

CITY OF HENDERSONVILLE, TENNESSEE  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023

PREPARED BY:  
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION

# City of Hendersonville



101 Maple Drive North

Hendersonville, TN 37075  
[www.hvilletn.org](http://www.hvilletn.org)

Telephone (615) 822-1000

December 26, 2023

To the Citizens and Aldermen 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, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework 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, 2023. 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 63,628 with a median family income above average for the State of Tennessee and is considered to be the 10th largest city in Tennessee by population. The City of Hendersonville is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Hendersonville was incorporated on June 11, 1968 under the Tennessee Uniform Commission City Manager form of government. On August 7, 1986, a vote by referendum changed

the form of government to the Mayor-Aldermen form. The Board of Mayor and Aldermen is comprised of thirteen members. The Mayor is elected at large and the Aldermen are elected on the basis of six ward districts. Members of the Board of Mayor and Aldermen are elected for a four (4) year term and may not serve more than three (3) consecutive four (4) year terms. Members of the Board of Mayor and Alderman that were in office on November 8, 2022 may only serve an additional two (2) four (4) year terms. All department heads, the City Attorney, City Judge, Chief of Operations, and City Recorder are appointed by the Board of Mayor and Aldermen. The Board of Mayor and Aldermen is responsible for passing ordinances, adopting the budget, appointing committees, and establishing policies, among other things.

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 Membership Corporation and Piedmont Natural 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 detail is prepared by fund (i.e. general), function (i.e. central administration), department (i.e. personnel), and object code (i.e. salaries). Department heads are authorized to expend funds within total functional appropriations with some exceptions. However, amendments to the budget that change functional and/or total appropriations require the adoption of an ordinance 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 retail business in the area. Hendersonville continued to pursue its efforts in promoting industrial, retail, commercial, and residential growth in fiscal year 2023. The major positive initiatives taken by the City of Hendersonville are as follows:

1. The City budgeted \$23,170,318 for capital projects in Fiscal Year 2023. Projects include: \$5,330,000 for the Sanders Ferry Walking Trail, \$3,011,800 to complete construction of Fire Hall #7, and \$1,690,827 for Traffic Signal Synchronization.
2. The City continues to expand and update the use of its parks and includes projects in the budget for Fiscal Year 2023 to accomplish this. Projects include: \$509,200 for Rugby Facilities Construction and Renovation, \$1,000,000 for Rugby Lights and Drakes Creek Soccer #4 Turf Field, and \$600,000 for Pickleball construction.
3. The City created the Clean Team, a new program that restructured existing resources to allow staff to focus on litter clean-up, sign replacement and identifying maintenance needs. This team helps keep the city looking great.

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.

In September of 2021, Money.com named the City of Hendersonville number sixteen among its list of [‘50 Best Places to Live 2021’](#).

### **Long-Term Financial Planning**

The City has numerous capital projects currently funded and under construction. Several of these are: Drakes Creek Stop 30 widening, Walton Ferry, traffic signal upgrades, drainage, establishing a roundabout at Drakes Creek, and improving the intersection at Saundersville Road and Avondale.

The City was reaffirmed as AA+ by Standards and Poor’s rating services in April of 2021 while restructuring outstanding debt obligations in April of 2021. The City did not issue any additional debt in FY22-23.

### **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 Board of Mayor and Aldermen. The legal level of control is held at the functional level. The City utilizes functional 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**

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report (ACFR). 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 meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of Jessica Cunningham, Accounting Manager, and Katie Curtis, Finance Manager, who worked tirelessly gathering and reviewing the information required for a successful audit. I would also like to express my appreciation for all members of the Finance Department who have worked tirelessly over the past year. Credit also must be given to the firm of KraftCPAs PLLC, who was most helpful in reviewing the interpretations of financial presentation and disclosure requirements.

Respectfully submitted,



Tamara Ingersoll  
Finance Director



Jamie Clary  
Mayor of Hendersonville, Tennessee

FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINIONS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Hendersonville, Tennessee (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Hendersonville, Tennessee as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City's and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, and the schedules of changes in net pension liability (asset) and related ratios, contributions based on participation in the public employee pension plan of TCRS, and schedule of changes in other post-employment benefit liability and related ratios on pages 60 through 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

## REPORT ON SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor funds and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages on pages 63 through 70, the schedules on pages 71 through 80 as required by the State of Tennessee Audit Manual and the schedule of expenditures of federal and state awards on pages 81 through 82, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Audit Manual are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements on pages 63 through 70, the schedule on pages 71 through 80 and schedule of expenditures of federal and state awards on pages 81 through 82 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER INFORMATION

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section on pages i through vi and statistical sections on pages 83 through 102 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Kraft+CPAs PLLC*

Nashville, Tennessee  
December 26, 2023

# 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, 2023.

### Financial Highlights:

The assets and deferred outflows of the City of Hendersonville exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$122,997,730 (net position). Of this amount, \$38,537,857 (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 \$12,263,142. This positive change is attributable primarily to an increase in the total value of construction in progress and capital assets, as well as an increase in cash receipts due to inflation.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$43,342,961, an increase of \$2,861,016 in comparison to the prior year. Approximately \$26,187,375 of that total is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$26,187,375 or 45.2% of the total general fund expenditures.

The City's total debt decreased by \$2,276,597 or 16.5% 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 16-17 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, debt service and capital projects funds which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-59 of this report.

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hendersonville, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$122,997,730 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (63.2%) 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.

An additional portion of the City's net position (5.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$38,537,857) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position increased by \$12,263,142 during the current fiscal year, amounting to 10.0% of total net position. This increase represents mostly an increase in total revenues exceeding expenditures and amounts within the Governmental Funds.

City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 77,440,630	\$ 70,278,752	\$ 408,455	\$ 343,106	\$ 77,849,085	\$ 70,621,858
Capital assets	87,467,592	82,125,983	997,096	1,016,160	88,464,688	83,142,143
Total assets	164,908,222	152,404,735	1,405,551	1,359,266	166,313,773	153,764,001
Deferred outflows of resources	13,609,280	13,965,556	-	-	13,609,280	13,965,556
Long-term liabilities outstanding	25,021,115	17,444,587	-	-	25,021,115	17,444,587
Other liabilities	9,445,904	7,208,907	132,376	165,532	9,578,280	7,374,439
Total liabilities	34,467,019	24,653,494	132,376	165,532	34,599,395	24,819,026
Deferred inflows of resources	22,325,928	32,175,943	-	-	22,325,928	32,175,943
Net position:						
Net investment capital assets	76,763,425	69,272,983	997,096	1,016,160	77,760,521	70,289,143
Restricted	6,699,352	8,976,531	-	-	6,699,352	8,976,531
Unrestricted	38,261,778	31,291,340	276,079	177,574	38,537,857	31,468,914
Total net position	\$ 121,724,555	\$ 109,540,854	\$ 1,273,175	\$ 1,193,734	\$ 122,997,730	\$ 110,734,588

Governmental Activities

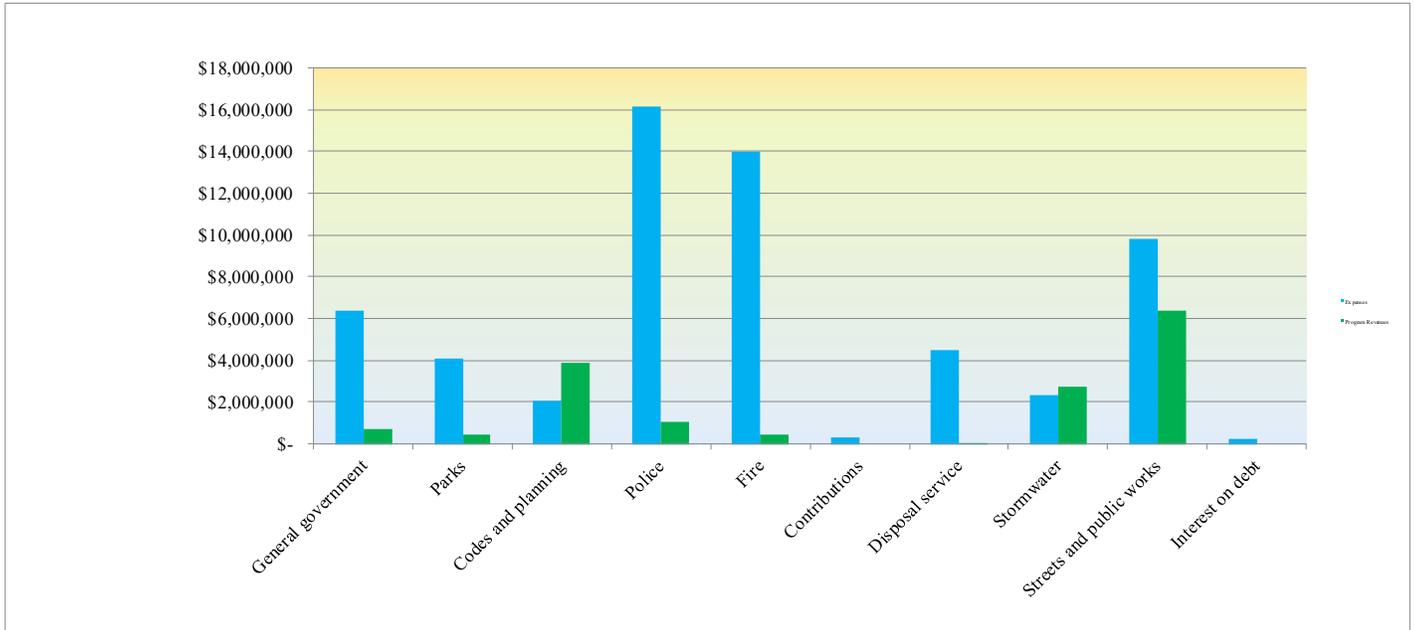
Governmental activities increased the City's net position by \$12,183,701, thereby accounting for 99.4% of the total change in the net position of the City. The key factor for this increase was due to the increase in capital assets. Additionally, a conservative budgeting approach for both revenues and expenditures was utilized and resulted in an increased cash receipts due to inflation.

City of Hendersonville's Net Position

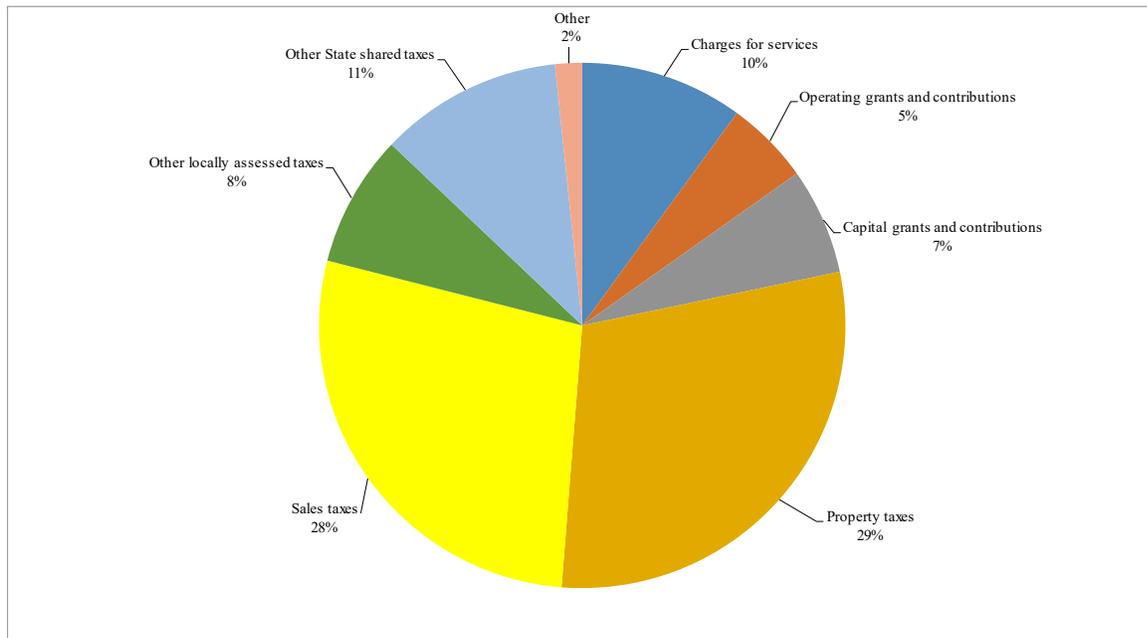
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,216,365	\$ 6,921,720	\$ 1,290,995	\$ 1,063,384	\$ 8,507,360	\$ 7,985,104
Operating grants and contributions	3,723,437	9,593,294	-	-	3,723,437	9,593,294
Capital grants and contributions	4,713,759	9,667,735	-	-	4,713,759	9,667,735
<b>General revenues:</b>						
Property taxes	21,292,111	20,754,949	-	-	21,292,111	20,754,949
Sales taxes	19,986,843	18,969,695	-	-	19,986,843	18,969,695
Other locally assessed taxes	5,853,001	5,354,827	-	-	5,853,001	5,354,827
Other State shared taxes	8,106,282	7,613,252	-	-	8,106,282	7,613,252
Other	1,197,229	211,480	3,355	346	1,200,584	211,826
<b>Total revenues</b>	<b>72,089,027</b>	<b>79,086,952</b>	<b>1,294,350</b>	<b>1,063,730</b>	<b>73,383,377</b>	<b>80,150,682</b>
<b>Expenses:</b>						
General government	750,587	721,825	-	-	750,587	721,825
Personnel	2,911,799	291,759	-	-	2,911,799	291,759
Central services	1,512,158	1,638,257	-	-	1,512,158	1,638,257
Finance	1,172,209	984,324	-	-	1,172,209	984,324
Parks	4,055,947	3,218,703	-	-	4,055,947	3,218,703
IT	-	932,711	-	-	-	932,711
Codes	913,232	864,159	-	-	913,232	864,159
Planning	1,168,066	930,565	-	-	1,168,066	930,565
Police	16,151,232	14,865,135	-	-	16,151,232	14,865,135
Fire	14,000,425	12,132,089	-	-	14,000,425	12,132,089
Contributions	296,670	293,250	-	-	296,670	293,250
Disposal service	4,511,864	4,112,946	-	-	4,511,864	4,112,946
Stormwater	2,352,793	1,921,500	-	-	2,352,793	1,921,500
Drug and forfeiture program costs	21,649	27,148	-	-	21,649	27,148
Streets and Public Works	9,826,332	9,799,209	-	-	9,826,332	9,799,209
Interest expense on long-term debt	260,363	267,148	-	-	260,363	267,148
Golf course	-	-	1,214,909	970,493	1,214,909	970,493
<b>Total expenses</b>	<b>59,905,326</b>	<b>53,000,728</b>	<b>1,214,909</b>	<b>970,493</b>	<b>61,120,235</b>	<b>53,971,221</b>
Increase (decrease) in net position	12,183,701	26,086,224	79,441	93,237	12,263,142	26,179,461
<b>Net position</b>						
Beginning of year	109,540,854	83,454,630	1,193,734	1,100,497	110,734,588	84,555,127
End of year	\$ 121,724,555	\$ 109,540,854	\$ 1,273,175	\$ 1,193,734	\$ 122,997,730	\$ 110,734,588

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

## Expenses and Program Revenues - Governmental Activities



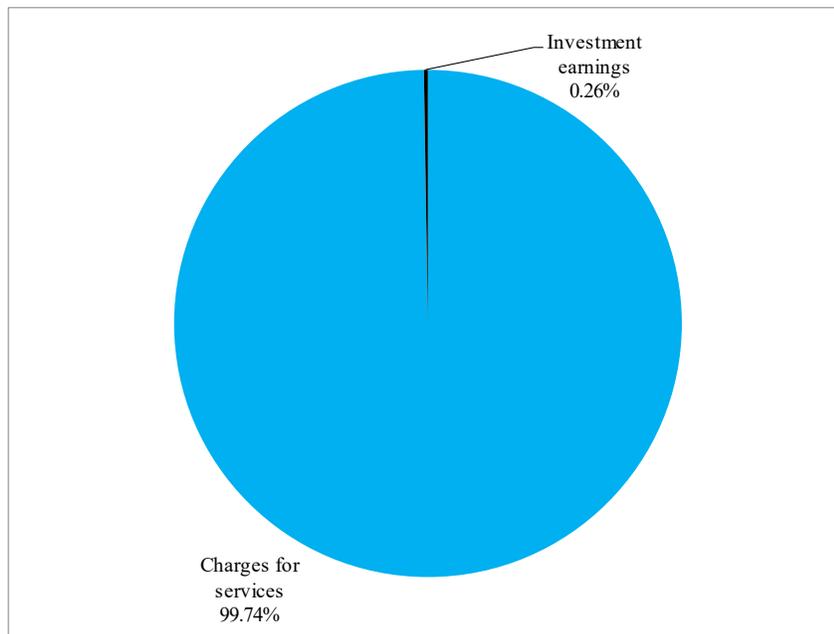
## Revenues by Source - Governmental Activities



## 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 \$43,342,961, an increase of \$2,861,016 in comparison with the prior year. Approximately 60.4% of this total amount (\$26,187,375) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$17,155,586) indicates that it is not available for new spending because it has been either **1**) restricted for obligations in the amount of (\$4,941,892); **2**) restricted to provide for capital projects (\$1,757,460) **3**) designated non-spendable to provide for prepaid items (\$393,766); **4**) committed to provide for designated departmental projects (\$5,616,796); **5**) assigned for specific projects regarding other governmental funds (\$1,104,078); **6**) and assigned for departmental obligations in the amount of (\$3,341,594).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$26,187,375, while total fund balance reached \$38,316,116. 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 45.2% of total general fund expenditures, while total fund balance represents 66.1% of that same amount.

