

CITY OF HENDERSONVILLE, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

PREPARED BY:
DEPARTMENT OF FINANCE

CITY OF HENDERSONVILLE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

City of Hendersonville



101 Maple Drive North

Hendersonville, TN 37075

Telephone (615) 822-1000

www.hvilletn.org • Fax (615) 264-5327

December 23, 2015

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement by the extension date for the fiscal year ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework that it has 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, 2015. 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 55,153, with median family income well above average for the State of Tennessee. It is considered to be the 11th largest city in Tennessee by population. The City of Hendersonville is empowered to levy a property tax on both real and personal

Mayor	Ward One	Ward Two	Ward Three	Ward Four	Ward Five	Ward Six
Scott Foster, P.E.						
Vice Mayor Matt Stamper	Mark A. Skidmore Rosa Long	Scott Sprouse Pat Campbell	Ariene Cunningham Paul R. Goode	Don Ames Steve Brown	Darrell Woodcock Hamilton Frost, Jr.	Jim Waters Matt Stamper

properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

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

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

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

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

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

Local Economy

The City of Hendersonville is a growing residential community having a close proximity to a major metropolitan city with increased growth in industrial, residential, retail and commercial activity. The local economy is currently experiencing increased construction, planned developments and new retail business in the area. Hendersonville continues to pursue its efforts in promoting industrial, retail, commercial, and residential growth in fiscal year 2015. The major positive initiatives taken by the City of Hendersonville are as follows:

1. The mayoral assistant for Economic and Community Development works with the Industrial Development Board in serving the City's goals regarding development projects. The City is currently experiencing continued growth in retail, residential and office development with new development approved for construction.
2. The City is designing the widening of Drakes Creek North at Stop 30 road and replacing the bridge at the intersection of Stop 30 and Drakes Creek. This will improve the road to the schools north of the City and to the new 1100 lot Durham Farm residential development. This project is estimated at about five million dollars. In addition to the Durham Farm development an additional 1000 residential lots are under construction.
3. The City will continue to enhance its recreational program by the development of the new Arrowhead Park by adding a number of significant services and facilities to its Park System which include additional soccer fields, lacrosse fields, a playground area, a Police Mounted Patrol Stables and training area for the horses, a walking trail and maintenance building to house employees and equipment. Portions of the pedestrian bicycle path project have been completed. Additional Park facilities, fencing, improvements to the dog park, and shelters were completed in other park areas.
4. The City is implementing a Citywide Traffic Signal Improvement Program at a cost of approximately one million four hundred thousand dollars.
5. The City is currently working on several projects including sidewalk construction along Walton Ferry road and Luna Lane, a one million twenty five thousand dollar Sanders Ferry Bike Pedestrian Trail, a two hundred thousand dollar Community Development Block Grant to enhance lower income areas of the City and is spending one million five hundred thousand dollars on various drainage projects located throughout the City. The \$325,000 addition to Firehall #5 was completed in Fiscal Year 2015.
6. The City entered into an agreement with Sumner County to share joint ownership of the 40,000 square foot Hendersonville Public library.

7. The City is also working with the Tennessee Department of Transportation to construct the Freehill Road and Hwy 386 interchange at an estimated cost of eighteen million dollars.
8. The City qualified for \$3,078,614 in federal economic stimulus funds (ARRA) and \$7,558,456 in federal Urban-Surface Transportation Program (U-STP) funds for four infrastructure projects which includes Bridge and Street Widening of Indian Lake Boulevard at SR-386, Widening New Shackle Island Road, from Iris Drive to SR-386, reconstructing West Main Street from the Davidson County Line to New Shackle Island Road and resurfacing Walton Ferry Road from West Main Street to Curtis Cross Roads. The West Main Street reconstruction and Walton Ferry Road projects have been completed. The bridge and street widening of Indian Lake Boulevard at SR-386 is completed. The other projects are currently in the right of way or construction phases.

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

Long-Term Financial Planning

The City has numerous capital projects currently funded and under construction. Several of these are: the Drakes Creek ecosystem restoration project, the Rockland Road improvement project, Pedestrian Bicycle Trail Phase III, Sidewalks, Drakes Creek Stop 30 widening, Walton Ferry/Main street intersection right of way acquisition, traffic signal upgrades, drainage, lighting, paving projects and expansion of retail development along Indian Lake Boulevard.

