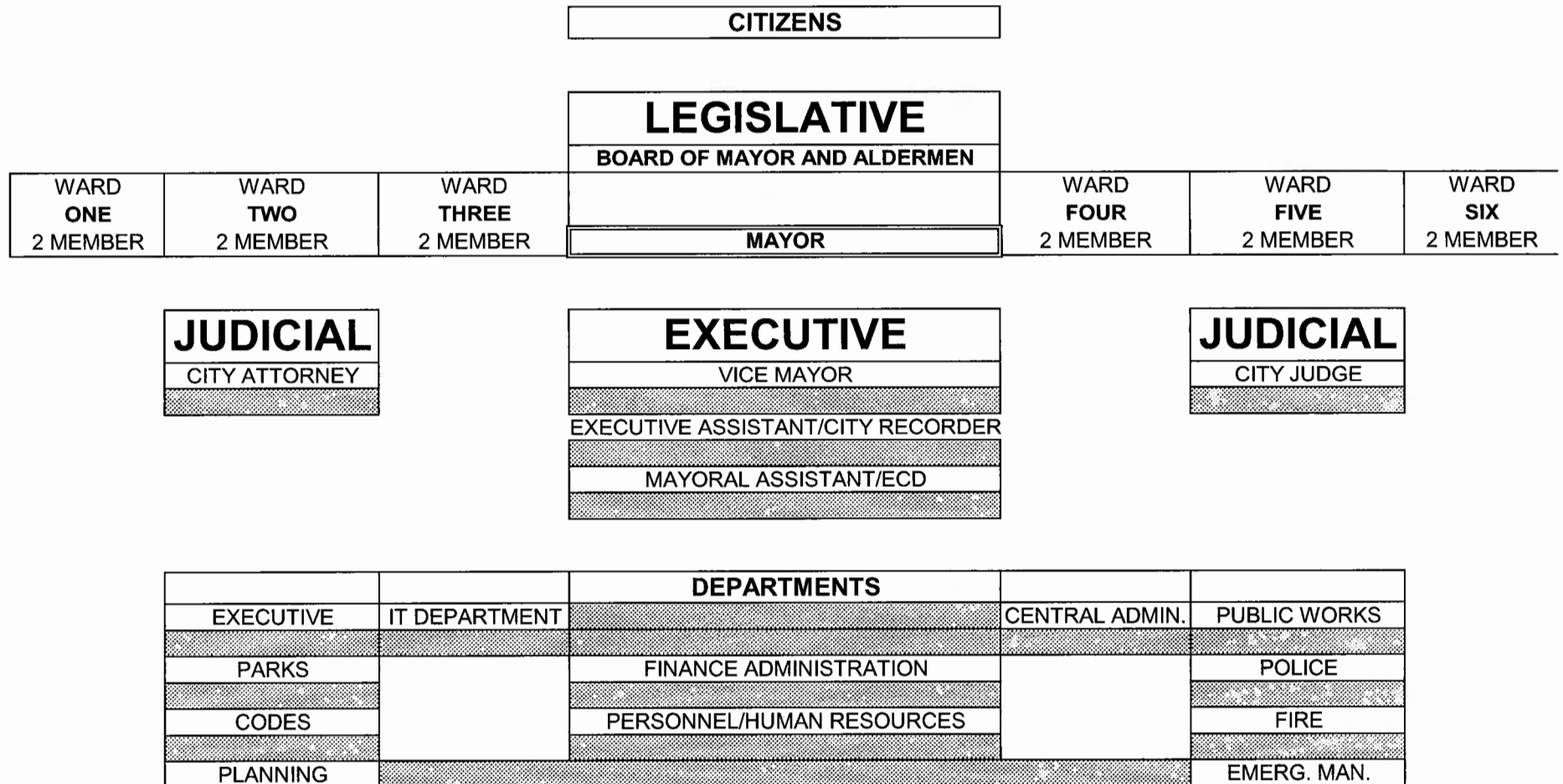
June 30, 2015

Executive Director/CEO

CITY OF HENDERSONVILLE

ORGANIZATION CHART

JUNE 30, 2016



OFFICIALS OF THE
CITY OF HENDERSONVILLE, TENNESSEE

June 30, 2016

Scott Foster	Mayor
Matt Stamper	Vice Mayor, Ward 6
Peg Petrelli	Alderman, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Scott Sprouse	Alderman, Ward 2
Joseph Taylor	Alderman, Ward 3
Arlene Cunningham	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Don Ames	Alderman, Ward 4
Hamilton Frost, Jr.	Alderman, Ward 5
Darrell Woodcock	Alderman, Ward 5
Jim Waters	Alderman, Ward 6
Fred Rogers	Planning Director
Scotty Bush	Fire Chief
Ron Minnicks	Director of Finance
Brandon Rogers	Parks Director
James “Chip” Moore	Public Works Director
Leonard “Mickey” Miller	Police Chief
Steve Mills	Codes Director
Vacant	Mayoral Assistant, Ec. Com. Dev.
Kay Franklin	Executive Assistant/City Recorder
Mary Beth Ippich	IT Manager
Peter Voss	Human Resources Manager
Dana Swinea	Accountant, 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, 2016, 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, pages 4 through 14 and 63-65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required Title 2 *U.S. Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 23, 2016 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Hendersonville's internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
December 23, 2016

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv of this report.

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 \$69,464,458 (net position). Of this amount, \$14,084,154 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$2,955,168. This positive change is attributable mostly to an increase in cash and cash equivalents and amounts due from other governments.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,261,182, an increase of \$2,650,728 in comparison to the prior year as restated. Approximately \$3,670,022 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 \$3,670,022 or 11.5% of the total general fund expenditures.

The City's total debt increased by \$1,632,070 or (18.1%) 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, deferred inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 27-29 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 30 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 31-62 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 66-72 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 \$69,464,458 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (75.8%) 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.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets *	\$ 34,012,707	\$ 32,216,728	\$ 152,457	\$ 154,594	\$ 34,165,164	\$ 32,371,322
Capital assets	<u>61,380,842</u>	<u>60,326,229</u>	<u>1,055,312</u>	<u>1,122,051</u>	<u>62,436,154</u>	<u>61,448,280</u>
Total assets	<u>95,393,549</u>	<u>92,542,957</u>	<u>1,207,769</u>	<u>1,276,645</u>	<u>96,601,318</u>	<u>93,819,602</u>
Deferred outflows of resources	<u>5,221,044</u>	<u>3,480,433</u>	<u>-</u>	<u>-</u>	<u>5,221,044</u>	<u>3,480,433</u>
Long-term liabilities outstanding	13,740,910	11,494,060	-	-	13,740,910	11,494,060
Other liabilities	<u>4,097,770</u>	<u>3,931,799</u>	<u>46,973</u>	<u>29,490</u>	<u>4,144,743</u>	<u>3,961,289</u>
Total liabilities	<u>17,838,680</u>	<u>15,425,859</u>	<u>46,973</u>	<u>29,490</u>	<u>17,885,653</u>	<u>15,455,349</u>
Deferred inflows of resources	<u>14,472,251</u>	<u>15,335,396</u>	<u>-</u>	<u>-</u>	<u>14,472,251</u>	<u>15,335,396</u>
Net position:						
Net investment capital assets	51,563,776	52,388,396	1,055,312	1,122,051	52,619,088	53,510,447
Restricted	2,655,732	2,529,540	-	-	2,655,732	2,529,540
Unrestricted *	<u>14,084,154</u>	<u>10,344,199</u>	<u>105,484</u>	<u>125,104</u>	<u>14,189,638</u>	<u>10,469,303</u>
Total net position	<u>\$ 68,303,662</u>	<u>\$ 65,262,135</u>	<u>\$ 1,160,796</u>	<u>\$ 1,247,155</u>	<u>\$ 69,464,458</u>	<u>\$ 66,509,290</u>

*2015 governmental activities current and other assets and ending restricted net position have been adjusted for the restatement to the forfeiture fund discussed in Note 14 to the financial statements.

An additional portion of the City's net position (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$14,189,638) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position increased by \$2,955,168 (after restatement) during the current fiscal year. This increase is 4.4% of total net position. This increase represents mostly a increase in cash and cash equivalents and amounts due from other governments.

Governmental Activities

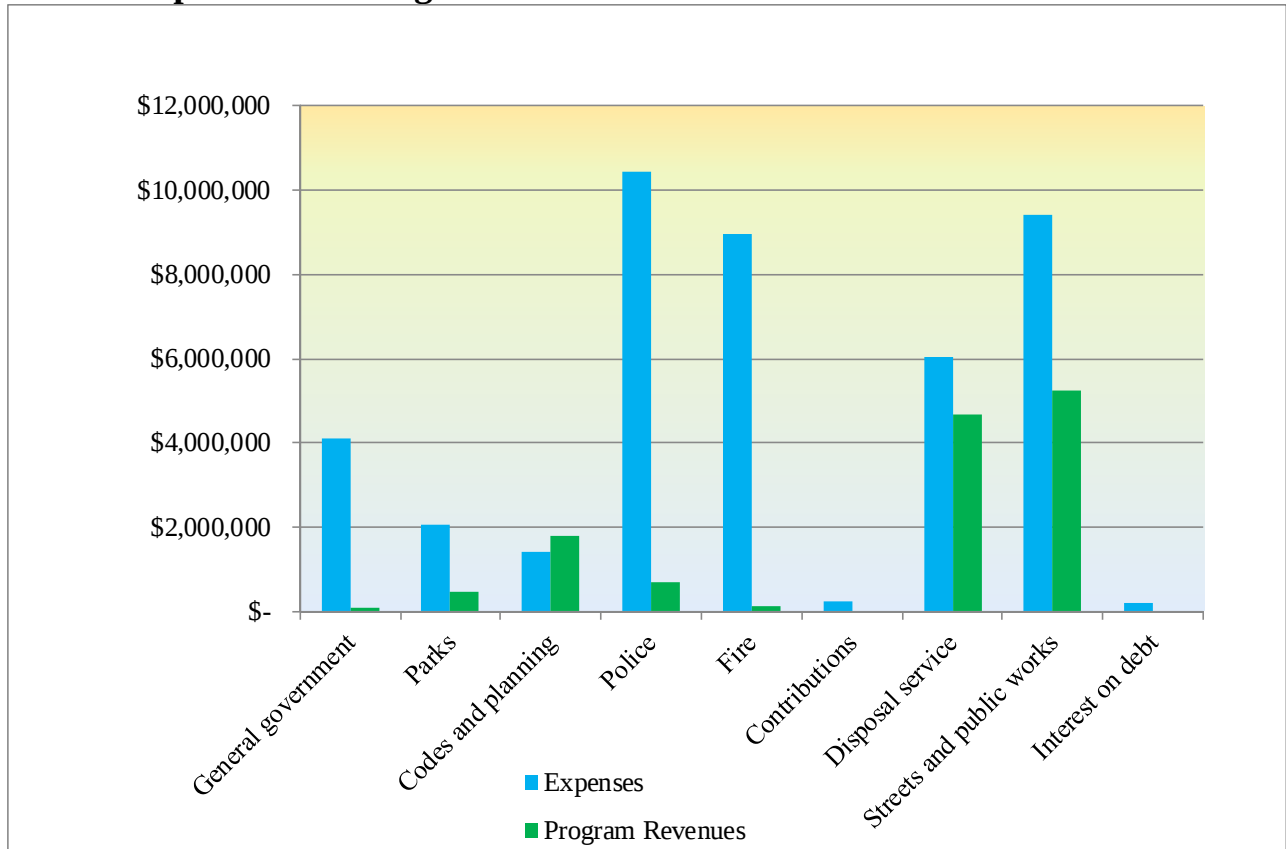
Governmental activities increased the City's net position by \$3,041,527, thereby accounting for 97.2% of the total change in the net position of the City. The key factor for this increase was due to an increase in total revenues.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 7,165,695	\$ 6,740,820	\$ 857,375	\$ 840,650	\$ 8,023,070	\$ 7,581,470
Operating grants and contributions *	1,796,210	1,677,606	-	-	1,796,210	1,677,606
Capital grants and contributions	4,063,741	4,366,166	-	-	4,063,741	4,366,166
General revenues:						
Property taxes	11,642,276	9,867,021	-	-	11,642,276	9,867,021
Sales taxes	11,355,539	10,683,972	-	-	11,355,539	10,683,972
Other locally assessed taxes	4,398,632	4,121,109	-	-	4,398,632	4,121,109
Other State shared taxes	5,392,600	4,871,414	-	-	5,392,600	4,871,414
Other	116,779	156,017	203	197	116,982	156,214
Total revenues	45,931,472	42,484,125	857,578	840,847	46,789,050	43,324,972
Expenses:						
General government	461,174	511,914	-	-	461,174	511,914
Personnel	343,659	295,704	-	-	343,659	295,704
Central services	1,906,242	1,923,094	-	-	1,906,242	1,923,094
Finance	953,047	836,380	-	-	953,047	836,380
Parks	2,057,819	1,899,688	-	-	2,057,819	1,899,688
IT	446,225	237,969	-	-	446,225	237,969
Codes	718,402	700,171	-	-	718,402	700,171
Planning	710,526	807,010	-	-	710,526	807,010
Police	10,391,599	9,845,376	-	-	10,391,599	9,845,376
Fire	8,972,110	8,490,945	-	-	8,972,110	8,490,945
Contributions	234,650	234,650	-	-	234,650	234,650
Disposal service	6,025,955	4,997,329	-	-	6,025,955	4,997,329
Drug and forfeiture program costs	50,665	29,743	-	-	50,665	29,743
Streets and Public Works	9,405,256	7,808,136	-	-	9,405,256	7,808,136
Interest expense on long-term debt	212,616	225,080	-	-	212,616	225,080
Golf course	-	-	943,937	840,726	943,937	840,726
Total expenses	42,889,945	38,843,189	943,937	840,726	43,833,882	39,683,915
Increase (decrease) in net position before transfers and special item	3,041,527	3,640,936	(86,359)	121	2,955,168	3,641,057
Special item - transfer of library to County	-	(6,351,071)	-	-	-	(6,351,071)
Transfers	-	44,877	-	(44,877)	-	-
Increase (decrease) in net position	3,041,527	(2,665,258)	(86,359)	(44,756)	2,955,168	(2,710,014)
Net position						
Beginning of year *	65,262,135	67,927,393	1,247,155	1,291,911	66,509,290	69,219,304
End of year	\$ 68,303,662	\$ 65,262,135	\$ 1,160,796	\$ 1,247,155	\$ 69,464,458	\$ 66,509,290

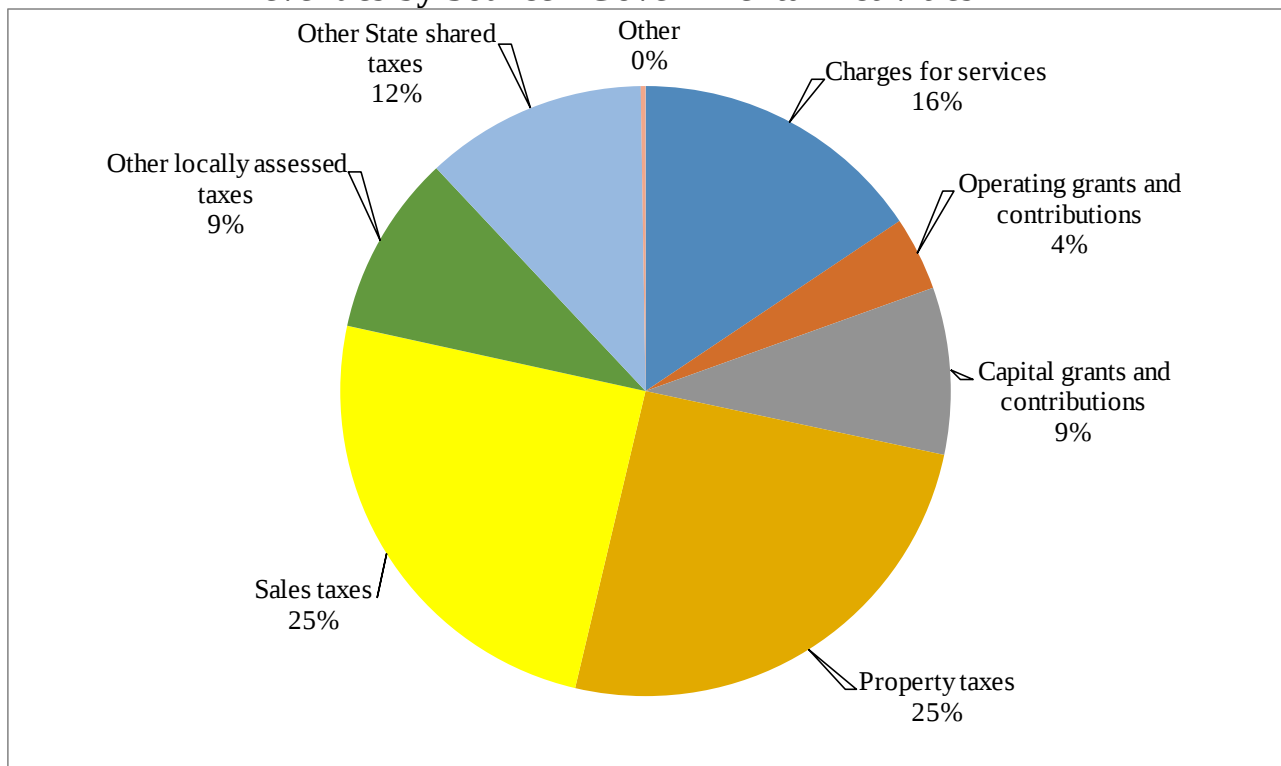
**2015 governmental activities operating grants and contributions and ending restricted net position (2016 beginning of year net position) has been adjusted for the restatement to the forfeiture fund discussed in Note 14 to the financial statements.