The fund balance of the City's General Fund increased by \$4,990,931 during the current fiscal year. This increase was a result of several factors including sales tax receipts exceeding expectations, unbudgeted investment revenue receipts, a conservative approach to budgeting and corresponding departmental expenditures coming in below the budgeted amount. Additionally, grants and special projects expenditures came in well below the budgeted amounts.

At the end of the current fiscal year, the total fund balance of the Capital Projects Fund was \$1,757,460. The decrease in total fund balance from the prior fiscal year was \$2,786,565 due to the increase in capital project expenditures and work completed on these capital projects.

At the end of the current fiscal year, the total fund balance of the State Street Aid Fund (nonmajor governmental fund) was \$1,305,292. The increase in total fund balance from the prior fiscal year was \$411,219, which is primarily due to revenues coming in slightly higher than anticipated and expenditures coming in slightly lower than anticipated.

At the end of the current fiscal year, the total fund balance of the Drug Fund (nonmajor governmental fund) was \$345,076. The increase in total fund balance from the prior fiscal year was \$84,329.

At the end of the current fiscal year, the total fund balance of the Forfeiture Fund (nonmajor governmental fund) was \$25,067. The increase in total fund balance from the prior fiscal year was \$5,496.

At the end of the current fiscal year, the total fund balance of the Stormwater Fund (nonmajor governmental fund) was \$1,593,950. The increase in total fund balance from the prior fiscal year was \$155,606.

### 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 \$358,836. The increase in total net position of the Golf Course Fund amounted to \$79,441. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was an overall increase in appropriations to expenditures and other financing sources (uses) by \$7,181,033, the majority of which can be briefly summarized as follows:

- \$825,000 appropriated for a replacement fire engine.
- \$915,375 appropriated for replacement of 15 police vehicles.
- \$720,000 appropriated for additional paving projects.
- \$250,000 appropriated for a knuckle boom truck.
- \$504,000 appropriated for insurance claim items from the December 2022 Freeze event and the March 2023 Windstorm.
- \$226,860 appropriated for police grants.
- \$221,565 appropriated for the Sanders Ferry Walking Trail project.
- \$274,217 appropriated for Parks special projects and improvements.
- \$107,835 appropriated for the Traffic Light Synchronization project.
- \$350,000 appropriated for the Golf Cart Barn project.
- \$200,000 appropriated for supplemental pay.
- The remaining increase was due to project appropriations rolled forward from the prior fiscal year.

Revenues were less than appropriated estimates resulting from significantly lower grant funding receipts that are a result of the grant expenditures being significantly under budget as well.

### **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, 2023, amounts to \$88,464,688 (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 6.4% (a 6.5% increase for governmental activities and a 1.9% decrease for business-type activities).

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

- \$2,427,917 added to Machinery and Equipment, the majority of which was spent on vehicles for the Police Department and a Fire Engine for the Fire Department.
- \$9,408,844 increase to construction in process. The majority of this is attributable to the construction of Fire Hall #7 and the Sanders Ferry Walking Trail.
- \$1,977,554 added in Infrastructure due to the completion of multiple phases of various ongoing transportation and drainage projects.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 8,747,555	\$ 8,747,555	\$ 641,194	\$ 641,194	\$ 9,388,749	\$ 9,388,749
Buildings and improvements	15,412,217	15,119,159	1,056,461	1,052,773	16,468,678	16,171,932
Improvements other than buildings	9,765,174	6,097,231	4,321,557	4,259,559	14,086,731	10,356,790
Machinery and equipment	20,529,546	19,150,458	509,428	509,428	21,038,974	19,659,886
Intangible right-to-use SBITAs	76,804	-	-	-	76,804	-
Construction in progress	12,020,894	9,741,822	-	-	12,020,894	9,741,822
Infrastructure	133,206,222	131,228,666	-	-	133,206,222	131,228,666
	199,758,412	190,084,891	6,528,640	6,462,954	206,287,052	196,547,845
Less accumulated depreciation	(112,290,820)	(107,958,908)	(5,531,544)	(5,446,794)	(117,822,364)	(113,405,702)
Net Capital Assets	\$ 87,467,592	\$ 82,125,983	\$ 997,096	\$ 1,016,160	\$ 88,464,688	\$ 83,142,143

Additional information on the City of Hendersonville's capital assets can be found in note 3 starting 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 \$11,484,562, all of which is backed by the full faith and credit of the government. The enterprise fund had no bonded debt outstanding.

### **City of Hendersonville's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Notes payable	\$ 10,704,167	\$ 12,853,000	\$ -	\$ -	\$ 10,704,167	\$ 12,853,000
Note premiums	780,395	908,159	-	-	780,395	908,159
Total long-term debt obligations	\$ 11,484,562	\$ 13,761,159	\$ -	\$ -	\$ 11,484,562	\$ 13,761,159

The City of Hendersonville's total debt decreased by \$2,276,597 or 16.5% during the current fiscal year. On April 29, 2021, Standard & Poors Rating Services affirmed the City of Hendersonville's long-term rating of AA+ for the city's debt outstanding.

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

Additional information on the City of Hendersonville's long-term debt can be found in note 7 beginning on page 40 of this report.

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

The unemployment rate at June 30, 2023 was 3.0%, which is in line with last year's rate of 3.2%. This compares to the state's average unemployment rate of 3.2% and the national average rate of 3.6%, seasonally adjusted. It is worth noting that unemployment rates have continued to trend downward from the highest point in July 2021 at 9.0% as a result of the COVID-19 pandemic.

In the 2023-2024 budget, General Fund revenues and transfers in are budgeted to increase by 8.5% from the 2022-2023 budget year. For the last several years, the City's budget has benefitted by an expanding commercial and retail base producing a consistent increase in local sales tax receipts, building permits, and business taxes as well as significant inflation.

All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

### **Requests for Information**

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

Tamara Ingersoll, Finance Director  
City of Hendersonville  
101 Maple Drive North  
Hendersonville, TN 37075

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		Total	Component Units
	Governmental Activities	Business Activities	Primary Government	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 44,934,758	\$ 362,625	\$ 45,297,383	\$ 56,767
Investments	-	-	-	200,000
Receivables:				
Property taxes	22,176,198	-	22,176,198	-
Other taxes	510,096	-	510,096	-
Disposal fees	15,633	-	15,633	-
Stormwater fees	103,723	-	103,723	-
Due from other governments	7,438,147	-	7,438,147	-
Accounts receivable	-	643	643	-
Inventories	-	44,786	44,786	-
Prepaid items	393,766	-	393,766	-
Deposits	-	401	401	-
Restricted assets - cash and cash equivalents:				
Deposit for capital construction - State of Tennessee	1,868,309	-	1,868,309	-
Capital assets:				
Land and construction in progress	20,768,449	641,194	21,409,643	10,852
Capital assets, net	66,699,143	355,902	67,055,045	-
<b>TOTAL ASSETS</b>	<u>164,908,222</u>	<u>1,405,551</u>	<u>166,313,773</u>	<u>267,619</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows relating to pensions	13,609,280	-	13,609,280	-
<u>LIABILITIES</u>				
Accounts payable	2,680,484	14,701	2,695,185	-
Accrued liabilities	6,636,640	34,918	6,671,558	-
Unearned revenue	58,280	-	58,280	-
Long-term debt due within one year	1,968,598	-	1,968,598	-
SBITA liabilities due within one year	70,500	-	70,500	-
Long-term debt due more than one year	9,515,964	-	9,515,964	-
Other long-term liabilities	2,240,402	82,757	2,323,159	-
Net pension liability	9,362,177	-	9,362,177	-
Net other post employment benefits liability	1,933,974	-	1,933,974	-
<b>TOTAL LIABILITIES</b>	<u>34,467,019</u>	<u>132,376</u>	<u>34,599,395</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Assessed and unlevied taxes and fees	21,534,770	-	21,534,770	-
Deferred inflows related to pensions	133,279	-	133,279	-
Deferred inflows related to other post employment benefits	657,879	-	657,879	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>22,325,928</u>	<u>-</u>	<u>22,325,928</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	76,763,425	997,096	77,760,521	10,852
Restricted for:				
Public works	399,786	-	399,786	-
Street maintenance	2,382,108	-	2,382,108	-
Law enforcement	415,500	-	415,500	-
General government	150,548	-	150,548	-
Capital projects	1,757,460	-	1,757,460	-
Stormwater	1,593,950	-	1,593,950	-
Unrestricted	38,261,778	276,079	38,537,857	256,767
<b>TOTAL NET POSITION</b>	<u>\$ 121,724,555</u>	<u>\$ 1,273,175</u>	<u>\$ 122,997,730</u>	<u>\$ 267,619</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	\$ 750,587	\$ -	\$ 596,327	\$ -	\$ (154,260)	\$ -	\$ (154,260)	\$ -
Central administration	2,911,799	-	-	-	(2,911,799)	-	(2,911,799)	-
Central services	1,512,158	-	-	-	(1,512,158)	-	(1,512,158)	-
Finance	1,172,209	92,692	-	-	(1,079,517)	-	(1,079,517)	-
Parks and recreation	4,055,947	409,611	32,525	-	(3,613,811)	-	(3,613,811)	-
Codes	913,232	3,165,990	-	-	2,252,758	-	2,252,758	-
Planning	1,168,066	59,834	7,500	619,057	(481,675)	-	(481,675)	-
Police	16,151,232	418,581	601,848	-	(15,130,803)	-	(15,130,803)	-
Fire	14,000,425	295,096	176,128	-	(13,529,201)	-	(13,529,201)	-
Contributions	296,670	-	-	-	(296,670)	-	(296,670)	-
Disposal service	4,511,864	5,583	-	-	(4,506,281)	-	(4,506,281)	-
Stormwater	2,352,793	2,768,978	-	-	416,185	-	416,185	-
Drug and forfeiture program costs	21,649	-	-	-	(21,649)	-	(21,649)	-
Streets and public works	9,826,332	-	2,309,109	4,094,702	(3,422,521)	-	(3,422,521)	-
Interest and issuance costs on long-term debt	260,363	-	-	-	(260,363)	-	(260,363)	-
	<u>59,905,326</u>	<u>7,216,365</u>	<u>3,723,437</u>	<u>4,713,759</u>	<u>(44,251,765)</u>	<u>-</u>	<u>(44,251,765)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Golf course	1,214,909	1,290,995	-	-	-	76,086	76,086	-
	<u>1,214,909</u>	<u>1,290,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,086</u>	<u>76,086</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 61,120,235</b>	<b>\$ 8,507,360</b>	<b>\$ 3,723,437</b>	<b>\$ 4,713,759</b>	<b>(44,251,765)</b>	<b>76,086</b>	<b>(44,175,679)</b>	<b>-</b>
<b>COMPONENT UNITS</b>	<b>\$ 75,299</b>	<b>\$ 73,847</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,452)</b>
<b>General revenues:</b>								
Property taxes					21,292,111	-	21,292,111	-
In lieu of taxes					1,068,194	-	1,068,194	-
Sales taxes					19,986,843	-	19,986,843	-
Wholesale beer tax					1,093,914	-	1,093,914	-
Wholesale liquor tax					827,040	-	827,040	-
Business tax					1,803,088	-	1,803,088	-
Franchise taxes					666,333	-	666,333	-
Hotel/motel tax					394,432	-	394,432	-
<b>Unrestricted state shared taxes:</b>								
State shared sales tax					7,348,774	-	7,348,774	-
State shared beer tax					28,197	-	28,197	-
State shared alcoholic beverage tax					366,606	-	366,606	-
Other unrestricted state shared revenues					362,705	-	362,705	-
Unrestricted investment earnings					426,381	582	426,963	994
Other					767,501	2,773	770,274	-
Gain (loss) on disposal of assets					(7,676)	-	(7,676)	-
Transfers					11,023	-	11,023	(11,023)
<b>TOTAL GENERAL REVENUES</b>					<b>56,435,466</b>	<b>3,355</b>	<b>56,438,821</b>	<b>(10,029)</b>
<b>CHANGE IN NET POSITION</b>					<b>12,183,701</b>	<b>79,441</b>	<b>12,263,142</b>	<b>(11,481)</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>109,540,854</b>	<b>1,193,734</b>	<b>110,734,588</b>	<b>279,100</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 121,724,555</b>	<b>\$ 1,273,175</b>	<b>\$ 122,997,730</b>	<b>\$ 267,619</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General</u>	<u>Capital</u>	<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Projects</u>	<u>Service</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 39,884,525	\$ 1,757,460	\$ -	\$ 3,292,773	\$ 44,934,758
Receivables:					
Property taxes	22,176,198	-	-	-	22,176,198
Other taxes	510,096	-	-	-	510,096
Disposal fees	15,633	-	-	-	15,633
Stormwater fees	-	-	-	103,723	103,723
Due from other governments	7,071,350	-	-	366,797	7,438,147
Deposit for capital construction - State of Tennessee	1,868,309	-	-	-	1,868,309
Prepaid items	393,766	-	-	-	393,766
<b>TOTAL ASSETS</b>	<b>\$ 71,919,877</b>	<b>\$ 1,757,460</b>	<b>\$ -</b>	<b>\$ 3,763,293</b>	<b>\$ 77,440,630</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,633,246	\$ -	\$ -	\$ 47,238	\$ 2,680,484
Accrued liabilities	6,297,589	-	-	175,219	6,472,808
Unearned revenue	58,280	-	-	-	58,280
<b>TOTAL LIABILITIES</b>	<b>8,989,115</b>	<b>-</b>	<b>-</b>	<b>222,457</b>	<b>9,211,572</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	24,614,646	-	-	271,451	24,886,097
<b>FUND BALANCE</b>					
Nonspendable	393,766	-	-	-	393,766
Restricted for:					
General government	150,548	-	-	-	150,548
Public works	399,786	-	-	-	399,786
Street maintenance	1,076,816	-	-	1,305,292	2,382,108
Law enforcement	45,357	-	-	370,143	415,500
Stormwater	-	-	-	1,593,950	1,593,950
Capital projects	-	1,757,460	-	-	1,757,460
Committed for:					
Fire department	7,397	-	-	-	7,397
Performance bonds appropriated	649,222	-	-	-	649,222
Assigned to:					
Retiree benefits	1,104,078	-	-	-	1,104,078
General government:	60,177	-	-	-	60,177
Infrastructure reserve	2,450,000	-	-	-	2,450,000
Rainy day	1,880,000	-	-	-	1,880,000
Public safety	570,000	-	-	-	570,000
Other	92,891	-	-	-	92,891
Public works	963,038	-	-	-	963,038
Law enforcement	1,108,727	-	-	-	1,108,727
Fire department	927,011	-	-	-	927,011
Parks	234,390	-	-	-	234,390
Planning	15,537	-	-	-	15,537
Unassigned	26,187,375	-	-	-	26,187,375
<b>TOTAL FUND BALANCES</b>	<b>38,316,116</b>	<b>1,757,460</b>	<b>-</b>	<b>3,269,385</b>	<b>43,342,961</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 71,919,877</b>	<b>\$ 1,757,460</b>	<b>\$ -</b>	<b>\$ 3,763,293</b>	<b>\$ 77,440,630</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION  
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES	\$ 43,342,961
Capital assets (including SBITAs) used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	87,467,592
Long-term liabilities, including bonds payable and SBITAs, are not due and payable in the current period and therefore are not reported in the governmental funds Balance Sheet:	
Bonds and notes payable	(10,704,167)
Add: bond premium	(780,395)
SBITA liabilities	(70,500)
Compensated absences	(2,240,402)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(163,832)
Net pension asset (liability) in governmental activities is not a current financial resource and therefore is not reported in the governmental funds Balance Sheet	(9,362,177)
Net OPEB liability in governmental activities is not due and payable in the current period and therefore is not reported in the governmental funds Balance Sheet	(1,933,974)
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	3,410,296
Deferred outflows of resources that are not financial resources and therefore are not reported in the governmental funds Balance Sheet:	
Deferred inflows related to pensions	(133,279)
Deferred inflows related to other post employment benefits	(657,879)
Other deferred outflows related to pensions	10,198,984
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>3,351,327</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 121,724,555</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, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local taxes	\$ 46,465,030	\$ -	\$ -	\$ -	\$ 46,465,030
Intergovernmental revenues	12,680,684	-	-	2,237,656	14,918,340
Fines and forfeitures	461,017	-	-	-	461,017
Licenses and permits	4,193,553	-	-	-	4,193,553
Charges for services	409,611	-	-	2,754,348	3,163,959
Contributions	97,757	-	-	1,000	98,757
Uses of money and property	592,425	11,307	-	46,519	650,251
Other	759,810	-	-	1,387	761,197
	<u>65,659,887</u>	<u>11,307</u>	<u>-</u>	<u>5,040,910</u>	<u>70,712,104</u>
<b>EXPENDITURES</b>					
Current operations:					
General government	653,031	-	-	-	653,031
Central administration	3,045,514	-	-	-	3,045,514
Central services	1,512,158	-	-	-	1,512,158
Finance	1,169,038	-	-	-	1,169,038
Parks and recreation	3,372,641	-	-	-	3,372,641
Codes	905,086	-	-	-	905,086
Planning	1,135,503	-	-	-	1,135,503
Public works	5,044,462	-	-	-	5,044,462
Police	15,316,213	-	-	-	15,316,213
Fire	12,982,857	-	-	-	12,982,857
Contributions	296,670	-	-	-	296,670
Disposal service	4,511,864	-	-	-	4,511,864
Drug and forfeiture program costs	-	-	-	21,649	21,649
Streets	-	90,734	-	1,710,589	1,801,323
Stormwater	-	-	-	2,380,250	2,380,250
Debt service:					
Principal	137,967	-	2,149,508	-	2,287,475
Interest	-	-	389,713	-	389,713
Capital outlay	7,856,141	3,117,218	-	271,772	11,245,131
<b>TOTAL EXPENDITURES</b>	<u>57,939,145</u>	<u>3,207,952</u>	<u>2,539,221</u>	<u>4,384,260</u>	<u>68,070,578</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	7,720,742	(3,196,645)	(2,539,221)	656,650	2,641,526
<b>OTHER FINANCING SOURCES (USES)</b>					
Financing of SBITAs	208,467	-	-	-	208,467
Transfers in	11,023	410,080	2,539,221	-	2,960,324
Transfers out	(2,949,301)	-	-	-	(2,949,301)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,729,811)</u>	<u>410,080</u>	<u>2,539,221</u>	<u>-</u>	<u>219,490</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,990,931	(2,786,565)	-	656,650	2,861,016
<b>FUND BALANCES - BEGINNING OF YEAR, as restated</b>	<u>33,325,185</u>	<u>4,544,025</u>	<u>-</u>	<u>2,612,735</u>	<u>40,481,945</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 38,316,116</u>	<u>\$ 1,757,460</u>	<u>\$ -</u>	<u>\$ 3,269,385</u>	<u>\$ 43,342,961</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, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,861,016