Financial Policies

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

All bonds and notes of the City are to be retired from property tax revenues and are backed by the full faith and credit of the City, except the Revenue and Tax bonds and capital leases which are to be payable primarily from revenues of the golf course, and

secondarily from the taxing power of the City in the event of a deficiency in golf course revenues.

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hendersonville for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the thirty second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Ron Minnicks

Ron Minnicks
Finance Director



Government Finance Officers Association

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

Presented to

**City of Hendersonville
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF HENDERSONVILLE

ORGANIZATION CHART

JUNE 30, 2015

CITIZENS

LEGISLATIVE

BOARD OF MAYOR AND ALDERMEN

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

CITY ATTORNEY

EXECUTIVE

VICE MAYOR

EXECUTIVE ASSISTANT/CITY RECORDER

MAYORAL ASSISTANT/ECD

JUDICIAL

CITY JUDGE

DEPARTMENTS

EXECUTIVE	IT DEPARTMENT	CENTRAL ADMIN.	PUBLIC WORKS
PARKS			POLICE
CODES			FIRE
PLANNING			EMERG. MAN.

OFFICIALS OF THE
CITY OF HENDERSONVILLE, TENNESSEE

JUNE 30, 2015

Scott Foster	Mayor
Matt Stamper	Vice Mayor, Ward 6
Rosa Long	Alderman, Ward 1
Mark Skidmore	Alderman, Ward 1
Pat Campbell	Alderman, Ward 2
Scott Sprouse	Alderman, Ward 2
Paul Goode	Alderman, Ward 3
Arlene Cunningham	Alderman, Ward 3
Steve Brown	Alderman, Ward 4
Don Ames	Alderman, Ward 4
Hamilton Frost, Jr.	Alderman, Ward 5
Darrell Woodcock	Alderman, Ward 5
Jim Waters	Alderman, Ward 6
Fred Rogers	Planning Director
Scotty Bush	Fire Chief
Ron Minnicks	Director of Finance
Dave LeMarbre	Parks Director
James "Chip" Moore	Public Works Director
Leonard "Mickey" Miller	Police Chief
Steve Mills	Codes Director
Donald Long	Mayoral Assistant, Ec. Com. Dev.
Kay Franklin	Executive Assistant/City Recorder
Dana Swinea	Accountant, CPA, CMFOA Designee

The City maintains an employee dishonesty, forgery, and theft insurance policy in the amount of \$150,000 per occurrence.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units (in the aggregate) and the aggregate remaining fund information of the City of Hendersonville, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component units (in the aggregate) and the aggregate remaining fund information of the City of Hendersonville, Tennessee as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 14 to the financial statements, in 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68, *Accounting and Reporting for Pensions – an Amendment of GASB Statement No 27*. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the US Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 23, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Hendersonville's internal control over financial reporting and compliance.

Kraj+CPAs PLLC

Nashville, Tennessee
December 23, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv of this report.

Financial Highlights:

The assets of the City of Hendersonville exceeded its liabilities at the close of the most recent fiscal year by \$66,525,315 (net position). Of this amount, \$10,485,328 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position decreased by \$2,693,989. This negative change is attributable mostly to a transfer of the library assets to Sumner County and a reduction in capital grants in the fire department.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,626,479, a decrease of \$342,572 in comparison to the prior year as restated. Approximately \$2,829,182 of that total is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,829,182 or 10% of the total general fund expenditures.

The City's total debt decreased by \$2,308,362 or (20.3%) during the current fiscal year.

