

CITY OF HENDERSONVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

PREPARED BY:
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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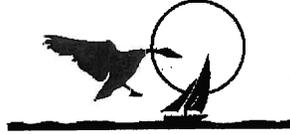
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INTRODUCTORY SECTION

City of Hendersonville



101 Maple Drive North

Hendersonville, TN 37075

Telephone (615) 822-1000

www.hvilletn.org • Fax (615) 264-5327

December 27, 2017

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 date for the fiscal year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework that 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, 2017. 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 57,050 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

Mayor	Ward One	Ward Two	Ward Three	Ward Four	Ward Five	Ward Six
Jamie Clary Vice Mayor Hamilton Frost, Jr.	Mark A. Skidmore Peg Petrelli	Scott Sprouse Pat Campbell	Arlene Cunningham Angie Hedberg	Andy Gilley Steve Brown	Darrell Woodcock Hamilton Frost, Jr.	Jim Waters Matthew Stamper

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 continues with 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 will be budgeting \$5,793,025 for capital projects in Fiscal Year 2018 for the following projects: \$2,400,000 for a new Fire Hall, \$850,000 for

supplemental road paving, \$120,000 inline hockey resurfacing, \$130,000 for park improvements, \$880,000 to purchase two fire trucks, \$668,025 for Drakes Creek Widening project, \$620,000 for Sanders Ferry Walking Trail, and \$125,000 for construction of a Horse Barn.

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. These projects continue from previous years appropriations.

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 \$600,000 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.

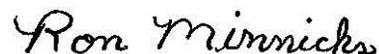
Awards and Acknowledgements

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, 2016. This was the thirty fourth 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, CPA, CMFO 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,



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, 2016

Executive Director/CEO

CITY OF HENDERSONVILLE

ORGANIZATION CHART

JUNE 30, 2017

CITIZENS

LEGISLATIVE
BOARD OF MAYOR AND ALDERMEN

WARD ONE 2 MEMBER	WARD TWO 2 MEMBER	WARD THREE 2 MEMBER	MAYOR	WARD FOUR 2 MEMBER	WARD FIVE 2 MEMBER	WARD SIX 2 MEMBER
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JUDICIAL
CITY ATTORNEY

EXECUTIVE
VICE MAYOR
EXECUTIVE ASSISTANT/CITY RECORDER
MAYORAL ASSISTANT/ECD

JUDICIAL
CITY JUDGE

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

OFFICIALS OF THE
CITY OF HENDERSONVILLE, TENNESSEE

June 30, 2017

Jamie Clary	Mayor
Hamilton Frost	Vice Mayor, Ward 5
Peg Petrelli	Alderman, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Scott Sprouse	Alderman, Ward 2
Arlene Cunningham	Alderman, Ward 3
Angie Hedberg	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Andy Gilley	Alderman, Ward 4
Darrell Woodcock	Alderman, Ward 5
Matt Stamper	Alderman, Ward 6
Jim Waters	Alderman, Ward 6
Keith Free	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, 2017, 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, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, and the schedule of changes in net pension liability (asset) and related ratios, contributions based on participation in the public employee pension plan of TCRS, and schedule of funding progress - OPEB Plan on pages 59 through 61 to be presented to supplement the basic financial statements.

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and 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 marked “unaudited,” 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 27, 2017, 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.

Kraj+CPAs PLLC

Nashville, Tennessee
December 27, 2017

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, 2017. 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 \$70,009,611 (net position). Of this amount, \$13,576,690 (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 \$545,153. This positive change is attributable mostly to a decrease in total deferred inflows of resources.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,189,500, a decrease of \$2,071,682 in comparison to the prior year. Approximately \$3,158,144 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 \$3,158,144 or 9.6% of the total general fund expenditures.

The City's total debt decreased by \$2,183,529 or (20.5%) during the current fiscal year.

Overview of the Financial Statements:

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

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

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

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

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

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

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

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

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, solid waste, debt service and capital projects funds which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Hendersonville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-58 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 62-68 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 \$70,009,611 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (78.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 31,057,079	\$ 34,012,707	\$ 135,980	\$ 152,457	\$ 31,193,059	\$ 34,165,164
Capital assets	<u>61,552,917</u>	<u>61,380,842</u>	<u>991,400</u>	<u>1,055,312</u>	<u>62,544,317</u>	<u>62,436,154</u>
Total assets	<u>92,609,996</u>	<u>95,393,549</u>	<u>1,127,380</u>	<u>1,207,769</u>	<u>93,737,376</u>	<u>96,601,318</u>
Deferred outflows of resources	<u>5,606,738</u>	<u>5,221,044</u>	-	-	<u>5,606,738</u>	<u>5,221,044</u>
Long-term liabilities outstanding	13,404,460	13,740,910	-	-	13,404,460	13,740,910
Other liabilities	<u>3,153,547</u>	<u>4,097,770</u>	<u>46,285</u>	<u>46,973</u>	<u>3,199,832</u>	<u>4,144,743</u>
Total liabilities	<u>16,558,007</u>	<u>17,838,680</u>	<u>46,285</u>	<u>46,973</u>	<u>16,604,292</u>	<u>17,885,653</u>
Deferred inflows of resources	<u>12,730,211</u>	<u>14,472,251</u>	-	-	<u>12,730,211</u>	<u>14,472,251</u>
Net position:						
Net investment capital assets	53,689,057	51,563,776	991,400	1,055,312	54,680,457	52,619,088
Restricted	1,752,464	2,655,732	-	-	1,752,464	2,655,732
Unrestricted	<u>13,486,995</u>	<u>14,084,154</u>	<u>89,695</u>	<u>105,484</u>	<u>13,576,690</u>	<u>14,189,638</u>
Total net position	<u>\$ 68,928,516</u>	<u>\$ 68,303,662</u>	<u>\$ 1,081,095</u>	<u>\$ 1,160,796</u>	<u>\$ 70,009,611</u>	<u>\$ 69,464,458</u>

An additional portion of the City's net position (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$13,576,690) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position decreased by \$2,071,682 during the current fiscal year. This decrease is 3.0% of total net position. This decrease represents mostly an increase in total expenditures exceeding revenues and amounts due from other governments.

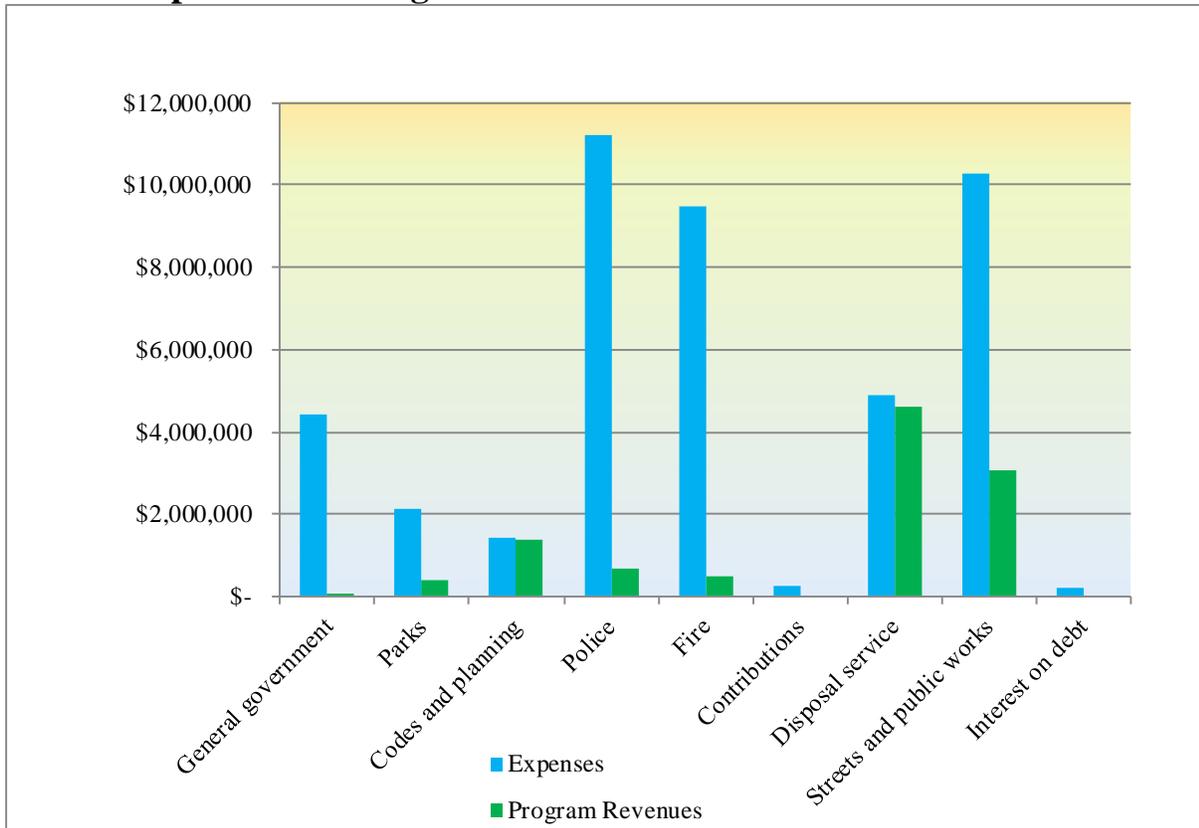
Governmental Activities

Governmental activities increased the City's net position by \$624,854, thereby accounting for 87.2% 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.

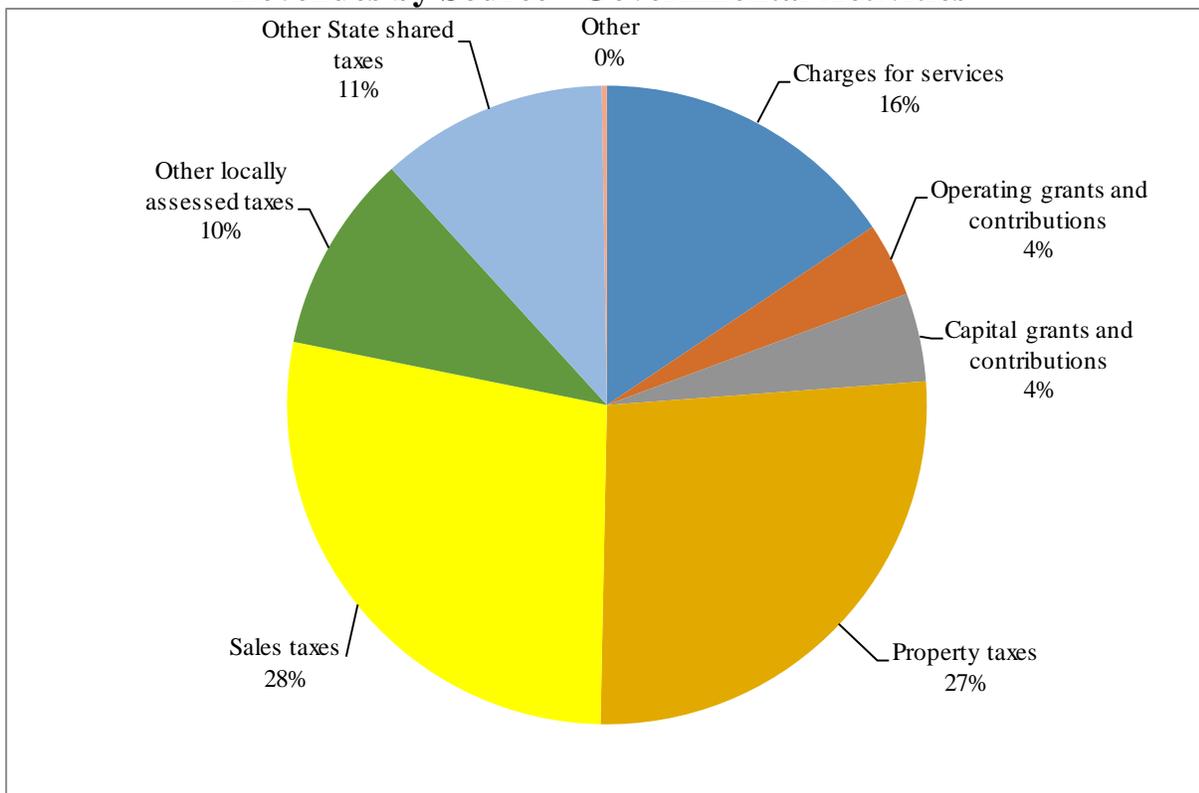
	City of Hendersonville's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 6,984,568	\$ 7,165,695	\$ 827,391	\$ 857,375	\$ 7,811,959	\$ 8,023,070
Operating grants and contributions	1,682,944	1,796,210	-	-	1,682,944	1,796,210
Capital grants and contributions	2,004,433	4,063,741	-	-	2,004,433	4,063,741
General revenues:						
Property taxes	11,875,490	11,642,276	-	-	11,875,490	11,642,276
Sales taxes	12,482,225	11,355,539	-	-	12,482,225	11,355,539
Other locally assessed taxes	4,515,176	4,398,632	-	-	4,515,176	4,398,632
Other State shared taxes	5,146,967	5,392,600	-	-	5,146,967	5,392,600
Other	117,696	116,779	4,979	203	122,675	116,982
Total revenues	44,809,499	45,931,472	832,370	857,578	45,641,869	46,789,050
Expenses:						
General government	463,784	461,174	-	-	463,784	461,174
Personnel	391,863	343,659	-	-	391,863	343,659
Central services	2,030,722	1,906,242	-	-	2,030,722	1,906,242
Finance	933,442	953,047	-	-	933,442	953,047
Parks	2,116,119	2,057,819	-	-	2,116,119	2,057,819
IT	611,823	446,225	-	-	611,823	446,225
Codes	758,752	718,402	-	-	758,752	718,402
Planning	643,513	710,526	-	-	643,513	710,526
Police	11,173,075	10,391,599	-	-	11,173,075	10,391,599
Fire	9,465,982	8,972,110	-	-	9,465,982	8,972,110
Contributions	235,150	234,650	-	-	235,150	234,650
Disposal service	4,888,951	6,025,955	-	-	4,888,951	6,025,955
Drug and forfeiture program costs	23,051	50,665	-	-	23,051	50,665
Streets and Public Works	10,260,978	9,405,256	-	-	10,260,978	9,405,256
Interest expense on long-term debt	187,440	212,616	-	-	187,440	212,616
Golf course	-	-	912,071	943,937	912,071	943,937
Total expenses	44,184,645	42,889,945	912,071	943,937	45,096,716	43,833,882
Increase (decrease) in net position	624,854	3,041,527	(79,701)	(86,359)	545,153	2,955,168
Net position						
Beginning of year	68,303,662	65,262,135	1,160,796	1,247,155	69,464,458	66,509,290
End of year	\$ 68,928,516	\$ 68,303,662	\$ 1,081,095	\$ 1,160,796	\$ 70,009,611	\$ 69,464,458