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	11,036,664
Donations of assets by developers	1,582,220
Loss on disposition of capital assets	(231,542)
Depreciation and amortization expense	(5,359,313)

Repayment of bond principal and SBITA liabilities is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities 2,286,800

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	127,764
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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, 2023	(163,832)
Accrued interest on debt obligations at June 30, 2022	166,093

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	(488,099)
Actuarially determined pension expense	(3,336,974)
Changes in other post employment benefits obligation	277,386

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 3,410,296

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 15,222

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 12,183,701

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, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>OVER</u>
				<u>(UNDER)</u>
REVENUES				
Local taxes	\$ 42,938,500	\$ 45,048,500	\$ 46,465,030	\$ 1,416,530
Licenses and permits	3,477,359	3,477,359	4,237,738	760,379
Intergovernmental revenue	19,515,556	20,612,978	12,680,684	(7,932,294)
Fines and forfeitures	422,000	422,000	455,434	33,434
Charges for services	250,000	275,000	415,194	140,194
Contributions	92,100	119,377	97,757	(21,620)
Other revenues	94,000	668,000	1,308,050	640,050
TOTAL REVENUE	<u>66,789,515</u>	<u>70,623,214</u>	<u>65,659,887</u>	<u>(4,963,327)</u>
EXPENDITURES				
Executive	638,000	659,000	653,031	(5,969)
Central services	1,632,600	1,641,958	1,502,800	(139,158)
Central administration	3,269,526	3,341,250	3,303,483	(37,767)
Finance	1,316,635	1,276,539	1,164,134	(112,405)
Parks	3,153,400	3,552,999	3,302,961	(250,038)
Codes	1,055,900	1,078,702	902,653	(176,049)
Planning	1,110,300	1,159,776	1,047,748	(112,028)
Streets and public works	5,379,600	6,507,466	5,469,751	(1,037,715)
Police department	16,584,180	17,756,198	15,522,061	(2,234,137)
Fire department	13,087,078	14,335,243	13,221,251	(1,113,992)
Contributions	313,670	318,670	296,670	(22,000)
Disposal service	4,490,200	4,595,200	4,511,864	(83,336)
Grants and special projects	20,168,997	23,170,318	8,729,739	(14,440,579)
TOTAL EXPENDITURES	<u>72,200,086</u>	<u>79,393,319</u>	<u>59,628,146</u>	<u>(19,765,173)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(5,410,571)</u>	<u>(8,770,105)</u>	<u>6,031,741</u>	<u>(14,801,846)</u>
OTHER FINANCING USES				
Transfers from other funds	60,000	60,000	11,023	48,977
Transfers to other funds	<u>(2,599,150)</u>	<u>(2,599,150)</u>	<u>(2,949,301)</u>	<u>350,151</u>
TOTAL OTHER FINANCING USES	<u>(2,539,150)</u>	<u>(2,539,150)</u>	<u>(2,938,278)</u>	<u>399,128</u>
CHANGE IN FUND BALANCE - GENERAL				
FUND - AS BUDGETED	<u>\$ (7,949,721)</u>	<u>\$ (11,309,255)</u>	3,093,463	<u>\$ (14,402,718)</u>
FUND BALANCE - BEGINNING OF YEAR, as restated			31,644,895	
ADD BACK PRIOR YEAR ENCUMBRANCES WRITTEN OFF			<u>236,163</u>	
FUND BALANCE - END OF YEAR			<u>\$ 34,974,521</u>	
Fund balance - End of year (non-GAAP)	\$ 34,974,521			
+ General Fund encumbrances	<u>3,341,595</u>			
Fund balance - End of year (GAAP)	<u>\$ 38,316,116</u>			

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$	362,625
Receivables		643
Inventories		44,786
Other current assets		<u>401</u>
TOTAL CURRENT ASSETS		408,455
CAPITAL ASSETS, NET		<u>997,096</u>
TOTAL ASSETS		<u>1,405,551</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		14,701
Accrued liabilities		<u>34,918</u>
TOTAL CURRENT LIABILITIES		<u>49,619</u>
LONG-TERM LIABILITY		<u>82,757</u>

NET POSITION

Net investment in capital assets		914,339
Unrestricted		<u>358,836</u>
TOTAL NET POSITION	\$	<u>1,273,175</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, 2023

OPERATING REVENUES	
Charges for sales and services	\$ 1,290,995
	<u>1,290,995</u>
OPERATING EXPENSES	
Costs of sales	224,186
Personnel services	551,996
Repairs and maintenance	87,910
Supplies	42,177
Gas	28,922
Credit card charges	33,742
Chemicals and fertilizer	37,893
Utilities	42,469
Depreciation	84,750
Advertising and promotion	5,169
Other operating expenses	35,695
Management services	<u>40,000</u>
TOTAL OPERATING EXPENSES	<u>1,214,909</u>
OPERATING INCOME	<u>76,086</u>
NONOPERATING REVENUES (EXPENSES)	
Other income	2,773
Interest income	<u>582</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,355</u>
CHANGE IN NET POSITION	79,441
NET POSITION - BEGINNING OF YEAR	<u>1,193,734</u>
NET POSITION - END OF YEAR	<u>\$ 1,273,175</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,291,358
Cash paid for personnel services	(552,947)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(541,089)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

157,322

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(65,686)
Insurance proceeds received	2,773
Repayments on long-term liabilities for golf carts	(33,120)
Interest received	<u>582</u>

NET CASH USED IN INVESTING ACTIVITIES

(95,451)

NET CHANGE IN CASH AND CASH EQUIVALENTS

61,871

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

300,754

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 362,625

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES

Operating income	<u>\$ 76,086</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	84,750
Changes in operating assets and liabilities	
Receivables, net	363
Inventories	(4,790)
Prepaid expenses	949
Accounts payable	915
Accrued liabilities	<u>(951)</u>

TOTAL ADJUSTMENTS

81,236

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 157,322

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
TRAINING AND TEEN ACTIVITY FUND  
JUNE 30, 2023

ASSETS

Cash	\$ 13,881
TOTAL ASSETS	<u>\$ 13,881</u>

LIABILITIES

Amounts due to agencies	\$ 13,881
TOTAL LIABILITIES	<u>\$ 13,881</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

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

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

Reporting Entity

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

Hendersonville Arts Council was established to account for the operation of an organization to promote cultural activities within the City. Primary sources of funds are appropriations from the primary government. The Mayor and Board of Aldermen appoint the board of the council. During May 2023, the Board of Mayor and Aldermen elected to dissolve the separate entity and move any arts-related activities under the General Fund as a separate committee.

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. During May 2023, the Board of Mayor and Aldermen elected to dissolve the separate entity and move any beautification-related activities under the General Fund as a separate committee.

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, 2023

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 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

*The General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. During 2021, the City brought the solid waste department back into the General Fund with the elimination of the separate special assessment for waste pick up.

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

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

The City reports the following proprietary fund:

*The Golf Course 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 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, 2023.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are those charges between various functions whose elimination would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include 1) charges to customers or applicants (including fines and fees) for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary golf enterprise fund are charges to customers for sales, green fees and rentals. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings accounts and short-term certificates of deposit with an original maturity of three months or less and the Local Government Investment Pool of the State of Tennessee (the "Pool"). The reported value of the Pool is the same as the fair value of the Pool shares.

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

Receivables and Payables

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of Supplies and Prepaid Items

Inventories of supplies are valued at the later of cost or net realizable value using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepayments of government funds are recorded as expenditures when consumed rather than when purchased. Prepaid amounts relate to postage and insurance.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., road, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets excluding infrastructure, are defined by the City as assets with an initial, individual cost of \$7,000 or more and an estimated useful life in excess of two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$50,000 or more with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subscription-Based Information Technology Arrangements (SBITAs)

The City adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) as of July 1, 2022. The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The effect of adopting this standard resulted in the recognition of a SBITA asset and corresponding liability in the amount of \$208,467 in the statement of net position and did not change opening net position.

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows of resources arise when assets are recognized before revenue recognition criteria have been satisfied. Deferred inflows of resources at June 30, 2023 relate to differences between projected and actual earnings on plan investments on pensions and changes in assumptions in other post employment benefits.

Deferred outflows of resources arise when resources used pertain to future reporting periods. Deferred outflows of resources at June 30, 2023 relate to contributions made into the pension plan after the measurement date, differences between actual and expected experience and changes in actuarial assumptions.

The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, SBITAs 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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations (continued)

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.

Compensated Absences

City policy permits the accumulation, within certain limitations, of vacation leave and sick days. Vacation leave days may accumulate and carry forward from one calendar year to the next, up to one year's allowed accumulation. In extenuating circumstances, waivers may be received on carryover with limitations. Sick pay may accumulate with no limits. One half of sick leave accumulated may be paid to employees hired before September 1, 1997 when eligible for retirement. No other amounts of sick pay are vested in the event of employee termination.

All vacation and one-half sick pay of eligible employees is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee terminations or retirements.

Other Post Employment Benefits ("OPEB")

The City provides post employment health insurance benefits to eligible retirees hired prior to July 1, 2008 depending on years of service prior to age 65. The balance shown as a liability for OPEB represents the actuarially determined total liability representing the present value of projected benefit payments to be provided to current, active and inactive employees past periods of service.

Pensions

For purposes of measuring net pension asset, 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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax , Stormwater Fees and Other Receivables

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 \$0.9187 per \$100 of assessed valuation for 2023 and 2022, respectively. Payments may be made during the period from October 1 through February 28. Current tax collections of \$20,237,283 for the fiscal year ended June 30, 2023 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county court clerk for collection.

The government-wide financial statements report property taxes receivable of \$22,176,198. Of this receivable amount, \$21,534,770 represents the estimated net realizable 2023 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 \$185,655 for beer and liquor taxes and \$324,317 for franchise fees and hotel/motel taxes.

The government-wide financial statements report delinquent solid waste special assessment fees receivable in the amount of \$15,633.

Stormwater fees are billed as a special assessment with the property tax bill and are billed annually on the first Monday in October and are payable through February 28. Stormwater rates vary for individuals and businesses based on the impervious surface area on the lot. Stormwater fees are accounted for in the Stormwater Fund, a non-major governmental special revenue fund.

Estimates

Estimates used in the preparation of financial statements require management to make assumptions that affect the reported amounts of assets, liabilities and deferred inflows and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

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, 2023, there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2023, the City's held no investments. At June 30, 2023, the component unit held \$200,000 in certificates of deposit.

*Interest Rate Risk:* The City minimizes interest rate risk, which is the risk that the market value of investments in the portfolio will fall due to changes in market interest rates, by (1) structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate investments at a loss prior to maturity; and (2) investing operating funds primarily in shorter-term investments and limiting the average maturity of the portfolio in accordance with this policy in accordance with T.C.A. 6-56-106.

*Credit Risk:* The City minimizes credit risk, which is the risk of loss due to the failure of the investment issuer or backer by limiting the portfolio to the types of investments pursuant to TCA 6-56-106 and diversifying its investment portfolio so the impact of potential losses from any one type of security or any one individual issuer will be minimized.

*Custodial Risk:* The City currently does not currently 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, 2023

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2023, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u> (as restated)	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated:</b>					
Land	\$ 8,747,555	\$ -	\$ -	\$ -	\$ 8,747,555
Construction in progress	7,846,935	9,377,760	(248,122)	(4,955,679)	12,020,894
Total capital assets not being depreciated	<u>16,594,490</u>	<u>9,377,760</u>	<u>(248,122)</u>	<u>(4,955,679)</u>	<u>20,768,449</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	15,119,159	-	-	293,058	15,412,217
Improvements other than building	6,097,231	202,754	(7,630)	3,472,819	9,765,174
Machinery and equipment	19,150,458	1,463,648	(871,528)	786,968	20,529,546
Infrastructure	131,228,666	1,574,722	-	402,834	133,206,222
Total capital assets being depreciated	<u>171,595,514</u>	<u>3,241,124</u>	<u>(879,158)</u>	<u>4,955,679</u>	<u>178,913,159</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	(6,100,025)	(356,962)	-	-	(6,456,987)
Improvements other than buildings	(3,661,972)	(492,896)	7,630	-	(4,147,238)
Machinery and equipment	(15,136,157)	(1,609,331)	888,108	-	(15,857,380)
Infrastructure	(83,060,754)	(2,768,461)	-	-	(85,829,215)
Total accumulated depreciation	<u>(107,958,908)</u>	<u>(5,227,650)</u>	<u>895,738</u>	<u>-</u>	<u>(112,290,820)</u>
Total capital assets being depreciated, net	<u>63,636,606</u>	<u>(1,986,526)</u>	<u>16,580</u>	<u>4,955,679</u>	<u>66,622,339</u>
<b>Subscription-based information technology agreements (SBITAs):</b>					
	208,467	-	-	-	208,467
<b>Less accumulated amortization of SBITAs</b>	<u>-</u>	<u>(131,663)</u>	<u>-</u>	<u>-</u>	<u>(131,663)</u>
Total SBITAs, net	<u>208,467</u>	<u>(131,663)</u>	<u>-</u>	<u>-</u>	<u>76,804</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 80,439,563</u>	<u>\$ 7,259,571</u>	<u>\$ (231,542)</u>	<u>\$ -</u>	<u>\$ 87,467,592</u>

At June 30, 2023, construction in progress consists primarily of capital projects for infrastructure (streets and walking trails), fire hall construction and other. Estimated costs to complete open projects amount to approximately \$16.2 million.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2023, 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>
<b>Capital assets not being depreciated:</b>					
Land	\$ 641,194	\$ -	\$ -	\$ -	\$ 641,194
<b>Capital assets being depreciated:</b>					
Buildings and structures	1,052,773	3,688	-	-	1,056,461
Improvements other than buildings	4,259,559	61,998	-	-	4,321,557
Machinery, equipment and vehicles	509,428	-	-	-	509,428
Total capital assets being depreciated	5,821,760	65,686	-	-	5,887,446
<b>Less accumulated depreciation for:</b>					
Buildings and structures	(855,035)	(25,781)	-	-	(880,816)
Improvements other than buildings	(4,259,559)	(5,630)	-	-	(4,265,189)
Machinery and equipment	(332,200)	(53,339)	-	-	(385,539)
Total accumulated depreciation	(5,446,794)	(84,750)	-	-	(5,531,544)
<b>Business-type activities capital assets, net</b>	<u>\$ 1,016,160</u>	<u>\$ (19,064)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,096</u>

Depreciation expense was charged to function/programs as of June 30, 2023, as follows:

Governmental activities:

General government	\$ 222,660
Public safety	1,495,147
Street and public works	2,931,044
Parks	678,265
Codes and planning	32,197

Total depreciation expense - governmental activities \$ 5,359,313

Business-type activities:

Golf enterprise	<u>\$ 84,750</u>
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Donated infrastructure and equipment of approximately \$1,582,000 is included in current year capital asset additions of the governmental activities.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2023, was as follows:

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets not being depreciated</b>				
Land	\$ 10,852	\$ -	\$ -	\$ 10,852
<b>Capital assets being depreciated</b>				
Property and equipment	49,978	-	(49,978)	-
Less: accumulated depreciation	(26,334)	-	26,334	-
<b>Total component unit capital assets, net</b>	<u>\$ 34,496</u>	<u>\$ -</u>	<u>\$ (23,644)</u>	<u>\$ 10,852</u>

NOTE 4 - DEFERRED INFLOWS OF GOVERNMENTAL REVENUES

Deferred inflows of governmental revenues consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2023, the components of deferred inflows of resources were as follows:

	Government-wide Statements	Fund Statements
Unlevied property taxes	\$ 21,534,770	\$ 21,534,770
Delinquent property taxes	-	566,899
Delinquent solid waste fees	-	14,794
Delinquent stormwater fees	-	93,679
State and county shared taxes	-	2,675,955
	<u>\$ 21,534,770</u>	<u>\$ 24,886,097</u>

Unearned revenues consist of codes department revenues collected in advance.