Overview of the Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary Funds. 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

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

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-62 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 66-72 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hendersonville, assets exceeded liabilities and deferred inflow of resources by \$66,525,315 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (80.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 32,232,753	\$ 29,158,664	\$ 154,594	\$ 137,581	\$ 32,387,347	\$ 29,296,245
Capital assets	<u>60,326,229</u>	<u>66,684,201</u>	<u>1,122,051</u>	<u>1,191,349</u>	<u>61,448,280</u>	<u>67,875,550</u>
Total assets	<u>92,558,982</u>	<u>95,842,865</u>	<u>1,276,645</u>	<u>1,328,930</u>	<u>93,835,627</u>	<u>97,171,795</u>
Deferred outflows of resources	<u>3,480,433</u>	-	-	-	<u>3,480,433</u>	-
Long-term liabilities outstanding	11,494,060	13,840,590	-	-	11,494,060	13,840,590
Other liabilities	<u>3,931,799</u>	<u>4,079,162</u>	<u>29,490</u>	<u>37,019</u>	<u>3,961,289</u>	<u>4,116,181</u>
Total liabilities	<u>15,425,859</u>	<u>17,919,752</u>	<u>29,490</u>	<u>37,019</u>	<u>15,455,349</u>	<u>17,956,771</u>
Deferred inflows of resources	<u>15,335,396</u>	<u>10,416,906</u>	-	-	<u>15,335,396</u>	<u>10,416,906</u>
Net position:						
Net investment capital assets	52,388,396	60,427,388	1,122,051	1,191,349	53,510,447	61,618,737
Restricted	2,529,540	2,841,317	-	-	2,529,540	2,841,317
Unrestricted *	<u>10,360,224</u>	<u>4,237,502</u>	<u>125,104</u>	<u>100,562</u>	<u>10,485,328</u>	<u>4,338,064</u>
Total net position	<u>\$ 65,278,160</u>	<u>\$ 67,506,207</u>	<u>\$ 1,247,155</u>	<u>\$ 1,291,911</u>	<u>\$ 66,525,315</u>	<u>\$ 68,798,118</u>

*2014 Net Position shown in MD&A does not reflect the opening adjustment that was made to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, reflected in Note 14 of the financial statements.

An additional portion of the City's net position (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10,485,328) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position decreased by \$2,693,989 (after restatement) during the current fiscal year. This decrease is 3.9% of total net position. This decrease represents mostly a decrease in restricted assets and a decrease in capital assets.