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

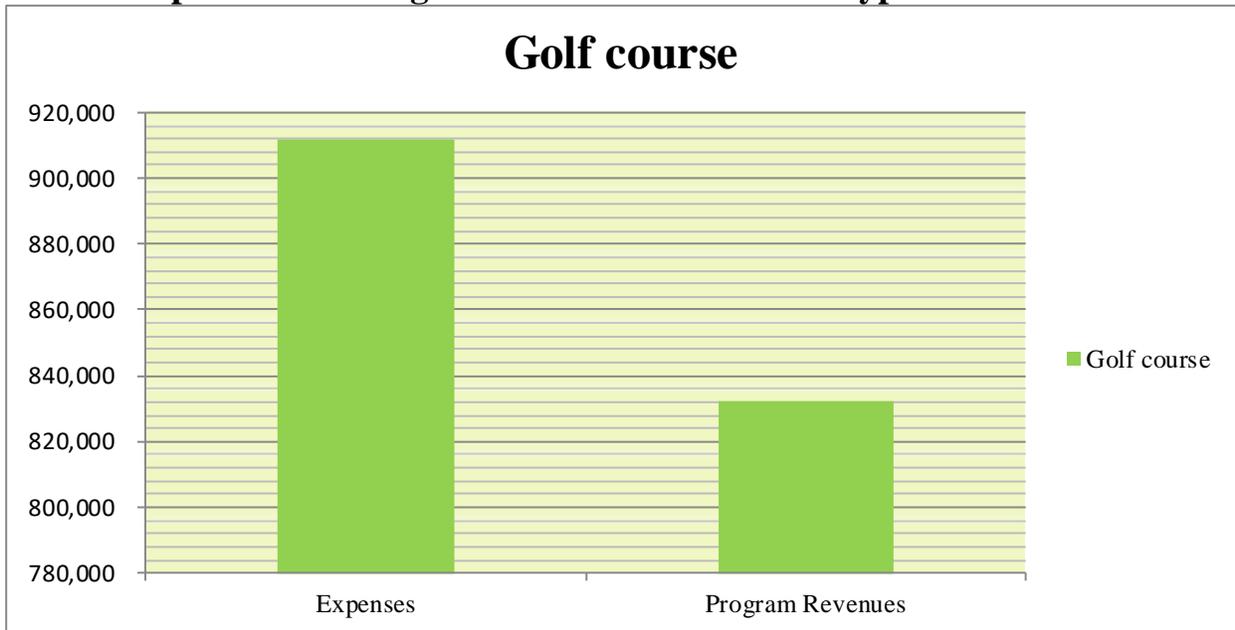
Expenses and Program Revenues - Governmental Activities



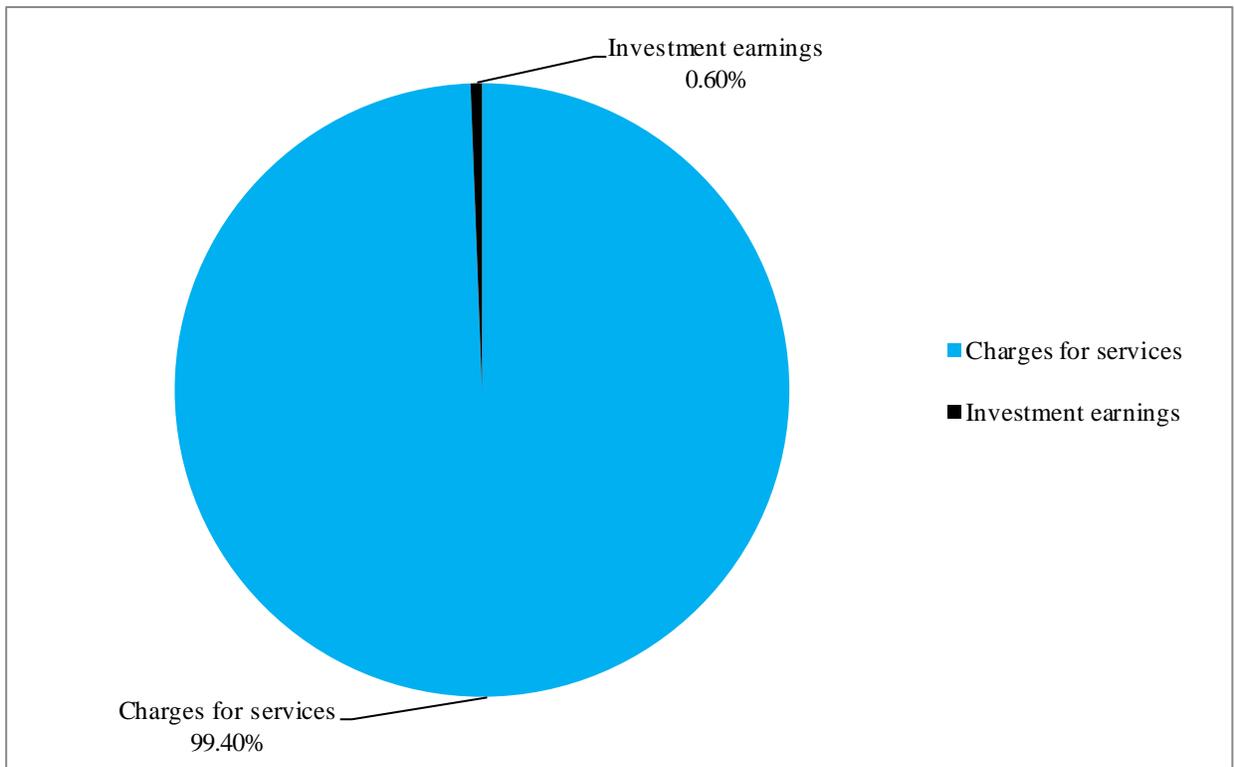
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities Golf Course



Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,189,500, a decrease of \$2,071,682 in comparison with the prior year. Approximately 23.8% of this total amount (\$3,158,144) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$10,031,356) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$1,689,219); 2) restricted to provide for capital projects (\$1,760,146); 3) designated nonspendable to provide for prepaid items (\$601,677); 4) committed to provide for designated departmental projects (\$2,010,771), 5) assigned for specific projects regarding other governmental funds (\$806,296); 6) assigned for departmental obligations in the amount of (\$1,598,996); 7) and assigned for subsequent year budget in the amount of (\$1,564,251).

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 \$3,158,144, while total fund balance reached \$10,573,050. 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 9.6% of total general fund expenditures, while total fund balance represents 32.1% of that same amount.

The fund balance of the City's general fund increased by \$1,202,976 during the current fiscal year. The key factor in this increase was primarily due to increases in revenues exceeding expenditures.

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 \$1,760,146. The decrease in total fund balance from the prior fiscal year was \$3,385,516 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 \$608,020. The increase in total fund balance from the prior fiscal year was \$90,176.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$232,451. The increase in total fund balance from the prior fiscal year was \$24,119.

At the end of current fiscal year, total fund balance of the forfeiture fund (nonmajor governmental fund) was \$15,833. The decrease in total fund balance from the prior fiscal year was \$3,347.

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 \$89,695. The decrease in total net position of the Golf Course Fund amounted to \$79,701. 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 \$1,077,488 and can be briefly summarized as follows:

- The Fire department budget was amended by \$18,060 for donations made from private citizens.
- The Capital Projects budget was amended \$55,597 for regional bus service.
- The Police department budget was amended by \$55,000 to purchase safety equipment, \$213,962 for the Emergency Communication Center, \$34,022 for the Horse barn construction, \$44,000 for grant proceeds from various grants and amended by \$1,000 from private citizen donations.
- The Central Administration department was amended by \$227,711 for a CDBG grant, \$35,000 for a special census, \$8,578 for a paging system and cabling project, \$24,000 for expenses relating to the Hazard Free Workplace grant and \$50,000 for Wi-Fi in the parks.
- The Public Works Department budget was amended by \$199,558 for supplemental paving projects, \$40,000 for a new supervisor position and \$21,000 in Lake Haven Subdivision improvements.
- The Parks department budget was amended by \$50,000 for electric service at the athletic fields.

Total general fund revenues for FY 2016-2017 were under budgeted revenues by \$1,130,934 or 2.9%. Total expenditures for FY 2016-2017 were under budgeted expenditures before transfers by \$3,149,407 or 8.5% resulting in a positive variance with final budget before transfers in the amount of \$2,018,473.

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, 2017, amounts to \$62,544,317 (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 .17% (a 0.28% increase for governmental activities and a 6.4% decrease for business-type activities).

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

- \$1,416,701 in new machinery and equipment purchases.
- \$3,228,687 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.

	City of Hendersonville's Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,650,797	\$ 4,650,797	\$ 641,194	\$ 641,194	\$ 5,291,991	\$ 5,291,991
Buildings and improvements	9,874,042	9,865,542	1,033,754	1,033,754	10,907,796	10,899,296
Improvements other than buildings	3,020,369	3,020,369	4,259,559	4,259,559	7,279,928	7,279,928
Machinery and equipment	14,332,479	13,526,432	717,055	712,054	15,049,534	14,238,486
Construction in progress	4,337,527	5,221,527	-	-	4,337,527	5,221,527
Infrastructure	110,765,415	105,636,463	-	-	110,765,415	105,636,463
	146,980,629	141,921,130	6,651,562	6,646,561	153,632,191	148,567,691
Less accumulated depreciation	(85,427,712)	(80,540,288)	(5,660,162)	(5,591,249)	(91,087,874)	(86,131,537)
Net Capital Assets	\$ 61,552,917	\$ 61,380,842	\$ 991,400	\$ 1,055,312	\$ 62,544,317	\$ 62,436,154

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

Long -Term Debt

At the end of the current year, the City of Hendersonville had total long-term debt outstanding of \$8,488,900 all of which is backed by the full faith and credit of the government. The enterprise fund had no bonded debt outstanding.

City of Hendersonville's Outstanding Debt

	City of Hendersonville's Capital Assets					
	Commercial Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 7,863,860	\$ 9,817,066	\$ -	\$ -	\$ 7,863,860	\$ 9,817,066
Obligation to school system	394,851	592,277	-	-	394,851	592,277
	8,258,711	10,409,343	-	-	8,258,711	10,409,343
Note premiums	230,279	263,176	-	-	230,279	263,176
Total long-term debt obligations	\$ 8,488,990	\$ 10,672,519	\$ -	\$ -	\$ 8,488,990	\$ 10,672,519

The City of Hendersonville's total debt decreased by \$2,183,529 (20.4%) during the current fiscal year. On February 27, 2014 Standard & Poors Rating Services raised the City of Hendersonville rating from AA to AA+ based on their local GO criteria published September 12, 2013.

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

Additional information on the City of Hendersonville's long-term debt can be found in note 7 beginning on page 41 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City of Hendersonville is currently 3.6%, which is lower than last year's rate of 3.9%. This compares to the state's average unemployment rate of 3.0% and the national average rate of 4.1%.

In the 2016-2017 budget, General fund revenues and transfers in are budgeted to increase by 16.1% from the 2016-2016 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 2016-2017 budget year are trending more favorably but still requires a conservative approach to the 2017-2018 budget.