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of funds held by the State of Tennessee Department of Transportation which are advance payments on a joint transportation grant project for engineering and purchase right-of-way in the amount of \$1,868,309.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

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, 2023. These interfund amounts were liquidated subsequent to year end.

Interfund transfers for the year ended June 30, 2023 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfers From:			Totals
	Governmental Funds		Component Unit	
	Capital Projects Fund	Debt Service Additions	Arts Council	
<u>Transfer Out:</u>				
General Fund	\$ 410,080	\$ 2,539,221	\$ -	\$ 2,949,301
<u>Transfer In:</u>				
General Fund	\$ -	\$ -	\$ 11,023	\$ 11,023

Transfers are made from the General Fund to the Debt Service Fund to provide for debt service payments.

NOTE 7 - LONG-TERM DEBT

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

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
<u>Government Activities</u>					
Capital outlay notes payable	\$ 12,853,000	\$ -	\$ 2,148,833	\$ 10,704,167	\$ 1,840,834
Note premiums	908,159	-	127,764	780,395	127,764
Total governmental activities long-term debt	\$ 13,761,159	\$ -	\$ 2,276,597	\$ 11,484,562	\$ 1,968,598

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Long-term bonds and notes at June 30, 2023 consisted of the following obligations:

Governmental activities long-term debt

\$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%.	\$ 190,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	312,500
\$5,900,000 Capital Outlay Notes 2021 - The notes are payable in annual installments beginning in 2022 through 2033 at a rate of interest of 1.65%.	4,916,667
\$7,645,000 General Obligation Refunding Capital Outlay Notes 2021 - The notes are payable in annual installments beginning in 2022 through 2030 at rates of interest of 4% to 5%.	<u>5,285,000</u>
Total capital outlay notes payable	10,704,167
Plus: unamortized premium on notes	<u>780,395</u>
Total governmental activities long-term debt	<u>\$ 11,484,562</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2023, are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 1,840,834	\$ 309,587	\$ 2,150,421
2025	1,865,834	238,892	2,104,726
2026	1,795,834	167,871	1,963,705
2027	921,667	118,588	1,040,255
2028	926,666	93,175	1,019,841
2029 - 2033	<u>3,353,332</u>	<u>157,588</u>	<u>3,510,920</u>
Totals	<u>\$ 10,704,167</u>	<u>\$ 1,085,701</u>	<u>\$ 11,789,868</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, 2021, 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, 2023

NOTE 8 - OTHER LONG-TERM LIABILITIES

Other long-term liabilities of the City consisted of the following at June 30, 2023:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Net Increase</u> <u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2023</u>
Compensated absences	\$ <u>1,752,303</u>	\$ <u>488,099</u>	\$ <u>2,240,402</u>

For governmental activities, compensated absences are generally liquidated by the fund in which the employees' time is charged, typically the General Fund, Stormwater and State Street Aid Funds.

NOTE 9 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

The City has entered into subscription-based information technology agreements (SBITAs) with initial periods in excess of a year involving its financial reporting software. The total subscription assets are included with capital assets and are recorded at a cost of \$208,467 and accumulated amortization of \$131,663. All amortization is included with depreciation expense by the applicable function.

Activity on the SBITA liability for the year ended June 30, 2023 was as follows:

	<u>Beginning of</u> <u>Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
SBITA liabilities	\$ <u>208,467</u>	\$ <u>-</u>	\$ <u>(137,967)</u>	\$ <u>70,500</u>	\$ <u>70,500</u>

NOTE 10 - 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.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 10 - DEFERRED COMPENSATION AND FLEXIBLE BENEFIT PLAN (CONTINUED)

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 11 - PENSION PLAN

Plan Description

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

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service-related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 11 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefits	239
Active employees	<u>342</u>
	<u>727</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, 2023, the Actuarially Determined Contribution (ADC) for the City was \$3,410,296 based on a rate of 14.38% 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, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent, if provided

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 11 - PENSION PLAN (CONTINUED)

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

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. 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 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88 %	31 %
Developed market international equity	5.37 %	14 %
Emerging market international equity	6.09 %	4 %
Private equity and strategic lending	6.57 %	20 %
U.S. fixed income	1.20 %	20 %
Real estate	4.38 %	10 %
Short-term securities	0.00 %	<u>1 %</u>
		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 11 - PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75 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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2022	\$ 90,305,487	\$ 90,504,065	\$ (198,578)
CHANGES FOR THE YEAR:			
Service cost	1,719,990	-	1,719,990
Interest	6,105,363	-	6,105,363
Differences between expected and actual experience	779,232	-	779,232
Changes of assumptions	-	-	-
Contributions - employer	-	2,525,269	(2,525,269)
Contributions - employee	-	1,893	(1,893)
Net investment income	-	(3,449,759)	3,449,759
Benefit payments, including refunds of employee contributions	(3,151,321)	(3,151,321)	-
Administrative expense	-	(33,573)	33,573
Net changes	5,453,264	(4,107,491)	9,560,755
BALANCE AT JUNE 30, 2023	\$ 95,758,751	\$ 86,396,574	\$ 9,362,177

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 11 - PENSION PLAN (CONTINUED)

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 6.75 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 (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City's net pension liability (asset)	\$ 23,683,563	\$ 9,362,177	\$ (2,360,912)

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$3,336,974.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 2,844,416	\$ 133,279
Net difference between projected and actual earnings on pension plan investments	211,689	-
Changes in assumptions	7,142,879	-
Contributions subsequent to the measurement date of June 30, 2022	3,410,296	-
Total	\$ 13,609,280	\$ 133,279

The amount shown above for contributions subsequent to the measurement date of June 30, 2022, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 11 - PENSION PLAN (CONTINUED)

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>		
2024	\$	1,550,435
2025		1,408,359
2026		963,803
2027		3,504,459
2028		1,317,258
Thereafter		1,321,387

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

Payable to the Pension Plan

At June 30, 2023, the City reported a payable of \$411,784 for the outstanding amount of contributions to the pension plan required at the year ended June 20, 2023.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN

Plan Description and Benefits Provided

The City administers the City of Hendersonville Post-Retirement Medical Insurance Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan funded on a “pay as you go” basis, with no assets held in a trust. Benefits are established and amended by the Mayor and Board of Aldermen. Retired employees hired prior to July 1, 2008 with 30 years of service or employees over 60 years of age with 15 years of service with the City of Hendersonville, and who are vested in TCRS, are eligible for the plan. The portion of the premium paid by the City will be the dollar amount the City pays for the current individual employee coverage multiplied by the applicable amount of percentage relative to years of service. The City’s obligation ranges from 25% for 15 years of service, up to 100% for 30 years of service. The retiree is responsible to pay any excess premium charged by the insurer for the amount above the City paid portion. Retiree medical benefits cease at age 65. The plan does not issue a stand-alone report.

Employees Covered

At the measurement date, the following employees of the City were covered by the benefit terms of the LGOP:

	<u>June 30, 2023</u>		
	<u>Single</u>	<u>Employee &amp; Family</u>	<u>Total</u>
Retirees and beneficiaries	13	-	13
Active employees	46	63	109
	<u>59</u>	<u>63</u>	<u>122</u>

For the fiscal year ended June 30, 2023, the City paid \$114,903 for health insurance premiums for retiree coverage (OPEB benefits) as they came due.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.54% (1.04% real rate of return plus 2.50% inflation)
Healthcare cost trend rates	Level 4.50%
Retiree's share of benefit-related costs	The retiree contribution will depend on the age and years of service at retirement. No City subsidy for retirees hired on or after July 1, 2008.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2017. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RPH-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, using the Bond Buyer GO Bond 20 Index.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Changes in the total OPEB liability for the year ended June 30, 2023 measured as of June 30, 2023 follows:

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCE AT JUNE 30, 2022	\$ 1,931,125
CHANGES FOR THE YEAR:	
Service cost	49,666
Interest	68,086
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(114,903)
Net changes	2,849
BALANCE AT JUNE 30, 2023	\$ 1,933,974

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current discount rate.

	Measurement Date - June 30, 2023		
	1% Decrease	Current Discount Rate	1% Increase
	2.54%	3.54%	4.54%
City's total OPEB liability	\$ 2,084,157	\$ 1,933,974	\$ 1,792,028

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 12 - POST EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate (continued)

	Measurement Date - June 30, 2023		
	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
	3.50%	4.50%	5.50%
City's total OPEB liability	\$ 1,742,964	\$ 1,933,974	\$ 2,154,872

OPEB Expense

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$277,386.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2023, the City reported the following deferred inflows of resources related to OPEB benefits:

	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 304,341
Change of assumptions	353,538
Employer payments subsequent to the measurement date of June 30, 2022	-
Total	\$ 657,879

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2024	(280,235)
2025	(232,429)
2026	(139,627)
2027	(5,588)
2028	-

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Litigation

There are certain pending lawsuits in which the City is involved. The City attorney estimated that potential claims against the City resulting from such litigation would not materially affect the financial statements of the City.

City Golf Course - Management Agreement

On August 28, 1992, the City entered into a management contract with Edwin B. Raskin Company, Inc. to operate and manage the City's golf course. Under the terms of the contract, expenses will be paid by the management company from golf revenues. The City will be responsible for any shortfall. The required personnel will be employees of the management company. The contract provided that the City shall pay a management fee of \$40,000 per year.

Joint Ventures

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville which operates a solid waste transfer station. An agreement between the Resource Authority, the county and the cities provides that Sumner County will pay an annual \$100,000 fee in lieu of tipping fees. The Cities of Gallatin and Hendersonville agree to pay tipping fees in such amounts as may be determined by the Authority but cannot exceed \$45 per ton for solid waste and \$3.50 per cubic yard for brush. Effective July 1, 2011, the tipping fee became \$44 per ton. The City paid no tipping fees and \$115,191 for brush disposal for 2023. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Resource Authority be unable to perform.

Also, during 2014, the City entered into a Post-Closure Monitoring and Maintenance Agreement with the Authority. The agreement provides that the three entities will pay for the post-closure costs associated with the landfills incurred by the Authority. This cost will be paid 3/7 by the county and 2/7 by the cities. The City believes that all required payments relating to the post-closure landfill cost have been paid or accrued.

The Authority, as of June 30, 2023, has net investment in capital assets of \$2,524,886, and an unrestricted net position of \$5,716,940. The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In February 2017, the Board of Mayor and Aldermen approved the City to join with other Sumner County cities and the Sumner County government to consolidate dispatch services through the Sumner County Emergency Communications District (“E911”). The funding formula for the E911 system is based on ½ of the cost based on population and ½ on calls for service. The percentage applicable to the City in the initial agreement was 29% of the E911 budget, with the percentage to be evaluated every other year. Expenses are billed quarterly. For the year ended June 30, 2023, the City expensed \$1,199,391 for E911 payments, with \$310,934 payable to the E911 as of year end.

Contracts

The City of Hendersonville has a contract for trash pickup and disposal services that became effective on July 1, 2020 and expires on June 30, 2024. The pick-up rate depends on the frequency of collection and was \$12.61 per month per unit for the year ended June 30, 2023.

At June 30, 2023, the City had approximately \$9.7 million in construction contracts in process related to capital asset additions.

NOTE 14 - 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 (the “Pool”) since the Pool’s creation in 1979 by the Tennessee Municipal League, now Public Entity Partners (PEP), an association of Tennessee cities. The City pays an annual premium to the Pool for its property, casualty and workers compensation insurance coverage. The Pool is self-sustaining through member premiums, with adequate reinsurance purchased through commercial reinsurance companies for both general and catastrophic claims with loss attachment levels approved by independent actuaries and auditors.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. The Mayor consults with all department heads prior to January 1st of each year to establish his priorities and objectives with each department for the coming year. The Mayor also sets salary proposals for departments.
2. During January and February, department heads prepare a proposed budget for their department. The Finance Director prepares revenue projections for the budget and prepares a summary of the overall budget for the Mayor to review.
3. Department heads meet with the Mayor and Finance Director to review their budget requests. The Mayor can amend budget requests as he deems necessary.
4. The department heads then present their budget requests to the standing committee to which their department is assigned.
5. During May, the Board of Mayor and Aldermen conduct a budget workshop meeting that addresses specific areas of the budget.
6. At least 10 days before the proposed budget is presented to the Board of Mayor and Aldermen, a notice of public hearing and a copy of the proposed budget is published in a local newspaper of general circulation.
7. At the regular board meeting, prior to the vote on second reading, a public hearing is held to give all voters and taxpayers a chance to be heard in person or by an attorney. Citizens are also always given an opportunity to speak at the beginning of each meeting, so the citizens have two chances to comment on the budget before it is passed on the second and final reading. Prior to July 1st, the budget is legally enacted through passage of an ordinance on two readings.
8. Department heads are authorized to expend funds within total departmental appropriations. However, amendments to the budget changing departmental and/or total appropriations require the passage of an ordinance on two readings. Budget transfers between departments must be approved by resolution and passed by the Board of Mayor and Aldermen.
9. At the end of each year, all unencumbered appropriations which were appropriated on a fiscal year basis revert back to their respective fund balance, except for certain capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

10. Formal budgetary integration is not employed for the Capital Projects Fund, Forfeiture Fund or the Debt Service Fund because effective budgetary control is alternatively achieved through bond indenture or other provisions. Annual debt service requirements are budgeted in the General Fund through operating transfers to the Debt Service Fund.

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

	General Fund	Non-major Governmental Funds		
		Stormwater Fund	State Street Aid Fund	Drug Fund
Net change in fund balance - GAAP basis	\$ 4,990,931	\$ 155,606	\$ 411,219	\$ 84,329
Less: new encumbrances	(3,226,782)	(281,070)	(166,562)	-
Add: payments on prior year encumbrances	1,329,314	38,871	-	8,821
Net change in fund balance, budgetary basis	\$ 3,093,463	\$ (86,593)	\$ 244,657	\$ 93,150

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 ending encumbrances at June 30, 2023 are as follows:

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 15 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Encumbrances (continued)

	General Fund	Nonmajor Governmental Funds
Public works/street maintenance	\$ 963,038	\$ 206,591
Police	1,108,727	-
Fire	927,012	-
Parks	234,390	-
Central administration	92,891	-
Planning	15,537	-
Stormwater	-	328,260
	<u>\$ 3,341,595</u>	<u>\$ 534,851</u>

Budget Amendments

The General Fund expenditure budget was amended by \$3,359,534. The major amendments related to grants and special projects, streets and public works and the police and fire departments.

NOTE 16 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

The GASB issued Statement No. 99, *Omnibus 2022*, the requirements of this Statement are effective as follows: The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62*, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This standard is effective for fiscal years beginning after June 15, 2023, fiscal year 2024 for the City, and all reporting periods thereafter.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023

NOTE 17 - SUBSEQUENT EVENT

On December 9, 2023, an EF-2 tornado travelled through a large portion of the Main Street area of the City, causing extensive damage to homes, businesses and infrastructure. A state of emergency was declared, and the City is continuing its emergency response plans. While there was a substantial amount of damage, management does not feel that there will be a significant financial impact to the City itself.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b><u>TOTAL PENSION LIABILITY</u></b>									
Service cost	\$ 1,148,174	\$ 1,144,215	\$ 1,174,686	\$ 1,318,881	\$ 1,473,579	\$ 1,436,994	\$ 1,600,624	\$ 1,646,356	\$ 1,719,990
Interest	3,368,278	3,705,243	3,946,154	4,297,607	4,490,625	4,824,243	5,252,546	5,594,718	6,105,363
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	1,307,633	(46,948)	1,382,178	(419,524)	1,077,067	2,239,070	746,203	(30,907)	779,232
Change of assumptions	-	-	-	1,440,903	-	-	-	9,043,538	-
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)	(2,104,891)	(2,203,761)	(2,602,376)	(2,910,229)	(2,940,765)	(3,151,321)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>4,593,770</b>	<b>3,378,301</b>	<b>4,685,557</b>	<b>4,532,976</b>	<b>4,837,510</b>	<b>5,897,931</b>	<b>4,689,144</b>	<b>13,312,940</b>	<b>5,453,264</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>44,377,358</b>	<b>48,971,128</b>	<b>52,349,429</b>	<b>57,034,986</b>	<b>61,567,962</b>	<b>66,405,472</b>	<b>72,303,403</b>	<b>76,992,547</b>	<b>90,305,487</b>
<b>TOTAL PENSION LIABILITY - ENDING (A)</b>	<b>48,971,128</b>	<b>52,349,429</b>	<b>57,034,986</b>	<b>61,567,962</b>	<b>66,405,472</b>	<b>72,303,403</b>	<b>76,992,547</b>	<b>90,305,487</b>	<b>95,758,751</b>
<b><u>PLAN FIDUCIARY NET POSITION</u></b>									
Contributions - employer	2,400,176	2,317,383	2,396,900	1,689,627	1,725,181	1,861,492	2,330,741	2,454,145	2,525,269
Contributions - employee	1,137	2,018	1,946	-	2,871	730	55,278	70,407	1,893
Net investment income	7,107,505	1,573,964	1,416,316	6,217,909	5,031,585	4,840,782	3,431,951	18,605,311	(3,449,759)
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,424,209)	(1,817,461)	(2,104,891)	(2,203,761)	(2,602,376)	(2,910,229)	(2,940,765)	(3,151,321)
Administrative expense	(12,861)	(14,657)	(22,728)	(26,506)	(29,100)	(28,313)	(30,594)	(30,892)	(33,573)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>8,265,642</b>	<b>2,454,499</b>	<b>1,974,973</b>	<b>5,776,139</b>	<b>4,526,776</b>	<b>4,072,315</b>	<b>2,877,147</b>	<b>18,158,206</b>	<b>(4,107,491)</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<b>42,398,368</b>	<b>50,664,010</b>	<b>53,118,509</b>	<b>55,093,482</b>	<b>60,869,621</b>	<b>65,396,397</b>	<b>69,468,712</b>	<b>72,345,859</b>	<b>90,504,065</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING (B)</b>	<b>50,664,010</b>	<b>53,118,509</b>	<b>55,093,482</b>	<b>60,869,621</b>	<b>65,396,397</b>	<b>69,468,712</b>	<b>72,345,859</b>	<b>90,504,065</b>	<b>86,396,574</b>
<b>NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)</b>	<b>\$ (1,692,882)</b>	<b>\$ (769,080)</b>	<b>\$ 1,941,504</b>	<b>\$ 698,341</b>	<b>\$ 1,009,075</b>	<b>\$ 2,834,691</b>	<b>\$ 4,646,688</b>	<b>\$ (198,578)</b>	<b>\$ 9,362,177</b>
Plan fiduciary net position as a percentage of total pension liability	103.46 %	101.47 %	96.60 %	98.87 %	98.48 %	96.08 %	93.96 %	100.22 %	90.22 %
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,809	\$ 18,614,010	\$ 20,517,082	\$ 21,603,387	\$ 22,229,479
Net pension liability (asset) as a percentage of covered-employee payroll	(10.87) %	(4.95) %	12.09 %	4.13 %	5.85 %	15.23 %	22.65 %	(0.92) %	42.12 %