Governmental Activities

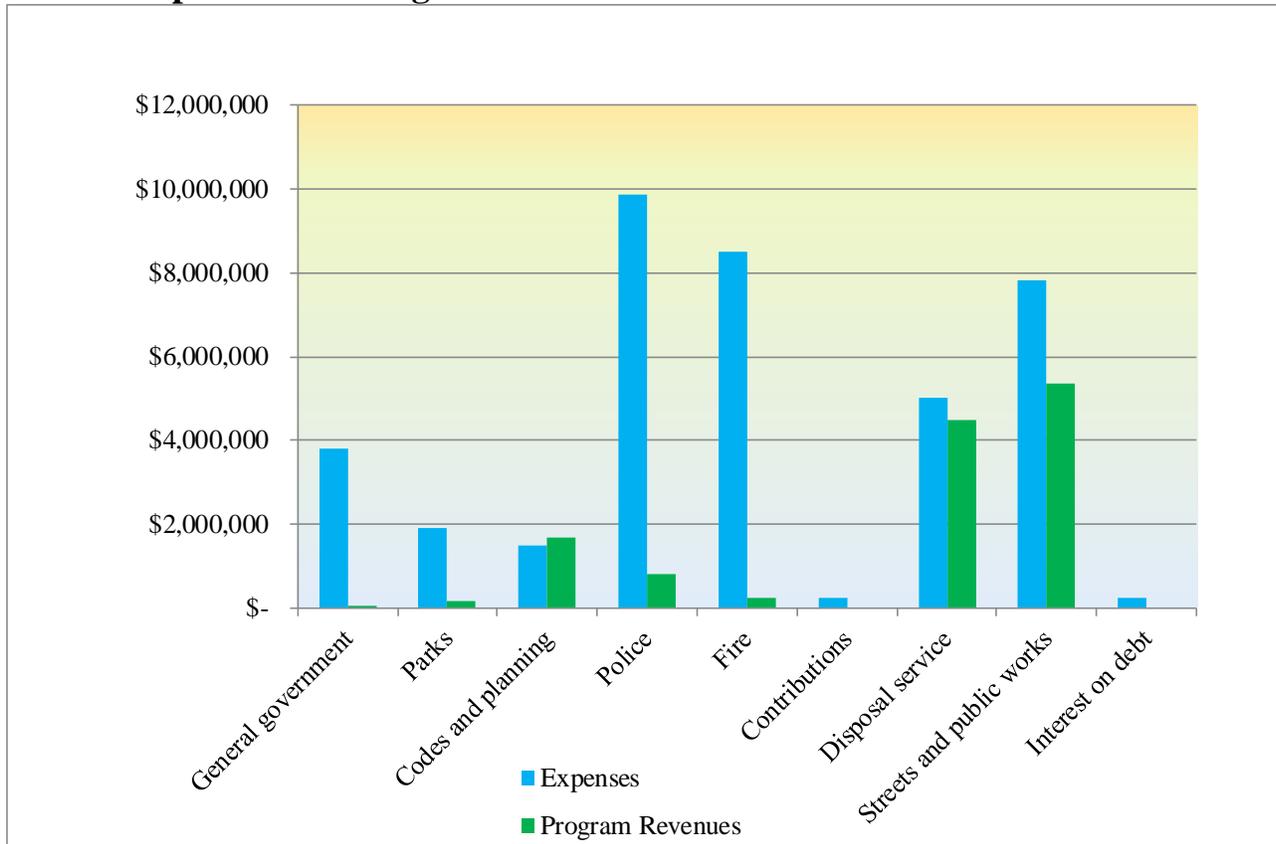
Governmental activities decreased the City's net position by \$2,649,233, thereby accounting for 98.3% of the total decrease in the net position of the City. The key factor for this decrease was due to a transfer of library assets to county to offset by an increase in revenues.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 6,740,820	\$ 6,035,052	\$ 840,650	\$ 807,896	\$ 7,581,470	\$ 6,842,948
Operating grants and contributions	1,693,631	1,981,342	-	-	1,693,631	1,981,342
Capital grants and contributions	4,366,166	2,690,020	-	-	4,366,166	2,690,020
General revenues:						
Property taxes	9,867,021	9,796,287	-	-	9,867,021	9,796,287
Sales taxes	10,683,972	10,020,450	-	-	10,683,972	10,020,450
Other locally assessed taxes	4,121,109	3,863,004	-	-	4,121,109	3,863,004
Other State shared taxes	4,871,414	4,524,308	-	-	4,871,414	4,524,308
Other	156,017	79,040	197	186	156,214	79,226
Total revenues	<u>42,500,150</u>	<u>38,989,503</u>	<u>840,847</u>	<u>808,082</u>	<u>43,340,997</u>	<u>39,797,585</u>
Expenses:						
General government	511,914	611,767	-	-	511,914	611,767
Personnel	295,704	307,249	-	-	295,704	307,249
Central services	1,923,094	1,794,169	-	-	1,923,094	1,794,169
Finance	836,380	900,653	-	-	836,380	900,653
Parks	1,899,688	1,967,782	-	-	1,899,688	1,967,782
IT	237,969	-	-	-	237,969	-
Codes	700,171	766,109	-	-	700,171	766,109
Planning	807,010	752,671	-	-	807,010	752,671
Police	9,845,376	10,190,417	-	-	9,845,376	10,190,417
Fire	8,490,945	9,364,318	-	-	8,490,945	9,364,318
Contributions	234,650	233,150	-	-	234,650	233,150
Disposal service	4,997,329	4,822,061	-	-	4,997,329	4,822,061
Program costs	29,743	17,543	-	-	29,743	17,543
Streets and Public Works	7,808,136	7,521,104	-	-	7,808,136	7,521,104
Interest expense on long-term debt	225,080	264,699	-	-	225,080	264,699
Golf course	-	-	840,726	985,162	840,726	985,162
Total expenses	<u>38,843,189</u>	<u>39,513,692</u>	<u>840,726</u>	<u>985,162</u>	<u>39,683,915</u>	<u>40,498,854</u>
Increase (decrease) in net position before transfers and special item	3,656,961	(524,189)	121	(177,080)	3,657,082	(701,269)
Special item - transfer of library to County	(6,351,071)	-	-	-	(6,351,071)	-
Transfers	<u>44,877</u>	<u>44,877</u>	<u>(44,877)</u>	<u>(44,877)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(2,649,233)	(479,312)	(44,756)	(221,957)	(2,693,989)	(701,269)
Net position						
Beginning of year *	<u>67,927,393</u>	<u>67,985,519</u>	<u>1,291,911</u>	<u>1,513,868</u>	<u>69,219,304</u>	<u>69,499,387</u>
End of year	<u>\$ 65,278,160</u>	<u>\$ 67,506,207</u>	<u>\$ 1,247,155</u>	<u>\$ 1,291,911</u>	<u>\$ 66,525,315</u>	<u>\$ 68,798,118</u>