All of these factors were considered in preparing the City's budget for the 2017-2018 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$10,573,050. The City has appropriated \$1,564,251 of this amount for spending in the 2017-2018 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Hendersonville Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Primary Government</u>		<u>Total</u>	<u>Component</u>
	<u>Governmental</u>	<u>Business</u>	<u>Primary</u>	<u>Units</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Units</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,220,101	\$ 85,173	\$ 11,305,274	\$ 185,432
Receivables:				
Property taxes	12,859,215	-	12,859,215	-
Other taxes	154,582	-	154,582	-
Disposal fees	136,220	-	136,220	-
Due from other governments	5,381,022	-	5,381,022	5,008
Accounts receivable	-	1,139	1,139	-
Inventories	-	48,167	48,167	-
Prepaid items	601,677	-	601,677	-
Deposits	-	1,501	1,501	-
Restricted assets - cash and cash equivalents				
Deposit for capital construction - State of Tennessee	704,262	-	704,262	-
Escrow funds	-	-	-	470,289
Capital assets				
Land and construction in progress	8,988,324	641,194	9,629,518	10,852
Capital assets, net	<u>52,564,593</u>	<u>350,206</u>	<u>52,914,799</u>	<u>27,590</u>
TOTAL ASSETS	<u>92,609,996</u>	<u>1,127,380</u>	<u>93,737,376</u>	<u>699,171</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows relating to pensions	<u>5,606,738</u>	<u>-</u>	<u>5,606,738</u>	<u>-</u>
 <u>LIABILITIES</u>				
Accounts payable	688,937	16,259	705,196	-
Accrued liabilities	2,458,880	30,026	2,488,906	1,121
Liabilities payable from restricted cash	-	-	-	470,289
Unearned revenue	5,730	-	5,730	-
Long-term liabilities due within one year	3,134,633	-	3,134,633	-
Net pension liability	1,941,504	-	1,941,504	-
Long-term liabilities due more than one year	<u>8,328,323</u>	<u>-</u>	<u>8,328,323</u>	<u>-</u>
TOTAL LIABILITIES	<u>16,558,007</u>	<u>46,285</u>	<u>16,604,292</u>	<u>471,410</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Assessed and unlevied property taxes and disposal fees	<u>12,730,211</u>	<u>-</u>	<u>12,730,211</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,730,211</u>	<u>-</u>	<u>12,730,211</u>	<u>-</u>
 <u>NET POSITION</u>				
Net investment in capital assets	53,689,057	991,400	54,680,457	38,442
Restricted for:				
Public works	479,871	-	479,871	-
Street maintenance	950,640	-	950,640	-
Law enforcement	258,708	-	258,708	-
Capital projects	63,245	-	63,245	-
Unrestricted	<u>13,486,995</u>	<u>89,695</u>	<u>13,576,690</u>	<u>189,319</u>
TOTAL NET POSITION	<u>\$ 68,928,516</u>	<u>\$ 1,081,095</u>	<u>\$ 70,009,611</u>	<u>\$ 227,761</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
GOVERNMENTAL ACTIVITIES:								
General government	\$ 463,784	\$ -	\$ -	\$ -	\$ (463,784)	\$ -	\$ (463,784)	\$ -
Personnel	391,863	-	-	-	(391,863)	-	(391,863)	-
Central services	2,030,722	-	-	-	(2,030,722)	-	(2,030,722)	-
Finance	933,442	52,201	12,000	-	(869,241)	-	(869,241)	-
Parks and recreation	2,116,119	341,937	-	53,182	(1,721,000)	-	(1,721,000)	-
Information technology	611,823	-	-	-	(611,823)	-	(611,823)	-
Codes	758,752	1,203,629	-	-	444,877	-	444,877	-
Planning	643,513	110,335	-	43,904	(489,274)	-	(489,274)	-
Police	11,173,075	537,760	116,417	20,422	(10,498,476)	-	(10,498,476)	-
Fire	9,465,982	111,875	-	374,999	(8,979,108)	-	(8,979,108)	-
Contributions	235,150	-	-	-	(235,150)	-	(235,150)	-
Disposal service	4,888,951	4,621,956	(5,474)	-	(272,469)	-	(272,469)	-
Drug and forfeiture program costs	23,051	-	-	-	(23,051)	-	(23,051)	-
Streets and public works	10,260,978	4,875	1,560,001	1,511,926	(7,184,176)	-	(7,184,176)	-
Interest and issuance costs on long-term debt	187,440	-	-	-	(187,440)	-	(187,440)	-
	<u>44,184,645</u>	<u>6,984,568</u>	<u>1,682,944</u>	<u>2,004,433</u>	<u>(33,512,700)</u>	<u>-</u>	<u>(33,512,700)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Golf course	912,071	827,391	-	-	-	(84,680)	(84,680)	-
	<u>912,071</u>	<u>827,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,680)</u>	<u>(84,680)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 45,096,716</u>	<u>\$ 7,811,959</u>	<u>\$ 1,682,944</u>	<u>\$ 2,004,433</u>	<u>(33,512,700)</u>	<u>(84,680)</u>	<u>(33,597,380)</u>	<u>-</u>
COMPONENT UNITS	<u>\$ 141,092</u>	<u>\$ 111,083</u>	<u>\$ 33,284</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,275</u>
General revenues:								
Property taxes					11,875,490	-	11,875,490	-
In lieu of taxes					859,890	-	859,890	-
Sales taxes					12,482,225	-	12,482,225	-
Wholesale beer tax					1,011,321	-	1,011,321	-
Wholesale liquor tax					556,104	-	556,104	-
Business tax					1,164,209	-	1,164,209	-
Franchise taxes					923,652	-	923,652	-
Unrestricted state shared taxes:								
State shared sales tax					4,290,951	-	4,290,951	-
State shared income tax					626,085	-	626,085	-
State shared beer tax					24,805	-	24,805	-
State shared alcoholic beverage tax					166,904	-	166,904	-
Other unrestricted state shared revenues					38,222	-	38,222	-
Unrestricted investment earnings					24,546	169	24,715	282
Other					79,784	4,810	84,594	-
Gain on disposal of assets					13,366	-	13,366	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					<u>34,137,554</u>	<u>4,979</u>	<u>34,142,533</u>	<u>282</u>
CHANGE IN NET POSITION					<u>624,854</u>	<u>(79,701)</u>	<u>545,153</u>	<u>3,557</u>
NET POSITION - BEGINNING OF YEAR					<u>68,303,662</u>	<u>1,160,796</u>	<u>69,464,458</u>	<u>224,204</u>
NET POSITION - END OF YEAR					<u>\$ 68,928,516</u>	<u>\$ 1,081,095</u>	<u>\$ 70,009,611</u>	<u>\$ 227,761</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	<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	\$ 9,414,292	\$ -	\$ 1,055,375	\$ -	\$ 750,434	\$ 11,220,101
Receivables:						
Property taxes	12,859,215	-	-	-	-	12,859,215
Other taxes	154,582	-	-	-	-	154,582
Disposal fees	-	136,220	-	-	-	136,220
Due from other governments	5,131,055	-	3,821	-	246,146	5,381,022
Deposit for capital construction - State of Tennessee	-	-	704,262	-	-	704,262
Prepaid items	601,677	-	-	-	-	601,677
Due from other funds	-	437,698	-	-	-	437,698
TOTAL ASSETS	\$ 28,160,821	\$ 573,918	\$ 1,763,458	\$ -	\$ 996,580	\$ 31,494,777
LIABILITIES						
Accounts payable	223,998	460,644	3,312	\$ -	\$ 983	\$ 688,937
Accrued liabilities	2,341,618	-	-	-	12,357	2,353,975
Due to other funds	437,698	-	-	-	-	437,698
Unearned revenue	5,730	-	-	-	-	5,730
TOTAL LIABILITIES	3,009,044	460,644	3,312	-	13,340	3,486,340
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	14,578,727	113,274	-	-	126,936	14,818,937
FUND BALANCE						
Nonspendable	601,677	-	-	-	-	601,677
Restricted for:						
Public works	479,871	-	-	-	-	479,871
Street maintenance	342,620	-	-	-	608,020	950,640
Law enforcement	10,424	-	-	-	248,284	258,708
Streets capital projects	-	-	1,760,146	-	-	1,760,146
Committed for:						
Information technology	5,500	-	-	-	-	5,500
Public works	346,718	-	-	-	-	346,718
Street maintenance	1,574,531	-	-	-	-	1,574,531
Parks department	50,000	-	-	-	-	50,000
Police	34,022	-	-	-	-	34,022
Assigned to:						
Retiree benefits	806,296	-	-	-	-	806,296
General government	319,245	-	-	-	-	319,245
Public works	718,591	-	-	-	-	718,591
Law enforcement	229,415	-	-	-	-	229,415
Parks	331,745	-	-	-	-	331,745
Subsequent year budget	1,564,251	-	-	-	-	1,564,251
Unassigned	3,158,144	-	-	-	-	3,158,144
TOTAL FUND BALANCES	10,573,050	-	1,760,146	-	856,304	13,189,500
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 28,160,821	\$ 573,918	\$ 1,763,458	\$ -	\$ 996,580	\$ 31,494,777

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, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 13,189,500
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	61,552,917
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	(8,258,711)
Add: bond premium	(230,279)
Compensated absences	(1,918,877)
Post-closure landfill costs relating to Resource Authority	(314,000)
Other post employment benefits liability	(741,089)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(104,905)
Net pension liability in governmental activities is not due and payable in the current period and therefore is not reported in the governmental funds Balance Sheet	(1,941,504)
Employer pension contributions made since the measurement date are deferred outflows of resources in governmental activities but have been expensed in governmental funds Balance Sheet	1,689,630
Deferred outflows of resources that are not financial resources and therefore are not reported in the governmental funds Balance Sheet:	
Other deferred outflows related to pensions	3,917,108
Certain deferred inflows relating to property taxes and other tax revenues in the governmental fund statements is recognized as revenues in the government-wide Statement of Net Position	<u>2,088,726</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 68,928,516</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, 2017

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 27,820,614	\$ -	\$ -	\$ -	\$ -	\$ 27,820,614
Intergovernmental revenues	5,905,461	-	1,306,940	-	1,465,383	8,677,784
Fines and forfeitures	503,072	-	-	-	-	503,072
Licenses and permits	2,330,781	-	-	-	-	2,330,781
Charges for services	341,937	4,612,899	-	-	-	4,954,836
Uses of money and property	23,231	-	4,876	-	9,805	37,912
Miscellaneous	328,539	-	-	-	-	328,539
	<u>37,253,635</u>	<u>4,612,899</u>	<u>1,311,816</u>	<u>-</u>	<u>1,475,188</u>	<u>44,653,538</u>
EXPENDITURES						
Current operations:						
General government	360,566	-	-	-	-	360,566
Personnel	377,876	-	-	-	-	377,876
Central services	2,032,366	-	-	-	-	2,032,366
Finance	922,366	-	-	-	-	922,366
Parks and recreation	2,065,364	-	-	-	-	2,065,364
Information technology	605,882	-	-	-	-	605,882
Codes	727,566	-	-	-	-	727,566
Planning	634,172	-	-	-	-	634,172
Public works	3,952,976	-	229,296	-	-	4,182,272
Police	10,760,909	-	-	-	-	10,760,909
Fire	8,851,924	-	-	-	-	8,851,924
Contributions	235,150	-	-	-	-	235,150
Disposal service	-	5,324,951	-	-	-	5,324,951
Drug and forfeiture program costs	-	-	-	-	23,051	23,051
Streets	-	-	363,188	-	1,175,074	1,538,262
Debt service:						
Principal	-	-	-	2,150,633	-	2,150,633
Interest	-	-	-	263,322	-	263,322
Other	200	-	-	-	-	200
Capital outlay	1,397,335	-	4,104,848	-	166,205	5,668,388
TOTAL EXPENDITURES	<u>32,924,652</u>	<u>5,324,951</u>	<u>4,697,332</u>	<u>2,413,955</u>	<u>1,364,330</u>	<u>46,725,220</u>
REVENUES OVER (UNDER) EXPENDITURES	4,328,983	(712,052)	(3,385,516)	(2,413,955)	110,858	(2,071,682)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	712,052	-	2,413,955	-	3,126,007
Transfers out	(3,126,007)	-	-	-	-	(3,126,007)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,126,007)</u>	<u>712,052</u>	<u>-</u>	<u>2,413,955</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,202,976	-	(3,385,516)	-	110,858	(2,071,682)
FUND BALANCES - BEGINNING 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>
FUND BALANCES - END OF YEAR	\$ <u>10,573,050</u>	\$ <u>-</u>	\$ <u>1,760,146</u>	\$ <u>-</u>	\$ <u>856,304</u>	\$ <u>13,189,500</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, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (2,071,682)
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities:	
Acquisition of capital assets	5,668,388
Depreciation expense	(5,496,313)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities	2,150,633
Governmental funds report the revenue from bond premiums when issued, whereas these amounts are deferred and amortized over the life of the bonds with deferred charges as a result of advance refunding:	
Amortization of bond premiums	32,897
Interest is accrued on the outstanding bonds in the Statement of Activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Accrued interest on debt obligations at June 30, 2017	(104,905)
Accrued interest on debt obligations at June 30, 2016	148,090
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	(342,789)
Change in estimate of post-closure landfill costs related to Resource Authority	436,000
Actuarially determined pension expense	(1,642,269)
Changes in other post employment benefits obligation	1,213
Pension plan contributions after the measurement date are expensed in governmental funds but are considered deferred outflows of resources in the Statement of Net Position	1,689,630
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>155,961</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 624,854</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Real and personal property	\$ 11,969,469	\$ 11,969,469	\$ 11,905,076	\$ (64,393)
Other revenues	<u>26,078,307</u>	<u>26,415,100</u>	<u>25,348,559</u>	<u>(1,066,541)</u>
TOTAL REVENUE	<u>38,047,776</u>	<u>38,384,569</u>	<u>37,253,635</u>	<u>(1,130,934)</u>
EXPENDITURES				
General Government	486,562	486,562	374,316	(112,246)
Personnel	429,865	429,865	377,876	(51,989)
Central Services	2,132,697	2,188,294	2,129,366	(58,928)
Finance	1,123,973	1,123,973	922,366	(201,607)
Information Technology	1,097,853	1,106,431	975,924	(130,507)
Parks	2,227,589	2,277,589	2,191,472	(86,117)
Codes	847,838	847,838	754,305	(93,533)
Planning	656,781	691,781	581,068	(110,713)
Streets and public works	4,650,336	4,930,894	4,718,806	(212,088)
Police department	12,214,614	12,512,576	11,545,701	(966,875)
Fire department	8,962,343	8,980,403	8,964,192	(16,211)
Contributions	241,650	241,650	235,150	(6,500)
Grants	733,674	1,001,385	43,904	(957,481)
Capital projects	105,000	169,022	26,710	(142,312)
Debt service	<u>2,500</u>	<u>2,500</u>	<u>200</u>	<u>(2,300)</u>
TOTAL EXPENDITURES	<u>35,913,275</u>	<u>36,990,763</u>	<u>33,841,356</u>	<u>(3,149,407)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,134,501</u>	<u>1,393,806</u>	<u>3,412,279</u>	<u>(2,018,473)</u>
OTHER FINANCING USES				
Transfers to Debt Service Fund	(2,433,962)	(2,433,962)	(2,413,955)	(20,007)
*Transfers to Solid Waste Fund	<u>(998,574)</u>	<u>(998,574)</u>	<u>(712,052)</u>	<u>(286,522)</u>
TOTAL OTHER FINANCING USES	<u>(3,432,536)</u>	<u>(3,432,536)</u>	<u>(3,126,007)</u>	<u>(306,529)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>\$ (1,298,035)</u>	<u>\$ (2,038,730)</u>	286,272	<u>\$ (2,325,002)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>8,723,166</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,009,438</u>	
Fund balance - end of year (non-GAAP)	\$ 9,009,438			
Add: Current year encumbrances	<u>1,563,612</u>			
Fund balance - end of year (GAAP)	<u>\$ 10,573,050</u>			