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

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

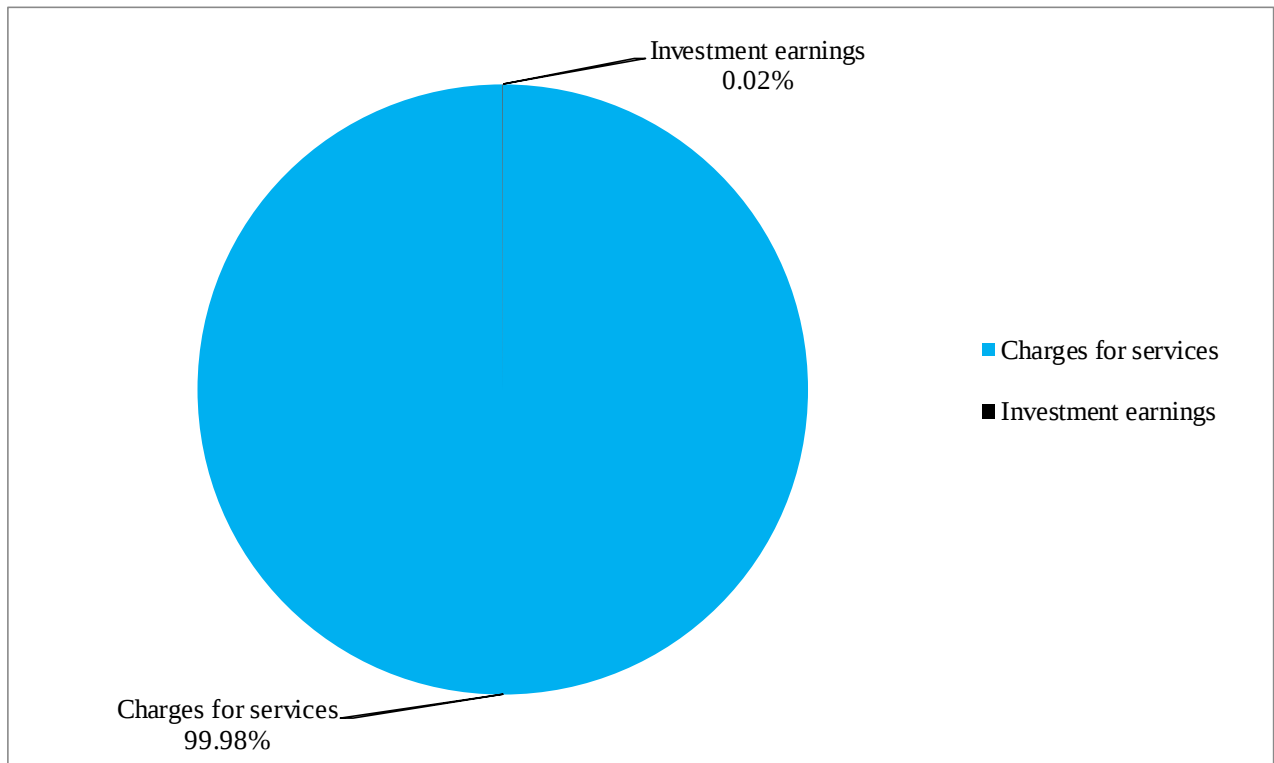


Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities

Golf Course



Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,261,182, an increase of \$2,650,728 in comparison with the prior year as restated. Approximately 23.2% of this total amount (\$3,607,022) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$11,654,160) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$1,632,720); 2) restricted to provide for capital projects (\$5,145,662); 3) designated nonspendable to provide for prepaid items (\$6,046); 4) committed to provide for designated departmental projects (\$2,032,748), 5) assigned for specific projects regarding other governmental funds (\$843,111); 6) assigned for departmental obligations in the amount of (\$695,838); 7) and assigned for subsequent year budget in the amount of (\$1,298,035).

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 \$3,607,022, while total fund balance reached \$9,370,074. 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 11.5% of total general fund expenditures, while total fund balance represents 29.4% of that same amount.

The fund balance of the City's general fund increased by \$1,375,362 during the current fiscal year. The key factor in this increase was primarily due to increases in 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 \$5,145,662. The increase in total fund balance from the prior fiscal year was \$1,874,839 due to the increase in capital projects expenditures and work completed on these capital projects.

At the end of the current fiscal year, fund balance of the state street aid fund (nonmajor governmental fund) was \$517,844. The decrease in total fund balance from the prior fiscal year was \$594,707.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$208,332. The increase in total fund balance from the prior fiscal year was \$10,352.

At the end of current fiscal year, total fund balance of the forfeiture fund (nonmajor governmental fund) was \$19,270. The decrease in total fund balance from the prior fiscal year, as restated, was \$15,118.

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 \$105,484. The decrease in total net position of the Golf Course Fund amounted to \$86,359. 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 \$2,477,241 and can be briefly summarized as follows:

- The Fire department budget was amended by \$500,000 to replace a CBRNE specialized response vehicle and \$89,135 for unexpected retirement expenses.
- The Capital Projects budget was amended \$30,597 for regional bus service and \$55,000 for Mansker Farms subdivision construction & paving of roads, and \$1,190,869 TDOT project for a traffic signal upgrade project.
- The Police department budget was amended by \$7,518 to purchase bullet proof vests with grant proceeds, \$20,000 for a Governor's Highway Safety Office grant and amended by \$18,375 for a replacement vehicle.
- The Central Administration department was amended by \$109,747 for property tax TIF payments.
- The Public Works Department budget was amended by \$272,500 for supplemental paving projects and \$118,500 in transfers to solid waste for a solid waste grant.
- The Parks department budget was amended by \$65,000 to install synthetic turf on Drakes Creek Park baseball field #3.

Total general fund revenues for FY 2015-2016 were over budgeted revenues by \$237,131 or 0.6%. Total expenditures for FY 2015-2016 were under budgeted expenditures before transfers by \$2,623,349 or 7.6% resulting in a positive variance with final budget before transfers in the amount of \$2,860,480.

Revenues were within 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, 2016, amounts to \$62,436,154 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.6% (a 1.7% decrease for governmental activities and a 5.9% decrease for business-type activities).

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

- \$2,133,120 in donated streets from developers.
- \$1,185,348 in new machinery and equipment purchases.
- \$3,196,088 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.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,650,797	\$ 4,632,797	\$ 641,194	\$ 641,194	\$ 5,291,991	\$ 5,273,991
Buildings and improvements	9,865,542	9,460,007	1,033,754	1,033,754	10,899,296	10,493,761
Improvements other than buildings	3,020,369	2,840,636	4,259,559	4,259,559	7,279,928	7,100,195
Machinery and equipment	13,526,432	12,806,117	712,054	709,954	14,238,486	13,516,071
Construction in progress	5,221,527	2,999,325	-	-	5,221,527	2,999,325
Infrastructure	105,636,463	103,059,536	-	-	105,636,463	103,059,536
	141,921,130	135,798,418	6,646,561	6,644,461	148,567,691	142,442,879
Less accumulated depreciation	(80,540,288)	(75,472,189)	(5,591,249)	(5,522,410)	(86,131,537)	(80,994,599)
Net Capital Assets	<u>\$ 61,380,842</u>	<u>\$ 60,326,229</u>	<u>\$ 1,055,312</u>	<u>\$ 1,122,051</u>	<u>\$ 62,436,154</u>	<u>\$ 61,448,280</u>

Additional information on the City of Hendersonville's capital assets can be found in note 3 on page 41 of this report.

Long -Term Debt

At the end of the current year, the City of Hendersonville had total long-term debt outstanding of \$10,672,519 all of which is backed by the full faith and credit of the government. The enterprise fund had no bonded debt outstanding.

City of Hendersonville's Outstanding Debt

	Commercial Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 9,817,066	\$ 7,937,833	\$ -	\$ -	\$ 9,817,066	\$ 7,937,833
Obligation to school system	592,277	789,703	-	-	592,277	789,703
	10,409,343	8,727,536	-	-	10,409,343	8,727,536
Note premiums	263,176	312,913	-	-	263,176	312,913
Total long-term debt obligations	<u>\$ 10,672,519</u>	<u>\$ 9,040,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,672,519</u>	<u>\$ 9,040,449</u>

The City of Hendersonville's total debt increased by \$1,632,070 (18,1%) 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 45 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City of Hendersonville is currently 3.9%, which is lower than last year's rate of 4.8%. This compares to the state's average unemployment rate of 4.1% and the national average rate of 4.9%.

In the 2015-2016 budget, General fund revenues and transfers in are budgeted to increase by 9.90% from the 2014-2015 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 2015-2016 budget year are trending more favorably but still requires a conservative approach to the 2016-2017 budget.

All of these factors were considered in preparing the City's budget for the 2015-2016 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$9,370,074. The City has appropriated \$1,298,035 of this amount for spending in the 2016-2017 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, 2016

	<u>Primary Government</u>		<u>Total</u>	
	<u>Governmental</u>	<u>Business</u>	<u>Primary</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Units</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 14,150,294	\$ 100,110	\$ 14,250,404	\$ 188,903
Receivables:				
Property taxes	12,142,161	-	12,142,161	-
Other taxes	168,191	-	168,191	-
Disposal fees	121,267	-	121,267	-
Due from other governments	5,709,073	-	5,709,073	4,687
Accounts receivable	-	1,828	1,828	-
Inventories	-	46,501	46,501	-
Restricted assets - cash and cash equivalents				
Deposit for capital construction - State of Tennessee	946,595	-	946,595	-
Prepaid items	6,046	-	6,046	-
Deposits	-	4,018	4,018	-
Net pension asset	769,080	-	769,080	-
Capital assets				
Land and construction in progress	9,872,324	641,194	10,513,518	10,852
Capital assets, net	51,508,518	414,118	51,922,636	28,662
 TOTAL ASSETS	 95,393,549	 1,207,769	 96,601,318	 233,104
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to pensions	5,221,044	-	5,221,044	-
 <u>LIABILITIES</u>				
Accounts payable	1,725,751	12,206	1,737,957	8,900
Accrued liabilities	2,366,811	34,767	2,401,578	-
Unearned revenue	5,208	-	5,208	-
Long-term liabilities due within one year	3,798,058	-	3,798,058	-
Long-term liabilities due more than one year	9,942,852	-	9,942,852	-
 TOTAL LIABILITIES	 17,838,680	 46,973	 17,885,653	 8,900
 DEFERRED INFLOWS OF RESOURCES				
Assessed and unlevied property taxes and disposal fees	12,100,000	-	12,100,000	-
Deferred inflows related to pensions	2,372,251	-	2,372,251	-
 TOTAL DEFERRED INFLOWS OF RESOURCES	 14,472,251	 -	 14,472,251	 -
 NET POSITION				
Net investment in capital assets	51,563,776	1,055,312	52,619,088	39,514
Restricted for:				
Public works	484,932	-	484,932	-
Street maintenance	909,128	-	909,128	-
Law enforcement	238,660	-	238,660	-
Capital projects	253,932	-	253,932	-
Other	769,080	-	769,080	-
Unrestricted	14,084,154	105,484	14,189,638	184,690
 TOTAL NET POSITION	 \$ 68,303,662	 \$ 1,160,796	 \$ 69,464,458	 \$ 224,204

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDING JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
GOVERNMENTAL ACTIVITIES:								
General government	\$ 461,174	\$ -	\$ -	\$ -	\$ (461,174)	\$ -	\$ (461,174)	\$ -
Personnel	343,659	-	-	-	(343,659)	-	(343,659)	-
Central services	1,906,242	-	-	-	(1,906,242)	-	(1,906,242)	-
Finance	953,047	69,891	-	-	(883,156)	-	(883,156)	-
Parks and recreation	2,057,819	382,952	-	65,000	(1,609,867)	-	(1,609,867)	-
Information technology	446,225	-	-	-	(446,225)	-	(446,225)	-
Codes	718,402	1,438,140	-	-	719,738	-	719,738	-
Planning	710,526	65,239	3,632	302,094	(339,561)	-	(339,561)	-
Police	10,391,599	562,554	145,850	-	(9,683,195)	-	(9,683,195)	-
Fire	8,972,110	107,110	-	-	(8,865,000)	-	(8,865,000)	-
Contributions	234,650	-	-	-	(234,650)	-	(234,650)	-
Disposal service	6,025,955	4,537,509	118,500	-	(1,369,946)	-	(1,369,946)	-
Drug and forfeiture program costs	50,665	-	-	-	(50,665)	-	(50,665)	-
Streets and public works	9,405,256	2,300	1,528,228	3,696,647	(4,178,081)	-	(4,178,081)	-
Interest and issuance costs on long-term debt	212,616	-	-	-	(212,616)	-	(212,616)	-
	42,889,945	7,165,695	1,796,210	4,063,741	(29,864,299)	-	(29,864,299)	-
BUSINESS-TYPE ACTIVITIES:								
Golf course	943,937	857,375	-	-	-	(86,562)	(86,562)	-
	943,937	857,375	-	-	-	(86,562)	(86,562)	-
TOTAL PRIMARY GOVERNMENT	\$ 43,833,882	\$ 8,023,070	\$ 1,796,210	\$ 4,063,741	(29,864,299)	(86,562)	(29,950,861)	-
COMPONENT UNITS	\$ 159,008	\$ 110,828	\$ 30,891	\$ -	-	-	-	(17,289)
General revenues:								
Property taxes					11,642,276	-	11,642,276	-
In lieu of taxes					894,012	-	894,012	-
Sales taxes					11,355,539	-	11,355,539	-
Wholesale beer tax					977,554	-	977,554	-
Wholesale liquor tax					535,971	-	535,971	-
Business tax					1,114,201	-	1,114,201	-
Franchise taxes					876,894	-	876,894	-
Unrestricted state shared taxes								
State shared sales tax					4,186,058	-	4,186,058	-
State shared income tax					873,932	-	873,932	-
State shared beer tax					25,084	-	25,084	-
State shared alcoholic beverage tax					174,490	-	174,490	-
Other unrestricted state shared revenues					133,036	-	133,036	-
Unrestricted investment earnings					27,987	203	28,190	287
Other					83,518	-	83,518	-
Gain on disposal of assets					5,274	-	5,274	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					32,905,826	203	32,906,029	287
CHANGE IN NET POSITION					3,041,527	(86,359)	2,955,168	(17,002)
NET POSITION - BEGINNING OF YEAR, AS RESTATED					65,262,135	1,247,155	66,509,290	241,206
NET POSITION - END OF YEAR					\$ 68,303,662	\$ 1,160,796	\$ 69,464,458	\$ 224,204