**Notes to Schedule:**

**Changes of assumptions:**

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

CITY OF HENDERSONVILLE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarial determined contribution	\$ 2,400,176	\$ 2,317,383	\$ 2,396,900	\$ 1,378,735	\$ 1,725,181	\$ 1,861,492	\$ 2,330,741	\$ 2,454,145	\$ 2,523,681	\$ 3,410,296
Contributions in relation to the actuarial determined contribution	<u>2,400,176</u>	<u>2,317,383</u>	<u>2,396,900</u>	<u>1,689,627</u>	<u>1,725,181</u>	<u>1,861,492</u>	<u>2,330,741</u>	<u>2,454,145</u>	<u>2,523,681</u>	<u>3,410,296</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (310,892)</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 15,575,435	\$ 15,532,055	\$ 16,065,088	\$ 16,896,265	\$ 17,251,809	\$ 20,517,082	\$ 20,517,086	\$ 21,603,387	\$ 22,215,502	\$ 23,715,549
Contributions as a percentage covered employee payroll	15.41 %	14.92 %	14.92 %	10.00 %	10.00 %	9.07 %	11.36 %	11.36 %	11.36 %	14.38 %

NOTE TO SCHEDULE:

*Valuation date:* Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2021 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 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	2.125 percent

**Changes of assumptions** . In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate.



COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

## NONMAJOR GOVERNMENTAL AND FIDUCIARY FUNDS

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

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

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

Stormwater Fund - This fund was established to account for stormwater user fees and to implement the City's stormwater management plan to protect water quality and reduce the amount of pollutants entering water bodies.

Training and Teen Activity 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, 2023

	<u>Special Revenue Funds</u>				<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Stormwater</u>	<u>Nonmajor</u>
	<u>Street</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid Fund</u>				<u>Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,159,002	\$ 165,555	\$ 345,092	\$ 1,623,124	\$ 3,292,773
Accounts receivable	-	-	-	103,723	103,723
Due from other governments	<u>366,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,797</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,525,799</u></b>	<b><u>\$ 165,555</u></b>	<b><u>\$ 345,092</u></b>	<b><u>\$ 1,726,847</u></b>	<b><u>\$ 3,763,293</u></b>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Accounts payable	\$ 22,446	\$ -	\$ 16	\$ 24,776	\$ 47,238
Accrued liabilities	<u>20,289</u>	<u>140,488</u>	<u>-</u>	<u>14,442</u>	<u>175,219</u>
<b>Total Liabilities</b>	<b><u>42,735</u></b>	<b><u>140,488</u></b>	<b><u>16</u></b>	<b><u>39,218</u></b>	<b><u>222,457</u></b>
 <u>Deferred Inflows of Resources</u>					
Unavailable revenue	<u>177,772</u>	<u>-</u>	<u>-</u>	<u>93,679</u>	<u>271,451</u>
 <u>Fund Balances</u>					
Restricted	<u>1,305,292</u>	<u>25,067</u>	<u>345,076</u>	<u>1,593,950</u>	<u>3,269,385</u>
<b>Total Fund Balances</b>	<b><u>1,305,292</u></b>	<b><u>25,067</u></b>	<b><u>345,076</u></b>	<b><u>1,593,950</u></b>	<b><u>3,269,385</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 1,525,799</u></b>	<b><u>\$ 165,555</u></b>	<b><u>\$ 345,092</u></b>	<b><u>\$ 1,726,847</u></b>	<b><u>\$ 3,763,293</u></b>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Street Aid Fund	Forfeiture Fund	Drug Fund	Stormwater Fund	
<u>REVENUES</u>					
Intergovernmental:					
State gasoline tax	\$ 2,152,077	\$ -	\$ -	\$ -	\$ 2,152,077
Drug and other related fines, seizures, and sales	-	-	85,579	-	85,579
Grants and contributions	-	-	1,000	-	1,000
Uses of money and property	4,777	5,496	28,220	8,026	46,519
Fees for service	-	-	-	2,754,348	2,754,348
Miscellaneous	1,387	-	-	-	1,387
	<u>2,158,241</u>	<u>5,496</u>	<u>114,799</u>	<u>2,762,374</u>	<u>5,040,910</u>
Total Revenues					
<u>EXPENDITURES</u>					
Street Maintenance:					
Salaries and benefits	689,961	-	-	-	689,961
Operational expenses	1,020,628	-	-	-	1,020,628
Capital outlay	36,433	-	-	-	36,433
Drug Fund:					
Other costs	-	-	21,649	-	21,649
Stormwater:					
Salaries and benefits	-	-	-	507,027	507,027
Operational expenses	-	-	-	1,873,223	1,873,223
Capital outlay	-	-	8,821	226,518	235,339
	<u>1,747,022</u>	<u>-</u>	<u>30,470</u>	<u>2,606,768</u>	<u>4,384,260</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	411,219	5,496	84,329	155,606	656,650
<u>OTHER FINANCING USES</u>					
Transfers out	-	-	-	-	-
CHANGE IN FUND BALANCE	411,219	5,496	84,329	155,606	656,650
FUND BALANCE - BEGINNING OF YEAR	894,073	19,571	260,747	1,438,344	2,612,735
FUND BALANCE - END OF YEAR	<u>\$ 1,305,292</u>	<u>\$ 25,067</u>	<u>\$ 345,076</u>	<u>\$ 1,593,950</u>	<u>\$ 3,269,385</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental:				
1989 tax	\$ 160,000	\$ 160,000	\$ 172,999	\$ 12,999
Three cent tax	296,500	296,500	319,441	22,941
2017 (Motor fuel improvement)	520,500	520,500	556,105	35,605
Gas and motor fuel tax	1,038,000	1,038,000	1,103,532	65,532
Uses of money and property	5,000	5,000	4,777	(223)
Miscellaneous	-	-	1,387	1,387
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>2,020,000</u>	<u>2,020,000</u>	<u>2,158,241</u>	<u>138,241</u>
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	843,000	663,000	489,005	(173,995)
Employee benefits	376,300	376,300	200,956	(175,344)
Repairs and maintenance	990,000	1,170,000	1,120,628	(49,372)
Capital outlay	103,000	143,029	102,995	(40,034)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures and Encumbrances	<u>2,312,300</u>	<u>2,352,329</u>	<u>1,913,584</u>	<u>(438,745)</u>
 EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	<u>\$ (292,300)</u>	<u>\$ (332,329)</u>	244,657	<u>\$ (576,986)</u>
 FUND BALANCE - BEGINNING OF YEAR			804,000	
ADD BACK PRIOR YEAR ENCUMBRANCES WRITTEN OFF			<u>50,044</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,098,701</u>	
Fund balance - end of year (non-GAAP)	\$ 1,098,701			
+ State Street Aid encumbrances	<u>206,591</u>			
Fund balance - end of year (GAAP)	<u>\$ 1,305,292</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
<u>REVENUES</u>				
Other:				
Uses of money and property	\$ 600	\$ 600	\$ 28,220	\$ 27,620
Contributions	-	-	1,000	1,000
Drug related fines, seizures and sales	25,000	25,000	85,579	60,579
Total Revenues	25,600	25,600	114,799	89,199
<u>EXPENDITURES</u>				
Operational costs	23,200	23,200	21,649	(1,551)
Capital outlay	-	8,821	-	(8,821)
Total Expenditures and Encumbrances	23,200	32,021	21,649	(10,372)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	\$ 2,400	\$ (6,421)	93,150	\$ (99,571)
FUND BALANCE - BEGINNING OF YEAR			178,960	
ADD BACK PRIOR YEAR ENCUMBRANCES WRITTEN OFF			72,966	
FUND BALANCE - END OF YEAR			\$ 345,076	

CITY OF HENDERSONVILLE, TENNESSEE

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

STORMWATER FUND

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Fees for service	\$ 2,700,000	\$ 2,700,000	\$ 2,754,348	\$ 54,348
Uses of money and property	2,000	2,000	8,026	6,026
Total Revenues	<u>2,702,000</u>	<u>2,702,000</u>	<u>2,762,374</u>	<u>60,374</u>
<u>EXPENDITURES</u>				
Salaries	267,600	487,600	384,854	(102,746)
Employee benefits	93,900	93,900	122,173	28,273
Operational costs	3,411,600	3,458,790	2,118,745	(1,340,045)
Capital outlay	353,000	662,971	223,195	(439,776)
Total Expenditures and Encumbrances	<u>4,126,100</u>	<u>4,703,261</u>	<u>2,848,967</u>	<u>(1,854,294)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (1,424,100)</u>	<u>\$ (2,001,261)</u>	<u>\$ (86,593)</u>	<u>\$ 1,914,668</u>
FUND BALANCE - BEGINNING OF YEAR			1,351,940	
ADD BACK PRIOR YEAR ENCUMBRANCES WRITTEN OFF			<u>344</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,265,691</u>	
Fund balance - end of year (non-GAAP)	\$ 1,265,691			
+ Stormwater encumbrances	<u>328,259</u>			
Fund balance - end of year (GAAP)	<u>\$ 1,593,950</u>			

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

TRAINING AND TEEN ACTIVITY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<u>ASSETS</u>				
Cash	<u>\$ 14,793</u>	<u>\$ 1,563</u>	<u>\$ 2,475</u>	<u>\$ 13,881</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 14,793</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 13,881</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2023

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
ASSETS				
Cash	\$ -	\$ -	\$ 56,767	\$ 56,767
Certificates of deposit	-	-	200,000	200,000
Capital assets, net	-	-	10,852	10,852
TOTAL ASSETS	-	-	267,619	267,619
NET POSITION				
Investment in capital assets	-	-	10,852	10,852
Unrestricted	-	-	256,767	256,767
TOTAL NET POSITION	\$ -	\$ -	\$ 267,619	\$ 267,619

During the current year, the Board of Mayor and Aldermen voted to move the activity of the Arts Council and Beautiful Hendersonville under the City's General Fund as committees as opposed to separate legal entities.

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2023

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 73,847	\$ 73,847
Operating grants and contributions	-	-	-	-
Interest income	-	-	994	994
TOTAL REVENUE	-	-	74,841	74,841
EXPENSES				
Operating expenses	23,644	-	51,655	75,299
REVENUES OVER (UNDER) EXPENDITURES	(23,644)	-	23,186	(458)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(11,023)	-	(11,023)
CHANGE IN FUND BALANCE	(23,644)	(11,023)	23,186	(11,481)
NET POSITION - BEGINNING OF YEAR	23,644	11,023	244,433	279,100
NET POSITION - END OF YEAR	\$ -	\$ -	\$ 267,619	\$ 267,619

During the current year, the Board of Mayor and Aldermen voted to move the activity of the Arts Council and Beautiful Hendersonville under the City's General Fund as committees as opposed to separate legal entities.

FINANCIAL SCHEDULES

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>REVENUES</b>				
<b>Local Taxes:</b>				
Real and personal property	\$ 21,291,519	\$ -	\$ -	\$ 21,291,519
Payments in lieu of property taxes	1,068,194	-	-	1,068,194
Local sales taxes	19,986,843	-	-	19,986,843
Wholesale beer	1,093,914	-	-	1,093,914
Wholesale liquor	827,040	-	-	827,040
Hotel/motel tax	394,432	-	-	394,432
Business taxes	1,803,088	-	-	1,803,088
Total Local Taxes	<u>46,465,030</u>	<u>-</u>	<u>-</u>	<u>46,465,030</u>
<b>Intergovernmental:</b>				
State sales tax	7,348,774	-	-	7,348,774
State beer tax	28,197	-	-	28,197
State alcoholic beverage tax	366,606	-	-	366,606
State/City street and transportation	113,132	-	-	113,132
State supplemental pay	186,400	-	-	186,400
Real property taxes	252,216	-	-	252,216
County	55,839	-	-	55,839
Corp of Engineers	9,772	-	-	9,772
Sports betting tax	100,717	-	-	100,717
Grants	4,219,031	-	-	4,219,031
Total Intergovernmental	<u>12,680,684</u>	<u>-</u>	<u>-</u>	<u>12,680,684</u>
<b>Fines and Forfeitures:</b>				
City court and other	461,017	-	-	461,017
Penalties	-	-	-	-
Total Fines and Forfeitures	<u>461,017</u>	<u>-</u>	<u>-</u>	<u>461,017</u>
<b>Licenses and Permits:</b>				
Building permits	3,208,564	-	-	3,208,564
Franchise taxes	666,333	-	-	666,333
Other permits	318,656	-	-	318,656
Total Licenses and Permits	<u>4,193,553</u>	<u>-</u>	<u>-</u>	<u>4,193,553</u>
<b>Charges for Services:</b>				
Recreational fees	409,611	-	-	409,611
Total Charges for Services	<u>409,611</u>	<u>-</u>	<u>-</u>	<u>409,611</u>

(continued on following page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF REVENUES (CONTINUED)

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
Contributions:				
Contributions	<u>\$ 97,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,757</u>
Uses of Money and Property				
Interest	401,570	11,307	-	412,877
Sale of assets	<u>190,855</u>	<u>-</u>	<u>-</u>	<u>190,855</u>
Total Uses of Money and Property	<u>592,425</u>	<u>11,307</u>	<u>-</u>	<u>603,732</u>
Other Revenues:				
Miscellaneous	<u>759,810</u>	<u>-</u>	<u>-</u>	<u>759,810</u>
Total Other Revenues	<u>759,810</u>	<u>-</u>	<u>-</u>	<u>759,810</u>
TOTAL REVENUES	<u>\$ 65,659,887</u>	<u>\$ 11,307</u>	<u>\$ -</u>	<u>\$ 65,671,194</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES

MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES				
General Government:				
Salaries	\$ 378,679	\$ -	\$ -	\$ 378,679
Employee benefits	170,362	-	-	170,362
Travel and training	1,001	-	-	1,001
Supplies	10,994	-	-	10,994
Outside services	22,712	-	-	22,712
Telephone	54	-	-	54
Other costs	69,229	-	-	69,229
Total General Government	<u>653,031</u>	<u>-</u>	<u>-</u>	<u>653,031</u>
Central Administration				
Salaries	972,306	-	-	972,306
Employee benefits	417,295	-	-	417,295
Travel and training	831	-	-	831
Insurance	847,245	-	-	847,245
Supplies	28,501	-	-	28,501
Outside services	531,260	-	-	531,260
Telephone	150,356	-	-	150,356
Other costs	97,720	-	-	97,720
Total Central Administration	<u>3,045,514</u>	<u>-</u>	<u>-</u>	<u>3,045,514</u>
Central Services:				
Repairs and maintenance	142,609	-	-	142,609
Supplies	4,528	-	-	4,528
Utilities	60,430	-	-	60,430
Sumner County Emergency Communications	1,199,391	-	-	1,199,391
Other costs	105,200	-	-	105,200
Total Central Services	<u>1,512,158</u>	<u>-</u>	<u>-</u>	<u>1,512,158</u>
Finance:				
Salaries	736,152	-	-	736,152
Employee benefits	254,608	-	-	254,608
Travel and training	1,217	-	-	1,217
Supplies	72,169	-	-	72,169
Outside services	89,780	-	-	89,780
Other costs	15,112	-	-	15,112
Total Finance	<u>1,169,038</u>	<u>-</u>	<u>-</u>	<u>1,169,038</u>
Total General Government	<u>\$ 6,379,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,379,741</u>

(continued on next page)

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES (CONTINUED)