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

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

SOLID WASTE FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>Revenues</u>				
Other:				
Special assessment - disposal fees	\$ <u>4,686,200</u>	\$ <u>4,686,200</u>	\$ <u>4,612,899</u>	\$ <u>(73,301)</u>
Total Revenues	<u>4,686,200</u>	<u>4,686,200</u>	<u>4,612,899</u>	<u>(73,301)</u>
<u>Expenditures</u>				
Tipping fees	1,000,000	1,000,000	964,454	(35,546)
Disposal service	4,369,774	4,369,774	4,262,556	(107,218)
Brush disposal and other	<u>315,000</u>	<u>315,000</u>	<u>97,941</u>	<u>(217,059)</u>
Total Expenditures and Encumbrances	<u>5,684,774</u>	<u>5,684,774</u>	<u>5,324,951</u>	<u>(359,823)</u>
Other Financing Sources (Uses)				
Transfer in	<u>998,574</u>	<u>998,574</u>	<u>712,052</u>	<u>(286,522)</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of year			<u>-</u>	
Fund Balance - End of year			<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$	85,173
Receivables		1,139
Inventories		48,167
Other current assets		<u>1,501</u>
TOTAL CURRENT ASSETS		135,980
CAPITAL ASSETS, NET		<u>991,400</u>
TOTAL ASSETS		<u>1,127,380</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		16,259
Accrued liabilities		<u>30,026</u>
TOTAL CURRENT LIABILITIES		<u>46,285</u>

NET POSITION

Investment in capital assets		991,400
Unrestricted		<u>89,695</u>
TOTAL NET POSITION	\$	<u>1,081,095</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, 2017

OPERATING REVENUES	
Charges for sales and services	\$ <u>827,391</u>
	<u>827,391</u>
OPERATING EXPENSES	
Costs of sales	168,153
Personnel services	392,300
Repairs and maintenance	42,507
Supplies	23,316
Gas	15,417
Credit card charges	15,032
Chemicals and fertilizer	27,289
Utilities	36,131
Depreciation	68,913
Advertising and promotion	4,632
Other operating expenses	78,381
Management services	<u>40,000</u>
TOTAL OPERATING EXPENSES	<u>912,071</u>
OPERATING LOSS	<u>(84,680)</u>
NONOPERATING REVENUES (EXPENSES)	
Other income	4,810
Interest income	<u>169</u>
TOTAL NONOPERATING EXPENSES	<u>4,979</u>
CHANGE IN NET POSITION	(79,701)
NET POSITION - BEGINNING OF YEAR	<u>1,160,796</u>
NET POSITION - END OF YEAR	<u>\$ <u>1,081,095</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUND - GOLF COURSE

FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 828,080
Cash paid for personnel services	(397,041)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(405,954)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(14,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plan and equipment	(5,001)
Insurance proceeds received	4,810
Interest received	<u>169</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(22)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,937)
CASH - BEGINNING OF YEAR	<u>100,110</u>
CASH - END OF YEAR	<u><u>\$ 85,173</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	<u>\$ (84,680)</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	68,913
Changes in operating assets and liabilities	
Receivables, net	689
Inventories	(1,666)
Other current assets	2,517
Accounts payable	4,053
Accrued liabilities	<u>(4,741)</u>
TOTAL ADJUSTMENTS	<u>69,765</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (14,915)</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
TRAINING AND TEEN ACTIVITY FUND
JUNE 30, 2017

ASSETS

Cash	\$ 26,171
TOTAL ASSETS	<u>\$ 26,171</u>

LIABILITIES

Amounts due to agencies	\$ 26,171
TOTAL LIABILITIES	<u>\$ 26,171</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

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

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

Reporting Entity

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

Hendersonville Arts Council was established to account for the operation of an organization to promote cultural activities within the City. Primary sources of funds are memberships, grants, donations, fees for events and appropriations from the primary government. The Mayor and Board of Aldermen appoint the board of the council.

Beautiful Hendersonville was established to account for the operation of the organization to promote the beautification of the City and recycling. Primary sources of funds are donations, sale of recyclables and appropriations from the primary government. The Mayor and Board of Aldermen appoint the board. At June 30, 2017, there was no active Board of Directors, and the City is overseeing the bank account until the new Board of Directors is appointed.

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net position and the statement of changes in net position, report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for the operation of the sanitation solid waste department. Financing is provided by fees for solid waste pick up.

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

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

The City reports the following proprietary fund:

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

Additionally, the City reports the following fiduciary fund:

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

The City had no internal service funds as of or for the year ended June 30, 2017.

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, 2017

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 the Local Government Investment Pool of the State of Tennessee (the "pool"). The reported value of the pool is the same as the fair value of the pool shares.

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

Receivables and Payables

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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

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

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017 financial statements consist of amounts related to pensions (differences in actual and expected experience, actuarial gains 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, 2017

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.

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, 2017

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 2017 and 2016. Payments may be made during the period from October 1 through February 28. Current tax collections of \$11,699,691 for the fiscal year ended June 30, 2017 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, 2017

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 \$12,859,215. Of this receivable amount, \$12,417,211 represents the estimated net realizable 2017 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 \$154,582 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 2017 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 \$136,220. The receivable reported in the governmental funds balance sheet is \$136,220 with an offsetting deferred inflows of resources of \$113,274 for amounts not available at June 30, 2017.

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, 2017, there were no amounts exposed to custodial credit risk.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2017, 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, 2017

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2017, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,650,797	\$ -	\$ -	\$ -	\$ 4,650,797
Construction in progress	5,221,527	4,244,952	-	(5,128,952)	4,337,527
Total capital assets not being depreciated	<u>9,872,324</u>	<u>4,244,952</u>	<u>-</u>	<u>(5,128,952)</u>	<u>8,988,324</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,865,542	8,500	-	-	9,874,042
Improvements other than building	3,020,369	-	-	-	3,020,369
Machinery and equipment	13,526,432	1,414,936	(608,889)	-	14,332,479
Infrastructure	105,636,463	-	-	5,128,952	110,765,415
Total capital assets being depreciated	<u>132,048,806</u>	<u>1,423,436</u>	<u>(608,889)</u>	<u>5,128,952</u>	<u>137,992,305</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(4,477,135)	(292,840)	-	-	(4,769,975)
Improvements other than buildings	(1,721,500)	(132,780)	-	-	(1,854,280)
Machinery and equipment	(10,158,806)	(727,949)	608,889	-	(10,277,866)
Infrastructure	(64,182,847)	(4,342,744)	-	-	(68,525,591)
Total accumulated depreciation	<u>(80,540,288)</u>	<u>(5,496,313)</u>	<u>608,889</u>	<u>-</u>	<u>(85,427,712)</u>
Governmental activities capital assets, net	<u>\$ 61,380,842</u>	<u>\$ 172,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,552,917</u>

At June 30, 2017, construction in progress consists primarily of capital projects for Arrowhead Park and other park projects, drainage improvements, street widening and other. Estimated costs to complete open projects amount to approximately \$2.7 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2017, 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	712,054	5,001	-	-	717,055
Total capital assets being depreciated	<u>6,005,367</u>	<u>5,001</u>	<u>-</u>	<u>-</u>	<u>6,010,368</u>
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(697,460)	(26,580)	-	-	(724,040)
Improvements other than buildings	(4,259,562)	-	-	-	(4,259,562)
Machinery and equipment	(634,227)	(42,333)	-	-	(676,560)
Total accumulated depreciation	<u>(5,591,249)</u>	<u>(68,913)</u>	<u>-</u>	<u>-</u>	<u>(5,660,162)</u>
Business-type activities capital assets, net	<u>\$ 1,055,312</u>	<u>\$ (63,912)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,400</u>

Depreciation expense was charged to function/programs as of June 30, 2017, as follows:

Governmental activities:

General government	\$ 110,384
Public safety	761,886
Street and public works	4,543,541
Parks	51,820
Codes and planning	<u>28,682</u>
Total depreciation expense - governmental activities	<u>\$ 5,496,313</u>

Business-type activities:

Golf enterprise	<u>\$ 68,913</u>
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There was no donated infrastructure or equipment included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2017, was as follows:

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 10,852	\$ -	\$ -	\$ 10,852
<u>Capital assets being depreciated</u>	<u>\$ 28,662</u>	<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ 27,590</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, 2017, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 12,417,211	\$ 12,417,211
Delinquent property taxes (unavailable)	-	358,790
Delinquent solid waste fees (unavailable)	-	113,274
State and county shared taxes (unavailable)	<u>313,000</u>	<u>1,929,662</u>
	<u>\$ 12,730,211</u>	<u>\$ 14,818,937</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 \$704,262 and a debt service escrow maintained by the Industrial Development Board ("IDB").

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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, 2017. This amounted to \$437,698 which was an amount due from the General Fund to the Solid Waste Fund which represents collection of Solid Waste assessments not yet transferred to the Solid Waste Fund. These interfund amounts were liquidated subsequent to year end. Additionally, the General Fund contributed \$19,000 to a component unit, the Hendersonville Arts Council.

Interfund transfers for the year ended June 30, 2017 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In:		
	Governmental Funds		
	Solid Waste Balance	Debt Service Additions	Totals
<u>Transfer Out:</u>			
General Fund	\$ 712,052	\$ 2,413,955	\$ 3,126,007

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 7 - LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

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

For governmental activities, compensated absences and Other Post-Employment Benefits (“OPEB”) obligations are generally liquidated by the fund in which the employees’ time is charged, typically the general fund and the state street aid fund, a nonmajor governmental fund. Post-closure landfill costs will be liquidated from the City’s general fund.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<u>Government Activities</u>					
Capital outlay notes payable	\$ 9,817,066	\$ -	\$ 1,953,206	\$ 7,863,860	\$ 1,423,207
Obligation to county school system	<u>592,277</u>	<u>-</u>	<u>197,426</u>	<u>394,851</u>	<u>197,426</u>
	10,409,343	-	2,150,632	8,258,711	1,620,633
Note premiums	<u>263,176</u>	<u>-</u>	<u>32,897</u>	<u>230,279</u>	<u>-</u>
Total governmental activities long-term debt	<u>10,672,519</u>	<u>-</u>	<u>2,183,529</u>	<u>8,488,990</u>	<u>1,620,633</u>
Compensated absences	1,576,089	1,545,790	1,203,002	1,918,877	1,200,000
Accrued post-closure landfill costs	750,000	-	436,000	314,000	314,000
Net OPEB liability	<u>742,302</u>	<u>243,786</u>	<u>244,999</u>	<u>741,089</u>	<u>-</u>
Total primary government long-term liabilities	<u>\$ 13,740,910</u>	<u>\$ 1,789,576</u>	<u>\$ 4,067,530</u>	<u>\$ 11,462,956</u>	<u>\$ 3,134,633</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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

Long-term bonds and notes at June 30, 2017 consisted of the following obligations:

Governmental activities long-term debt

\$4,100,000 Capital Outlay Notes 2011 - The notes are payable in annual installments through 2023 at a rate of interest of 3.21%.	\$ 2,048,000
\$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%.	1,260,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	937,500
\$4,020,400 Capital Outlay Notes 2015 - The notes are payable in annual installments through 2026 at a rate of interest of 2.41%.	3,618,360
\$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>394,851</u>
Total capital outlay and other notes payable	8,258,711
Plus: unamortized premium on notes	<u>230,279</u>
Total governmental activities long-term debt	<u>\$ 8,488,990</u>

From time to time, Industrial Revenue Bonds are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The IDB of the City of Hendersonville, Tennessee, is a non-profit corporation organized and existing pursuant to Part 53 of Title 7 of the Tennessee Code. Among its powers, the IDB is authorized by statute to issue industrial revenue bonds and to use the proceeds of these bonds to finance certain projects by private sector entities. As of June 30, 2017, 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, 2017