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 9,266,459	\$ -	\$ 4,241,957	\$ -	\$ 641,878	\$ 14,150,294
Receivables						
Property taxes	12,142,161	-	-	-	-	12,142,161
Other taxes	168,191	-	-	-	-	168,191
Disposal fees	-	121,267	-	-	-	121,267
Due from other governments	4,297,281	-	1,154,582	-	257,210	5,709,073
Deposit for capital construction - State of Tennessee	-	-	946,595	-	-	946,595
Prepaid items	6,046	-	-	-	-	6,046
Due from other funds	-	439,138	-	-	-	439,138
TOTAL ASSETS	<u>\$ 25,880,138</u>	<u>\$ 560,405</u>	<u>\$ 6,343,134</u>	<u>\$ -</u>	<u>\$ 899,088</u>	<u>\$ 33,682,765</u>
LIABILITIES						
Accounts payable	71,727	456,188	1,197,472	\$ -	\$ 364	\$ 1,725,751
Accrued liabilities	2,201,643	-	-	-	17,078	2,218,721
Due to other funds	439,138	-	-	-	-	439,138
Unearned revenue	5,208	-	-	-	-	5,208
TOTAL LIABILITIES	<u>2,717,716</u>	<u>456,188</u>	<u>1,197,472</u>	<u>-</u>	<u>17,442</u>	<u>4,388,818</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	<u>13,792,348</u>	<u>104,217</u>	<u>-</u>	<u>-</u>	<u>136,200</u>	<u>14,032,765</u>
FUND BALANCE						
Nonspendable	6,046	-	-	-	-	6,046
Restricted for:						
Public works	484,932	-	-	-	-	484,932
Street maintenance	391,284	-	-	-	517,844	909,128
Law enforcement	11,058	-	-	-	227,602	238,660
Parks capital projects	-	-	71,886	-	-	71,886
Streets capital projects	-	-	5,073,776	-	-	5,073,776
Committed for:						
Information technology	5,500	-	-	-	-	5,500
Public works	270,086	-	-	-	-	270,086
Street maintenance	1,755,325	-	-	-	-	1,755,325
Parks department	1,837	-	-	-	-	1,837
Assigned to:						
Fire department	500,026	-	-	-	-	500,026
Retiree benefits	838,791	-	-	-	-	838,791
General government	17,062	-	-	-	-	17,062
Public works	95,348	-	-	-	-	95,348
Law enforcement	57,859	-	-	-	-	57,859
Parks	29,863	-	-	-	-	29,863
Subsequent year budget	1,298,035	-	-	-	-	1,298,035
Unassigned	3,607,022	-	-	-	-	3,607,022
TOTAL FUND BALANCES	<u>9,370,074</u>	<u>-</u>	<u>5,145,662</u>	<u>-</u>	<u>745,446</u>	<u>15,261,182</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 25,880,138</u>	<u>\$ 560,405</u>	<u>\$ 6,343,134</u>	<u>\$ -</u>	<u>\$ 899,088</u>	<u>\$ 33,682,765</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, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$ 15,261,182
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	61,380,842
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	(10,409,343)
Add: bond premium	(263,176)
Compensated absences	(1,576,089)
Post-closure landfill costs relating to Resource Authority	(750,000)
Other post employment benefits liability	(742,302)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(148,090)
Net pension asset in governmental activities is not a current financial resource and therefore is not reported in the governmental funds Balance Sheet	769,080
Employer pension contributions made since the measurement date are deferred outflows of resources in governmental activities but have been expensed in governmental funds Balance Sheet	2,396,911
Deferred inflows and outflows of resources that are not financial resources and therefore are not reported in the governmental funds Balance Sheet:	
Deferred inflows related to pensions	(2,372,251)
Deferred outflows related to pensions	2,824,133
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>1,932,765</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 68,303,662</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, 2016

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds (RESTATED)	Total Governmental Funds
REVENUES						
Taxes	\$ 26,620,140	\$ -	\$ -	\$ -	\$ -	\$ 26,620,140
Intergovernmental revenues	6,058,203	-	1,154,985	-	1,448,785	8,661,973
Fines and forfeitures	515,320	-	-	-	-	515,320
Licenses and permits	2,474,785	-	-	-	-	2,474,785
Charges for services	382,952	4,546,812	-	-	-	4,929,764
Uses of money and property	18,180	-	8,595	-	2,264	29,039
Miscellaneous	479,741	-	-	-	3,100	482,841
	<u>36,549,321</u>	<u>4,546,812</u>	<u>1,163,580</u>	<u>-</u>	<u>1,454,149</u>	<u>43,713,862</u>
EXPENDITURES						
Current operations:						
General government	392,171	-	-	-	-	392,171
Personnel	399,598	-	-	-	-	399,598
Central services	1,887,501	-	-	-	-	1,887,501
Finance	995,139	-	-	-	-	995,139
Parks and recreation	1,942,921	-	-	-	-	1,942,921
Information technology	446,661	-	-	-	-	446,661
Codes	761,569	-	-	-	-	761,569
Planning	699,858	-	-	-	-	699,858
Public works	3,136,010	-	-	-	-	3,136,010
Police	10,524,713	-	-	-	-	10,524,713
Fire	9,081,173	-	-	-	-	9,081,173
Contributions	234,650	-	-	-	-	234,650
Disposal service	-	5,275,955	-	-	-	5,275,955
Drug and forfeiture program costs	7,911	-	-	-	42,754	50,665
Streets	-	-	376,648	-	1,876,101	2,252,749
Debt service						
Principal	-	-	-	2,338,593	-	2,338,593
Interest	3,700	-	-	223,284	-	226,984
Capital outlay	<u>1,369,364</u>	<u>-</u>	<u>2,932,493</u>	<u>-</u>	<u>134,767</u>	<u>4,436,624</u>
TOTAL EXPENDITURES	<u>31,882,939</u>	<u>5,275,955</u>	<u>3,309,141</u>	<u>2,561,877</u>	<u>2,053,622</u>	<u>45,083,534</u>
REVENUES OVER (UNDER)						
EXPENDITURES	4,666,382	(729,143)	(2,145,561)	(2,561,877)	(599,473)	(1,369,672)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	729,143	-	2,561,877	-	3,291,020
Transfers out	(3,291,020)	-	-	-	-	(3,291,020)
Capital outlay notes issued	-	-	4,020,400	-	-	4,020,400
Tax anticipation notes issued	2,500,000	-	-	-	-	2,500,000
Tax anticipation notes repaid	<u>(2,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,291,020)</u>	<u>729,143</u>	<u>4,020,400</u>	<u>2,561,877</u>	<u>-</u>	<u>4,020,400</u>
NET CHANGE IN FUND BALANCES	1,375,362	-	1,874,839	-	(599,473)	2,650,728
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>7,994,712</u>	<u>-</u>	<u>3,270,823</u>	<u>-</u>	<u>1,344,919</u>	<u>12,610,454</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,370,074</u>	<u>\$ -</u>	<u>\$ 5,145,662</u>	<u>\$ -</u>	<u>\$ 745,446</u>	<u>\$ 15,261,182</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, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,650,728
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:	
Acquisition of capital assets	4,436,624
Donations of assets by developers	2,151,121
Depreciation expense	(5,533,132)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities	2,338,593
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	(4,020,400)
Tax anticipation notes issued	(2,500,000)
Tax anticipation notes repaid	2,500,000
Governmental funds report the revenue from bond premiums when issued, whereas these amounts are deferred and amortized over the life of the bonds with deferred charges as a result of advance refunding:	
Amortization of bond premiums	49,737
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, 2016	(148,090)
Accrued interest on debt obligations at June 30, 2015	112,721
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	168,908
Accrued post-closure landfill costs related to Resource Authority	(750,000)
Actuarially determined pension expense	(844,995)
Changes in other post employment benefits obligation	(33,688)
Pension plan contributions after the measurement date are expensed in governmental funds but are considered deferred outflows of resources in the Statement of Net Position	2,396,911
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>66,489</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 3,041,527

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Taxes:				
Real and personal property	\$ 11,759,394	\$ 11,759,394	\$ 11,622,150	\$ (137,244)
Payments in lieu of property taxes	863,900	863,900	894,012	30,112
Local sales taxes	10,600,000	10,600,000	11,464,879	864,879
Wholesale beer	955,000	955,000	977,554	22,554
Wholesale liquor	450,000	450,000	535,971	85,971
Business taxes	950,000	950,000	1,106,564	156,564
Total Local Taxes	<u>25,578,294</u>	<u>25,578,294</u>	<u>26,601,130</u>	<u>1,022,836</u>
Intergovernmental:				
State sales tax	4,082,134	4,082,134	4,137,715	55,581
State income tax	634,000	634,000	873,932	239,932
State beer tax	27,034	27,034	25,084	(1,950)
State alcoholic beverage tax	159,000	159,000	174,490	15,490
State/City street and transportation	110,839	110,839	104,514	(6,325)
State supplemental pay	113,400	113,400	114,600	1,200
Other state revenue allocation	39,000	39,000	19,174	(19,826)
County	70,900	70,900	72,304	1,404
Corp of Engineers	33,000	33,000	12,598	(20,402)
Grants	541,738	2,253,625	542,802	(1,710,823)
Total Intergovernmental	<u>5,811,045</u>	<u>7,522,932</u>	<u>6,077,213</u>	<u>(1,445,719)</u>
Fines and Penalties:				
City court and other	466,700	466,700	445,429	(21,271)
Penalties	84,000	84,000	69,891	(14,109)
Total Fines and Penalties	<u>550,700</u>	<u>550,700</u>	<u>515,320</u>	<u>(35,380)</u>
Licenses and Permits:				
Building permits	821,187	821,187	1,014,860	193,673
Franchise taxes	810,000	810,000	876,894	66,894
Other permits	275,000	547,500	583,031	35,531
Total Licenses and Permits	<u>1,906,187</u>	<u>2,178,687</u>	<u>2,474,785</u>	<u>296,098</u>
Charges for Services:				
Recreational fees	165,000	165,000	382,952	217,952
Interest	14,000	14,000	18,180	4,180
Other Revenues:				
Contributions from others	78,000	78,000	250,115	172,115
Sale of assets	40,000	40,000	4,639	(35,361)
Miscellaneous	129,577	184,577	224,987	40,410
Total Other Revenue	<u>247,577</u>	<u>302,577</u>	<u>479,741</u>	<u>177,164</u>
TOTAL REVENUE	<u>34,272,803</u>	<u>36,312,190</u>	<u>36,549,321</u>	<u>237,131</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General Government:				
Salaries	\$ 290,635	\$ 290,635	\$ 246,258	\$ (44,377)
Employee benefits	92,173	92,173	82,832	(9,341)
Repairs and maintenance	1,500	1,500	99	(1,401)
Travel and training	16,000	16,000	7,394	(8,606)
Supplies	17,350	17,350	7,013	(10,337)
Outside services	7,000	7,000	8,096	1,096
Telephone	4,000	4,000	2,062	(1,938)
Other costs	56,500	56,500	38,417	(18,083)
Capital outlay	-	-	-	-
Total General Government	<u>485,158</u>	<u>485,158</u>	<u>392,171</u>	<u>(92,987)</u>
Personnel:				
Salaries	311,021	311,021	277,809	(33,212)
Employee benefits	87,612	87,612	62,078	(25,534)
Travel and training	6,000	6,000	2,468	(3,532)
Supplies	8,700	8,700	7,452	(1,248)
Outside services	40,000	40,000	33,571	(6,429)
Telephone	50	50	5	(45)
Other costs	15,400	15,400	10,034	(5,366)
Capital outlay	-	-	-	-
Total Personnel	<u>468,783</u>	<u>468,783</u>	<u>393,417</u>	<u>(75,366)</u>
Central Services:				
Salaries	234,982	234,982	236,956	1,974
Employee benefits	241,388	241,388	214,586	(26,802)
Repairs and maintenance	88,600	88,600	78,528	(10,072)
Supplies	9,000	9,000	9,861	861
Insurance	600,000	600,000	629,799	29,799
Outside services	6,900	6,900	6,604	(296)
Utilities	65,000	65,000	51,465	(13,535)
Tax increment bond payment	460,000	569,747	569,747	-
Other costs	100,400	100,400	86,355	(14,045)
Capital outlay	-	-	-	-
Total Central Services	<u>1,806,270</u>	<u>1,916,017</u>	<u>1,883,901</u>	<u>(32,116)</u>
Finance:				
Salaries	662,948	662,948	568,262	(94,686)
Employee benefits	213,659	213,659	196,859	(16,800)
Travel and training	2,200	2,200	1,576	(624)
Supplies	25,500	25,500	22,589	(2,911)
Outside services	114,000	114,000	110,519	(3,481)
Utilities	100	100	4	(96)
Other costs	99,400	99,400	95,330	(4,070)
Capital outlay	-	-	-	-
Total Finance	<u>1,117,807</u>	<u>1,117,807</u>	<u>995,139</u>	<u>(122,668)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Information Technology:				
Salaries	\$ 184,552	\$ 184,552	\$ 141,178	\$ (43,374)
Employee benefits	65,713	65,713	52,780	(12,933)
Travel and training	5,000	5,000	-	(5,000)
Supplies	36,200	36,200	35,959	(241)
Outside services	124,481	124,481	98,911	(25,570)
Telephone	111,000	111,000	94,089	(16,911)
Other costs	19,550	19,550	17,271	(2,279)
Capital outlay	-	-	-	-
Total Information Technology	<u>546,496</u>	<u>546,496</u>	<u>440,188</u>	<u>(106,308)</u>
Parks:				
Salaries	1,040,642	1,040,642	864,674	(175,968)
Employee benefits	426,836	426,836	360,454	(66,382)
Repairs and maintenance	200,000	200,000	195,515	(4,485)
Travel and training	4,000	4,000	3,638	(362)
Supplies	74,000	74,000	91,652	17,652
Outside services	10,000	10,000	9,183	(817)
Utilities	170,000	170,000	184,354	14,354
Other costs	67,500	67,500	243,269	175,769
Capital outlay	42,500	42,500	(800)	(43,300)
Total Parks	<u>2,035,478</u>	<u>2,035,478</u>	<u>1,951,939</u>	<u>(83,539)</u>
Codes:				
Salaries	535,604	535,604	527,325	(8,279)
Employee benefits	203,472	203,472	199,013	(4,459)
Repairs and maintenance	5,000	5,000	1,797	(3,203)
Travel and training	4,450	4,450	2,543	(1,907)
Supplies	21,450	21,450	10,243	(11,207)
Outside services	6,000	6,000	11,972	5,972
Telephone	9,500	9,500	5,611	(3,889)
Other costs	11,300	11,300	3,065	(8,235)
Capital outlay	-	-	-	-
Total Codes	<u>796,776</u>	<u>796,776</u>	<u>761,569</u>	<u>(35,207)</u>
Planning:				
Salaries	395,528	395,528	387,382	(8,146)
Employee benefits	126,286	126,286	126,861	575
Repairs and maintenance	1,500	1,500	1,164	(336)
Travel and training	6,000	6,000	5,843	(157)
Supplies	11,300	11,300	8,795	(2,505)
Outside services	1,000	1,000	-	(1,000)
Utilities	1,500	1,500	1,351	(149)
Other costs	70,300	70,300	18,987	(51,313)
Capital outlay	-	-	-	-
Total Planning	<u>613,414</u>	<u>613,414</u>	<u>550,383</u>	<u>(63,031)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>OVER</u>
				<u>(UNDER)</u>
Streets and Public Works:				
Salaries	\$ 1,118,452	\$ 1,118,452	\$ 908,158	\$ (210,294)
Employee benefits	419,864	419,864	341,051	(78,813)
Repairs and maintenance	157,850	157,850	166,811	8,961
Travel and training	5,000	5,000	4,708	(292)
Supplies	141,650	141,650	85,741	(55,909)
Outside services	-	-	14,190	14,190
Utilities	385,000	385,000	359,015	(25,985)
Other costs	789,900	1,062,400	989,099	(73,301)
Capital outlay	-	-	-	-
Total Streets and Public Works	<u>3,017,716</u>	<u>3,290,216</u>	<u>2,868,773</u>	<u>(421,443)</u>
Police Department:				
Salaries	7,209,576	7,209,576	6,927,595	(281,981)
Employee benefits	2,684,944	2,684,944	2,486,434	(198,510)
Repairs and maintenance	346,000	346,000	275,561	(70,439)
Travel and training	55,000	55,000	46,668	(8,332)
Supplies	769,100	769,100	424,217	(344,883)
Outside services	88,000	88,000	59,686	(28,314)
Telephone and utilities	125,500	125,500	114,639	(10,861)
Other costs	53,030	53,030	43,231	(9,799)
Investigations	4,500	4,500	2,597	(1,903)
Capital outlay	<u>273,750</u>	<u>292,125</u>	<u>12,035</u>	<u>(280,090)</u>
Total Police Department	<u>11,609,400</u>	<u>11,627,775</u>	<u>10,392,663</u>	<u>(1,235,112)</u>
Fire Department:				
Salaries	6,101,292	6,190,427	6,064,617	(125,810)
Employee benefits	2,169,226	2,169,226	2,187,775	18,549
Repairs and maintenance	133,080	133,080	203,225	70,145
Travel and training	50,000	50,000	50,617	617
Supplies	143,255	143,255	162,248	18,993
Outside services	49,837	49,837	43,032	(6,805)
Telephone and utilities	82,400	82,400	76,249	(6,151)
Other costs	81,200	81,200	48,276	(32,924)
Capital outlay	<u>193,000</u>	<u>193,000</u>	<u>88,884</u>	<u>(104,116)</u>
Total Fire Department	<u>9,003,290</u>	<u>9,092,425</u>	<u>8,924,923</u>	<u>(167,502)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Contributions:				
Senior Citizens	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Community Child Care	16,000	16,000	16,000	-
HHS Stars	8,250	8,250	8,250	-
Hendersonville Public Library	50,000	50,000	50,000	-
Chamber of Commerce	15,000	15,000	15,000	-
Samaratin	12,500	12,500	12,500	-
Forward Summer	20,000	20,000	20,000	-
Health Department	12,000	12,000	12,000	-
Sumner County Animal Shelter	10,000	10,000	10,000	-
Component units	25,500	25,500	25,500	-
Other	52,400	52,400	52,400	-
Total Contributions	<u>234,650</u>	<u>234,650</u>	<u>234,650</u>	<u>-</u>
Grants	541,737	1,069,255	968,596	(100,659)
Capital projects	<u>25,000</u>	<u>1,382,001</u>	<u>1,294,590</u>	<u>(87,411)</u>
TOTAL EXPENDITURES	<u>32,301,975</u>	<u>34,676,251</u>	<u>32,052,902</u>	<u>(2,623,349)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,970,828</u>	<u>1,635,939</u>	<u>4,496,419</u>	<u>(2,860,480)</u>
OTHER FINANCING USES				
Tax anticipation notes issued	-	-	2,500,000	(2,500,000)
Tax anticipation notes repaid	-	-	(2,500,000)	2,500,000
Transfers to Debt Service Fund	(2,576,541)	(2,576,541)	(2,565,577)	(10,964)
Transfers to Solid Waste Fund	<u>(972,204)</u>	<u>(1,075,169)</u>	<u>(669,143)</u>	<u>(406,026)</u>
TOTAL OTHER FINANCING USES	<u>(3,548,745)</u>	<u>(3,651,710)</u>	<u>(3,234,720)</u>	<u>(416,990)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,577,917)</u>	<u>\$ (2,015,771)</u>	1,261,699	<u>\$ (3,277,470)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>7,461,467</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,723,166</u>	
Fund balance - end of year (non-GAAP)	\$ 8,723,166			
Add: Current year encumbrances	<u>646,908</u>			
Fund balance - end of year (GAAP)	<u>\$ 9,370,074</u>			