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
EXPENDITURES (CONTINUED)				
Parks:				
Salaries	\$ 1,576,477	\$ -	\$ -	\$ 1,576,477
Employee benefits	485,854	-	-	485,854
Repairs and maintenance	417,141	-	-	417,141
Travel and training	4,845	-	-	4,845
Supplies	167,002	-	-	167,002
Outside services	19,706	-	-	19,706
Utilities	267,570	-	-	267,570
Other costs	434,046	-	-	434,046
Total Parks	<u>3,372,641</u>	<u>-</u>	<u>-</u>	<u>3,372,641</u>
Codes:				
Salaries	637,299	-	-	637,299
Employee benefits	233,322	-	-	233,322
Repairs and maintenance	3,799	-	-	3,799
Travel and training	540	-	-	540
Supplies	15,179	-	-	15,179
Telephone	6,181	-	-	6,181
Other costs	8,766	-	-	8,766
Total Codes	<u>905,086</u>	<u>-</u>	<u>-</u>	<u>905,086</u>
Planning:				
Salaries	712,755	-	-	712,755
Employee benefits	230,808	-	-	230,808
Repairs and maintenance	1,745	-	-	1,745
Travel and training	543	-	-	543
Supplies	17,654	-	-	17,654
Outside services	41,829	-	-	41,829
Utilities	3,455	-	-	3,455
Other costs	126,714	-	-	126,714
Total Planning	<u>1,135,503</u>	<u>-</u>	<u>-</u>	<u>1,135,503</u>
Street and Public Works:				
Salaries	1,016,798	-	-	1,016,798
Employee benefits	432,566	-	-	432,566
Repairs and maintenance	363,001	-	-	363,001
Travel and training	4,307	-	-	4,307
Supplies	116,043	-	-	116,043
Outside services	258,562	-	-	258,562
Utilities	454,150	-	-	454,150
Other costs	2,399,035	90,734	-	2,489,769
Total Streets and Public Works	<u>5,044,462</u>	<u>90,734</u>	<u>-</u>	<u>5,135,196</u>

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CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES (CONTINUED)

MAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Major Governmental Funds</u>
<b>EXPENDITURES (CONTINUED)</b>				
<b>Police Department:</b>				
Salaries	\$ 10,149,293	\$ -	\$ -	\$ 10,149,293
Employee benefits	3,580,571	-	-	3,580,571
Repairs and maintenance	321,893	-	-	321,893
Travel and training	35,304	-	-	35,304
Supplies	685,290	-	-	685,290
Outside services	206,725	-	-	206,725
Telephone and utilities	146,045	-	-	146,045
Other costs	181,098	-	-	181,098
Investigations	9,994	-	-	9,994
<b>Total Police Department</b>	<u>15,316,213</u>	<u>-</u>	<u>-</u>	<u>15,316,213</u>
<b>Fire Department:</b>				
Salaries	8,928,020	-	-	8,928,020
Employee benefits	3,369,795	-	-	3,369,795
Repairs and maintenance	257,895	-	-	257,895
Travel and training	89,659	-	-	89,659
Supplies	234,555	-	-	234,555
Outside services	99,397	-	-	99,397
Telephone and utilities	110,695	-	-	110,695
Other costs	(107,159)	-	-	(107,159)
<b>Total Fire Department</b>	<u>12,982,857</u>	<u>-</u>	<u>-</u>	<u>12,982,857</u>
<b>Contributions:</b>				
Senior Citizens	15,000	-	-	15,000
Community Child Care	16,000	-	-	16,000
HHS Stars	12,000	-	-	12,000
Hendersonville Public Library	50,000	-	-	50,000
Chamber of Commerce	15,000	-	-	15,000
Samaratin	12,500	-	-	12,500
Forward Sumner	10,000	-	-	10,000
Health Department	12,000	-	-	12,000
Hendersonville Home Bound Meals Program	9,900	-	-	9,900
Ashley's Place	5,000	-	-	5,000
Beech High School	12,000	-	-	12,000
Component units	-	-	-	-
Other	127,270	-	-	127,270
<b>Total Contributions</b>	<u>296,670</u>	<u>-</u>	<u>-</u>	<u>296,670</u>
Disposal services	4,511,864	-	-	4,511,864
Debt service	137,967	-	2,539,221	2,677,188
Capital outlay	7,856,141	3,117,218	-	10,973,359
<b>TOTAL EXPENDITURES</b>	<u>\$ 57,939,145</u>	<u>\$ 3,207,952</u>	<u>\$ 2,539,221</u>	<u>\$ 63,686,318</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2023

<u>Tax Year</u>		<u>Taxes Receivable June 30, 2022</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2023</u>
2013	*	\$ 9,062	\$ -	\$ (251)	\$ 8,811
2014	*	9,651	-	(257)	9,394
2015	*	14,765	-	(300)	14,465
2016	*	12,829	-	(2,349)	10,480
2017	*	24,192	-	(7,567)	16,625
2018	*	23,221	-	(4,548)	18,673
2019	*	50,890	-	(13,339)	37,551
2020	*	117,318	-	(53,456)	63,862
2021	*	362,357	-	(235,012)	127,345
2022		<u>-</u>	<u>21,114,197</u>	<u>(20,779,975)</u>	<u>334,222</u>
		<u>\$ 624,285</u>	<u>\$ 21,114,197</u>	<u>\$ (21,097,054)</u>	641,428
2023	**				<u>21,534,770</u>
Taxes receivable					<u>\$ 22,176,198</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, 2023

Assessment Year		Special Assessment Receivable June 30, 2022	Assessments	Collections and Adjustments	Special Assessment Receivable June 30, 2023
2013	*	\$ 1,295	\$ -	\$ (259)	\$ 1,036
2014	*	1,315	-	(263)	1,052
2015	*	1,315	-	(263)	1,052
2016	*	3,419	-	(789)	2,630
2017	*	4,828	-	(1,704)	3,124
2018	*	8,497	-	(1,758)	6,739
		<u>\$ 20,669</u>	<u>\$ -</u>	<u>\$ (5,036)</u>	<u>\$ 15,633</u>

\* Turned over to County Clerk for collections.

NOTE 1 - With the elimination of the separate special assessment for disposal fees in tax year 2019, uncollected receivables were moved back to the General Fund.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN STORMWATER FEES RECEIVABLE

JUNE 30, 2023

<u>Tax Year</u>	<u>Stormwater Fee Receivable June 30, 2022</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Stormwater Fee Receivable June 30, 2023</u>
2018	\$ 9,579	\$ -	\$ (1,648)	\$ 7,931
2019	19,628	-	(1,928)	17,700
2020	18,053	-	(4,258)	13,795
2021	72,677	-	(54,391)	18,286
2022	<u>-</u>	<u>2,621,279</u>	<u>(2,575,268)</u>	<u>46,011</u>
	<u>\$ 119,937</u>	<u>\$ 2,621,279</u>	<u>\$ (2,637,493)</u>	<u>\$ 103,723</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2023

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 6/30/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
<b>GOVERNMENTAL ACTIVITIES</b>									
<b><u>CAPITAL OUTLAY NOTES</u></b>									
<b><u>Payable through Debt Service Fund</u></b>									
Capital Outlay Notes 2011	\$ 4,100,000	3.21 %	1/5/2011	1/1/2023	\$ 338,000	\$ -	\$ (338,000)	\$ -	\$ -
Capital Outlay Refunding Notes 2012	\$ 6,810,000	2.00 to 3.00 %	10/10/2012	7/1/2024	285,000	-	(95,000)	-	190,000
Capital Outlay Notes 2013, 12 year	\$ 1,250,000	2.44 %	11/1/2013	7/1/2025	416,667	-	(104,167)	-	312,500
Capital Outlay Notes, 2021, 12 year	\$ 5,900,000	1.65 %	2/4/2021	2/4/2033	5,408,333	-	(491,666)	-	4,916,667
Capital Outlay Refunding Notes, 2021	\$ 7,645,000	4.00 to 5.00 %	5/18/2021	7/1/3030	<u>6,405,000</u>	<u>-</u>	<u>(1,120,000)</u>	<u>-</u>	<u>5,285,000</u>
Total Notes Payable through Debt Service Fund					<u>\$ 12,853,000</u>	<u>\$ -</u>	<u>\$ (2,148,833)</u>	<u>\$ -</u>	<u>\$ 10,704,167</u>
<b>TOTAL LONG-TERM DEBT</b>					<u>\$ 12,853,000</u>	<u>\$ -</u>	<u>\$ (2,148,833)</u>	<u>\$ -</u>	<u>\$ 10,704,167</u>

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG-TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2023

Fiscal Year	Capital Outlay Refunding Notes - 2012		Capital Outlay Notes - 2013		Capital Outlay Refunding Notes - 2021	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 95,000	\$ 2,850	\$ 104,167	\$ 7,712	\$ 1,150,000	\$ 217,900
2025	95,000	950	104,167	5,155	1,175,000	159,775
2026	-	-	104,167	2,571	1,200,000	100,400
2027	-	-	-	-	430,000	61,800
2028	-	-	-	-	435,000	44,500
2029	-	-	-	-	445,000	26,900
2030	-	-	-	-	450,000	9,000
Total	<u>\$ 190,000</u>	<u>\$ 3,800</u>	<u>\$ 312,501</u>	<u>\$ 15,438</u>	<u>\$ 5,285,000</u>	<u>\$ 620,275</u>

Fiscal Year	Capital Outlay Notes - 2021		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Debt
2024	\$ 491,667	\$ 81,125	\$ 1,840,834	\$ 309,587	\$ 2,150,421
2025	491,667	73,012	1,865,834	238,892	2,104,726
2026	491,667	64,900	1,795,834	167,871	1,963,705
2027	491,667	56,788	921,667	118,588	1,040,255
2028	491,666	48,675	926,666	93,175	1,019,841
2029	491,666	40,562	936,666	67,462	1,004,128
2030	491,666	32,450	941,666	41,450	983,116
2031	491,667	24,338	491,667	24,338	516,005
2032	491,666	16,225	491,666	16,225	507,891
2033	491,667	8,113	491,667	8,113	499,780
Total	<u>\$ 4,916,666</u>	<u>\$ 446,188</u>	<u>\$ 10,704,167</u>	<u>\$ 1,085,701</u>	<u>\$ 11,789,868</u>

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

Grant Description	Federal ALN #	Grant Number	(Accrued) Deferred 6/30/2022	Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/2023	
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
Community Development Block Grant	14.218	B-17-MC-47-0015	\$ (4,916)	\$ 5,219	\$ 1,034	\$ -	\$ (731)	
Community Development Block Grant	14.218	B-18-MC-47-0015	(59,829)	124,169	68,809	-	(4,469)	
Community Development Block Grant	14.218	B-19-MC-47-0016	-	145,832	185,900	-	(40,068)	
Community Development Block Grant	14.218	B-20-MC-47-0017	-	109,234	217,200	-	(107,966)	
Community Development Block Grant	14.218	B-21-MC-47-0015	(4,413)	98,235	133,854	-	(40,032)	
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			(69,158)	482,689	606,797	-	(193,266)	
<b>U.S. DEPARTMENT OF JUSTICE</b>								
Bulletproof Vest Partnership Program	16.607		(10,062)	-	-	-	(10,062)	
Bulletproof Vest Partnership Program	16.607		-	-	11,100	-	(11,100)	
Public Safety Partnership and Community Policing Grants	16.710		(45,319)	101,221	130,823	-	(74,921)	
TOTAL U.S. DEPARTMENT OF JUSTICE			(55,381)	101,221	141,923	-	(96,083)	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>								
<u>Passed through the Tennessee Department of Transportation</u>								
Highway Planning and Construction Cluster: Drakes Creek Road Widening	*	20.205	140137	(59,171)	36,843	71,238	-	(93,566)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant Traffic Sign Upgrade Project	*	20.205	60152	(19,852)	398,351	666,318	-	(287,819)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant Signal Timing Optimization	*	20.205	180179	(8,031)	17,124	12,260	-	(3,167)
Highway Planning and Construction Cluster: Sanders Ferry Walking Trail	*	20.205	120012	(3,534)	913,814	1,727,901	-	(817,621)
State and Community Highway Safety		20.600		(3,992)	11,258	7,266	-	-
State and Community Highway Safety		20.600		-	23,565	27,625	-	(4,060)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			(94,580)	1,400,955	2,512,608	-	(1,206,233)	
<b>U.S. DEPARTMENT OF TREASURY</b>								
Coronavirus State and Local Fiscal Recovery Funds		COVID 19 -21.027		(2,951,171)	2,951,171	-	-	
TOTAL U.S. DEPARTMENT OF TREASURY			(2,951,171)	2,951,171	-	-	-	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>								
<u>Passed through the Federal Emergency Management Agency</u>								
Assistance to Firefighters Grant	97.044			-	176,128	176,128	-	
Public Assistance Grant	97.036	4637-DR-TN		-	560,170	560,170	-	
<u>Passed through the Tennessee Emergency Management Agency</u>								
Hazard Mitigation Grant Program (HMGP)	97.039	HGMP 4320-0003 TID #0430		(337,264)	-	143,299	-	(480,563)
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			(337,264)	736,298	879,597	-	(480,563)	
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ (3,507,554)</b>	<b>\$ 5,672,334</b>	<b>\$ 4,140,925</b>	<b>\$ -</b>	<b>\$ (1,976,145)</b>	

(continued on next page)

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

Grant Description	Federal ALN #	Grant Number	(Accrued) Deferred 6/30/2022	Receipts	Expenditures	Adjustments	(Accrued) Deferred 6/30/2023
<b>EXPENDITURES OF STATE AWARDS</b>							
<u>Tennessee Department of Finance and Administration</u>							
VCIF FY 23-25	n/a		\$ -	\$ -	\$ 9,691	\$ -	\$ (9,691)
<u>Tennessee Department of Transportation</u>							
Saundersville Railroad Trestle	n/a	83LPLM-S3-106	(94,767)	55,897	47,025	-	(85,895)
<u>Tennessee Department of Environment and Conservation</u>							
2020 Local Parks and Recreation Fund Grant	n/a		-	-	13,825	-	(13,825)
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>\$ (94,767)</u>	<u>\$ 55,897</u>	<u>\$ 70,541</u>	<u>\$ -</u>	<u>\$ (109,411)</u>

\* Major program under Single Audit

Summary of Expenditures by ALN Number

14.218	\$ 606,797
16.607	11,100
16.710	130,823
20.205	2,477,717
20.600	34,891
96.036	560,170
97.039	143,299
97.044	<u>176,128</u>
Total	<u>\$ 4,140,925</u>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal and state award activity of the City of Hendersonville, Tennessee (the "City"), under programs of the federal and state government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Tennessee Audit Manual. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to present the financial position, changes in net position or cash flows of the City.

**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.

**NOTE 3 - SUBRECIPIENTS**

The City did not pass any federal awards through to subrecipients.

## STATISTICAL SECTION

(Not Covered by Report of Independent Certified Public Accountants)

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

### CONTENTS

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

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

CITY OF HENDERSONVILLE

NET ASSETS/POSITION BY COMPONENT (UNAUDITED)