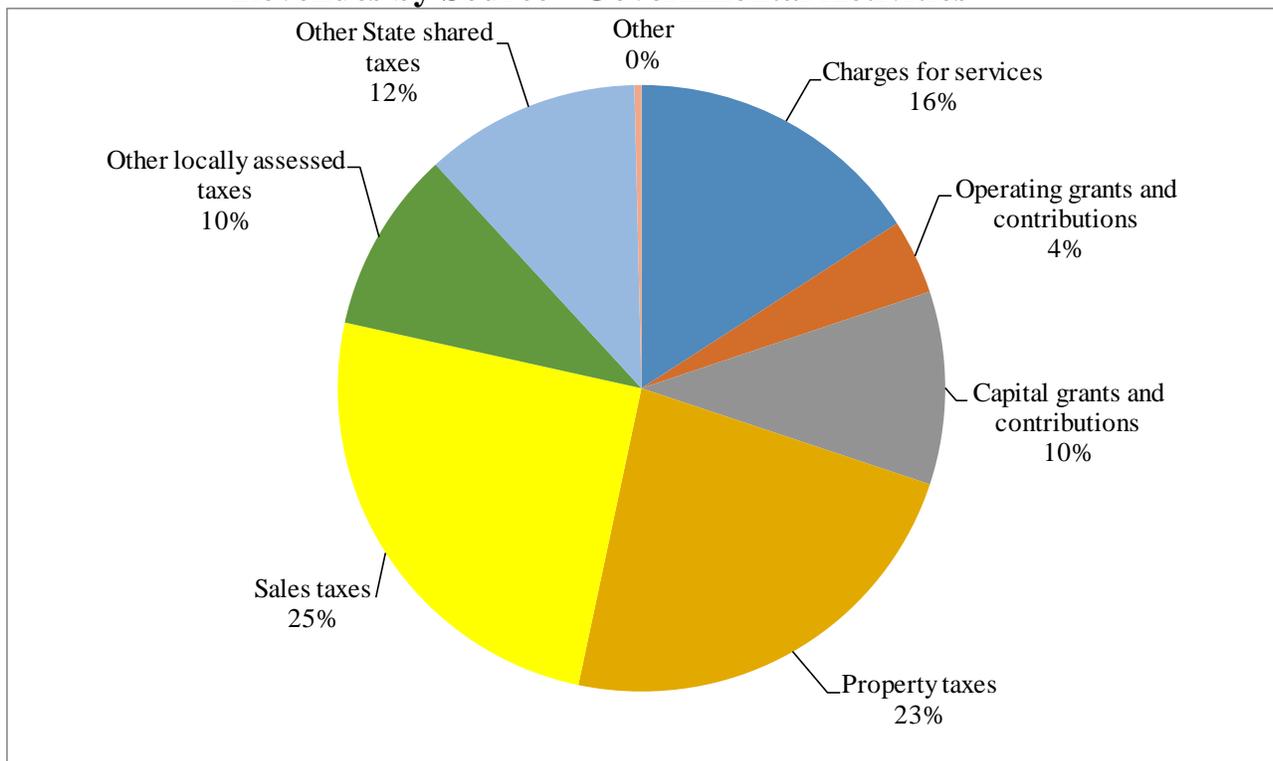
*2014 Net Position shown in MD&A does not reflect the opening adjustment that was made to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, reflected in Note 14 of the financial statements.