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

SOLID WASTE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<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>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Other:				
Disposal fees	\$ 4,439,342	\$ 4,439,342	\$ 4,546,812	\$ 107,470
Total Revenues	4,439,342	4,439,342	4,546,812	107,470
 <u>Expenditures</u>				
Tipping fees	1,000,000	1,000,000	921,347	(78,653)
Disposal service	4,229,546	4,348,046	4,170,085	(177,961)
Brush disposal and other	182,000	166,465	124,523	(41,942)
Total Expenditures and Encumbrances	5,411,546	5,514,511	5,215,955	(298,556)
 Other Financing Sources (Uses)				
Transfer in	972,204	1,075,169	669,143	(406,026)
 Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
 Fund Balance - Beginning of year			-	
 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, 2016

ASSETS

Cash and cash equivalents	\$ 100,110
Receivables	1,828
Inventories	46,501
Other current assets	<u>4,018</u>
TOTAL CURRENT ASSETS	152,457
CAPITAL ASSETS, NET	<u>1,055,312</u>
TOTAL ASSETS	<u>1,207,769</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	12,206
Accrued liabilities	<u>34,767</u>
TOTAL CURRENT LIABILITIES	<u>46,973</u>

NET POSITION

Net investment in capital assets	1,055,312
Unrestricted	<u>105,484</u>
TOTAL NET POSITION	<u>\$ 1,160,796</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, 2016

OPERATING REVENUES

Charges for sales and services	\$ 857,375
	<u>857,375</u>

OPERATING EXPENSES

Costs of sales	186,675
Personnel services	392,054
Repairs and maintenance	44,199
Supplies	21,302
Gas	19,723
Credit card charges	14,533
Chemicals and fertilizer	36,627
Utilities	32,055
Depreciation	68,839
Advertising and promotion	5,634
Other operating expenses	82,296
Management services	<u>40,000</u>

TOTAL OPERATING EXPENSES	<u>943,937</u>
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OPERATING LOSS	<u>(86,562)</u>
----------------	-----------------

NONOPERATING REVENUES (EXPENSES)

Interest income	<u>203</u>
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CHANGE IN NET POSITION	(86,359)
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NET POSITION - BEGINNING OF YEAR	<u>1,247,155</u>
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NET POSITION - END OF YEAR	<u><u>\$ 1,160,796</u></u>
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See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND - GOLF COURSE

FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 856,660
Cash paid for personnel services	(383,454)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(437,307)</u>

NET CASH USED IN OPERATING ACTIVITIES (4,101)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plan and equipment	(2,100)
Interest received	<u>203</u>

NET CASH USED BY INVESTING ACTIVITIES (1,897)

NET CHANGE IN CASH AND CASH EQUIVALENTS (5,998)

CASH - BEGINNING OF YEAR 106,108

CASH - END OF YEAR \$ 100,110

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN
OPERATING ACTIVITIES

Operating loss	\$ <u>(86,562)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	68,839
Changes in operating assets and liabilities	
Receivables, net	(715)
Inventories	(6,180)
Other current assets	3,034
Accounts payable	8,883
Accrued liabilities	<u>8,600</u>

TOTAL ADJUSTMENTS 82,461

NET CASH USED IN OPERATING ACTIVITIES \$ (4,101)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
TRAINING AND TEEN ACTIVITY FUND
JUNE 30, 2016

ASSETS

Cash	\$ 29,501
TOTAL ASSETS	\$ 29,501

LIABILITIES

Amounts due to agencies	\$ 29,501
TOTAL LIABILITIES	\$ 29,501

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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, 2016

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 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. In the fiduciary fund category is 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, 2016

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 to others for training and teen activities. This fund is unlike other funds in that it reports only assets and liabilities and has no measurement focus, but utilizes the accrual basis of accounting for reporting assets and liabilities.

The City had no internal service funds as of or for the year ended June 30, 2016.

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.

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of Supplies and Prepaid Items

Inventories of supplies are valued at cost 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 are recorded at their estimated fair value at the date of donation.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows in the June 30, 2016 financial statements consist of amounts related to pensions (differences in actual and expected experience and contributions after the measurement date).

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.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has 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. Actuarial gains related to pension assets are also included in deferred inflows.

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.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (continued)

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%

Taxes are levied at a rate of \$0.758 per \$100 of assessed valuation for 2016 and 2015. Payments may be made during the period from October 1 through February 28. Current tax collections of \$11,412,071 for the fiscal year ended June 30, 2016 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county court clerk for collection.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax and Garbage Disposal Fees (continued)

The government-wide financial statements report property taxes receivable of \$12,142,161. Of this receivable amount, \$11,700,000 represents the estimated net realizable 2016 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 \$168,191 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 2016 was \$263 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 \$121,267. The receivable reported in the governmental funds balance sheet is \$121,267 with an offsetting deferred inflows of resources of \$104,217 for amounts not available at June 30, 2016.

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.

At June 30, 2016 there were no amounts exposed to custodial credit risk.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2016 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, 2016

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2016, 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	\$ 4,632,797	\$ 18,000	\$ -	\$ -	\$ 4,650,797
Construction in progress	2,999,325	3,196,088	-	(973,886)	5,221,527
Total capital assets not being depreciated	7,632,122	3,214,088	-	(973,886)	9,872,324
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,460,007	40,000	-	365,535	9,865,542
Improvements other than building	2,840,636	-	-	179,733	3,020,369
Machinery and equipment	12,806,117	1,185,348	(465,033)	-	13,526,432
Infrastructure	103,059,536	2,148,309	-	428,618	105,636,463
Total capital assets being depreciated	128,166,296	3,373,657	(465,033)	973,886	132,048,806
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(4,213,271)	(263,864)	-	-	(4,477,135)
Improvements other than buildings	(1,585,780)	(135,720)	-	-	(1,721,500)
Machinery and equipment	(9,602,606)	(1,021,233)	465,033	-	(10,158,806)
Infrastructure	(60,070,532)	(4,112,315)	-	-	(64,182,847)
Total accumulated depreciation	(75,472,189)	(5,533,132)	465,033	-	(80,540,288)
Governmental activities capital assets, net	\$ 60,326,229	\$ 1,054,613	\$ -	\$ -	\$ 61,380,842

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2016, 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	709,954	2,100	-	-	712,054
Total capital assets being depreciated	6,003,267	2,100	-	-	6,005,367
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(670,880)	(26,580)	-	-	(697,460)
Improvements other than buildings	(4,259,562)	-	-	-	(4,259,562)
Machinery and equipment	(591,968)	(42,259)	-	-	(634,227)
Total accumulated depreciation	(5,522,410)	(68,839)	-	-	(5,591,249)
Business-type activities capital assets, net	<u>\$ 1,122,051</u>	<u>\$ (66,739)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,055,312</u>

Depreciation expense was charged to function/programs as of June 30, 2016, as follows:

Governmental activities:

General government	\$ 110,762
Public safety	894,619
Street and public works	4,243,423
Parks	276,524
Codes and planning	<u>7,804</u>

Total depreciation expense - governmental activities \$ 5,533,132

Current year capital asset additions of the governmental activities include \$2,151,121 in donated infrastructure and equipment.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2016, 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	<u>\$ 10,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,852</u>
<u>Capital assets being depreciated</u>	<u>\$ 29,734</u>	<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ 28,662</u>

NOTE 4 - RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2016, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 11,700,000	\$ 11,700,000
Delinquent property taxes (unavailable)	-	388,376
Delinquent solid waste fees (unavailable)	-	104,217
State and county shared taxes (unavailable)	<u>400,000</u>	<u>1,840,172</u>
	<u>\$ 12,100,000</u>	<u>\$ 14,032,765</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 for the purchase of a road right-of-way in the amount of \$946,595.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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, 2016. This amounted to \$439,138 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. Interfund transfers for the year ended June 30, 2016 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In:			
	Governmental Funds			
	Solid Waste Balance	Debt Service Additions	General Fund	Totals
Transfer Out:				
General Fund	\$ 729,143	\$ 2,561,877	\$ -	\$ 3,291,020

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. Transfer from the Golf Fund to the General Fund relates to return of prior year operating funds advanced.

The General Fund also contributed \$25,500 to the component units (\$19,000 to the Arts Council and \$6,500 to Beautiful Hendersonville).

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u>Government Activities</u>					
Capital outlay notes payable	\$ 7,937,833	\$ 4,020,400	\$ 2,141,167	\$ 9,817,066	\$ 2,150,632
Obligation to county school system	789,703	-	197,426	592,277	197,426
	8,727,536	4,020,400	2,338,593	10,409,343	2,348,058
Note premiums	312,913	-	49,737	263,176	-
Total governmental activities long-term debt	9,040,449	4,020,400	2,388,330	10,672,519	2,348,058
Compensated absences	1,744,997	1,417,613	1,586,521	1,576,089	1,450,000
Accrued post-closure landfill costs	-	750,000	-	750,000	-
Net OPEB liability	708,614	196,969	163,281	742,302	-
Total primary government long-term liabilities	<u>\$ 11,494,060</u>	<u>\$ 6,384,982</u>	<u>\$ 4,138,132</u>	<u>\$ 13,740,910</u>	<u>\$ 3,798,058</u>

During 2016, the City also issued \$2,500,000 in tax and revenue anticipation notes. Proceeds from the notes were used for the City's General Fund operating expenses during the current year. The notes were issued at an interest rate of 0.9427% and were repaid from the 2016 fiscal year property taxes.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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

Long-term bonds and notes at June 30, 2016 consisted of the following obligations:

Governmental activities long-term debt

\$4,100,000 Capital Outlay Notes 2011 - The notes are payable in annual installments through 2023 at a rate of 3.21%.	\$ 2,390,000
\$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%.	2,365,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	1,041,666
\$4,020,400 Capital Outlay Notes 2015 - The notes are payable in annual installments through 2026 at a rate of interest of 2.41%.	4,020,400
\$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>592,277</u>
Total capital outlay and other notes payable	10,409,343
Plus: unamortized premium on notes	<u>263,176</u>
Total governmental activities long-term debt	<u>\$ 10,672,519</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 Industrial Development Board ("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, 2016, 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, 2016

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 Saudersville 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. The loan is secured by the incremental tax revenues for the project. During fiscal year 2016, the amount of incremental property taxes generated by the economic development area equaled \$569,774, 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, 2016, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
2017	\$ 2,150,632	\$ 263,329	\$ 2,413,961
2018	1,620,633	198,403	1,819,036
2019	1,145,631	165,540	1,311,171
2020	948,207	140,301	1,088,508
2021	948,206	115,106	1,063,312
2022-2026	<u>3,596,034</u>	<u>231,838</u>	<u>3,827,872</u>
Totals	<u>\$ 10,409,343</u>	<u>\$ 1,114,517</u>	<u>\$ 11,523,860</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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 publically available financial report that can be obtained at 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, 2016

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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	214
Active employees	<u>284</u>
	<u>580</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, 2015, the Actuarially Determined Contribution (ADC) for the City was \$2,317,383 based on a rate of 14.92% 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, 2015, 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, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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	6.46 %	33 %
Developed market international equity	6.26 %	17 %
Emerging market international equity	6.40 %	5 %
Private equity and strategic lending	4.61 %	8 %
U.S. fixed income	0.98 %	29 %
Real estate	4.73 %	7 %
Short-term securities	0.00 %	1 %
		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

		<u>Increase (Decrease)</u>	
	<u>Total Pension</u>	<u>Plan Fiduciary Net</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Position</u>	<u>Liability (Asset)</u>
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2014	\$ 48,971,128	\$ 50,664,010	\$ (1,692,882)
CHANGES FOR THE YEAR:			
Service cost	1,144,215	-	1,144,215
Interest	3,705,243	-	3,705,243
Differences between expected and actual experience	(46,948)	-	(46,948)
Contributions - employer	-	2,317,383	(2,317,383)
Contributions - employee	-	2,018	(2,018)
Net investment income	-	1,573,964	(1,573,964)
Benefit payments, including refunds of employee contributions	(1,424,209)	(1,424,209)	-
Administrative expense	-	(14,657)	14,657
Net changes	<u>3,378,301</u>	<u>2,454,499</u>	<u>923,802</u>
BALANCE AT JUNE 30, 2015	<u>\$ 52,349,429</u>	<u>\$ 53,118,509</u>	<u>\$ (769,080)</u>

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.5 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 (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.5%)</u>	<u>Rate</u>	<u>(8.5%)</u>
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
City's net pension liability (asset)	<u>\$ 6,760,918</u>	<u>\$ (769,080)</u>	<u>\$ (7,036,114)</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense of \$844,995.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, 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	\$ 1,017,047	\$ 41,732
Net difference between projected and actual earnings on pension plan investments	1,807,086	2,330,519
Contributions subsequent to the measurement date of June 30, 2016	<u>2,396,911</u>	<u>-</u>
Total	<u>\$ 5,221,044</u>	<u>\$ 2,372,251</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2015, 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>	
2017	\$ (184,991)
2018	(184,991)
2019	(184,991)
2020	591,848
2021	140,077
Thereafter	274,938

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN

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 amount of benefit is based on years of service and the benefit ranges from 25% to 100% of the City paid portion of their health insurance if the employee elects to continue on the plan. Retiree medical benefits cease at age 65. The plan does not issue a stand-alone report.