LAST TEN FISCAL YEARS

**Schedule 1**

(Prepared using the accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 60,427,388	\$ 52,388,396	\$ 51,563,776	\$ 53,689,057	\$ 47,393,105	\$ 51,148,265	\$ 58,368,186	\$ 55,963,713	\$ 69,272,983	\$ 76,763,425
Restricted for:										
Public works	443,905	471,249	484,932	479,871	4,698,489	479,871	489,373	481,407	1,656,990	2,382,108
Street maintenance	1,989,933	1,668,231	909,128	950,640	1,722,938	1,366,657	621,382	296,615	473,615	399,786
Law enforcement	177,854	257,651	238,660	258,708	282,714	299,581	311,038	334,025	300,816	415,500
Solid waste disposal	92,112	-	-	-	-	-	-	-	364,163	150,548
General government	-	-	-	-	-	100,682	146,298	345,418	-	-
Capital projects	137,513	132,409	253,932	63,245	63,245	3,066,080	2,536,130	7,390,396	4,544,025	1,757,460
Stormwater	-	-	-	-	-	1,285,859	958,245	1,529,895	1,438,344	1,593,950
Other	-	-	769,080	-	-	-	11,325	-	198,578	-
Unrestricted	<u>4,237,502</u>	<u>10,360,224</u>	<u>14,084,154</u>	<u>13,486,995</u>	<u>10,271,684</u>	<u>9,492,068</u>	<u>10,231,642</u>	<u>17,113,161</u>	<u>31,291,340</u>	<u>38,261,778</u>
<b>Total governmental activities net position</b>	<b>\$ <u>67,506,207</u></b>	<b>\$ <u>65,278,160</u></b>	<b>\$ <u>68,303,662</u></b>	<b>\$ <u>68,928,516</u></b>	<b>\$ <u>64,432,175</u></b>	<b>\$ <u>67,239,063</u></b>	<b>\$ <u>73,673,619</u></b>	<b>\$ <u>83,454,630</u></b>	<b>\$ <u>109,540,854</u></b>	<b>\$ <u>121,724,555</u></b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 1,191,349	\$ 1,122,051	\$ 1,055,312	\$ 991,400	\$ 976,500	\$ 940,603	\$ 904,849	\$ 1,035,809	\$ 1,016,160	\$ 997,096
Unrestricted	<u>100,562</u>	<u>125,104</u>	<u>105,484</u>	<u>89,695</u>	<u>(12,037)</u>	<u>(6,023)</u>	<u>36,108</u>	<u>64,688</u>	<u>177,574</u>	<u>276,079</u>
<b>Total business-type activities net position</b>	<b>\$ <u>1,291,911</u></b>	<b>\$ <u>1,247,155</u></b>	<b>\$ <u>1,160,796</u></b>	<b>\$ <u>1,081,095</u></b>	<b>\$ <u>964,463</u></b>	<b>\$ <u>934,580</u></b>	<b>\$ <u>940,957</u></b>	<b>\$ <u>1,100,497</u></b>	<b>\$ <u>1,193,734</u></b>	<b>\$ <u>1,273,175</u></b>
<b>Primary government</b>										
Net investment in capital assets	\$ 61,618,737	\$ 53,510,447	\$ 52,619,088	\$ 54,680,457	\$ 48,369,605	\$ 52,088,868	\$ 59,273,035	\$ 56,999,522	\$ 70,289,143	\$ 77,760,521
Restricted for:										
Public works	443,905	1,668,231	909,128	479,871	4,698,489	479,871	489,373	296,615	1,656,990	2,382,108
Street maintenance	1,989,933	471,249	484,932	950,640	1,722,938	1,366,657	621,382	481,407	473,615	399,786
Law enforcement	177,854	257,651	238,660	258,708	282,714	299,581	311,038	334,025	300,816	415,500
Solid waste disposal	92,112	-	-	-	-	-	-	-	364,163	150,548
Parks	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	100,682	146,298	345,418	-	-
Capital projects	137,513	132,409	253,932	63,245	63,245	3,066,080	2,536,130	7,390,396	4,544,025	1,757,460
Stormwater	-	-	-	-	-	1,285,859	958,245	1,529,895	1,438,344	1,593,950
Other	-	-	769,080	-	-	-	11,325	-	198,578	-
Unrestricted	<u>4,338,064</u>	<u>10,485,328</u>	<u>14,189,638</u>	<u>13,576,690</u>	<u>10,259,647</u>	<u>9,486,045</u>	<u>10,267,750</u>	<u>17,177,849</u>	<u>31,468,914</u>	<u>38,537,857</u>
<b>Total primary government net position</b>	<b>\$ <u>68,798,118</u></b>	<b>\$ <u>66,525,315</u></b>	<b>\$ <u>69,464,458</u></b>	<b>\$ <u>70,009,611</u></b>	<b>\$ <u>65,396,638</u></b>	<b>\$ <u>68,173,643</u></b>	<b>\$ <u>74,614,576</u></b>	<b>\$ <u>84,555,127</u></b>	<b>\$ <u>110,734,588</u></b>	<b>\$ <u>122,997,730</u></b>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
<b>EXPENSES</b>										
Governmental Activities:										
General government	\$ 611,768	\$ 511,914	\$ 461,174	\$ 463,784	\$ 586,350	\$ 641,981	\$ 688,697	\$ 795,519	\$ 721,825	\$ 750,587
Personnel	307,249	295,704	343,659	391,863	447,730	449,180	435,132	366,683	291,759	2,911,799
Central services	1,794,169	1,923,094	1,906,242	2,030,722	2,077,320	2,213,220	1,919,508	1,367,073	1,638,257	1,512,158
Finance	900,653	836,380	953,047	933,442	936,820	989,843	1,097,832	1,285,275	984,324	1,172,209
Parks	1,967,782	1,899,688	2,057,819	2,116,119	2,710,888	2,686,687	2,917,521	3,383,563	3,218,703	4,055,947
Information technology	-	237,969	446,225	611,823	749,731	815,935	909,304	1,070,822	932,711	-
Codes	766,109	700,171	718,402	758,752	745,851	766,532	828,917	861,354	864,159	913,232
Planning	752,671	807,010	710,526	643,513	630,482	778,842	732,069	917,944	930,565	1,168,066
Police	10,190,417	9,845,376	10,391,599	11,173,075	12,322,989	13,555,768	14,895,443	14,880,489	14,865,135	16,151,232
Fire	9,364,318	8,490,945	8,972,110	9,465,982	9,857,181	10,847,398	12,155,907	12,732,161	12,132,089	14,000,425
Contributions	233,150	234,650	234,650	235,150	241,400	249,400	270,025	298,200	293,250	296,670
Disposal service	4,822,061	4,997,329	6,025,955	4,888,951	5,777,510	6,001,994	3,536,122	3,900,247	4,112,946	4,511,864
Program costs	-	-	-	-	-	1,061,545	2,802,804	1,987,956	1,921,500	2,352,793
Program costs	17,543	29,743	50,665	23,051	19,199	12,870	20,399	14,264	27,148	21,649
Streets and public works	7,521,104	7,808,136	9,405,256	10,260,978	10,652,930	8,651,120	9,436,626	8,591,402	9,799,209	9,826,332
Interest expense on long-term debt	264,699	225,080	212,616	187,440	262,589	332,730	284,728	382,470	267,148	260,363
Total governmental activities	<u>39,513,692</u>	<u>38,843,189</u>	<u>42,889,945</u>	<u>44,184,645</u>	<u>48,018,970</u>	<u>50,055,045</u>	<u>52,931,034</u>	<u>52,835,422</u>	<u>53,000,728</u>	<u>59,905,326</u>
Business-type activities:										
Golf Course	985,162	840,726	943,937	912,071	886,611	820,704	810,471	889,491	970,493	1,214,909
Total business-type activities	<u>985,162</u>	<u>840,726</u>	<u>943,937</u>	<u>912,071</u>	<u>886,611</u>	<u>820,704</u>	<u>810,471</u>	<u>889,491</u>	<u>970,493</u>	<u>1,214,909</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<u>\$ 40,498,854</u>	<u>\$ 39,683,915</u>	<u>\$ 43,833,882</u>	<u>\$ 45,096,716</u>	<u>\$ 48,905,581</u>	<u>\$ 50,875,749</u>	<u>\$ 53,741,505</u>	<u>\$ 53,724,913</u>	<u>\$ 53,971,221</u>	<u>\$ 61,120,235</u>
<b>PROGRAM REVENUES</b>										
Governmental Activities:										
Charges for services:										
Finance	\$ 75,056	\$ 67,928	\$ 69,891	\$ 52,201	\$ 91,342	\$ 65,052	\$ 56,947	\$ 78,904	\$ 87,889	\$ 92,692
Parks	163,007	181,003	382,952	341,937	337,198	366,385	201,820	552,308	335,359	409,611
Codes	764,866	1,172,941	1,438,140	1,203,629	961,294	1,464,720	1,810,884	2,690,908	3,171,138	3,165,990
Planning	173,005	64,938	65,239	110,335	109,078	88,577	94,358	108,661	94,290	59,834
Police	530,827	615,558	562,554	537,760	497,972	403,922	409,047	405,724	355,196	418,581
Fire	-	146,736	107,110	111,875	83,062	118,789	85,667	129,918	188,331	295,096
Disposal service	4,328,291	4,491,716	4,537,509	4,621,956	5,091,656	5,327,740	(753)	16,589	5,579	5,583
Stormwater	-	-	-	-	-	2,525,089	2,604,514	2,689,961	2,683,938	2,768,978
Streets and public works	-	-	2,300	4,875	4,100	3,450	1,950	-	-	-
Operating grants and contributions	1,981,342	1,693,631	1,796,210	1,682,944	2,053,215	2,045,192	2,358,418	4,977,722	9,593,294	3,723,437
Capital grants and contributions	2,690,020	4,366,166	4,063,741	2,004,433	1,354,090	3,724,028	6,745,962	2,082,378	9,667,735	4,713,759
Total governmental activities and program revenues	<u>10,706,414</u>	<u>12,800,617</u>	<u>13,025,646</u>	<u>10,671,945</u>	<u>10,583,007</u>	<u>16,132,944</u>	<u>14,368,814</u>	<u>13,733,073</u>	<u>26,182,749</u>	<u>15,653,561</u>
Business-type activities:										
Charges for services:										
Golf course	807,896	840,650	857,375	827,391	769,718	789,721	814,413	1,048,790	1,063,384	1,290,995
Total business-type activities program revenues	<u>807,896</u>	<u>840,650</u>	<u>857,375</u>	<u>827,391</u>	<u>769,718</u>	<u>789,721</u>	<u>814,413</u>	<u>1,048,790</u>	<u>1,063,384</u>	<u>1,290,995</u>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<u>\$ 11,514,310</u>	<u>\$ 13,641,267</u>	<u>\$ 13,883,021</u>	<u>\$ 11,499,336</u>	<u>\$ 11,352,725</u>	<u>\$ 16,922,665</u>	<u>\$ 15,183,227</u>	<u>\$ 14,781,863</u>	<u>\$ 27,246,133</u>	<u>\$ 16,944,556</u>
<b>NET (EXPENSE)/REVENUE</b>										
Governmental activities	\$ (28,807,278)	\$ (26,042,572)	\$ (29,864,299)	\$ (33,512,700)	\$ (37,436,963)	\$ (33,922,101)	\$ (38,562,220)	\$ (39,102,349)	\$ (26,817,979)	\$ (44,251,765)
Business-type activities	<u>(177,266)</u>	<u>(76)</u>	<u>(86,562)</u>	<u>(84,680)</u>	<u>(116,893)</u>	<u>(30,983)</u>	<u>3,942</u>	<u>159,299</u>	<u>92,891</u>	<u>76,086</u>
<b>TOTAL PRIMARY GOVERNMENT NET EXPENSE</b>	<u>\$ (28,984,544)</u>	<u>\$ (26,042,648)</u>	<u>\$ (29,950,861)</u>	<u>\$ (33,597,380)</u>	<u>\$ (37,552,856)</u>	<u>\$ (33,953,084)</u>	<u>\$ (38,558,278)</u>	<u>\$ (38,943,050)</u>	<u>\$ (26,725,088)</u>	<u>\$ (44,175,679)</u>

CITY OF HENDERSONVILLE

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

LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/POSITION</b>										
Governmental activities:										
Taxes:										
Property and in lieu of taxes	\$ 10,466,430	\$ 10,635,693	\$ 10,733,814	\$ 12,536,288	\$ 12,735,380	\$ 13,146,995	\$ 13,231,151	\$ 21,046,790	\$ 21,212,700	\$ 22,360,305
Sales	9,358,299	10,020,450	10,683,972	11,355,539	12,482,225	12,776,911	13,459,303	14,055,953	16,662,754	19,986,843
Wholesale beer tax	929,388	944,129	956,362	977,554	1,011,321	1,026,918	1,017,361	1,097,779	1,204,811	1,093,914
Wholesale liquor tax	351,331	417,539	477,604	535,971	556,104	574,855	613,964	709,500	775,674	827,040
Business tax	974,806	882,621	986,136	1,114,201	1,164,209	1,254,804	1,304,368	1,315,581	1,447,088	1,803,088
Franchise taxes	757,106	779,309	834,214	876,894	923,652	1,175,087	768,049	858,299	749,996	666,333
Hotel/motel tax	-	-	-	-	-	-	100,682	253,572	211,465	394,432
Unrestricted state shared taxes:										
State shared sales tax	3,555,315	3,675,558	3,844,821	4,186,058	4,290,951	4,416,678	4,597,625	4,699,517	5,440,086	7,348,774
State shared income tax	602,307	633,813	814,449	873,932	626,085	566,189	666,960	431,394	231,852	-
State shared beer tax	25,399	24,308	24,570	25,084	24,805	23,966	23,782	24,064	24,321	28,197
State shared alcoholic beverage tax	138,950	152,711	160,452	174,490	166,904	206,924	253,643	177,413	283,291	366,606
Unrestricted other state shared taxes	23,298	37,918	27,122	133,036	38,222	101,800	75,335	131,196	171,645	362,705
Unrestricted investment earnings	34,283	21,922	23,015	27,987	24,546	30,170	31,294	26,218	30,936	426,381
Other	68,035	57,118	133,002	88,792	93,150	87,392	542,375	169,500	436,741	770,848
Special item	-	-	(6,351,071)	-	-	-	-	-	-	-
Transfers	(173,640)	44,877	44,877	-	-	-	-	-	-	-
<b>Total government activities</b>	<b>27,111,307</b>	<b>28,327,966</b>	<b>23,393,339</b>	<b>32,905,826</b>	<b>34,137,554</b>	<b>35,388,689</b>	<b>36,685,892</b>	<b>44,996,776</b>	<b>48,883,360</b>	<b>56,435,466</b>
Business-type activities:										
Investment earnings	333	186	197	203	169	261	21	92	241	582
Miscellaneous income	-	-	-	-	4,810	-	1,079	2,343	-	2,773
Transfers	173,640	(44,877)	(44,877)	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>173,973</b>	<b>(44,691)</b>	<b>(44,680)</b>	<b>203</b>	<b>4,979</b>	<b>261</b>	<b>1,100</b>	<b>2,435</b>	<b>241</b>	<b>3,355</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 27,285,280</b>	<b>\$ 28,283,275</b>	<b>\$ 23,348,659</b>	<b>\$ 32,906,029</b>	<b>\$ 34,142,533</b>	<b>\$ 35,388,950</b>	<b>\$ 36,686,992</b>	<b>\$ 44,999,211</b>	<b>\$ 48,883,601</b>	<b>\$ 56,438,821</b>
<b>CHANGE IN NET POSITION</b>										
Governmental activities	\$ 11,474,362	\$ (479,312)	\$ (2,649,233)	\$ 3,041,527	\$ 624,854	\$ (2,047,274)	\$ 2,763,791	\$ 6,434,556	\$ 9,781,011	\$ 12,183,701
Business-type activities	(21,064)	(221,957)	(44,756)	(86,359)	(79,701)	(116,632)	(29,883)	6,377	159,540	79,441
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 11,453,298</b>	<b>\$ (701,269)</b>	<b>\$ (2,693,989)</b>	<b>\$ 2,955,168</b>	<b>\$ 545,153</b>	<b>\$ (2,163,906)</b>	<b>\$ 2,733,908</b>	<b>\$ 6,440,933</b>	<b>\$ 9,940,551</b>	<b>\$ 12,263,142</b>

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental Funds:										
General Fund:										
Nonspendable	73,510	278,000	6,046	601,677	1,215	13,661	11,887	71,490	249,369	393,766
Restricted	991,591	1,036,187	887,274	832,915	984,323	1,149,704	1,216,897	900,940	1,621,193	1,672,507
Committed	267,175	836,158	2,532,774	2,010,771	1,852,781	2,171,651	2,412,317	4,179,557	6,258,709	656,619
Assigned	4,760,199	3,015,185	2,336,958	3,969,543	3,763,198	2,656,458	2,407,768	1,930,616	2,954,858	9,405,849
Unassigned	1,030,329	2,829,182	3,607,022	3,158,144	3,932,022	4,204,347	4,021,244	11,710,063	20,346,169	26,187,375
Total general fund	<u>\$ 7,122,804</u>	<u>\$ 7,994,712</u>	<u>\$ 9,370,074</u>	<u>\$ 10,573,050</u>	<u>\$ 10,533,539</u>	<u>\$ 10,195,821</u>	<u>\$ 10,070,113</u>	<u>\$ 18,792,666</u>	<u>\$ 31,430,298</u>	<u>\$ 38,316,116</u>
All Other Governmental Funds:										
Nonspendable reported in Special Revenue Funds	2,535	-	-	-	-	-	-	-	-	-
Restricted reported in Special Revenue Funds	1,601,330	1,360,944	745,446	856,304	1,524,250	2,382,946	2,536,130	7,390,396	2,612,735	3,269,385
Restricted reported in Capital Projects Fund	4,242,382	3,270,823	5,145,662	1,760,146	5,160,528	3,066,080	1,320,764	2,086,420	4,544,025	1,757,460
Total all other governmental funds	<u>\$ 5,846,247</u>	<u>\$ 4,631,767</u>	<u>\$ 5,891,108</u>	<u>\$ 2,616,450</u>	<u>\$ 6,684,778</u>	<u>\$ 5,449,026</u>	<u>\$ 3,856,894</u>	<u>\$ 9,476,816</u>	<u>\$ 7,156,760</u>	<u>\$ 5,026,845</u>
Total	<u>\$ 12,969,051</u>	<u>\$ 12,626,479</u>	<u>\$ 15,261,182</u>	<u>\$ 13,189,500</u>	<u>\$ 17,218,317</u>	<u>\$ 15,644,847</u>	<u>\$ 13,927,007</u>	<u>\$ 28,269,482</u>	<u>\$ 38,587,058</u>	<u>\$ 43,342,961</u>