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

Expenses and Program Revenues - Governmental Activities



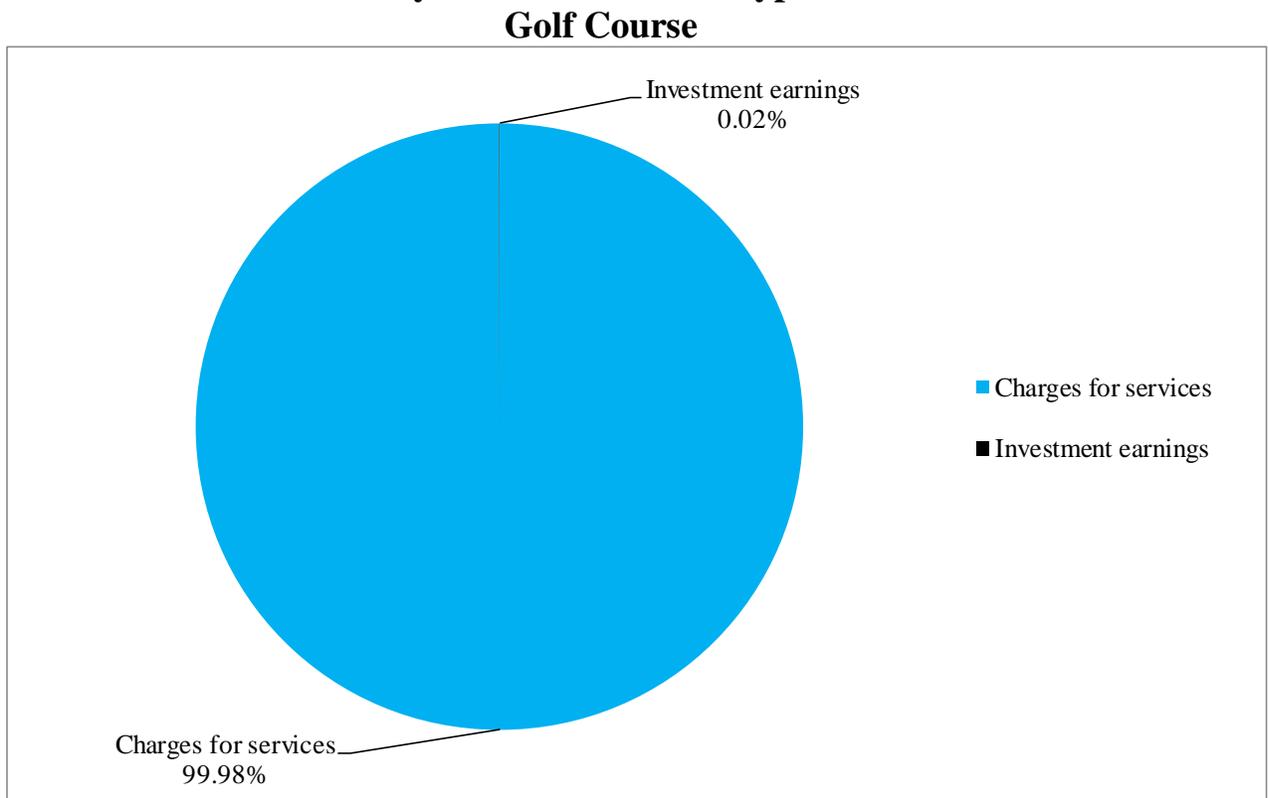
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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 \$12,626,479, a decrease of \$342,572 in comparison with the prior year as restated. Approximately 22.4% of this total amount (\$2,829,182) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$9,797,297) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$2,397,131); 2) restricted to provide for capital projects (\$3,270,823); 3) designated nonspendable to provide for prepaid items (\$278,000); 4) committed to provide for designated departmental projects (\$836,158), 5) assigned for specific projects regarding other governmental funds (\$806,992); 6) assigned for departmental obligations in the amount of (\$630,274); 7) and assigned for subsequent year budget in the amount of (\$1,577,919).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,829,182, while total fund balance reached \$7,994,712. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.8% of total general fund expenditures, while total fund balance represents 27.7% of that same amount.