Funding Policy

The premium requirements are established and may be amended by the Mayor and Board of Aldermen. The plan is a fully insured PPO plan with three options. 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. This only applies to employees hired prior to 2008. 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. The current monthly premium ranges from \$527 to \$669 per month for single coverage and ranges from \$1,373 to \$1,718 for family coverage.

The most recent actuarial valuation was July 2015 and the following is based on projections from the City's actuary.

Annual OPEB Cost and Net OPEB Obligations

	<u>July 1, 2015</u>
ARC	\$ 197,978
Interest on NPO	28,344
Amortization of prior year net OPEB Obligation	<u>(29,353)</u>
Annual OPEB Cost	196,969
Amount of Contribution*	<u>(163,281)</u>
Increase in NPO	33,688
Net OPEB Obligation - beginning of year	<u>708,614</u>
Net OPEB Obligation - end of year	<u><u>\$ 742,302</u></u>

*Contribution based on expected contribution from study.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Policy (Continued)

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/16	\$ 196,969	82.90%	\$ 742,302
6/30/15	\$ 196,782	77.51%	\$ 708,614
6/30/14	\$ 166,115	53.71%	\$ 664,363

Funded Status and Funding Progress

The funding status of the plan as of the last actuarial valuation date was as follows:

Actuarial valuation date	July 1, 2015
Actuarial accrued liability (AAL)	\$ 2,419,968
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,419,968
Actuarial value of assets as a % of AAL	0%
Covered payroll	\$ 15,532,055
UAAL as a percentage of covered payroll	23.37%

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern on sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (continued)

In the July 2015 actuarial valuation, the Projected Unit Cost Method was used. The actuarial assumptions included a 4.00 percent discount rate of return (1% real and 3% inflation) and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2020. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of compensation on an open basis over a 30 year period.

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.

Joint Venture

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 \$81,808 for brush disposal for 2016. 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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Joint Venture (continued)

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 2016, the amount paid by the City was \$41,506. The City believes that a payment of \$750,000 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, 2016 in the governmental activities balance sheet.

The Authority as of June 30, 2016 has net investment in capital assets of \$1,552,223, and an unrestricted net deficit of \$2,280,126. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

Contracts

The City of Hendersonville has a contract for trash pickup and disposal services. The pick-up rate is \$20.12 per month and the hauling and disposal rate is \$41.97 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2016 the City did not have any material construction contracts in process.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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 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, 2016

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, and Debt Service Fund because effective budgetary control is alternatively achieved through bond indenture or other provisions. Annual debt service requirements are budgeted in the General Fund through operating transfers to the Debt Service Fund.

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

	<u>General Fund</u>
Net change in fund balance - GAAP basis	\$ 1,375,362
Add: Prior year reserve for encumbrances	533,245
Less: Current year reserve for encumbrances	<u>(646,908)</u>
Net change in fund balance, budgetary basis	<u><u>\$ 1,261,699</u></u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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:

	General Fund	State Street Aid Fund (Non-major fund)
Public works/street maintenance	\$ 55,292	\$ 135,938
Police	57,700	
Fire Department	500,026	-
Other	33,890	-
	<u>\$ 646,908</u>	<u>\$ 135,938</u>

Budget Amendments

The General Fund expenditure and other financing sources (uses) budget was amended by \$2,477,241. The major amendments related to grants, equipment purchase and capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 14 - RESTATEMENT

Net position as of July 1, 2015 has been restated for an overstatement of expected forfeiture fund revenue during the fiscal year ended June 30, 2015. The effect of this change on the City's beginning balances as of July 1, 2015 is as follows:

	Governmental Activities	Governmental Funds	Nonmajor Governmental Funds
Net position/fund balance, as previously reported	\$ 65,278,160	\$ 12,626,479	\$ 1,360,944
To adjust forfeiture fund for overstatement of revenue and ending balance at June 30, 2015	<u>(16,025)</u>	<u>(16,025)</u>	<u>(16,025)</u>
Beginning net position/fund balance, as restated	<u>\$ 65,262,135</u>	<u>\$ 12,610,454</u>	<u>\$ 1,344,919</u>

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - These Statements make accounting and for other post-employment benefit plans consistent with the pension standards. Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Management has not determined the impact of this new standard on the City's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures* - This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) The gross dollar amount of taxes abated during the period; and (3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management has not determined the impact of this new standard on the City's financial statements.

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>TOTAL PENSION LIABILITY</u>		
Service cost	\$ 1,148,174	\$ 1,144,215
Interest	3,368,278	3,705,243
Changes in benefit terms	-	-
Differences between actual & expected experience	1,307,633	(46,948)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(1,230,315)</u>	<u>(1,424,209)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,593,770	3,378,301
TOTAL PENSION LIABILITY - BEGINNING	<u>44,377,358</u>	<u>48,971,128</u>
TOTAL PENSION LIABILITY - ENDING (A)	<u>48,971,128</u>	<u>52,349,429</u>
<u>PLAN FIDUCIARY NET POSITION</u>		
Contributions - employer	2,400,176	2,317,383
Contributions - employee	1,137	2,018
Net investment income	7,107,505	1,573,964
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)
Administrative expense	<u>(12,861)</u>	<u>(14,657)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	8,265,642	2,454,499
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>42,398,368</u>	<u>50,664,010</u>
PLAN FIDUCIARY NET POSITION - ENDING (B)	<u>50,664,010</u>	<u>53,118,509</u>
NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	<u>\$ (1,692,882)</u>	<u>\$ (769,080)</u>

Plan fiduciary net position as a percentage of total pension liability	103.46 %	101.47 %
Covered-employee payroll	\$ 15,532,055	\$ 15,532,055
Net pension liability (asset) as a percentage of covered-employee payroll	(10.90) %	(4.95) %

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>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,911
Contributions in relation to the actuarial determined contribution	<u>2,400,176</u>	<u>2,317,383</u>	<u>2,396,911</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,501,189
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.53 %

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 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	20 years
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

OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2016

(Dollar amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
07/01/14	\$ -	\$ 2,420	\$ 2,420	0%	\$ 15,812	15.30%
07/01/12	\$ -	\$ 2,028	\$ 2,028	0%	\$ 14,132	14.36%
07/01/10	\$ -	\$ 2,030	\$ 2,030	0%	\$ 11,961	16.97%

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 in 2015 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, 2016

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>State Street Aid Fund</u>	<u>Forfeiture Fund</u>	<u>Drug Fund</u>	<u>Nonmajor Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 414,781	\$ 18,765	\$ 208,332	\$ 641,878
Due from other governments	<u>256,705</u>	<u>505</u>	<u>-</u>	<u>257,210</u>
TOTAL ASSETS	<u>\$ 671,486</u>	<u>\$ 19,270</u>	<u>\$ 208,332</u>	<u>\$ 899,088</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 364	\$ -	\$ -	\$ 364
Accrued liabilities	<u>17,078</u>	<u>-</u>	<u>-</u>	<u>17,078</u>
Total Liabilities	<u>17,442</u>	<u>-</u>	<u>-</u>	<u>17,442</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>136,200</u>	<u>-</u>	<u>-</u>	<u>136,200</u>
<u>Fund Balances</u>				
Nonspendable	-	-	-	-
Restricted	<u>517,844</u>	<u>19,270</u>	<u>208,332</u>	<u>745,446</u>
Total Fund Balances	<u>517,844</u>	<u>19,270</u>	<u>208,332</u>	<u>745,446</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 671,486</u>	<u>\$ 19,270</u>	<u>\$ 208,332</u>	<u>\$ 899,088</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>		<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Drug</u>	<u>Governmental</u>
	<u>Aid Fund</u>	<u>(RESTATED)</u>	<u>Fund</u>	<u>Funds</u>
				<u>(RESTATED)</u>
<u>REVENUES</u>				
Intergovernmental:				
State gasoline tax	\$ 1,403,964	\$ -	\$ -	\$ 1,403,964
Drug and other related fines, seizures, and sales	-	13,250	31,571	44,821
Contributions	-	3,100	-	3,100
Uses of money and property	<u>1,197</u>	<u>15</u>	<u>1,052</u>	<u>2,264</u>
Total Revenues	<u>1,405,161</u>	<u>16,365</u>	<u>32,623</u>	<u>1,454,149</u>
<u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	699,201	-	-	699,201
Employee benefits	258,643	-	-	258,643
Other costs - maintenance and lighting	918,257	-	-	918,257
Capital outlay	123,767	-	-	123,767
Program costs:				
Drug Fund:				
Capital outlay	-	-	11,000	11,000
Other costs	<u>-</u>	<u>31,483</u>	<u>11,271</u>	<u>42,754</u>
Total Expenditures	<u>1,999,868</u>	<u>31,483</u>	<u>22,271</u>	<u>2,053,622</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(594,707)	(15,118)	10,352	(599,473)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>1,112,551</u>	<u>34,388</u>	<u>197,980</u>	<u>1,344,919</u>
FUND BALANCE - END OF YEAR	<u>\$ 517,844</u>	<u>\$ 19,270</u>	<u>\$ 208,332</u>	<u>\$ 745,446</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, 2016

	<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	\$ 1,419,285	\$ 1,419,285	\$ 1,403,964 *	\$ (15,321)
Uses of money and property	<u>3,000</u>	<u>3,000</u>	<u>1,197</u>	<u>(1,803)</u>
Total Revenues	<u>1,422,285</u>	<u>1,422,285</u>	<u>1,405,161</u>	<u>(17,124)</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	665,045	665,045	699,201	34,156
Employee benefits	308,372	308,372	258,643	(49,729)
Repairs and maintenance	932,300	932,300	532,488	(399,812)
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>123,767</u>	<u>98,767</u>
Total Expenditures and Encumbrances	<u>1,930,717</u>	<u>1,930,717</u>	<u>1,614,099</u>	<u>(316,618)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (508,432)</u>	<u>\$ (508,432)</u>	(208,938)	<u>\$ (333,742)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>590,844</u>	
FUND BALANCE - END OF YEAR			<u>\$ 381,906</u>	
 * 1989 tax				
Three cent tax	\$ 154,673			
Gas and motor fuel tax	287,071			
	<u>962,220</u>			
	<u>\$ 1,403,964</u>			
Fund balance - end of year (non-GAAP)	\$ 381,906			
+ Current year encumbrances	<u>135,938</u>			
Fund balance - end of year (GAAP)	<u>\$ 517,844</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, 2016

	<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	\$ 350	\$ 350	\$ 1,052	\$ 702
Drug related fines, seizures and sales	<u>54,650</u>	<u>54,650</u>	<u>31,571</u>	<u>(23,079)</u>
Total Revenues	<u>55,000</u>	<u>55,000</u>	<u>32,623</u>	<u>(22,377)</u>
<u>EXPENDITURES</u>				
Program costs	30,000	-	11,271	11,271
Capital outlay	<u>25,000</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>
Total Expenditures and Encumbrances	<u>55,000</u>	<u>-</u>	<u>22,271</u>	<u>22,271</u>
EXCESS OF REVENUES OVER				
EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ 55,000</u>	10,352	<u>\$ (106)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>194,732</u>	
FUND BALANCE - END OF YEAR			<u>\$ 205,084</u>	
Fund balance - end of year (non-GAAP)	\$ 194,732			
+ Current year encumbrances	<u>3,248</u>			
Fund balance - end of year (GAAP)	<u>\$ 197,980</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, 2016

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
<u>ASSETS</u>				
Cash	<u>\$ 30,414</u>	<u>\$ 3,712</u>	<u>\$ 4,625</u>	<u>\$ 29,501</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 30,414</u>	<u>\$ -</u>	<u>\$ 913</u>	<u>\$ 29,501</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2016

	Component Units			
	Arts Council	Beautiful Hendersonville	Industrial Development	Total
ASSETS				
Cash	\$ 19,397	\$ 12,019	\$ 157,487	\$ 188,903
Accounts receivable	-	-	4,687	4,687
Capital assets, net	<u>28,662</u>	<u>-</u>	<u>10,852</u>	<u>39,514</u>
TOTAL ASSETS	<u>48,059</u>	<u>12,019</u>	<u>173,026</u>	<u>233,104</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>-</u>	<u>8,900</u>	<u>8,900</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>8,900</u>	<u>8,900</u>
NET POSITION				
Net investment in capital assets	28,662	-	10,852	39,514
Unrestricted	<u>19,397</u>	<u>12,019</u>	<u>153,274</u>	<u>184,690</u>
TOTAL NET POSITION	<u>\$ 48,059</u>	<u>\$ 12,019</u>	<u>\$ 164,126</u>	<u>\$ 224,204</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2016

	Component Units			
	Arts Council	Beautiful Hendersonville	Industrial Development	Total
REVENUES				
Charges for services	\$ 47,472	\$ -	\$ 63,356	\$ 110,828
Operating grants and contributions	24,391	6,500	-	30,891
Interest income	11	-	276	287
TOTAL REVENUE	71,874	6,500	63,632	142,006
EXPENSES				
Operating expenses	74,311	7,104	77,593	159,008
CHANGE IN NET POSITION	(2,437)	(604)	(13,961)	(17,002)
NET POSITION - BEGINNING OF YEAR	50,496	12,623	178,087	241,206
NET POSITION - END OF YEAR	\$ 48,059	\$ 12,019	\$ 164,126	\$ 224,204

FINANCIAL SCHEDULE SECTION

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2016

<u>Tax Year</u>		<u>Taxes Receivable July 1, 2015</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2016</u>
2006	*	\$ 3,497	\$ -	\$ -	\$ 3,497
2007	*	6,903	-	(641)	6,262
2008	*	26,554	-	(884)	25,670
2009	*	23,659	-	(3,927)	19,732
2010	*	25,734	-	(3,927)	21,807
2011	*	20,347	-	(5,576)	14,771
2012	*	49,372	-	(24,395)	24,977
2013	*	77,601	-	(43,444)	34,157
2014	*	209,267	-	(130,649)	78,618
2015		<u>-</u>	<u>11,624,741</u>	<u>(11,412,071)</u>	<u>212,670</u>
		<u>\$ 442,934</u>	<u>\$ 11,624,741</u>	<u>\$ (11,625,514)</u>	<u>442,161</u>
2016	**				<u>11,700,000</u>
Taxes receivable					<u>\$ 12,142,161</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, 2016

Assessment Year		Taxes Receivable July 1, 2015	Assessments	Collections and Adjustments	Taxes Receivable June 30, 2016
2006	*	\$ 135	\$ -	\$ -	\$ 135
2007	*	420	-	(420)	-
2008	*	1,308	-	(436)	872
2009	*	3,016	-	(1,160)	1,856
2010	*	3,388	-	(1,452)	1,936
2011	*	6,048	-	(2,772)	3,276
2012	*	14,790	-	(7,140)	7,650
2013	*	24,864	-	(12,950)	11,914
2014	*	85,127	-	(62,246)	22,881
2015		-	4,522,068	(4,451,321)	70,747
		<u>\$ 139,096</u>	<u>\$ 4,522,068</u>	<u>\$ (4,539,897)</u>	<u>\$ 121,267</u>

* Turned over to County Clerk for collections.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2016

Fiscal Year	Capital Outlay Notes - 2011		Capital Outlay Refunding Notes - 2012		Capital Outlay Notes - 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 342,000	\$ 76,719	\$ 1,105,000	\$ 47,525	\$ 104,166	\$ 25,776
2018	342,000	65,741	575,000	22,325	104,167	23,135
2019	342,000	54,763	100,000	12,700	104,166	20,564
2020	342,000	43,784	100,000	10,700	104,167	17,993
2021	342,000	32,806	100,000	8,700	104,166	15,465
2022	342,000	21,828	100,000	6,700	104,167	12,853
2023	338,000	10,850	95,000	4,750	104,166	10,282
2024	-	-	95,000	2,850	104,167	7,712
2025	-	-	95,000	950	104,167	5,155
2026	-	-	-	-	104,167	2,570
Total	<u>\$ 2,390,000</u>	<u>\$ 306,491</u>	<u>\$ 2,365,000</u>	<u>\$ 117,200</u>	<u>\$ 1,041,666</u>	<u>\$ 141,505</u>