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 and created a debt service reserve that is maintained by the IDB in a separate account. The debt service reserve is required to remain above \$500,000; however, at June 30, 2017, this amount was below the threshold due to a bank error. In July 2017, this error was resolved and the debt service reserve exceeded the required minimum balance. The loan is secured by the incremental tax revenues for the project. During fiscal year 2017, the amount of incremental property taxes generated by the economic development area equaled \$572,794, 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, 2017, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
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	948,207	89,827	1,038,034
2023-2027	<u>2,647,827</u>	<u>142,012</u>	<u>2,789,839</u>
Totals	<u>\$ 8,258,711</u>	<u>\$ 851,189</u>	<u>\$ 9,109,900</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 8 - DEFERRED COMPENSATION AND FLEXIBLE BENEFIT PLAN

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

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

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

NOTE 9 - PENSION PLAN

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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, 2017

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	100
Inactive employees entitled to but not yet receiving benefits	211
Active employees	<u>300</u>
	<u><u>611</u></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, 2016, the Actuarially Determined Contribution (ADC) for the City was \$2,396,900 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, 2016, 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, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2016 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, 2016 actuarial valuation were based on the results of an actuarial experience study performed as of 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, 2017

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 %	<u>1 %</u>
		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 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, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2015	\$ 52,349,429	\$ 53,118,509	\$ (769,080)
CHANGES FOR THE YEAR:			
Service cost	1,174,686	-	1,174,686
Interest	3,946,154	-	3,946,154
Differences between expected and actual experience	1,382,178	-	1,382,178
Contributions - employer	-	2,396,900	(2,396,900)
Contributions - employee	-	1,946	(1,946)
Net investment income	-	1,416,316	(1,416,316)
Benefit payments, including refunds of employee contributions	(1,817,461)	(1,817,461)	-
Administrative expense	-	(22,728)	22,728
Net changes	<u>4,685,557</u>	<u>1,974,973</u>	<u>2,710,584</u>
BALANCE AT JUNE 30, 2016	<u>\$ 57,034,986</u>	<u>\$ 55,093,482</u>	<u>\$ 1,941,504</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 Rate</u>	<u>1% Increase</u>
	<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
City's net pension liability (asset)	<u>\$ 10,070,369</u>	<u>\$ 1,941,504</u>	<u>\$ (4,813,560)</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$1,642,269.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, 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>
Differences between expected and actual experience	\$ 2,044,644
Net difference between projected and actual earnings on pension plan investments	1,872,464
Contributions subsequent to the measurement date of June 30, 2016	<u>1,689,630</u>
Total	<u>\$ 5,606,738</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	
2018	\$ 505,485
2019	505,485
2020	1,282,324
2021	830,553
2022	312,849
Thereafter	480,405

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, 2017

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 2016 and the following is based on projections from the City's actuary.

Annual OPEB Cost and Net OPEB Obligations

	<u>July 1, 2016</u>
ARC	\$ 244,999
Interest on NPO	29,692
Amortization of prior year net OPEB Obligation	<u>(30,905)</u>
Annual OPEB Cost	243,786
Amount of Contribution*	<u>(244,999)</u>
Increase in NPO	(1,213)
Net OPEB Obligation - beginning of year	<u>742,302</u>
Net OPEB Obligation - end of year	<u><u>\$ 741,089</u></u>

*Contribution based on expected contribution from study.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

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>
6/30/17	\$ 243,786	100.50%	\$ 741,089
6/30/16	\$ 196,969	82.90%	\$ 742,302
6/30/15	\$ 196,782	77.51%	\$ 708,614

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, 2016
Actuarial accrued liability (AAL)	\$ 2,839,176
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,839,176
Actuarial value of assets as a % of AAL	0%
Covered payroll	\$ 9,843,448
UAAL as a percentage of covered payroll	28.84%

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 of 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, 2017

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In the July 2016 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 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2022. 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 \$57,341 for brush disposal for 2017. 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, 2017

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 2017, the amount paid by the City was \$39,867. The City believes that a payment of \$314,000 will be required to be made relating to the post closure landfill cost, and has accrued this as a long-term liability at June 30, 2017 in the governmental activities balance sheet.

The Authority as of June 30, 2017 has net investment in capital assets of \$1,388,162, and an unrestricted net deficit of \$1,282,276. 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 \$20.25 per month and the hauling and disposal rate is \$46.16 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2017, the City did not have any material construction contracts in process.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT

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

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

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. The Mayor consults with all department heads prior to January 1st of each year to establish his priorities and objectives with each department for the coming year. The Mayor also sets salary proposals for departments.
2. During January and February, department heads prepare a proposed budget for their department. The Finance Director prepares revenue projections for the budget and prepares a summary of the overall budget for the Mayor to review.
3. Department heads meet with the Mayor and Finance Director to review their budget requests. The Mayor can amend budget requests as he deems necessary.
4. The department heads then present their budget requests to the standing committee to which their department is assigned.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

5. During May, the Board of Mayor and Aldermen conduct a budget workshop meeting that addresses specific areas of the budget.
6. At least ten days before the proposed budget is presented to the Board of Mayor and Aldermen, a notice of public hearing and a copy of the proposed budget is published in a local newspaper of general circulation.
7. At the regular board meeting, prior to the vote on second reading, a public hearing is held to give all voters and taxpayers a chance to be heard in person or by an attorney. Citizens are also always given an opportunity to speak at the beginning of each meeting, so the citizens have two chances to comment on the budget before it is passed on the second and final reading. Prior to July 1st, the budget is legally enacted through passage of an ordinance on two readings.
8. Department heads are authorized to expend funds within total departmental appropriations. However, amendments to the budget changing departmental and/or total appropriations require the passage of an ordinance on two readings. Budget transfers between departments must be approved by resolution and passed by the Board of Mayor and Aldermen.
9. At the end of each year, all unencumbered appropriations which were appropriated on a fiscal year basis revert back to their respective fund balance, except for certain capital projects.
10. Formal budgetary integration is not employed for the Capital Projects Fund, Forfeiture Fund or the Debt Service Fund because effective budgetary control is alternatively achieved through bond indenture or other provisions. Annual debt service requirements are budgeted in the General Fund through operating transfers to the Debt Service Fund.

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

	<u>General Fund</u>
Net change in fund balance - GAAP basis	\$ 1,202,976
Add: Prior year reserve for encumbrances	646,908
Less: Current year reserve for encumbrances	<u>(1,563,612)</u>
Net change in fund balance, budgetary basis	<u>\$ 286,272</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Encumbrances

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

	<u>General Fund</u>	<u>State Street Aid Fund (Non-major fund)</u>
Public works/street maintenance	\$ 596,141	\$ 63,000
Police	443,378	-
Parks	117,783	-
Information technology	291,581	-
Other	114,729	-
	<u>\$ 1,563,612</u>	<u>\$ 63,000</u>

Budget Amendments

The General Fund expenditure budget was amended by \$1,077,488. The major amendments related to grants, equipment purchase and capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

NOTE 14 - 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 for other post-employment benefit plans consistent with the pension standards. Effective Date: The provisions in Statement 74 are effective for OPEB plans for fiscal years beginning after June 15, 2016. The provisions in Statement 75 for the employer 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. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. These new standards are not expected to have a significant impact on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities* - This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

NOTE 15 - SUBSEQUENT EVENT

On September 27, 2017, the City issued a \$5,793,025 General Obligation Capital Outlay Note, Series 2017. The note is payable in semi-annual payments of principal and interest and matures on July 1, 2029. The note bears interest at a rate of 2.39%, and will fund certain capital projects including design and construction of a new fire station, street widening and paving projects and other items.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>TOTAL PENSION LIABILITY</u>			
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686
Interest	3,368,278	3,705,243	3,946,154
Changes in benefit terms	-	-	-
Differences between actual & expected experience	1,307,633	(46,948)	1,382,178
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,230,315)</u>	<u>(1,424,209)</u>	<u>(1,817,461)</u>
 NET CHANGE IN TOTAL PENSION LIABILITY	 4,593,770	 3,378,301	 4,685,557
TOTAL PENSION LIABILITY - BEGINNING	<u>44,377,358</u>	<u>48,971,128</u>	<u>52,349,429</u>
 TOTAL PENSION LIABILITY - ENDING (A)	 <u>48,971,128</u>	 <u>52,349,429</u>	 <u>57,034,986</u>
 <u>PLAN FIDUCIARY NET POSITION</u>			
Contributions - employer	2,400,176	2,317,383	2,396,900
Contributions - employee	1,137	2,018	1,946
Net investment income	7,107,505	1,573,964	1,416,316
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)
Administrative expense	<u>(12,861)</u>	<u>(14,657)</u>	<u>(22,728)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 8,265,642	 2,454,499	 1,974,973
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>42,398,368</u>	<u>50,664,010</u>	<u>53,118,509</u>
 PLAN FIDUCIARY NET POSITION - ENDING (B)	 <u>50,664,010</u>	 <u>53,118,509</u>	 <u>55,093,482</u>
 NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	 <u>\$ (1,692,882)</u>	 <u>\$ (769,080)</u>	 <u>\$ 1,941,504</u>
Plan fiduciary net position as a percentage of total pension liability	103.46 %	101.47 %	96.60 %
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088
Net pension liability (asset) as a percentage of covered-employee payroll	(10.87) %	(4.95) %	12.09 %

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

CITY OF HENDERSONVILLE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,689,630
Contributions in relation to the actuarial determined contribution	<u>2,400,176</u>	<u>2,317,383</u>	<u>2,396,900</u>	<u>1,689,630</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,300
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	10.00 %

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

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the July 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Various
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

CITY OF HENDERSONVILLE, TENNESSEE

OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
07/01/16	\$ -	\$ 2,839.000	\$ 2,839.000	0%	\$ 9,843.000	28.84%
07/01/14	\$ -	\$ 2,420.000	\$ 2,420.000	0%	\$ 15,812.000	15.30%
07/01/12	\$ -	\$ 2,028.000	\$ 2,028.000	0%	\$ 14,132.000	14.36%

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

NONMAJOR GOVERNMENTAL AND FIDUCIARY FUNDS

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

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

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

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

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 502,150	\$ 15,833	\$ 232,451	\$ 750,434
Due from other governments	<u>246,146</u>	<u>-</u>	<u>-</u>	<u>246,146</u>
TOTAL ASSETS	<u>\$ 748,296</u>	<u>\$ 15,833</u>	<u>\$ 232,451</u>	<u>\$ 996,580</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF</u> <u>RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 983	\$ -	\$ -	\$ 983
Accrued liabilities	<u>12,357</u>	<u>-</u>	<u>-</u>	<u>12,357</u>
Total Liabilities	<u>13,340</u>	<u>-</u>	<u>-</u>	<u>13,340</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>126,936</u>	<u>-</u>	<u>-</u>	<u>126,936</u>
<u>Fund Balances</u>				
Nonspendable	-	-	-	-
Restricted	<u>608,020</u>	<u>15,833</u>	<u>232,451</u>	<u>856,304</u>
Total Fund Balances	<u>608,020</u>	<u>15,833</u>	<u>232,451</u>	<u>856,304</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 748,296</u>	<u>\$ 15,833</u>	<u>\$ 232,451</u>	<u>\$ 996,580</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Forfeiture Fund</u>	<u>Drug Fund</u>	
<u>REVENUES</u>				
Intergovernmental:				
State gasoline tax	\$ 1,430,418	\$ -	\$ -	\$ 1,430,418
Drug and other related fines, seizures, and sales	-	492	34,473	34,965
Contributions	-	-	-	-
Uses of money and property	<u>1,037</u>	<u>24</u>	<u>8,744</u>	<u>9,805</u>
 Total Revenues	 <u>1,431,455</u>	 <u>516</u>	 <u>43,217</u>	 <u>1,475,188</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	676,116	-	-	676,116
Employee benefits	254,972	-	-	254,972
Other costs - maintenance and lighting	243,986	-	-	243,986
Capital outlay	166,205	-	-	166,205
Program costs:				
Drug Fund:				
Capital outlay	-	-	-	-
Other costs	<u>-</u>	<u>3,953</u>	<u>19,098</u>	<u>23,051</u>
 Total Expenditures	 <u>1,341,279</u>	 <u>3,953</u>	 <u>19,098</u>	 <u>1,364,330</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 90,176	 (3,437)	 24,119	 110,858
 FUND BALANCE - BEGINNING OF YEAR	 <u>517,844</u>	 <u>19,270</u>	 <u>208,332</u>	 <u>745,446</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 608,020</u>	 <u>\$ 15,833</u>	 <u>\$ 232,451</u>	 <u>\$ 856,304</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, 2017

	<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	\$ 1,430,418	\$ 11,133
Uses of money and property	<u>2,000</u>	<u>2,000</u>	<u>1,037</u>	<u>(963)</u>
Total Revenues	<u>1,421,285</u>	<u>1,421,285</u>	<u>1,431,455</u>	<u>10,170</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	779,135	779,135	676,116	(103,019)
Employee benefits	302,189	302,189	254,972	(47,217)
Repairs and maintenance	319,500	319,500	282,986	(36,514)
Capital outlay	<u>91,100</u>	<u>91,100</u>	<u>54,267</u>	<u>(36,833)</u>
Total Expenditures and Encumbrances	<u>1,491,924</u>	<u>1,491,924</u>	<u>1,268,341</u>	<u>(223,583)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (70,639)</u>	<u>\$ (70,639)</u>	163,114	<u>\$ (213,413)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>381,906</u>	
FUND BALANCE - END OF YEAR			<u>\$ 545,020</u>	
* 1989 tax	\$ 157,559			
Three cent tax	292,430			
Gas and motor fuel tax	<u>980,429</u>			
	<u>\$ 1,430,418</u>			
Fund balance - end of year (non-GAAP)	\$ 545,020			
+ Current year encumbrances	<u>63,000</u>			
Fund balance - end of year (GAAP)	<u>\$ 608,020</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Other:				
Uses of money and property	\$ 400	\$ 400	\$ 8,744	\$ 8,344
Drug related fines, seizures and sales	<u>30,000</u>	<u>30,000</u>	<u>34,473</u>	<u>4,473</u>
Total Revenues	<u>30,400</u>	<u>30,400</u>	<u>43,217</u>	<u>12,817</u>
<u>EXPENDITURES</u>				
Program costs	31,150	31,150	19,098	(12,052)
Capital outlay	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Total Expenditures and Encumbrances	<u>76,150</u>	<u>76,150</u>	<u>19,098</u>	<u>(57,052)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (45,750)</u>	<u>\$ (45,750)</u>	24,119	<u>\$ (44,235)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>208,332</u>	
FUND BALANCE - END OF YEAR			<u>\$ 232,451</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, 2017