The fund balance of the City's general fund increased by \$871,908 during the current fiscal year. The key factor in this increase was primarily due to increases in revenues and decreases in expenditures from the previous fiscal years.

At the end of the current fiscal year, total fund balance of the solid waste fund was zero, which is unchanged from the prior fiscal year.

At the end of the current fiscal year, total fund balance of the capital projects fund was \$3,270,823. The decrease in total fund balance from the prior fiscal year was \$971,559 due to the increase in capital projects expenditures and work completed on these capital projects.

At the end of the current fiscal year, fund balance of the state street aid fund (nonmajor governmental fund) was \$1,112,551. The decrease in total fund balance from the prior fiscal year was \$322,308.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$197,980. The increase in total fund balance from the prior fiscal year was \$28,974.

The City added the forfeiture fund (nonmajor governmental fund) in 2015. The fund balance at June 30, 2015 was \$50,413.

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 \$125,104. The decrease in total net position of the Golf Course Fund amounted to \$44,756. 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 before transfers by \$621,257 and can be briefly summarized as follows:

- The Parks department budget was amended by \$7,500 for professional services to provide a master plan for Arrowhead Park.
- The Capital Projects budget was amended \$350,000 for the Fire Hall #5 renovation project.
- The Public Works Department budget was amended by \$3,000 for an aerial survey regarding the Urban Deer Herd.
- General Fund Capital project for \$124,640 for Waterford Crossing Phase 1, Sections 1 and 2 completed infrastructure and other improvements.
- The budget for grant expenditures was increased \$133,117.

Total general fund revenues for FY 2014-2015 were under budgeted revenues by \$165,735 or 0.5%. Total expenditures for FY 2014-2015 were under budgeted expenditures before transfers by \$4,302,257 or 12.9% resulting in a positive variance with final budget before transfers in the amount of \$4,136,522.

Revenues were within appropriate estimated variances as budgeted. Expenditures were under budget due to delays in projects getting started, grants that were not awarded as expected, and vacancies that were not filled as soon as expected.

Capital Asset and Debt Administration

Capital Assets

The City of Hendersonville's investment in capital assets for its governmental and business-type activities at June 30, 2015, amounts to \$61,448,280 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 9.5% (a 9.5% decrease for governmental activities and a 5.8% decrease for business-type activities).

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

- \$3,495,360 in donated streets from developers.
- \$6,351,071 contribution of library facility from City assets to Sumner County improvements, streets, sidewalks and drainage projects.
- \$493,260 in new machinery and equipment purchases.
- \$1,072,489 added to construction in progress projects, the majority of which were added to street projects, park improvements, and pedestrian/bike path construction that were completed.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,632,797	\$ 4,632,797	\$ 641,194	\$ 641,194	\$ 5,273,991	\$ 5,273,991
Buildings and improvements	9,460,007	17,008,529	1,033,754	1,033,754	10,493,761	18,042,283
Improvements other than buildings	2,840,636	2,822,614	4,259,559	4,259,559	7,100,195	7,082,173
Machinery and equipment	12,806,117	13,020,168	709,954	709,954	13,516,071	13,730,122
Construction in progress	2,999,325	1,949,390	-	-	2,999,325	1,949,390
Infrastructure	103,059,536	99,377,152	-	-	103,059,536	99,377,152
	135,798,418	138,810,650	6,644,461	6,644,461	142,442,879	145,455,111
Less accumulated depreciation	(75,472,189)	(72,126,449)	(5,522,410)	(5,453,112)	(80,994,599)	(77,579,561)
Net Capital Assets	\$ 60,326,229	\$ 66,684,201	\$ 1,122,051	\$ 1,191,349	\$ 61,448,280	\$ 67,875,550

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

Long -Term Debt

At the end of the current year, the City of Hendersonville had total long-term debt outstanding of \$9,040,449, all of which is backed by the full faith and credit of the government. The enterprise fund had no bonded debt outstanding.