Fiscal Year	Capital Outlay Notes - 2015		Obligation to County School System		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Principal	Interest	Debt
2017	\$ 402,040	\$ 113,309	\$ 197,426	\$ -	\$ 2,150,632	\$ 263,329	\$ 2,413,961
2018	402,040	87,202	197,426	-	1,620,633	198,403	1,819,036
2019	402,040	77,513	197,425	-	1,145,631	165,540	1,311,171
2020	402,040	67,824	-	-	948,207	140,301	1,088,508
2021	402,040	58,135	-	-	948,206	115,106	1,063,312
2022	402,040	48,446	-	-	948,207	89,827	1,038,034
2023	402,040	38,757	-	-	939,206	64,639	1,003,845
2024	402,040	29,068	-	-	601,207	39,630	640,837
2025	402,040	19,378	-	-	601,207	25,483	626,690
2026	402,040	9,689	-	-	506,207	12,259	518,466
Total	<u>\$ 4,020,400</u>	<u>\$ 549,321</u>	<u>\$ 592,277</u>	<u>\$ -</u>	<u>\$ 10,409,343</u>	<u>\$ 1,114,517</u>	<u>\$ 11,523,860</u>

CITY OF HENDERSONVILLE						
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS						
FOR THE YEAR ENDED JUNE 30, 2016						
Grant Description	Federal CFDA#	Grant Number	(Accrued) Deferred 7/1/15	Federal Receipts	Expenditures	(Accrued) Deferred 6/30/16
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<u>Passed through the Tennessee Department of Economic and Community Development:</u>						
Community Development Block Grant	14.218	B-16-MC-47-0015	\$ -	\$ -	\$ 156,250	\$ (156,250)
Community Development Block Grant	14.218	B-15-MC-47-0015	-	123,053	123,323	(270)
Community Development Block Grant	14.218	B-14-MC-47-0015	(7,281)	24,196	16,915	-
Community Development Block Grant: Small City Disaster Recovery	14.228		<u>(350)</u>	<u>350</u>	<u>-</u>	<u>-</u>
Total Passed through the Tennessee Department of Econocmic and Community Development			<u>(7,631)</u>	<u>147,599</u>	<u>296,488</u>	<u>(156,520)</u>
<u>Passed through the Tennessee Housing Development</u>						
Emergency Solutions Grant Program	14.231	ESG-15-20	-	3,632	3,632	-
Emergency Solutions Grant Program	14.231	ESG-12-13	<u>-</u>	<u>5,605</u>	<u>5,605</u>	<u>-</u>
Total Passed through the Tennessee Housing Development			<u>-</u>	<u>9,237</u>	<u>9,237</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>(7,631)</u>	<u>156,836</u>	<u>305,725</u>	<u>(156,520)</u>
US DEPARTMENT OF JUSTICE						
Bulletproof Vest Partnership Program	16.607		<u>(7,958)</u>	<u>5,775</u>	<u>-</u>	<u>(2,183)</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>(7,958)</u>	<u>5,775</u>	<u>-</u>	<u>(2,183)</u>
US DEPARTMENT OF HOMELAND SECURITY / FEDERAL EMERGENCY MANAGEMENT						
<u>Passed through Federal Emergency Management</u>						
Assistance to Firefighters Program	97.044		<u>(96,678)</u>	<u>96,678</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY / FEDERAL EMERGENCY MANAGEMENT			<u>(96,678)</u>	<u>96,678</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION						
<u>Passed through the Tennessee Department of Transportation</u>						
Highway Planning and Construction Cluster: Transportation Enhancement Program	20.205*	090183	(84,709)	85,112	1,154,985	(1,154,582)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant						
Traffic Sign Upgrade Project	20.205*	CPD060152voucher	(43,310)	43,310	-	-
Highway Planning and Construction Cluster: Greenway Grant	20.205*	CM-9307(16)	(88,763)	57,499	41,269	(72,533)
Highway Planning and Construction Cluster: Safe Route to Schools Program	20.205*	SRTS-8300(75)	(159,756)	159,756	-	-
State and Community Highway Safety: Speed Enforcement/DUI Enforecement and Traffic Safety	20.600	PT-16-09	-	-	18,942	(18,942)
State and Community Highway Safety: Speed Enforcement/DUI Enforecement and Traffic Safety	20.600	PT-15-22	<u>(57,039)</u>	<u>62,952</u>	<u>9,208</u>	<u>(3,295)</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>(433,577)</u>	<u>408,629</u>	<u>1,224,404</u>	<u>(1,249,352)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ (545,844)</u></u>	<u><u>\$ 667,918</u></u>	<u><u>\$ 1,530,129</u></u>	<u><u>\$ (1,408,055)</u></u>

* Considered a major program under Title 2 U.S. CFR, Part 200

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Hendersonville, Tennessee (the “City”), under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to present the financial position, changes in net position or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Summary of Expenditures by CFDA Number

14.218	\$ 296,488
14.231	9,237
20.205	1,196,254
20.600	<u>28,150</u>
Total	<u><u>\$ 1,530,129</u></u>

STATISTICAL INFORMATION

STATISTICAL SECTION
(Not Covered by Report of Independent Certified Public Accountants)

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

CONTENTS

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

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

CITY OF HENDERSONVILLE

NET ASSETS/POSITION BY COMPONENT (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 1

(Prepared using the accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets	\$ 30,285,633	\$ 41,305,856	\$ 44,159,515	\$ 48,621,776	\$ 47,902,266	\$ 50,385,520	\$ 59,308,345	\$ 60,427,388	\$ 52,388,396	\$ 51,563,776
Restricted for:										
Street maintenance	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167	1,989,933	1,668,231	909,128
Public works	-	-	-	-	470,009	450,727	440,630	443,905	471,249	484,932
Law enforcement	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651	238,660
Solid waste disposal	48,770	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-	-
Parks	-	-	-	-	131,732	25,911	25,912	-	-	-
Capital projects	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409	253,932
Other	-	-	-	-	-	-	-	-	-	769,080
Unrestricted	<u>5,391,847</u>	<u>5,070,525</u>	<u>2,797,825</u>	<u>3,948,024</u>	<u>5,183,053</u>	<u>4,389,697</u>	<u>4,672,865</u>	<u>4,237,502</u>	<u>10,360,224</u>	<u>14,084,154</u>
Total governmental activities net position	<u>\$ 41,114,366</u>	<u>\$ 48,551,613</u>	<u>\$ 48,531,495</u>	<u>\$ 54,011,976</u>	<u>\$ 55,605,624</u>	<u>\$ 57,340,541</u>	<u>\$ 67,985,519</u>	<u>\$ 67,506,207</u>	<u>\$ 65,278,160</u>	<u>\$ 68,303,662</u>
Business-type activities										
Net investment in capital assets	\$ 2,239,044	\$ 2,329,881	\$ 2,085,220	\$ 1,847,088	\$ 1,630,246	\$ 1,424,832	\$ 1,422,028	\$ 1,191,349	\$ 1,122,051	\$ 1,055,312
Unrestricted	<u>85,608</u>	<u>79,263</u>	<u>26,690</u>	<u>21,626</u>	<u>63,105</u>	<u>110,100</u>	<u>91,840</u>	<u>100,562</u>	<u>125,104</u>	<u>105,484</u>
Total business-type activities net position	<u>\$ 2,324,652</u>	<u>\$ 2,409,144</u>	<u>\$ 2,111,910</u>	<u>\$ 1,868,714</u>	<u>\$ 1,693,351</u>	<u>\$ 1,534,932</u>	<u>\$ 1,513,868</u>	<u>\$ 1,291,911</u>	<u>\$ 1,247,155</u>	<u>\$ 1,160,796</u>
Primary government										
Net investment in capital assets	\$ 32,524,677	\$ 43,635,737	\$ 46,244,735	\$ 50,468,864	\$ 49,532,512	\$ 51,810,352	\$ 60,954,601	\$ 61,618,737	\$ 53,510,447	\$ 52,619,088
Restricted for:										
Street maintenance	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	1,884,939	1,989,933	1,668,231	909,128
Public works	-	-	-	-	470,009	450,727	440,630	443,905	471,249	484,932
Law enforcement	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651	238,660
Solid waste disposal	48,770	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-	-
Parks	-	-	-	-	131,732	25,911	25,912	-	-	-
Capital projects	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409	253,932
Other	-	-	-	-	-	-	-	-	-	769,080
Unrestricted	<u>5,477,455</u>	<u>5,149,788</u>	<u>2,824,515</u>	<u>3,969,650</u>	<u>5,246,158</u>	<u>4,499,797</u>	<u>4,764,705</u>	<u>4,338,064</u>	<u>10,485,328</u>	<u>14,189,638</u>
Total primary government net position	<u>\$ 43,439,018</u>	<u>\$ 50,960,757</u>	<u>\$ 50,643,405</u>	<u>\$ 55,880,690</u>	<u>\$ 57,298,975</u>	<u>\$ 58,875,473</u>	<u>\$ 69,499,387</u>	<u>\$ 68,798,118</u>	<u>\$ 66,525,315</u>	<u>\$ 69,464,458</u>

Note: 2013 governmental activities net position restated to reflect effect of 2014 restatement.

CITY OF HENDERSONVILLE

CHANGES IN NET ASSETS/POSITION (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES										
Governmental Activities:										
General government	\$ 1,181,062	\$ 593,417	\$ 706,185	\$ 687,810	\$ 642,965	\$ 588,385	\$ 599,373	\$ 611,768	\$ 511,914	\$ 461,174
Personnel	244,465	252,370	285,501	274,723	285,927	275,582	287,082	307,249	295,704	343,659
Central services	1,127,625	994,299	1,010,125	1,309,030	1,511,175	1,492,771	1,599,478	1,794,169	1,923,094	1,906,242
Finance	745,584	780,228	797,628	753,474	754,467	772,429	943,891	900,653	836,380	953,047
Parks	1,896,487	1,626,631	2,042,299	1,883,622	1,757,196	1,717,639	1,901,842	1,967,782	1,899,688	2,057,819
Information technology	-	-	-	-	-	-	-	-	237,969	446,225
Codes	710,269	732,449	740,489	679,194	682,307	701,823	744,323	766,109	700,171	718,402
Planning	467,003	542,555	607,884	473,810	473,752	523,417	506,212	752,671	807,010	710,526
Police	7,004,505	7,557,764	8,958,105	8,528,358	8,299,857	9,373,511	9,556,547	10,190,417	9,845,376	10,391,599
Fire	6,832,815	7,076,497	7,661,739	7,554,008	7,744,910	7,808,722	8,755,714	9,364,318	8,490,945	8,972,110
Contributions	232,499	264,500	270,499	228,750	228,750	228,750	228,750	233,150	234,650	234,650
Disposal service	2,658,985	3,912,036	4,130,275	4,262,827	4,368,646	4,580,896	4,690,339	4,822,061	4,997,329	6,025,955
Program costs	50,628	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743	50,665
Streets and public works	4,571,989	4,895,167	5,693,289	6,457,369	6,860,051	6,425,222	7,363,860	7,521,104	7,808,136	9,405,256
Interest expense on long-term debt	465,250	483,725	432,749	392,414	423,681	432,096	350,448	264,699	225,080	212,616
Total governmental activities	28,189,166	29,740,140	33,465,750	33,549,074	34,081,418	34,962,977	37,543,625	39,513,692	38,843,189	42,889,945
Business-type activities:										
Golf Course	\$ 986,867	\$ 960,704	\$ 939,804	\$ 933,196	\$ 925,247	\$ 966,007	\$ 968,630	\$ 985,162	\$ 840,726	\$ 943,937
Total business-type activities	986,867	960,704	939,804	933,196	925,247	966,007	968,630	985,162	840,726	943,937
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 29,176,033</u>	<u>\$ 30,700,844</u>	<u>\$ 34,405,554</u>	<u>\$ 34,482,270</u>	<u>\$ 35,006,665</u>	<u>\$ 35,928,984</u>	<u>\$ 38,512,255</u>	<u>\$ 40,498,854</u>	<u>\$ 39,683,915</u>	<u>\$ 43,833,882</u>
PROGRAM REVENUES										
Governmental Activities:										
Charges for services:										
Finance	\$ 66,329	\$ 69,743	\$ 54,348	\$ 60,804	\$ 77,333	\$ 72,043	\$ 70,076	\$ 75,056	\$ 67,928	\$ 69,891
Parks	126,046	158,108	150,346	124,564	135,658	153,723	146,694	163,007	181,003	382,952
Codes	787,951	592,805	644,111	367,518	468,239	666,318	507,924	764,866	1,172,941	1,438,140
Planning	227,786	172,070	146,420	40,576	109,377	161,002	84,560	173,005	64,938	65,239
Police	645,720	760,631	947,882	1,337,492	589,465	579,650	562,545	530,827	615,558	562,554
Fire	-	-	-	-	-	-	-	-	146,736	107,110
Disposal service	2,041,235	3,240,741	3,415,862	3,670,260	3,925,625	4,117,835	4,214,169	4,328,291	4,491,716	4,537,509
Streets and public works	-	-	-	-	-	-	-	-	-	2,300
Operating grants and contributions	2,241,103	1,832,207	1,834,293	2,300,116	2,778,686	2,420,534	1,717,007	1,981,342	1,693,631	1,796,210
Capital grants and contributions	3,447,853	8,493,351	3,201,675	7,037,438	3,103,597	3,440,122	14,603,705	2,690,020	4,366,166	4,063,741
Total governmental activities and program revenues	9,584,023	15,319,656	10,394,937	14,938,768	11,187,980	11,611,227	21,906,680	10,706,414	12,800,617	13,025,646
Business-type activities:										
Charges for services:										
Golf course	826,529	772,321	670,906	689,675	749,422	807,223	773,593	807,896	840,650	857,375
Total business-type activities program revenues	826,529	772,321	670,906	689,675	749,422	807,223	773,593	807,896	840,650	857,375
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 10,410,552</u>	<u>\$ 16,091,977</u>	<u>\$ 11,065,843</u>	<u>\$ 15,628,443</u>	<u>\$ 11,937,402</u>	<u>\$ 12,418,450</u>	<u>\$ 22,680,273</u>	<u>\$ 11,514,310</u>	<u>\$ 13,641,267</u>	<u>\$ 13,883,021</u>
NET (EXPENSE)/REVENUE										
Governmental activities	\$ (18,605,143)	\$ (14,420,484)	\$ (23,070,813)	\$ (18,610,306)	\$ (22,893,438)	\$ (23,351,750)	\$ (15,636,945)	\$ (28,807,278)	\$ (26,042,572)	\$ (29,864,299)
Business-type activities	(160,338)	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)	(195,037)	(177,266)	(76)	(86,562)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	<u>\$ (18,765,481)</u>	<u>\$ (14,608,867)</u>	<u>\$ (23,339,711)</u>	<u>\$ (18,853,827)</u>	<u>\$ (23,069,263)</u>	<u>\$ (23,510,534)</u>	<u>\$ (15,831,982)</u>	<u>\$ (28,984,544)</u>	<u>\$ (26,042,648)</u>	<u>\$ (29,950,861)</u>

CITY OF HENDERSONVILLE

CHANGES IN NET ASSETS/POSITION (UNAUDITED) (CONTINUED)

LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/POSITION										
Governmental activities:										
Taxes:										
Property and in lieu of taxes	\$ 7,309,107	\$ 7,708,908	\$ 7,988,540	\$ 10,036,138	\$ 10,203,015	\$ 10,395,977	\$ 10,466,430	\$ 10,635,693	\$ 10,733,814	\$ 12,536,288
Sales	7,208,772	7,628,028	7,674,560	7,746,831	7,991,077	8,706,782	9,358,299	10,020,450	10,683,972	11,355,539
Wholesale beer tax	725,754	763,795	798,626	800,715	845,027	887,003	929,388	944,129	956,362	977,554
Wholesale liquor tax	238,686	248,822	263,527	277,440	292,612	319,398	351,331	417,539	477,604	535,971
Business tax	676,959	760,137	731,455	734,085	743,685	761,176	974,806	882,621	986,136	1,114,201
Unrestricted state shared taxes:										
Franchise taxes	566,317	611,064	634,312	645,408	669,313	730,581	757,106	779,309	834,214	876,894
State shared sales tax	3,062,298	3,062,261	2,810,541	2,752,025	2,911,237	3,487,993	3,555,315	3,675,558	3,844,821	4,186,058
State shared income tax	515,505	630,543	450,178	351,594	382,750	445,897	602,307	633,813	814,449	873,932
State shared beer tax	22,819	23,252	22,197	21,390	22,518	25,218	25,399	24,308	24,570	25,084
State shared alcoholic beverage tax	145,071	168,927	198,508	202,476	238,321	134,151	138,950	152,711	160,452	174,490
Unrestricted other state shared taxes	251,229	227,520	266,036	153,046	120,021	16,518	23,298	37,918	27,122	133,036
Unrestricted investment earnings	495,903	372,161	71,981	28,763	47,824	53,998	34,283	21,922	23,015	27,987
Other	69,850	230,986	94,380	340,876	19,686	123,607	68,035	57,118	133,002	88,792
Special item	-	701,156	-	-	-	-	-	-	(6,351,071)	-
Transfers	(261,850)	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877	-
Total government activities	<u>21,026,420</u>	<u>22,873,585</u>	<u>22,034,841</u>	<u>24,090,787</u>	<u>24,487,086</u>	<u>26,088,299</u>	<u>27,111,307</u>	<u>28,327,966</u>	<u>23,393,339</u>	<u>32,905,826</u>
Business-type activities:										
Investment earnings	13,737	8,900	1,664	325	462	365	333	186	197	203
Transfers	<u>261,850</u>	<u>263,975</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,640</u>	<u>(44,877)</u>	<u>(44,877)</u>	<u>-</u>
Total business-type activities	<u>275,587</u>	<u>272,875</u>	<u>(28,336)</u>	<u>325</u>	<u>462</u>	<u>365</u>	<u>173,973</u>	<u>(44,691)</u>	<u>(44,680)</u>	<u>203</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 21,302,007</u>	<u>\$ 23,146,460</u>	<u>\$ 22,006,505</u>	<u>\$ 24,091,112</u>	<u>\$ 24,487,548</u>	<u>\$ 26,088,664</u>	<u>\$ 27,285,280</u>	<u>\$ 28,283,275</u>	<u>\$ 23,348,659</u>	<u>\$ 32,906,029</u>
CHANGE IN NET POSITION										
Governmental activities	\$ 2,421,277	\$ 8,453,101	\$ (1,035,972)	\$ 5,480,481	\$ 1,593,648	\$ 2,736,549	\$ 11,474,362	\$ (479,312)	\$ (2,649,233)	\$ 3,041,527
Business-type activities	<u>115,249</u>	<u>84,492</u>	<u>(297,234)</u>	<u>(243,196)</u>	<u>(175,363)</u>	<u>(158,419)</u>	<u>(21,064)</u>	<u>(221,957)</u>	<u>(44,756)</u>	<u>(86,359)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,536,526</u>	<u>\$ 8,537,593</u>	<u>\$ (1,333,206)</u>	<u>\$ 5,237,285</u>	<u>\$ 1,418,285</u>	<u>\$ 2,578,130</u>	<u>\$ 11,453,298</u>	<u>\$ (701,269)</u>	<u>\$ (2,693,989)</u>	<u>\$ 2,955,168</u>

Note: 2013 governmental activities net position restated to reflect effect of 2014 restatement.

CITY OF HENDERSONVILLE

FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 3

(Prepared using the modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Funds:										
General Fund:										
Reserved	\$ 645,800	\$ 333,093	\$ 539,687	\$ 444,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	5,453,492	6,472,077	3,058,149	4,184,523	-	-	-	-	-	-
Nonspendable	-	-	-	-	7,641	4,155	17,493	73,510	278,000	6,046
Restricted	-	-	-	-	642,485	519,482	1,035,950	991,591	1,036,187	887,274
Committed	-	-	-	-	601,122	277,622	274,997	267,175	836,158	2,532,774
Assigned	-	-	-	-	2,830,717	3,681,641	4,593,972	4,760,199	3,015,185	2,336,958
Unassigned	-	-	-	-	2,398,065	2,179,647	1,802,256	1,030,329	2,829,182	3,607,022
Total general fund	<u>\$ 6,099,292</u>	<u>\$ 6,805,170</u>	<u>\$ 3,597,836</u>	<u>\$ 4,629,010</u>	<u>\$ 6,480,030</u>	<u>\$ 6,662,547</u>	<u>\$ 7,724,668</u>	<u>\$ 7,122,804</u>	<u>\$ 7,994,712</u>	<u>\$ 9,370,074</u>
All Other Governmental Funds:										
Reserved	\$ 158,885	\$ 332,791	\$ 379,420	\$ 88,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in Special Revenue Funds	644,643	778,917	469,389	699,561	-	-	-	-	-	-
Unreserved reported in Capital Projects Funds	4,474,314	893,314	540,575	458,818	-	-	-	-	-	-
Nonspendable reported in Special Revenue Funds	-	-	-	-	-	-	-	2,535	-	-
Restricted reported in Special Revenue Funds	-	-	-	-	985,029	1,343,940	1,358,574	1,601,330	1,360,944	745,446
Restricted reported in Capital Projects Fund	-	-	-	-	3,911,075	3,714,801	3,672,665	4,242,382	3,270,823	5,145,662
Total all other governmental funds	<u>\$ 5,277,842</u>	<u>\$ 2,005,022</u>	<u>\$ 1,389,384</u>	<u>\$ 1,246,776</u>	<u>\$ 4,896,104</u>	<u>\$ 5,058,741</u>	<u>\$ 5,031,239</u>	<u>\$ 5,846,247</u>	<u>\$ 4,631,767</u>	<u>\$ 5,891,108</u>
Total	<u>\$ 11,377,134</u>	<u>\$ 8,810,192</u>	<u>\$ 4,987,220</u>	<u>\$ 5,875,786</u>	<u>\$ 11,376,134</u>	<u>\$ 11,721,288</u>	<u>\$ 12,755,907</u>	<u>\$ 12,969,051</u>	<u>\$ 12,626,479</u>	<u>\$ 15,261,182</u>

In 2011 the classifications of fund balance have been changed to reflect the implementation of GASB 54.

Fiscal year 2013 restated to reflect the 2014 restatement.

CITY OF HENDERSONVILLE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 4

(Prepared using the modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUES										
Taxes	\$ 16,243,459	\$ 17,043,363	\$ 17,415,237	\$ 19,351,811	\$ 20,195,166	\$ 20,870,520	\$ 22,129,587	\$ 22,914,476	\$ 23,829,117	\$ 26,620,140
Intergovernmental	6,309,858	9,246,121	5,917,568	6,238,810	7,519,303	8,100,213	10,924,360	8,120,595	7,424,580	8,661,973
Fines and fees	619,424	746,059	878,035	1,310,800	576,941	572,903	595,632	550,316	514,335	515,320
Licenses and permits	1,582,054	1,375,939	1,424,843	1,053,502	1,553,604	1,560,101	1,349,590	1,717,180	2,202,399	2,474,785
Charges for services	2,174,553	3,374,365	3,556,291	3,783,402	4,068,810	4,244,748	4,376,448	4,497,477	4,651,311	4,929,764
Uses of money, property and miscellaneous	495,903	372,161	71,981	28,763	47,824	53,998	34,283	21,922	37,749	29,039
Other	<u>401,937</u>	<u>1,035,956</u>	<u>489,425</u>	<u>646,712</u>	<u>244,426</u>	<u>220,291</u>	<u>1,297,224</u>	<u>182,985</u>	<u>319,257</u>	<u>482,841</u>
TOTAL REVENUES	<u>27,827,188</u>	<u>33,193,964</u>	<u>29,753,380</u>	<u>32,413,800</u>	<u>34,206,074</u>	<u>35,622,774</u>	<u>40,707,124</u>	<u>38,004,951</u>	<u>38,978,748</u>	<u>43,713,862</u>
EXPENDITURES										
General government	1,060,434	492,361	474,199	428,039	413,716	389,440	396,272	427,151	434,423	392,171
Personnel	242,412	251,184	281,799	271,999	283,047	272,531	287,784	305,524	315,919	399,598
Central services	1,127,625	994,299	1,010,125	1,309,030	2,019,106	1,492,771	1,599,478	1,794,169	1,894,510	1,887,501
Finance	739,805	764,684	799,187	756,401	748,831	775,140	852,925	905,613	877,973	995,139
Parks	1,609,638	1,419,812	1,699,832	1,648,418	1,894,255	1,481,399	1,629,574	1,684,978	1,700,430	1,942,921
IT	-	-	-	-	-	-	-	-	219,792	446,661
Codes	685,365	711,759	730,889	666,632	667,854	686,682	736,517	748,439	738,692	761,569
Planning	457,525	535,719	618,420	476,882	468,096	520,495	505,872	749,722	847,660	699,858
Public works	1,802,708	1,895,908	1,814,496	2,108,999	2,022,238	2,094,358	2,169,770	2,097,416	1,967,093	3,136,010
Police	6,804,438	7,352,689	8,694,457	8,180,485	7,976,998	8,832,841	8,964,947	9,764,722	10,030,094	10,524,713
Fire	6,545,922	6,951,764	7,440,877	7,330,834	7,514,104	7,563,874	8,212,617	9,085,509	8,798,116	9,081,173
Contributions	232,499	264,500	270,499	228,750	228,750	228,750	228,750	233,150	234,650	234,650
Disposal service	2,658,985	3,912,036	4,130,275	4,262,827	4,368,646	4,580,896	4,690,339	4,822,061	4,997,329	5,275,955
Program costs	55,628	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743	50,665
Streets	850,136	936,659	952,132	1,195,641	1,514,493	1,014,149	1,388,321	1,369,890	1,964,121	2,252,749
Debt service - Principal	4,469,500	878,500	1,298,500	1,292,500	1,357,500	1,740,500	7,852,821	2,070,185	2,282,594	2,338,593
Debt service - Interest	461,510	513,495	445,026	407,461	377,401	447,936	391,010	299,374	284,817	226,984
Capital outlay	<u>2,187,111</u>	<u>8,643,060</u>	<u>2,816,656</u>	<u>896,651</u>	<u>1,795,074</u>	<u>3,384,494</u>	<u>6,548,414</u>	<u>2,711,238</u>	<u>1,748,241</u>	<u>4,436,624</u>
TOTAL EXPENDITURES	<u>31,991,241</u>	<u>36,546,931</u>	<u>33,606,352</u>	<u>31,525,234</u>	<u>33,697,843</u>	<u>35,547,990</u>	<u>46,471,177</u>	<u>39,086,684</u>	<u>39,366,197</u>	<u>45,083,534</u>
Excess of revenues over (under) expenditures	<u>(4,164,053)</u>	<u>(3,352,967)</u>	<u>(3,852,972)</u>	<u>888,566</u>	<u>508,231</u>	<u>74,784</u>	<u>(5,764,053)</u>	<u>(1,081,733)</u>	<u>(387,449)</u>	<u>(1,369,672)</u>
OTHER FINANCING SOURCES (USES)										
Bond, notes, premiums, and leases	7,976,294	-	-	-	4,100,000	270,370	7,196,540	1,250,000	-	4,020,400
Operating transfers	(261,850)	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877	-
Insurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,714,444</u>	<u>(263,975)</u>	<u>30,000</u>	<u>-</u>	<u>4,992,117</u>	<u>270,370</u>	<u>7,022,900</u>	<u>1,294,877</u>	<u>44,877</u>	<u>4,020,400</u>
Special item	<u>-</u>	<u>1,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 3,550,391</u>	<u>\$ (2,566,942)</u>	<u>\$ (3,822,972)</u>	<u>\$ 888,566</u>	<u>\$ 5,500,348</u>	<u>\$ 345,154</u>	<u>\$ 1,258,847</u>	<u>\$ 213,144</u>	<u>\$ (342,572)</u>	<u>\$ 2,650,728</u>
Debt service as a percentage of noncapital expenditures	<u>16.5 %</u>	<u>5.0 %</u>	<u>5.7 %</u>	<u>5.6 %</u>	<u>5.4 %</u>	<u>6.8 %</u>	<u>20.6 %</u>	<u>6.5 %</u>	<u>6.8</u>	<u>6.3 %</u>

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

Schedule 5

Fiscal Year	Appraised Value					Assessed Value	Total Direct Tax Rate*
	Public Utility	Industrial & Commercial	Personal Property	Farm & Residential	Total		
2007	\$ 31,533,033	\$ 694,113,900	\$ 127,597,644	\$3,041,650,600	\$3,894,895,177	\$ 1,096,630,300	0.7200
2008	32,231,847	714,539,900	130,175,074	3,241,768,800	4,118,715,621	1,154,977,767	0.6297
2009	29,701,187	799,617,300	144,585,943	3,345,741,100	4,319,645,530	1,212,064,158	0.6297
2010	31,853,224	1,103,546,600	156,425,536	3,787,793,400	5,079,618,760	1,486,187,231	0.6500
2011	31,556,364	1,115,290,200	155,128,797	3,859,545,700	5,161,521,061	1,487,054,923	0.6500
2012	31,619,300	1,105,379,400	140,713,230	3,885,920,300	5,163,632,230	1,491,078,308	0.6500
2013	34,220,698	1,114,115,592	148,286,650	4,033,122,692	5,329,745,632	1,502,346,000	0.6500
2014	34,152,322	1,138,818,536	146,558,705	3,999,566,826	5,319,096,389	1,508,433,723	0.6500
2015	31,405,034	1,556,000,366	148,768,010	3,579,314,374	5,315,487,784	1,510,742,858	0.6500
2016	33,047,850	1,148,984,780	141,801,323	4,176,439,980	5,500,273,933	1,566,736,646	0.7580

Property is assessed as follows:

Industrial and Commercial: 40%
Real 30%
Personal 30%

Public Utility 55%
Farm and Residential 25%

* Per \$100 of assessed valuation

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

Source: City tax rolls

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

Schedule 6

<u>Fiscal Year</u>	<u>Direct Rate City</u>	<u>Overlapping Rate County **</u>	<u>Total</u>
2007	0.7200	2.2800	3.0000
2008	0.6297	2.2800	2.9097
2009	0.6297	2.2800	2.9097
2010	0.6500	2.0208	2.6708
2011	0.6500	2.0208	2.6708
2012	0.6500	2.0208	2.6708
2013	0.6500	2.0208	2.6708
2014	0.6500	2.0208	2.6708
2015	0.6500	2.5000	3.1500
2016	0.7580	2.5000	3.2580

Source - County Tax Assessor

The Direct Rate is a single rate with no components.

Levied per \$100 of assessed value.