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
<u>ASSETS</u>				
Cash	<u>\$ 29,501</u>	<u>\$ 4,170</u>	<u>\$ 7,500</u>	<u>\$ 26,171</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 29,501</u>	<u>\$ -</u>	<u>\$ 3,330</u>	<u>\$ 26,171</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2017

	Component Units			Total
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	
ASSETS				
Cash	\$ 12,568	\$ 11,273	\$ 161,591	\$ 185,432
Accounts receivable	-	-	5,008	5,008
Capital assets, net	27,590	-	10,852	38,442
Cash - restricted escrow funds	-	-	470,289	470,289
TOTAL ASSETS	<u>40,158</u>	<u>11,273</u>	<u>647,740</u>	<u>699,171</u>
LIABILITIES				
Accrued expenses	1,121	-	-	1,121
Escrow funds payable from restricted cash	-	-	470,289	470,289
TOTAL LIABILITIES	<u>1,121</u>	<u>-</u>	<u>470,289</u>	<u>471,410</u>
NET POSITION				
Investment in capital assets	27,590	-	10,852	38,442
Unrestricted	<u>11,447</u>	<u>11,273</u>	<u>166,599</u>	<u>189,319</u>
TOTAL NET POSITION	<u>\$ 39,037</u>	<u>\$ 11,273</u>	<u>\$ 177,451</u>	<u>\$ 227,761</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2017

	Component Units			Total
	Arts Council	Beautiful Hendersonville	Industrial Development	
REVENUES				
Charges for services	\$ 49,326	\$ -	\$ 61,757	\$ 111,083
Operating grants and contributions	33,284	-	-	33,284
Interest income	4	-	278	282
TOTAL REVENUE	<u>82,614</u>	<u>-</u>	<u>62,035</u>	<u>144,649</u>
EXPENSES				
Operating expenses	<u>91,636</u>	<u>746</u>	<u>48,710</u>	<u>141,092</u>
CHANGE IN NET POSITION	(9,022)	(746)	13,325	3,557
NET POSITION - BEGINNING OF YEAR	<u>48,059</u>	<u>12,019</u>	<u>164,126</u>	<u>224,204</u>
NET POSITION - END OF YEAR	<u>\$ 39,037</u>	<u>\$ 11,273</u>	<u>\$ 177,451</u>	<u>\$ 227,761</u>

FINANCIAL SCHEDULE SECTION

Financial Schedules are used to demonstrate finance-related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
REVENUES					
Local Taxes:					
Real and personal property	\$ 11,905,076	\$ -	\$ -	\$ -	\$ 11,905,076
Payments in lieu of property taxes	859,890	-	-	-	859,890
Local sales taxes	12,301,376	-	-	-	12,301,376
Wholesale beer	1,011,321	-	-	-	1,011,321
Wholesale liquor	556,104	-	-	-	556,104
Business taxes	<u>1,186,847</u>	-	-	-	<u>1,186,847</u>
Total Local Taxes	<u>27,820,614</u>	-	-	-	<u>27,820,614</u>
Intergovernmental:					
State sales tax	4,263,408	-	-	-	4,263,408
State income tax	626,085	-	-	-	626,085
State beer tax	24,805	-	-	-	24,805
State alcoholic beverage tax	166,904	-	-	-	166,904
State/City street and transportation	103,825	-	-	-	103,825
State supplemental pay	114,000	-	-	-	114,000
Excise tax	42,486	-	-	-	42,486
County	51,924	-	-	-	51,924
Corp of Engineers	18,710	-	-	-	18,710
Grants	<u>493,314</u>	-	<u>1,306,940</u>	-	<u>1,800,254</u>
Total Intergovernmental	<u>5,905,461</u>	-	<u>1,306,940</u>	-	<u>7,212,401</u>
Fines and Forfeitures:					
City court and other	450,871	-	-	-	450,871
Penalties	<u>52,201</u>	-	-	-	<u>52,201</u>
Total Fines and Forfeitures	<u>503,072</u>	-	-	-	<u>503,072</u>
Licenses and Permits:					
Building permits	1,053,404	-	-	-	1,053,404
Franchise taxes	923,652	-	-	-	923,652
Other permits	<u>353,725</u>	-	-	-	<u>353,725</u>
Total Licenses and Permits	<u>2,330,781</u>	-	-	-	<u>2,330,781</u>
Charges for Services:					
Recreational fees	341,937	-	-	-	341,937
Disposal fees	-	<u>4,612,899</u>	-	-	<u>4,612,899</u>
Total Charges for Services	<u>341,937</u>	<u>4,612,899</u>	-	-	<u>4,954,836</u>
Uses of Money and Property					
Interest	18,159	-	4,876	-	23,035
Sale of assets	<u>5,072</u>	-	-	-	<u>5,072</u>
Total Uses of Money and Property	<u>23,231</u>	-	<u>4,876</u>	-	<u>28,107</u>
Other Revenues:					
Contributions from others	165,148	-	-	-	165,148
Miscellaneous	<u>163,391</u>	-	-	-	<u>163,391</u>
Total Other Revenues	<u>328,539</u>	-	-	-	<u>328,539</u>
TOTAL REVENUES	<u>\$ 37,253,635</u>	<u>\$ 4,612,899</u>	<u>\$ 1,311,816</u>	<u>\$ -</u>	<u>\$ 43,178,350</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES					
General Government:					
Salaries	\$ 225,044	\$ -	\$ -	\$ -	\$ 225,044
Employee benefits	68,588	-	-	-	68,588
Travel and training	4,731	-	-	-	4,731
Supplies	6,505	-	-	-	6,505
Outside services	7,619	-	-	-	7,619
Telephone	1,557	-	-	-	1,557
Other costs	46,522	-	-	-	46,522
Total General Government	<u>360,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,566</u>
Personnel:					
Salaries	264,850	-	-	-	264,850
Employee benefits	51,874	-	-	-	51,874
Travel and training	1,032	-	-	-	1,032
Supplies	11,374	-	-	-	11,374
Outside services	35,407	-	-	-	35,407
Other costs	13,339	-	-	-	13,339
Total Personnel	<u>377,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,876</u>
Central Services:					
Salaries	237,453	-	-	-	237,453
Employee benefits	277,098	-	-	-	277,098
Repairs and maintenance	92,940	-	-	-	92,940
Supplies	15,252	-	-	-	15,252
Insurance	618,088	-	-	-	618,088
Outside services	62,941	-	-	-	62,941
Utilities	53,973	-	-	-	53,973
Tax increment bond payment	562,520	-	-	-	562,520
Other costs	112,101	-	-	-	112,101
Total Central Services	<u>2,032,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,032,366</u>
Finance:					
Salaries	558,777	-	-	-	558,777
Employee benefits	177,166	-	-	-	177,166
Travel and training	515	-	-	-	515
Supplies	30,608	-	-	-	30,608
Outside services	64,890	-	-	-	64,890
Other costs	90,410	-	-	-	90,410
Total Finance	<u>922,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922,366</u>
Information Technology:					
Salaries	145,609	-	-	-	145,609
Employee benefits	56,001	-	-	-	56,001
Supplies	9,188	-	-	-	9,188
Outside services	136,562	-	-	-	136,562
Telephone	58,407	-	-	-	58,407
Other costs	200,115	-	-	-	200,115
Total Information Technology	<u>605,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,882</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

<u>EXPENDITURES (CONTINUED)</u>	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
Parks:					
Salaries	\$ 997,613	\$ -	\$ -	\$ -	\$ 997,613
Employee benefits	283,495	-	-	-	283,495
Repairs and maintenance	225,756	-	-	-	225,756
Travel and training	4,435	-	-	-	4,435
Supplies	114,511	-	-	-	114,511
Outside services	8,026	-	-	-	8,026
Utilities	211,678	-	-	-	211,678
Other costs	219,850	-	-	-	219,850
Total Parks	<u>2,065,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,065,364</u>
Codes:					
Salaries	517,190	-	-	-	517,190
Employee benefits	183,864	-	-	-	183,864
Repairs and maintenance	2,815	-	-	-	2,815
Travel and training	1,235	-	-	-	1,235
Supplies	11,536	-	-	-	11,536
Outside services	611	-	-	-	611
Telephone	5,887	-	-	-	5,887
Other costs	4,428	-	-	-	4,428
Total Codes	<u>727,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,566</u>
Planning:					
Salaries	361,565	-	-	-	361,565
Employee benefits	116,524	-	-	-	116,524
Repairs and maintenance	2,384	-	-	-	2,384
Travel and training	3,113	-	-	-	3,113
Supplies	11,501	-	-	-	11,501
Utilities	1,496	-	-	-	1,496
Other costs	137,589	-	-	-	137,589
Total Planning	<u>634,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>634,172</u>
Street and Public Works:					
Salaries	1,077,467	-	-	-	1,077,467
Employee benefits	385,349	-	-	-	385,349
Repairs and maintenance	199,820	-	-	-	199,820
Travel and training	9,417	-	-	-	9,417
Supplies	117,813	-	-	-	117,813
Outside services	368,352	-	229,296	-	597,648
Utilities	374,901	-	-	-	374,901
Other costs	1,419,857	-	363,188	-	1,783,045
Total Streets and Public Works	<u>3,952,976</u>	<u>-</u>	<u>592,484</u>	<u>-</u>	<u>4,545,460</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES (CONTINUED)					
Police Department:					
Salaries	\$ 7,174,402	\$ -	\$ -	\$ -	\$ 7,174,402
Employee benefits	2,292,561	-	-	-	2,292,561
Repairs and maintenance	315,298	-	-	-	315,298
Travel and training	68,667	-	-	-	68,667
Supplies	599,767	-	-	-	599,767
Outside services	128,060	-	-	-	128,060
Telephone and utilities	122,156	-	-	-	122,156
Other costs	57,427	-	-	-	57,427
Investigations	2,571	-	-	-	2,571
Total Police Department	<u>10,760,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,760,909</u>
Fire Department:					
Salaries	5,949,834	-	-	-	5,949,834
Employee benefits	2,164,344	-	-	-	2,164,344
Repairs and maintenance	184,570	-	-	-	184,570
Travel and training	60,693	-	-	-	60,693
Supplies	175,282	-	-	-	175,282
Outside services	43,427	-	-	-	43,427
Telephone and utilities	79,091	-	-	-	79,091
Other costs	194,683	-	-	-	194,683
Total Fire Department	<u>8,851,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,851,924</u>
Contributions:					
Senior Citizens	13,000	-	-	-	13,000
Community Child Care	16,000	-	-	-	16,000
HHS Stars	8,250	-	-	-	8,250
Hendersonville Public Library	50,000	-	-	-	50,000
Chamber of Commerce	15,000	-	-	-	15,000
Samaratin	12,500	-	-	-	12,500
Forward Sumner	20,000	-	-	-	20,000
Health Department	12,000	-	-	-	12,000
Sumner County Animal Shelter	10,000	-	-	-	10,000
Component units	19,000	-	-	-	19,000
Other	59,400	-	-	-	59,400
Total Contributions	<u>235,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,150</u>
Disposal services	-	5,324,951	-	-	5,324,951
Debt service	200	-	-	2,413,955	2,414,155
Capital outlay	1,397,335	-	4,104,848	-	5,502,183
TOTAL EXPENDITURES	<u>\$ 32,924,652</u>	<u>\$ 5,324,951</u>	<u>\$ 4,697,332</u>	<u>\$ 2,413,955</u>	<u>\$ 45,360,890</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2017

<u>Tax Year</u>		<u>Taxes Receivable July 1, 2016</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2017</u>
2007	*	\$ 6,262	\$ -	\$ -	\$ 6,262
2008	*	25,670	-	(514)	25,156
2009	*	19,732	-	(220)	19,512
2010	*	21,807	-	(1,350)	20,457
2011	*	14,771	-	(622)	14,149
2012	*	24,977	-	(4,245)	20,732
2013	*	34,157	-	(7,377)	26,780
2014	*	78,618	-	(32,465)	46,153
2015	*	212,670	-	(145,898)	66,772
2016		<u>-</u>	<u>11,895,688</u>	<u>(11,699,657)</u>	<u>196,031</u>
		<u>\$ 438,664</u>	<u>\$ 11,895,688</u>	<u>\$ (11,892,348)</u>	442,004
2017	**				<u>12,417,211</u>
Taxes receivable					<u>\$ 12,859,215</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, 2017

Assessment <u>Year</u>		Taxes Receivable <u>July 1, 2016</u>	<u>Assessments</u>	Collections and <u>Adjustments</u>	Taxes Receivable <u>June 30, 2017</u>
2007	*	\$ -	\$ -	\$ -	\$ -
2008	*	872	-	(436)	436
2009	*	1,856	-	(232)	1,624
2010	*	1,936	-	(242)	1,694
2011	*	3,276	-	(756)	2,520
2012	*	7,650	-	(2,805)	4,845
2013	*	11,914	-	(4,921)	6,993
2014	*	22,881	-	(9,994)	12,887
2015	*	70,747	-	(48,392)	22,355
2016		-	4,617,764	(4,534,898)	82,866
		<u>\$ 121,132</u>	<u>\$ 4,617,764</u>	<u>\$ (4,602,676)</u>	<u>\$ 136,220</u>