CITY OF HENDERSONVILLE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

**Schedule 4**

(Prepared using the modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>REVENUES</b>										
Taxes	\$ 22,914,476	\$ 23,829,117	\$ 26,620,140	\$ 27,820,614	\$ 28,793,994	\$ 29,626,564	\$ 38,052,610	\$ 41,360,511	\$ 44,118,341	\$ 46,465,030
Intergovernmental	8,120,595	7,424,580	8,661,973	8,677,784	7,539,144	9,417,315	8,717,269	12,475,036	17,090,212	14,918,340
Fines and fees	550,316	514,335	515,320	503,072	522,233	423,004	461,529	470,600	390,512	461,017
Licenses and permits	1,717,180	2,202,399	2,474,785	2,330,781	2,283,966	2,421,681	2,816,218	3,917,795	4,175,300	4,193,553
Charges for services	4,497,477	4,651,311	4,929,764	4,954,836	5,433,958	8,149,062	2,779,469	2,948,294	3,017,315	3,163,959
Contributions	-	-	-	-	-	-	150,275	96,390	176,509	98,757
Uses of money, property and miscellaneous	21,922	37,749	29,039	37,912	30,170	44,996	44,328	58,037	201,233	650,251
Other	182,985	319,257	482,841	328,539	232,690	699,356	382,446	433,499	204,123	761,197
<b>TOTAL REVENUES</b>	<b>38,004,951</b>	<b>38,978,748</b>	<b>43,713,862</b>	<b>44,653,538</b>	<b>44,836,155</b>	<b>50,781,978</b>	<b>53,404,144</b>	<b>61,760,162</b>	<b>69,373,545</b>	<b>70,712,104</b>
<b>EXPENDITURES</b>										
General government	427,151	434,423	392,171	360,566	483,009	538,560	583,105	695,210	662,636	653,031
Personnel	305,524	315,919	399,598	377,876	447,371	445,824	425,205	362,655	324,273	3,045,514
Central services	1,794,169	1,894,510	1,887,501	2,032,366	2,058,315	2,194,032	2,604,890	1,344,879	1,654,214	1,512,158
Finance	905,613	877,973	995,139	922,366	924,439	1,084,071	1,069,626	1,232,877	1,047,742	1,169,038
Parks	1,684,978	1,700,430	1,942,921	2,065,364	2,430,277	2,253,393	2,448,259	2,876,615	2,856,388	3,372,641
IT	-	219,792	446,661	605,882	725,602	790,543	870,931	1,035,709	954,428	-
Codes	748,439	738,692	761,569	727,566	815,371	749,423	817,002	791,906	871,523	905,086
Planning	749,722	847,660	699,858	634,172	616,866	782,650	718,163	882,901	969,395	1,135,503
Public works	2,097,416	1,967,093	3,136,010	4,182,272	4,154,241	3,216,273	4,101,812	4,160,138	5,322,618	5,044,462
Police	9,764,722	10,030,094	10,524,713	10,760,909	11,978,528	13,031,362	14,141,010	13,763,039	15,041,691	15,316,213
Fire	9,085,509	8,798,116	9,081,173	8,851,924	9,430,304	10,230,800	11,354,198	11,504,147	12,197,804	12,982,857
Contributions	233,150	234,650	234,650	235,150	241,400	249,400	270,025	298,200	293,250	296,670
Disposal service	4,822,061	4,997,329	5,275,955	5,324,951	5,777,510	6,076,106	3,776,010	3,900,247	4,112,946	4,511,864
Program costs	17,543	29,743	50,665	23,051	19,199	12,870	20,399	14,264	27,148	21,649
Streets	1,369,890	1,964,121	2,252,749	1,538,262	2,002,616	2,231,292	2,897,569	1,914,367	1,652,723	1,801,323
Stormwater	-	-	-	-	-	1,061,545	2,802,804	1,987,956	1,921,500	2,380,250
Debt service - Principal	2,070,185	2,282,594	2,338,593	2,150,633	1,620,633	1,628,384	1,845,244	1,845,244	2,278,128	2,287,475
Debt service - Interest	299,374	284,817	226,984	263,322	198,389	385,731	342,206	293,065	333,604	389,713
Debt service - Other	-	-	-	200	10,561	220	-	93,887	-	-
Capital outlay	2,711,238	1,748,241	4,436,624	5,668,388	5,565,732	5,436,066	4,033,526	4,405,998	6,533,961	11,245,131
<b>TOTAL EXPENDITURES</b>	<b>39,086,684</b>	<b>39,366,197</b>	<b>45,083,534</b>	<b>46,725,220</b>	<b>49,500,363</b>	<b>52,398,545</b>	<b>55,121,984</b>	<b>53,403,304</b>	<b>59,055,972</b>	<b>68,070,578</b>
Excess of revenues over (under) expenditures	(1,081,733)	(387,449)	(1,369,672)	2,071,682	(4,664,208)	(1,616,567)	(1,717,840)	8,356,858	10,317,573	2,641,526
<b>OTHER FINANCING SOURCES (USES)</b>										
Bond, notes, premiums, and leases	1,250,000	-	4,020,400	-	8,693,025	-	-	5,985,667	-	208,467
Operating transfers	44,877	44,877	-	-	-	-	-	-	-	11,023
Insurance recoveries	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,294,877	44,877	4,020,400	-	8,693,025	-	-	5,985,667	-	219,490
Net Change in Fund Balance	\$ 213,144	\$ (342,572)	\$ 2,650,728	\$ (2,071,682)	\$ 4,028,817	\$ (1,616,567)	\$ (1,717,840)	\$ 14,342,525	\$ 1,258,847	\$ 2,861,016
Debt service as a percentage of noncapital expenditures	6.5 %	3.1 %	6.3 %	5.9 %	4.2 %	4.3 %	4.3 %	4.6 %	5.0 %	4.7 %

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

**Schedule 5**

Fiscal Year	Real Property					Estimated Actual Value	Total Direct Tax Rate*
	Industrial & Commercial	Farm & Residential	Personal Property	Public Utility	Total Assessed Value		
2014	440,270,117	1,006,573,069	44,115,671	17,720,720	1,508,679,577	5,314,617,102	0.6500 %
2015	439,051,452	1,010,361,629	44,579,810	17,272,369	1,511,265,260	5,327,244,660	0.6500
2016	444,883,652	1,025,248,084	49,089,966	18,176,318	1,537,398,020	5,418,475,735	0.7580
2017	459,899,552	1,049,878,394	49,056,055	17,051,405	1,575,885,406	6,052,133,998	0.7580
2018	483,938,432	1,071,168,662	57,956,623	16,184,364	1,629,248,081	6,240,949,169	0.7580
2019	492,045,712	1,100,086,559	50,001,090	14,670,314	1,656,803,675	7,360,619,605	0.7580
2020	591,362,520	1,515,262,524	70,481,107	20,208,189	2,197,314,340	7,820,689,385	0.9187
2021	592,794,440	1,547,715,032	73,889,516	20,227,402	2,234,626,390	7,965,484,597	0.9187
2022	598,834,080	1,581,270,749	77,319,617	17,567,386	2,274,991,832	8,111,840,953	0.9187
2023	604,537,040	1,624,081,130	77,847,676	18,418,214	2,324,884,060	8,300,647,035	0.9187

Property is assessed as follows:

Industrial and Commercial:	40%
Real	30%
Personal	30%
Public Utility	55%
Farm and Residential	25%

\* Per \$100 of assessed valuation

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

Source: City tax rolls

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

**Schedule 6**

Fiscal Year	Direct Rate City	Overlapping Rate County **	Total
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
2018	0.7580	2.5000	3.2580
2019	0.7580	2.5000	3.2580
2020	0.9187	2.2620	3.1807
2021	0.9187	2.2620	3.1807
2022	0.9187	2.2620	3.1807
2023	0.9187	2.2620	3.1807

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**  
**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>
2014	9,809,921	9,605,463	98%	195,647	9,801,110	99.91%	8,811	0.0898%
2015	9,814,009	9,604,742	98%	199,873	9,804,615	99.90%	9,394	0.0957%
2016	11,648,086	11,435,416	98%	198,205	11,633,621	99.88%	14,465	0.1242%
2017	11,895,688	11,699,657	98%	185,551	11,885,208	99.91%	10,480	0.0881%
2018	12,330,262	12,156,040	99%	157,597	12,313,637	99.87%	16,625	0.1348%
2019	12,426,026	12,188,659	98%	218,694	12,407,353	99.85%	18,673	0.1503%
2020	19,864,793	19,474,642	98%	352,600	19,827,242	99.81%	37,551	0.1890%
2021	20,240,755	19,877,886	98%	224,715	20,102,601	99.32%	63,862	0.3155%
2022	20,599,640	20,237,283	98%	348,847	20,586,130	99.93%	127,345	0.6182%
2023	21,114,197	20,779,975	98%	317,079	21,097,054	99.92%	334,222	1.5829%
							641,428	

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

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

**Schedule 9**

Fiscal Year	Total Remittances From State	Local Tax Rate*	State Tax Rate	Total Tax Rate
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%
2018	12,776,911	2.25%	7.00%	9.25%
2019	13,459,303	2.25%	7.00%	9.25%
2020	14,055,953	2.25%	7.00%	9.25%
2021	16,662,754	2.25%	7.00%	9.25%
2022	18,765,865	2.25%	7.00%	9.25%
2023	19,986,843	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**  
**Revenue Capacity Information**  
**Ratios of Outstanding Debt by Type, Last Ten Fiscal Years**

**Schedule 10**

Fiscal Year	Population	Governmental Activities				Business-type activities	Total Primary Government	Percent of Personal Income	Debt Per Capita
		General Obligation Bonds	Obligation to County Schools	Capital Outlay Notes	Note Premiums (Discounts)	Golf Course Bonds			
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	0.44%	149
2018	57,634	-	197,426	15,133,678	197,382	-	15,528,486	0.82%	269
2019	58,113	-	-	13,702,720	164,485	-	13,867,205	0.72%	239
2020	59,323	-	-	11,857,475	131,588	-	11,989,063	0.58%	202
2021	61,753	-	-	15,130,833	1,035,923	-	16,166,756	0.73%	262
2022	62,257	-	-	12,853,000	908,159	-	13,761,159	0.59%	221
2023	63,628	-	-	10,704,167	780,395	-	11,484,562	0.47%	180

Notes:

Details of the City's Debt can be found in Note 7 to the current financial statements.

Debt includes related premiums and discounts.

\* See schedule 15 for personal income information.

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

**Schedule 11**

Fiscal Year	Population	Estimated Appraised Value	General Obligation Bonds	Obligation to County Schools	Capital Notes	Note Premiums (Discounts)	Total	Ratio of General Obligation Debt to Appraisal Value	Net General Obligation Debt Per Capita
2014	54,068	5,314,617,102	-	987,129	10,361,682	338,682	11,687,493	0.22%	216
2015	55,153	5,327,244,660	-	789,703	7,937,833	312,913	9,040,449	0.17%	164
2016	56,018	5,418,475,735	-	592,277	9,817,066	263,176	10,672,519	0.20%	191
2017	57,050	6,052,133,998	-	394,851	7,863,860	230,279	8,488,990	0.14%	149
2018	57,634	6,240,949,169	-	197,426	15,133,678	197,382	15,528,486	0.25%	269
2019	58,113	7,360,619,605	-	-	13,702,720	164,485	13,867,205	0.19%	239
2020	59,323	7,820,689,385	-	-	11,857,475	131,588	11,989,063	0.15%	202
2021	61,753	7,965,484,597	-	-	15,130,833	1,035,923	16,166,756	0.20%	262
2022	62,257	8,111,840,953	-	-	12,853,000	908,159	13,761,159	0.17%	221
2023	63,628	8,300,647,035	-	-	10,704,167	780,395	11,484,562	0.14%	180

Notes:

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

Debt includes related premiums and discounts.

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

**Schedule 12**

Jurisdiction	General Obligation Debt Outstanding	Percentage Applicable to City*	Amount Applicable to City*
City of Hendersonville	\$ 10,704,167	100.00%	\$ 10,704,167
Sumner County	\$ 256,036,697	25.54%	\$ 65,391,772
Total	266,740,864		\$ 76,095,939

\* Based upon Assessed Value of Property in  
County: \$ 6,777,993,433  
City: 2,324,884,060

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

**Schedule 13**

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Assessed Value	8,300,647,035	\$ 8,111,840,953	\$ 7,965,484,597	\$ 7,820,689,385	\$ 7,360,619,605	\$ 6,240,949,169	\$ 6,052,133,998	\$ 5,418,475,735	\$ 5,327,244,660	\$ 5,314,617,102
General Obligation Debt	\$ 10,704,167	\$ 12,853,000	\$ 15,675,090	\$ 11,989,063	\$ 13,867,205	\$ 15,528,486	\$ 8,488,990	\$ 10,672,519	\$ 9,040,449	\$ 11,687,493
Debt as a % of Assessed Value	0.13%	0.16%	0.20%	0.15%	0.19%	0.25%	0.14%	0.20%	0.17%	0.22%

Note: The City has no legal debt limit.

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

**Schedule 14**

Golf Course Enterprise Fund

Fiscal Year	Golf Course						
	Gross Revenues*	Direct** Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	-	-	-	-
2018	769,979	817,441	(47,462)	-	-	-	-
2019	789,742	784,807	4,935	-	-	-	-
2020	816,848	774,717	42,131	-	-	-	-
2021	1,049,031	836,271	212,760	165,557	***	-	165,557
2022	1,063,730	674,229	389,501	176,275	***	-	176,275
2023	1,294,350	1,094,729	199,621	35,430	***	-	35,430

\* Includes nonoperating revenues

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

\*\*\*Owed to City of Hendersonville - General Fund

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

**Schedule 15**

Year	Population	Total Personal Income	Per Capita Personal Income	Median Age*	School Enrollment**	Unemployment Rate*
2014	54,068	1,766,509,696	32,672	37.8	16,224	5.5%
2015	55,153	1,782,324,348	32,316	37.8	14,206	4.8%
2016	56,018	1,847,921,784	32,988	39.4	14,058	3.9%
2017	57,050	1,902,104,050	33,341	40.2	14,198	3.6%
2018	57,634	1,915,754,160	33,240	40.2	14,923	3.3%
2019	58,113	2,067,544,314	35,578	40.1	14,350	3.2%
2020	59,323	2,206,341,016	37,192	40.1	14,583	9.2%
2021	61,753	2,319,684,752 ***	37,564 ***	40.1	14,500	4.5%
2022	62,257	2,455,914,136 ***	39,448 ***	39.6	14,750	3.3%
2023	63,628	2,669,449,112 ***	41,954 ***	40.1	13,786	2.7%

\* Department of Labor, Research and Statistics

\*\* Hendersonville Chamber of Commerce

\*\*\*Estimated

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

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

**Schedule 16**

Employer	2023			2014		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	680	1	27.74%	500	1	17.24%
City of Hendersonville	410	2	16.73%	360	4	12.41%
MGM Windows	240	3	9.79%	195	7	6.72%
Smith Travel Research	213	4	8.69%			0.00%
Xtend Healthcare	180	5	7.34%	500	2	17.24%
Osram Continental USA, Inc.	180	6	7.34%			0.00%
Aladdin Temp Rite	175	7	7.14%	175	9	6.03%
National Health Care	147	8	6.00%			0.00%
Sumner County YMCA	122	9	4.98%			0.00%
ITW Dynatec	104	10	4.24%			0.00%
Wal-Mart	-	-	-	400	3	13.79%
McDonalds	-	-	-	220	5	7.59%
Digital Connections	-	-	-	200	6	6.90%
Lowe's Home Improvement	-	-	-	180	8	6.21%
Sam's Club	-	-	-	170	10	5.86%
Totals	<u>2,451</u>		<u>100%</u>	<u>2,900</u>		<u>100.0%</u>

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

**Schedule 17**

Function	Full-Time Equivalent Employees as of June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government	4	5	5	5	4	4	3	3	4	4
Personnel	3	4	6	5	4	4	4	4	3	3
Central Service	2	3	4	4	-	-	-	-	-	-
Finance	12	13	13	12	10	10	9	9	9	9
Parks	33	26	30	25	20	18	19	17	16	16
Information Technology	4	5	5	4	3	3	2	2	2	n/a
Codes	10	11	13	13	11	10	9	8	9	9
Planning	9	8	9	8	6	6	17	6	6	5
Police	153	158	150	146	141	146	137	134	127	121
Fire	123	122	123	127	102	110	102	101	101	101
Streets and Public Works	31	34	45	47	50	50	38	34	32	27
Golf Course*	7	7	5	6	6	7	7	4	6	6
	<u>391</u>	<u>396</u>	<u>408</u>	<u>402</u>	<u>357</u>	<u>368</u>	<u>347</u>	<u>322</u>	<u>315</u>	<u>301</u>

\* Golf course workers are leased employees.

Source: City Personnel Department

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

**Schedule 18**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Calls	43,273	40,191	31,817	40,239	34,997	32,109	41,122	43,863	44,712	41,227
Fire										
Emergency Responses										
Fire Calls	8,222	8,176	7,415	7,078	7,990	7,634	5,745	5,647	4,658	4,181
Codes										
Building Permits Issued	4,294	4,182	4,709	3,124	2,581	2,378	774	787	618	628
Disposal Service										
Refuse Collected* (number of homes)	19,845	19,437	19,075	18,731	18,597	18,168	17,334	17,212	16,918	16,633
Golf Course										
Rounds Played	29,647	24,656	25,756	22,282	21,075	21,073	23,303	23,319	22,526	23,741

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

\* Collection service is contracted out.

Source: Various City Departments

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

**Schedule 19**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Parks										
Acres	630	630	630	630	630	630	595	595	540	540
Parks	8	8	8	8	8	8	7	7	7	7
Autos and Trucks	23	23	20	21	20	20	20	20	20	20
Codes										
Autos and Trucks	8	8	10	10	8	7	7	6	6	8
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Vehicles, Motorcycles and Boats	200	193	203	188	186	180	163	154	145	173
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Fire Trucks	13	12	12	12	12	13	13	13	12	12
Autos and Trucks	23	18	15	15	15	15	13	12	10	11
Fire Boats	3	3	3	3	3	3	3	3	3	3
Streets and Public Works										
Streets (miles)	389	388	383	382.5	382	381	376	376	374	371

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Hendersonville, Tennessee (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 26, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The letters are cursive and somewhat stylized.

Nashville, Tennessee  
December 26, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited City of Hendersonville's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hendersonville's major federal programs for the year ended June 30, 2023. City of Hendersonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hendersonville complied, in all material respects, with the 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, 2023.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Hendersonville and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Hendersonville's compliance with the compliance requirements referred to above.

## RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Hendersonville's federal programs.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Hendersonville's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Hendersonville's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Hendersonville's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Hendersonville's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 26, 2023

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes        X   no

Identification of major programs:

**Assistance Listing Number**      **Name of Federal Program or Cluster**

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?

  X   yes      \_\_\_\_\_ no

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

Prior Year

No findings noted.

Current Year

No findings noted.

Section III - Federal Award Findings and Questioned Costs

Prior Year

No findings noted.

Current Year

No findings noted.