** Levied on County property within the City.

Source: City tax rolls

City of Hendersonville, Tennessee

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

Schedule 7

Taxpayer	2016			2007		
	Taxable Assessed Value*	Rank	Percent of Total Assessed Value	Taxable Assessed Value*	Rank	Percent of Total Assessed Value
Inland American Hendersonville	\$ 19,200,520	1	1.26%			
Monthaven Park LLC	12,656,680	2	0.83%	12,129,320	2	1.11%
Hendersonville Hospital/HCA Realty	11,086,255	3	0.73%	15,904,726	1	1.45%
Mid America Apartments LP	9,959,120	4	0.66%			
BEL Hendersonville, LLC	9,840,000	5	0.65%			
Wal Mart Real Estate	7,944,280	7	0.52%	9,437,408	4	0.86%
Sir Cantare, LLC	7,722,000	6	0.51%			
Piedmont Natural Gas Company	6,898,379	8	0.45%	6,785,147	5	0.62%
Cottonwood Arbors On Main	6,730,800	9	0.44%			
Sams Club Real Estate	6,630,200	10	0.44%			
CT Hendersonville LLC				5,964,800	7	0.54%
United Dominion Realty, LP				10,837,440	3	0.99%
CMS Hendersonville (Gables)				6,559,480	6	0.60%
Bellsouth				5,917,974	8	0.54%
Lowes/JDN Realty				4,545,761	9	0.41%
Home Depot				4,384,647	10	0.40%
Totals	<u>\$ 98,668,234</u>		<u>6.49%</u>	<u>\$ 82,466,703</u>		<u>7.52%</u>
Total Assessed Value	<u>\$ 1,519,221,721</u>			<u>\$ 1,096,630,300</u>		

Source:

* Property Tax Assessment Roll

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

Schedule 8

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Collected	Delinquent Tax Collections	Total Collections	Total Collected as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
2007	\$ 6,905,481	\$ 6,720,765	97%	\$ 181,219	\$ 6,901,984	99.95%	\$ 3,497	0.0506%
2008	7,272,895	7,072,972	97%	193,661	7,266,633	99.91%	6,262	0.0861%
2009	7,632,368	7,380,922	97%	225,776	7,606,698	99.66%	25,670	0.3363%
2010	9,660,217	9,263,975	96%	376,510	9,640,485	99.80%	19,732	0.2043%
2011	9,665,857	9,343,593	97%	300,457	9,644,050	99.77%	21,807	0.2256%
2012	9,692,009	9,363,490	97%	313,748	9,677,238	99.85%	14,771	0.1524%
2013	9,765,249	9,550,408	98%	189,864	9,740,272	99.74%	24,977	0.2558%
2014	9,809,921	9,605,463	98%	170,301	9,775,764	99.65%	34,157	0.3482%
2015	9,814,009	9,604,742	98%	130,649	9,735,391	99.20%	78,618	0.8011%
2016	11,648,086	11,435,416	98%	-	11,435,416	98.17%	212,670	1.8258%
							<u>\$ 442,161</u>	

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

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

Schedule 9

<u>Fiscal Year</u>	<u>Total Remittances From State</u>	<u>Local Tax Rate*</u>	<u>State Tax Rate</u>	<u>Total Tax Rate</u>
2007	\$ 7,195,266	2.25%	7.00%	9.25%
2008	7,540,261	2.25%	7.00%	9.25%
2009	7,723,354	2.25%	7.00%	9.25%
2010	7,696,198	2.25%	7.00%	9.25%
2011	7,997,611	2.25%	7.00%	9.25%
2012	8,621,073	2.25%	7.00%	9.25%
2013	9,333,249	2.25%	7.00%	9.25%
2014	9,955,473	2.25%	7.00%	9.25%
2015	10,700,689	2.25%	7.00%	9.25%
2016	11,464,879	2.25%	7.00%	9.25%

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

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

Source: Sales tax reports provided by the State of Tennessee

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

Schedule 10

Fiscal Year	Population	Governmental Activities				Business-type activities	Total Primary Government	Percent of Personal Income	Debt Per Capita
		General Obligation Bonds	Obligation to County Schools	Capital Outlay Notes	Note Premiums (Discounts)	Golf Course Bonds			
2007	42,509	\$ 3,415,000	\$ -	\$ 10,582,500	\$ -	\$ 345,000	\$ 14,342,500	1.09%	337
2008	42,556	3,095,000	-	10,024,000	-	-	13,119,000	0.94%	308
2009	42,556	2,485,000	-	9,335,500	-	-	11,820,500	0.83%	278
2010	43,164	2,185,000	-	8,343,000	-	-	10,528,000	0.70%	244
2011	51,372	1,875,000	-	11,395,500	-	-	13,270,500	0.86%	258
2012	51,325	1,555,000	987,129	10,245,370	-	-	12,787,499	0.83%	249
2013	53,080	-	987,129	11,207,636	364,451	-	12,559,216	0.72%	230
2014	54,068	-	987,129	10,361,682	338,682	-	11,687,493	0.67%	210
2015	55,153	-	789,703	7,937,833	312,913	-	9,040,449	0.49%	164
2016	56,018	-	592,277	9,817,066	263,176	-	10,672,519	0.58%	191

Notes:

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

Debt includes related premiums and discounts.

* See schedule 15 for personal income information.

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

Schedule 11

Fiscal Year	Population	Estimated Appraised Value	General Obligation Bonds	Obligation to County Schools	Capital Notes	Note Premiums (Discounts)	Total	Ratio of General Obligation Debt to Appraised Value	Net General Obligation Debt Per Capita
2007	42,509	\$ 3,894,895,177	\$ 3,415,000	-	\$ 10,582,500	\$ -	\$ 13,997,500	0.36%	329
2008	42,556	4,118,715,621	3,095,000	-	10,024,000	-	13,119,000	0.32%	308
2009	42,556	4,319,645,530	2,485,000	-	9,335,500	-	11,820,500	0.27%	278
2010	43,164	5,079,618,760	2,185,000	-	8,343,000	-	10,528,000	0.21%	244
2011	51,372	5,161,521,061	1,875,000	-	11,395,500	-	13,270,500	0.26%	258
2012	51,325	5,163,632,230	1,555,000	987,129	10,245,370	-	12,787,499	0.25%	249
2013	53,080	5,329,745,632	-	987,129	11,207,636	364,451	12,559,216	0.24%	237
2014	54,068	5,319,096,389	-	987,129	10,361,682	338,682	11,687,493	0.22%	216
2015	55,153	5,315,487,784	-	789,703	7,937,833	312,913	9,040,449	0.17%	164
2016	56,018	5,500,273,933	-	592,277	9,817,066	263,176	10,672,519	0.19%	191

Notes:

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

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

Schedule 12

Jurisdiction	General Obligation Debt Outstanding	Percentage Applicable to City*	Amount Applicable to City*
City of Hendersonville	\$ 10,672,519	100.00%	\$ 10,672,519
Sumner County	171,995,000	36.83%	63,345,088
Total	<u>\$ 182,667,519</u>		<u>\$ 74,017,607</u>

* Based upon Assessed Value of Property in
County: \$ 4,254,013,670
City: \$ 1,566,736,646

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

Schedule 13

Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Assessed Value	\$1,566,736,646	\$1,510,742,858	\$1,508,488,723	\$1,502,346,000	\$1,491,078,308	\$1,487,054,923	\$1,486,187,231	\$1,212,064,158	\$1,154,977,767	\$1,096,630,300
General Obligation Debt	10,672,519	9,040,449	11,687,493	12,559,216	12,787,499	13,270,500	10,528,000	11,820,500	13,119,000	13,997,500
Debt as a % of Assessed Value	0.68%	0.60%	0.77%	0.84%	0.86%	0.89%	0.71%	0.98%	1.14%	1.28%

Note - The City has no legal debt limit.

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

Schedule 14

Golf Course Enterprise Fund

	Golf Course						
Fiscal Year	Gross Revenues*	Direct** Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	\$ 840,266	\$ 699,462	\$ 140,804	\$ 345,000	\$ 29,505	\$ 374,505	0.38
2008	781,221	693,926	87,295	345,000	11,176	356,176	0.25
2009	672,570	695,143	(22,573)	-	-	-	-
2010	690,000	695,064	(5,064)	-	-	-	-
2011	749,884	701,666	48,218	-	-	-	-
2012	807,588	760,594	46,994	-	-	-	-
2013	773,926	762,636	11,290	-	-	-	-
2014	808,082	746,725	61,357	-	-	-	-
2015	840,847	771,428	69,419	-	-	-	-
2016	857,578	830,221	27,357	-	-	-	-

* Includes nonoperating revenues

** Net of depreciation and amortization

Note: The General Fund has made annual transfers to the Golf Course Fund to cover shortfalls.
The debt was paid off in fiscal year 2008.

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

Schedule 15

<u>Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age*</u>	<u>Education Level in Years of Schooling*</u>	<u>School Enrollment**</u>	<u>Unemployment Rate*</u>
2007	42,509	\$ 1,319,181,797	\$ 31,033	36.2	14.2	12,582	3.3%
2008	42,556	1,392,006,760	32,710	37.0	14.2	12,891	5.3%
2009	42,556	1,415,753,008	33,268	37.7	14.2	13,242	10.5%
2010	43,164	1,500,725,952	34,768	37.5	14.2	13,140	8.1%
2011	51,372	1,545,372,504	30,082	38.0	14.2	13,452	8.3%
2012	51,325	1,539,750,000	30,000	38.7	14.8	12,785	6.8%
2013	53,080	1,704,876,520	32,119	37.8	14.8	13,857	6.8%
2014	54,068	1,766,509,696	32,672	37.8	14.8	16,224	5.5%
2015	55,153	1,782,324,348	32,316	37.8	14.8	14,206	4.8%
2016	56,018	1,847,921,784	32,988	39.4	14.8	14,058	3.9%

* Department of Labor, Research and Statistics

** Sumner Board of Education

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

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

Schedule 16

Employer	2016			2007		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	500	1	20.10%	430	1	21.8%
Xtend Healthcare	500	2	20.10%	-		0.0%
City of Hendersonville	322	3	12.95%	376	2	19.0%
Digital Connections, Inc.	200	4	8.04%	200	3	10.1%
MGM Windows	195	5	7.84%	150	6	7.6%
Aladdin Temp Rite	175	6	7.04%	175	5	8.9%
Sumner County YMCA	175	7	7.04%	-		0.0%
National Health Care	150	8	6.03%	120	7	6.1%
Windham Professionals	150	9	6.03%	-		0.0%
Nashville Wraps	120	10	4.83%	-		0.0%
Wal-Mart				200	4	10.1%
ITW Dynatech				113	8	5.7%
Betty Machine				110	9	5.6%
New Day Christian				100	10	5.1%
Totals	<u>2,487</u>			<u>1,974</u>		

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

Schedule 17

Function	Full-Time Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government	3	4	4	4	5	6	6	6	6	6
Personnel	4	3	3	3	3	3	3	3	3	3
Central Service Ride	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	9	9	9	9
Parks	17	16	16	14	16	16	16	16	16	14
Codes	8	9	9	9	10	10	10	10	10	10
Planning	6	6	5	5	6	6	6	6	6	6
Police	134	127	121	119	123	121	121	121	113	104
Fire	101	101	101	103	104	104	104	104	97	97
Streets and Public Works	34	32	27	32	35	36	36	36	36	36
Information Technology**	2	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Golf Course*	4	6	6	6	5	5	5	5	5	5
	322	315	301	304	316	316	316	316	301	290

* Golf course workers are leased employees.

** Information Technology Department separated from Public Works Department in 2015.

Source: City Personnel Department

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

Schedule 18

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Police										
Calls	43,863	44,712	41,227	42,102	51,042	47,553	56,177	62,837	49,957	44,312
Fire										
Emergency Responses										
Fire Calls	5,647	4,658	4,181	4,166	4,600	4,568	4,250	4,250	4,100	4,000
Codes										
Building Permits Issued	787	618	628	579	439	504	492	539	716	786
Disposal Service										
Refuse Collected* (number of homes)	17,334	17,212	16,918	16,633	16,325	16,200	16,035	16,035	15,287	15,250
Golf Course										
Rounds Played	23,319	22,526	23,741	22,671	22,977	20,871	20,557	21,843	23,311	25,802

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

* Collection service is contracted out.

Source: Various City Departments

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

Schedule 19

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Parks										
Acres	595	540	540	540	540	540	540	540	540	540
Parks	7	7	7	7	7	7	7	7	7	7
Lake Access	3	3	3	3	3	3	3	3	3	4
Picnic Areas	14	14	14	14	14	14	14	14	13	13
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Picnic Shelters	23	23	23	23	24	24	24	24	23	18
Practice Areas	25	25	25	25	25	25	25	25	25	22
Soccer Fields	24	22	22	22	22	22	18	18	17	15
Softball Fields	15	15	15	15	15	15	15	15	15	15
Football Fields	2	2	2	2	2	2	2	2	2	2
Baseball Fields	16	16	16	16	16	16	16	16	16	16
Playgrounds	12	12	12	12	11	11	11	11	11	10
Sand Volleyball Courts (lighted)	3	3	3	3	3	3	3	3	3	3
One Mile Lighted Track/bike trail	1	1	1	1	1	1	1	1	1	1
In-Line Hockey Rink	2	2	2	2	2	2	2	2	2	2
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Lacrosse Field	2	2	2	2	2	2	2	2	2	1
Autos and Trucks	20	20	20	20	17	17	17	17	17	18
Codes										
Autos and Trucks	6	6	8	7	7	7	8	8	8	8
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Vehicles, Motorcycles and Boats	154	145	173	163	153	135	129	122	113	101
Fire										
Stations	6	6	6	6	6	6	6	6	6	5
Fire Trucks	13	12	12	11	11	11	11	11	11	10
Autos and Trucks	12	10	11	12	12	10	9	8	8	8
Fire Hydrants	2,443	2,190	2,190	2,170	2,000	2,000	2,000	2,000	1,700	1,700
Jet Skis	2	2	2	2	2	2	2	2	2	2
Fire Boat	1	1	1	1	1	1	1	1	1	1
Inflatable Boat with Motor	2	2	2	2	2	0	0	0	0	0
Streets and Public Works										
Streets (miles)	376	374	371	369	363	362	360	360	356	352
Street Lights	7,370	7,370	7,351	7,351	7,340	7,334	7,304	7,292	7,272	7,244
Traffic Signals	33	31	30	30	30	28	28	28	27	24

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

Source: Departments within City Hall

OTHER REPORTS SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Mayor and Aldermen
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, 2016, and the related notes to the financial statements, which collectively comprise City of Hendersonville, Tennessee's basic financial statements, and have issued our report thereon dated December 23, 2016.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-002 to be a significant deficiency.

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.

Kraft CPAs PLLC

Nashville, Tennessee
December 23, 2016

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

Board of Mayor and Aldermen
Hendersonville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Hendersonville, Tennessee's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Hendersonville, Tennessee's major federal programs for the year ended June 30, 2016. The City of Hendersonville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, City of Hendersonville, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Kraft CPAs PLLC

Nashville, Tennessee
December 23, 2016

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? yes X none reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program
20.205	Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? yes X no

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

PRIOR YEAR

There were no prior year audit findings.

CURRENT YEAR

2016-001 - Internal Control over Electronic Transfers

Criteria

Management is responsible for establishing and maintaining effective internal controls related to disbursement of City funds including, ACH's and wire transfers.

Condition, Cause and Effect

Internal Controls regarding wire transfers were circumvented when a wire was initiated based on a fictitious e-mail that appeared to be from the Mayor. Shortly after initiation, the Finance Department discovered the e-mail was fictitious and immediately contacted the Bank and law enforcement authorities. Because of their quick response, the City was able to recover approximately half of the original wire amount and the remaining balance was recovered from the City insurance carrier less the \$1,000 deductible.

Recommendation

We recommend that the City stay aware of electronic threats, and always adhere to all internal control processes that are currently in place.

Management's Response

The City agrees with the finding and has improved existing procedures to ensure controls are in place to prevent loss from electronic threats.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

2016-002 - 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, Cause and Effect

During the audit, we were notified of two bank accounts that were under the direction of the Parks Department staff that were not recorded on the City's books and records for several years, including the year ended June 30, 2016. These accounts were being managed by a combination of Parks Department employees and representatives of the Hendersonville Officials Association. These accounts included all financial activity for athletic league programs held by the Parks and Recreation department. After a new Parks Director was named in 2016, he brought this information to the Finance Department's attention, and a recommendation was made that that these two accounts should be closed and all related activity of the athletic leagues should be processed through the City's books and records. Beginning fiscal year 2017, all related league activity is budgeted as part of the Parks Department activity, and recorded by the City.

The activity for fiscal year 2016 was not originally recorded, and an accounting of bank receipts and disbursements was prepared by the City and reviewed as part of the audit by the auditors. An adjustment was made to record the bank balances, revenues and expenses for 2016. Total revenues and expenditures were material, however the net change in general fund balance relating to this activity was not significant.

Recommendation

We recommend the Finance Department communicate to all other departments the importance of ensuring all funds collected for the City are captured by the City's records for proper accounting treatment and to ensure proper entity controls are being applied.

Management's Response

The City agrees with the finding and has communicated with the City departments the importance of ensuring all funds are properly recorded and all City policies and procedures are adhered to.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2016

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

PRIOR YEAR

No findings noted.

CURRENT YEAR

No findings noted.