* Turned over to County Clerk for collections.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2017

Fiscal Year	Capital Outlay Notes - 2011		Capital Outlay Refunding Notes - 2012		Capital Outlay Notes - 2013	
	Principal	Interest	Principal	Interest	Principal	Interest
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	2,571
Total	\$ 2,048,000	\$ 229,772	\$ 1,260,000	\$ 69,675	\$ 937,500	\$ 115,730

Fiscal Year	Capital Outlay Notes - 2015		Obligation to County School System		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Principal	Interest	Debt
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	12,260	518,467
Total	\$ 3,618,360	\$ 436,012	\$ 394,851	\$ -	\$ 8,258,711	\$ 851,189	\$ 9,109,900

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grant Description	Federal CFDA#	Grant Number	(Accrued) Deferred 7/1/16	Federal Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/17
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-15-MC-47-0015	\$ (270)	\$ 24,107	\$ 36,250	\$ -	\$ (12,413)
Community Development Block Grant	14.218	B-16-MC-47-0015	(156,250)	156,250	-	-	-
Total Passed through the Tennessee Department of Economic and Community Development			(156,520)	180,357	36,250	-	(12,413)
<u>Passed through the Tennessee Housing Development</u>							
Emergency Solutions Grant Program	14.231	ESG-15-20	-	7,654	7,654	-	-
Total Passed through the Tennessee Housing Development			-	7,654	7,654	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			(156,520)	188,011	43,904	-	(12,413)
U.S. DEPARTMENT OF JUSTICE							
Bulletproof Vest Partnership Program	16.607		-	-	9,000	-	(9,000)
Bulletproof Vest Partnership Program	16.607		(2,183)	7,896	-	(5,713)	-
TOTAL U.S. DEPARTMENT OF JUSTICE			(2,183)	7,896	9,000	(5,713)	(9,000)
U.S. DEPARTMENT OF HOMELAND SECURITY / FEDERAL EMERGENCY MANAGEMENT							
<u>Passed through Federal Emergency Management</u>							
Assistance to Firefighters Program	97.044	EMW-2013-FO-05964	-	374,999	374,999	-	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY / FEDERAL EMERGENCY MANAGEMENT			-	374,999	374,999	-	-
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	(1,154,582)	2,457,701	1,306,940	-	(3,821)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant							
Traffic Sign Upgrade Project	20.205*	60151	-	-	208	-	(208)
Highway Planning and Construction Cluster: Greenway Grant	20.205*	120012	(72,533)	67,964	-	4,569	-
Highway Planning and Construction Cluster: Drakes Creek Road Widening	20.205*	140137	-	49,406	49,406	-	-
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	PT-16-09	(18,942)	18,942	-	-	-
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600	PT-15-22	(3,295)	9,859	11,422	3,295	(1,563)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			(1,249,352)	2,603,872	1,367,976	7,864	(5,592)
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ (1,408,055)	\$ 3,174,778	\$ 1,795,879	\$ 2,151	\$ (27,005)

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

Summary of Expenditures by CFDA Number

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, 2017. 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.

14.218	\$ 36,250
14.231	7,654
16.607	9,000
20.205	1,356,554
20.600	11,422
97.044	374,999
Total	\$ 1,795,879

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.

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.

STATISTICAL INFORMATION

CITY OF HENDERSONVILLE

NET ASSETS/POSITION BY COMPONENT (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 1

(Prepared using the accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 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	\$ 53,689,057
Restricted for:										
Street maintenance	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167	1,989,933	1,668,231	909,128	950,640
Public works	-	-	-	470,009	450,727	440,630	443,905	471,249	484,932	479,871
Law enforcement	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651	238,660	258,708
Solid waste disposal	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-	-	-
Parks	-	-	-	131,732	25,911	25,912	-	-	-	-
Capital projects	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409	253,932	63,245
Other	-	-	-	-	-	-	-	-	769,080	-
Unrestricted	5,070,525	2,797,825	3,948,024	5,183,053	4,389,697	4,672,865	4,237,502	10,360,224	14,084,154	13,486,995
Total governmental activities net position	\$ 48,551,613	\$ 48,531,495	\$ 54,011,976	\$ 55,605,624	\$ 57,340,541	\$ 67,985,519	\$ 67,506,207	\$ 65,278,160	\$ 68,303,662	\$ 68,928,516
Business-type activities										
Net investment in capital assets	\$ 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	\$ 991,400
Unrestricted	79,263	26,690	21,626	63,105	110,100	91,840	100,562	125,104	105,484	89,695
Total business-type activities net position	\$ 2,409,144	\$ 2,111,910	\$ 1,868,714	\$ 1,693,351	\$ 1,534,932	\$ 1,513,868	\$ 1,291,911	\$ 1,247,155	\$ 1,160,796	\$ 1,081,095
Primary government										
Net investment in capital assets	\$ 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	\$ 54,680,457
Restricted for:										
Street maintenance	1,049,667	916,216	830,446	1,035,905	1,364,406	1,884,939	1,989,933	1,668,231	909,128	950,640
Public works	-	-	-	470,009	450,727	440,630	443,905	471,249	484,932	479,871
Law enforcement	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651	238,660	258,708
Solid waste disposal	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-	-	-
Parks	-	-	-	131,732	25,911	25,912	-	-	-	-
Capital projects	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409	253,932	63,245
Other	-	-	-	-	-	-	-	-	769,080	-
Unrestricted	5,149,788	2,824,515	3,969,650	5,246,158	4,499,797	4,764,705	4,338,064	10,485,328	14,189,638	13,576,690
Total primary government net position	\$ 50,960,757	\$ 50,643,405	\$ 55,880,690	\$ 57,298,975	\$ 58,875,473	\$ 69,499,387	\$ 68,798,118	\$ 66,525,315	\$ 69,464,458	\$ 70,009,611

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Governmental Activities:										
General government	\$ 593,417	\$ 706,185	\$ 687,810	\$ 642,965	\$ 588,385	\$ 599,373	\$ 611,768	\$ 511,914	\$ 461,174	\$ 463,784
Personnel	252,370	285,501	274,723	285,927	275,582	287,082	307,249	295,704	343,659	391,863
Central services	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	2,030,722
Finance	780,228	797,628	753,474	754,467	772,429	943,891	900,653	836,380	953,047	933,442
Parks	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	2,116,119
Information technology	-	-	-	-	-	-	-	237,969	446,225	611,823
Codes	732,449	740,489	679,194	682,307	701,823	744,323	766,109	700,171	718,402	758,752
Planning	542,555	607,884	473,810	473,752	523,417	506,212	752,671	807,010	710,526	643,513
Police	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	11,173,075
Fire	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	9,465,982
Contributions	264,500	270,499	228,750	228,750	228,750	228,750	233,150	234,650	234,650	235,150
Disposal service	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	4,888,951
Program costs	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743	50,665	23,051
Streets and public works	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	10,260,978
Interest expense on long-term debt	483,725	432,749	392,414	423,681	432,096	350,448	264,699	225,080	212,616	187,440
Total governmental activities	<u>29,740,140</u>	<u>33,465,750</u>	<u>33,549,074</u>	<u>34,081,418</u>	<u>34,962,977</u>	<u>37,543,625</u>	<u>39,513,692</u>	<u>38,843,189</u>	<u>42,889,945</u>	<u>44,184,645</u>
Business-type activities:										
Golf Course	\$ 960,704	\$ 939,804	\$ 933,196	\$ 925,247	\$ 966,007	\$ 968,630	\$ 985,162	\$ 840,726	\$ 943,937	\$ 912,071
Total business-type activities	<u>960,704</u>	<u>939,804</u>	<u>933,196</u>	<u>925,247</u>	<u>966,007</u>	<u>968,630</u>	<u>985,162</u>	<u>840,726</u>	<u>943,937</u>	<u>912,071</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<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>	<u>\$ 45,096,716</u>
PROGRAM REVENUES										
Governmental Activities:										
Charges for services:										
Finance	\$ 69,743	\$ 54,348	\$ 60,804	\$ 77,333	\$ 72,043	\$ 70,076	\$ 75,056	\$ 67,928	\$ 69,891	\$ 52,201
Parks	158,108	150,346	124,564	135,658	153,723	146,694	163,007	181,003	382,952	341,937
Codes	592,805	644,111	367,518	468,239	666,318	507,924	764,866	1,172,941	1,438,140	1,203,629
Planning	172,070	146,420	40,576	109,377	161,002	84,560	173,005	64,938	65,239	110,335
Police	760,631	947,882	1,337,492	589,465	579,650	562,545	530,827	615,558	562,554	537,760
Fire	-	-	-	-	-	-	-	146,736	107,110	111,875
Disposal service	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	4,621,956
Streets and public works	-	-	-	-	-	-	-	-	2,300	4,875
Operating grants and contributions	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	1,682,944
Capital grants and contributions	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	2,004,433
Total governmental activities and program revenues	<u>15,319,656</u>	<u>10,394,937</u>	<u>14,938,768</u>	<u>11,187,980</u>	<u>11,611,227</u>	<u>21,906,680</u>	<u>10,706,414</u>	<u>12,800,617</u>	<u>13,025,646</u>	<u>10,671,945</u>
Business-type activities:										
Charges for services:										
Golf course	772,321	670,906	689,675	749,422	807,223	773,593	807,896	840,650	857,375	827,391
Total business-type activities program revenues	<u>772,321</u>	<u>670,906</u>	<u>689,675</u>	<u>749,422</u>	<u>807,223</u>	<u>773,593</u>	<u>807,896</u>	<u>840,650</u>	<u>857,375</u>	<u>827,391</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<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>	<u>\$ 11,499,336</u>
NET (EXPENSE)/REVENUE										
Governmental activities	\$ (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)	\$ (33,512,700)
Business-type activities	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)	(195,037)	(177,266)	(76)	(86,562)	(84,680)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	<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>	<u>\$ (33,597,380)</u>

CITY OF HENDERSONVILLE

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

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/POSITION										
Governmental activities:										
Taxes:										
Property and in lieu of taxes	\$ 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	\$ 12,735,380
Sales	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	12,482,225
Wholesale beer tax	763,795	798,626	800,715	845,027	887,003	929,388	944,129	956,362	977,554	1,011,321
Wholesale liquor tax	248,822	263,527	277,440	292,612	319,398	351,331	417,539	477,604	535,971	556,104
Business tax	760,137	731,455	734,085	743,685	761,176	974,806	882,621	986,136	1,114,201	1,164,209
Unrestricted state shared taxes:										
Franchise taxes	611,064	634,312	645,408	669,313	730,581	757,106	779,309	834,214	876,894	923,652
State shared sales tax	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	4,290,951
State shared income tax	630,543	450,178	351,594	382,750	445,897	602,307	633,813	814,449	873,932	626,085
State shared beer tax	23,252	22,197	21,390	22,518	25,218	25,399	24,308	24,570	25,084	24,805
State shared alcoholic beverage tax	168,927	198,508	202,476	238,321	134,151	138,950	152,711	160,452	174,490	166,904
Unrestricted other state shared taxes	227,520	266,036	153,046	120,021	16,518	23,298	37,918	27,122	133,036	38,222
Unrestricted investment earnings	372,161	71,981	28,763	47,824	53,998	34,283	21,922	23,015	27,987	24,546
Other	230,986	94,380	340,876	19,686	123,607	68,035	57,118	133,002	88,792	93,150
Special item	701,156	-	-	-	-	-	-	(6,351,071)	-	-
Transfers	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877	-	-
Total government activities	22,873,585	22,034,841	24,090,787	24,487,086	26,088,299	27,111,307	28,327,966	23,393,339	32,905,826	34,137,554
Business-type activities:										
Investment earnings	8,900	1,664	325	462	365	333	186	197	203	169
Miscellaneous income	-	-	-	-	-	-	-	-	-	4,810
Transfers	263,975	(30,000)	-	-	-	173,640	(44,877)	(44,877)	-	-
Total business-type activities	272,875	(28,336)	325	462	365	173,973	(44,691)	(44,680)	203	4,979
TOTAL PRIMARY GOVERNMENT	\$ 23,146,460	\$ 22,006,505	\$ 24,091,112	\$ 24,487,548	\$ 26,088,664	\$ 27,285,280	\$ 28,283,275	\$ 23,348,659	\$ 32,906,029	\$ 34,142,533
CHANGE IN NET POSITION										
Governmental activities	\$ 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	\$ 624,854
Business-type activities	84,492	(297,234)	(243,196)	(175,363)	(158,419)	(21,064)	(221,957)	(44,756)	(86,359)	(79,701)
TOTAL PRIMARY GOVERNMENT	\$ 8,537,593	\$ (1,333,206)	\$ 5,237,285	\$ 1,418,285	\$ 2,578,130	\$ 11,453,298	\$ (701,269)	\$ (2,693,989)	\$ 2,955,168	\$ 545,153

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>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>	<u>2017</u>
Governmental Funds:										
General Fund:										
Reserved	\$ 333,093	\$ 539,687	\$ 444,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	6,472,077	3,058,149	4,184,523	-	-	-	-	-	-	-
Nonspendable	-	-	-	7,641	4,155	17,493	73,510	278,000	6,046	601,677
Restricted	-	-	-	642,485	519,482	1,035,950	991,591	1,036,187	887,274	832,915
Committed	-	-	-	601,122	277,622	274,997	267,175	836,158	2,532,774	2,010,771
Assigned	-	-	-	2,830,717	3,681,641	4,593,972	4,760,199	3,015,185	2,336,958	3,969,543
Unassigned	-	-	-	<u>2,398,065</u>	<u>2,179,647</u>	<u>1,802,256</u>	<u>1,030,329</u>	<u>2,829,182</u>	<u>3,607,022</u>	<u>3,158,144</u>
Total general fund	<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>	<u>\$ 10,573,050</u>
All Other Governmental Funds:										
Reserved	\$ 332,791	\$ 379,420	\$ 88,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in Special Revenue Funds	778,917	469,389	699,561	-	-	-	-	-	-	-
Unreserved reported in Capital Projects Funds	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	856,304
Restricted reported in Capital Projects Fund	-	-	-	<u>3,911,075</u>	<u>3,714,801</u>	<u>3,672,665</u>	<u>4,242,382</u>	<u>3,270,823</u>	<u>5,145,662</u>	<u>1,760,146</u>
Total all other governmental funds	<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>	<u>\$ 2,616,450</u>
Total	<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>	<u>\$ 13,189,500</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>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>	<u>2017</u>
REVENUES										
Taxes	\$ 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	\$ 27,820,614
Intergovernmental	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	8,677,784
Fines and fees	746,059	878,035	1,310,800	576,941	572,903	595,632	550,316	514,335	515,320	503,072
Licenses and permits	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	2,330,781
Charges for services	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	4,954,836
Uses of money, property and miscellaneous	372,161	71,981	28,763	47,824	53,998	34,283	21,922	37,749	29,039	37,912
Other	<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>	<u>328,539</u>
TOTAL REVENUES	<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>	<u>44,653,538</u>
EXPENDITURES										
General government	492,361	474,199	428,039	413,716	389,440	396,272	427,151	434,423	392,171	360,566
Personnel	251,184	281,799	271,999	283,047	272,531	287,784	305,524	315,919	399,598	377,876
Central services	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	2,032,366
Finance	764,684	799,187	756,401	748,831	775,140	852,925	905,613	877,973	995,139	922,366
Parks	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	2,065,364
IT	-	-	-	-	-	-	-	219,792	446,661	605,882
Codes	711,759	730,889	666,632	667,854	686,682	736,517	748,439	738,692	761,569	727,566
Planning	535,719	618,420	476,882	468,096	520,495	505,872	749,722	847,660	699,858	634,172
Public works	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	4,182,272
Police	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	10,760,909
Fire	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	8,851,924
Contributions	264,500	270,499	228,750	228,750	228,750	228,750	233,150	234,650	234,650	235,150
Disposal service	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	5,324,951
Program costs	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743	50,665	23,051
Streets	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	1,538,262
Debt service - Principal	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	2,150,633
Debt service - Interest	513,495	445,026	407,461	377,401	447,936	391,010	299,374	284,817	226,984	263,322
Debt service - Other	-	-	-	-	-	-	-	-	-	200
Capital outlay	<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>	<u>5,668,388</u>
TOTAL EXPENDITURES	<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>84,449,731</u>	<u>45,083,534</u>	<u>46,725,220</u>
Excess of revenues over (under) expenditures	<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>(45,470,983)</u>	<u>(1,369,672)</u>	<u>(2,071,682)</u>
OTHER FINANCING SOURCES (USES)										
Bond, notes, premiums, and leases	-	-	-	4,100,000	270,370	7,196,540	1,250,000	-	4,020,400	-
Operating transfers	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877	-	-
Insurance recoveries	-	-	-	892,117	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>-</u>
Special item	<u>1,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<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>\$ (45,426,106)</u>	<u>\$ 2,650,728</u>	<u>\$ (2,071,682)</u>
Debt service as a percentage of noncapital expenditures	<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>3.1</u>	<u>6.3</u>	<u>5.9 %</u>

City of Hendersonville, Tennessee
Revenue Capacity Information (Unaudited)
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		
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
2017	31,002,555	1,629,660,230	168,714,546	3,696,026,796	5,525,404,127	1,569,109,424	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 (Unaudited)
Direct and Overlapping Property Tax Rates, Last Ten Years

Schedule 6

Fiscal Year	Direct Rate City	Overlapping Rate County **	Total
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
2017	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 (Unaudited)
Principal Property Taxpayers, Current Year and Nine Years Ago

Schedule 7

Taxpayer	2017			2008		
	Taxable Assessed Value*	Rank	Percent of Total Assessed Value	Taxable Assessed Value*	Rank	Percent of Total Assessed Value
USPG Indian Lake LLC (formerly Inland American Hendersonville)	\$ 14,743,840	1	0.94%			
Monthaven Park LLC	12,656,680	2	0.81%	12,129,320	2	1.05%
Hendersonville Hospital/HCA Realty	11,898,295	3	0.76%	15,682,210	1	1.36%
Mid America Apartments LP	9,959,120	4	0.63%			
BEL Hendersonville, LLC	9,840,000	5	0.63%			
Wal Mart Real Estate	7,837,400	7	0.50%	7,478,011	4	0.65%
Sir Cantare, LLC	7,722,000	6	0.49%			
WP/R Nashville Owner	7,712,080	8	0.49%			0.00%
Glenbrook Partners LP	7,365,320	9	0.47%			
Cottonwood Arbors On Main	6,736,960	10	0.43%			
Piedmont Natural Gas				6,781,260	5	0.59%
CT Hendersonville LLC				6,022,390	7	0.52%
United Dominion Realty, LP				10,837,440	3	0.94%
CMS Hendersonville (Gables)				6,559,480	6	0.57%
Bellsouth				5,601,410	8	0.48%
Gaskins Group, LLC				4,718,010	9	0.41%
Glenbrook Hendersonville, LLC				4,288,920	10	0.37%
Totals	<u>\$ 96,471,695</u>		<u>6.15%</u>	<u>\$ 80,098,451</u>		<u>6.94%</u>
Total Assessed Value	<u>\$ 1,569,109,424</u>			<u>\$ 1,154,977,767</u>		

Source:

* Property Tax Assessment Roll

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

Schedule 8

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collected as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
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%	226,290	7,607,212	99.67%	25,156	0.3296%
2010	9,660,217	9,263,975	96%	376,730	9,640,705	99.80%	19,512	0.2020%
2011	9,665,857	9,343,593	97%	301,807	9,645,400	99.79%	20,457	0.2116%
2012	9,692,009	9,363,490	97%	314,370	9,677,860	99.85%	14,149	0.1460%
2013	9,765,249	9,550,408	98%	194,109	9,744,517	99.79%	20,732	0.2123%
2014	9,809,921	9,605,463	98%	177,678	9,783,141	99.73%	26,780	0.2730%
2015	9,814,009	9,604,742	98%	163,114	9,767,856	99.53%	46,153	0.4703%
2016	11,648,086	11,435,416	98%	145,898	11,581,314	99.43%	66,772	0.5732%
2017	11,895,688	11,699,657	98%	-	11,699,657	98.35%	196,031	1.6479%
							<u>\$ 442,004</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 (Unaudited)
Local Sales Tax Collections, Last Ten Fiscal Years

Schedule 9

Fiscal Year	Total Remittances From State	Local Tax Rate*	State Tax Rate	Total Tax Rate
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%
2017	12,301,376	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 (Unaudited)
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				
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	
2017	57,050	-	394,851	7,863,860	230,279	-	8,488,990	0.45%	149	

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 (Unaudited)
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
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
2017	57,050	5,525,404,127	-	394,851	7,863,860	230,279	8,488,990	0.15%	149

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 (Unaudited)
Direct and Overlapping Governmental Activities Debt

Schedule 12

Jurisdiction	General Obligation Debt Outstanding	Percentage Applicable to City*	Amount Applicable to City*
City of Hendersonville	\$ 8,457,114	100.00%	\$ 8,457,114
Sumner County	158,010,000	36.92%	58,337,081
Total	<u>\$ 166,467,114</u>		<u>\$ 66,794,195</u>

* Based upon Assessed Value of Property in

County:	\$ 4,250,040,909
City:	\$ 1,569,109,424

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

Schedule 13

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assessed Value	\$1,569,109,424	\$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
General Obligation Debt	8,488,990	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
Debt as a % of Assessed Value	0.54%	0.68%	0.60%	0.77%	0.84%	0.86%	0.89%	0.71%	0.98%	1.14%

Note - The City has no legal debt limit.

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

Schedule 14

Golf Course Enterprise Fund

Fiscal Year	Golf Course						
	Gross Revenues*	Direct** Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	-	-	-	-
2017	832,370	804,201	28,169	-	-	-	-

* Includes nonoperating revenues

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

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 (Unaudited)
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>
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%
2017	57,050	1,902,104,050	33,341	40.2	14.8	14,198	3.6%

* 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 (Unaudited)
Principal Employers, Current Year and Nine Years Ago

Schedule 16

Employer	2017			2008		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Xtend Healthcare	943	1	26.71%	-	-	0.0%
Hendersonville Medical Center	650	2	18.41%	497	1	23.5%
MGM Windows	371	3	10.51%	160	6	7.6%
City of Hendersonville	347	4	9.83%	405	2	19.1%
Windham Professionals	249	5	7.05%	-	5	0.0%
Aladdin Temp Rite	210	6	5.95%	175	5	8.3%
Sumner County YMCA	190	7	5.38%	-	-	0.0%
Smith Travel Research	180	8	5.10%	-	-	0.0%
National Health Care	150	9	4.25%	120	8	5.7%
Nashville Wraps	120	10	3.40%	-	-	0.0%
Betty Machine	120	10	3.40%	120	9	5.7%
Wal-Mart	-	-	-	200	3	9.5%
ITW Dynatech	-	-	-	109	10	5.2%
Sholodge	-	-	-	140	7	6.6%
Digital Connections	-	-	-	190	4	9.0%
Totals	<u>3,530</u>			<u>2,116</u>		

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

Schedule 17

Function	Full-Time Equivalent Employees as of June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	3	3	4	4	4	5	6	6	6	6
Personnel	4	4	3	3	3	3	3	3	3	3
Central Service Ride	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	9	9	9	9
Parks	19	17	16	16	14	16	16	16	16	16
Codes	9	8	9	9	9	10	10	10	10	10
Planning	17	6	6	5	5	6	6	6	6	6
Police	137	134	127	121	119	123	121	121	121	113
Fire	102	101	101	101	103	104	104	104	104	97
Streets and Public Works	38	34	32	27	32	35	36	36	36	36
Information Technology**	2	2	2	n/a						
Golf Course*	7	4	6	6	6	5	5	5	5	5
	<u>347</u>	<u>322</u>	<u>315</u>	<u>301</u>	<u>304</u>	<u>316</u>	<u>316</u>	<u>316</u>	<u>316</u>	<u>301</u>

* 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 (Unaudited)
Operating Indicators by Function/Program, Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Calls	41,122	43,863	44,712	41,227	42,102	51,042	47,553	56,177	62,837	49,957
Fire										
Emergency Responses										
Fire Calls	5,745	5,647	4,658	4,181	4,166	4,600	4,568	4,250	4,250	4,100
Codes										
Building Permits Issued	774	787	618	628	579	439	504	492	539	716
Disposal Service										
Refuse Collected* (number of homes)	18,168	17,334	17,212	16,918	16,633	16,325	16,200	16,035	16,035	15,287
Golf Course										
Rounds Played	23,303	23,319	22,526	23,741	22,671	22,977	20,871	20,557	21,843	23,311

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 (Unaudited)
Capital Assets Statistics by Function, Last Ten Fiscal Years

Schedule 19

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Parks										
Acres	595	595	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	3
Picnic Areas	14	14	14	14	14	14	14	14	14	13
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Picnic Shelters	23	23	23	23	23	24	24	24	24	23
Practice Areas	25	25	25	25	25	25	25	25	25	25
Soccer Fields	24	24	22	22	22	22	22	18	18	17
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	12	11	11	11	11	11
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	2
Autos and Trucks	20	20	20	20	20	17	17	17	17	17
Codes										
Autos and Trucks	7	6	6	8	7	7	7	8	8	8
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Vehicles, Motorcycles and Boats	163	154	145	173	163	153	135	129	122	113
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Fire Trucks	13	13	12	12	11	11	11	11	11	11
Autos and Trucks	12	12	10	11	12	12	10	9	8	8
Fire Hydrants	2,550	2,443	2,190	2,190	2,170	2,000	2,000	2,000	2,000	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	2	0	0	0	0
Streets and Public Works										
Streets (miles)	289	376	374	371	369	363	362	360	360	356
Street Lights	7,377	7,370	7,370	7,351	7,351	7,340	7,334	7,304	7,292	7,272
Traffic Signals	33	33	31	30	30	30	28	28	28	27

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

Source: Departments within City Hall

OTHER REPORTS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, 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, 2017, 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 27, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of Hendersonville, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hendersonville, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hendersonville, Tennessee's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether City of Hendersonville, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 27, 2017

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Hendersonville, Tennessee's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Hendersonville, Tennessee's major federal programs for the year ended June 30, 2017. The City of Hendersonville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, City of Hendersonville, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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 27, 2017

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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? ___ yes X no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified 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 (CONTINUED)

YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

PRIOR YEAR

2016 - 001 This finding was resolved.

2016 - 002 This finding was resolved.

CURRENT YEAR

No findings noted.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

PRIOR YEAR

No findings noted.

CURRENT YEAR

No findings noted.