City of Hendersonville's Outstanding Debt

	Commercial Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 7,937,833	\$ 10,023,000	\$ -	\$ -	\$ 7,937,833	\$ 10,023,000
Obligation to school system	789,703	987,129	-	-	789,703	987,129
	8,727,536	11,010,129	-	-	8,727,536	11,010,129
Note premiums	312,913	338,682	-	-	312,913	338,682
Total long-term debt obligations	\$ 9,040,449	\$ 11,348,811	\$ -	\$ -	\$ 9,040,449	\$ 11,348,811

The City of Hendersonville's total debt decreased by \$2,308,362 (20.3%) during the current fiscal year. On February 27, 2014 Standard & Poors Rating Services raised the City of Hendersonville rating from AA to AA+ based on their local GO criteria published September 12, 2013.

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

Additional information on the City of Hendersonville's long term debt can be found in note 7 beginning on page 45 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the City of Hendersonville is currently 4.8%, which is lower than last year's rate of 5.5%. This compares to the state's average unemployment rate of 5.7% and the national average rate of 5.3%.

In the 2014-2015 budget, General fund revenues and transfers in are budgeted to increase by 2.68% from the 2014-2015 budget year. The City's budget has benefited by an expanding commercial and retail base producing a steady increase in local sales tax receipts, building permits, and business taxes. Economic conditions experienced during the 2014-2015 budget year are trending more favorably but still requires a conservative approach to the 2015-2016 budget.

All of these factors were considered in preparing the City's budget for the 2014-2015 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$7,994,712. The City has appropriated \$1,577,919 of this amount for spending in the 2015-2016 fiscal year budget.

Requests for Information

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

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

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government		Total	Component
	Governmental Activities	Business Activities	Primary Government	Units
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,854,458	\$ 106,108	\$ 11,960,566	\$ 203,099
Receivables:				
Property taxes	12,147,749	-	12,147,749	-
Other taxes	254,671	-	254,671	-
Disposal fees	139,227	-	139,227	-
Due from other governments	4,812,440	-	4,812,440	4,569
Accounts receivable	-	1,113	1,113	-
Inventories	-	40,321	40,321	-
Restricted assets - cash and cash equivalents				
Deposit for capital construction - State of Tennessee	1,053,326	-	1,053,326	-
Prepaid items	278,000	-	278,000	-
Deposits	-	7,052	7,052	-
Net pension asset	1,692,882	-	1,692,882	-
Capital assets				
Land and construction in progress	7,632,122	641,194	8,273,316	10,852
Capital assets, net	<u>52,694,107</u>	<u>480,857</u>	<u>53,174,964</u>	<u>29,734</u>
 TOTAL ASSETS	 <u>92,558,982</u>	 <u>1,276,645</u>	 <u>93,835,627</u>	 <u>248,254</u>
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to pension	<u>3,480,433</u>	<u>-</u>	<u>3,480,433</u>	<u>-</u>
 <u>LIABILITIES</u>				
Accounts payable	803,623	3,323	806,946	5,754
Accrued liabilities	3,122,959	26,167	3,149,126	1,294
Unearned revenue	5,217	-	5,217	-
Long-term liabilities due within one year	3,986,019	-	3,986,019	-
Long-term liabilities due more than one year	<u>7,508,041</u>	<u>-</u>	<u>7,508,041</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>15,425,859</u>	 <u>29,490</u>	 <u>15,455,349</u>	 <u>7,048</u>
 DEFERRED INFLOWS OF RESOURCES				
Assessed and unlevied property taxes and disposal fees	12,228,038	-	12,228,038	-
Deferred inflows related to pension assumptions	<u>3,107,358</u>	<u>-</u>	<u>3,107,358</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>15,335,396</u>	 <u>-</u>	 <u>15,335,396</u>	 <u>-</u>
 NET POSITION				
Net investment in capital assets	52,388,396	1,122,051	53,510,447	40,586
Restricted for:				
Public works	471,249	-	471,249	-
Street maintenance	1,668,231	-	1,668,231	-
Law enforcement	257,651	-	257,651	-
Capital projects	132,409	-	132,409	-
Unrestricted	<u>10,360,224</u>	<u>125,104</u>	<u>10,485,328</u>	<u>200,620</u>
 TOTAL NET POSITION	 <u>\$ 65,278,160</u>	 <u>\$ 1,247,155</u>	 <u>\$ 66,525,315</u>	 <u>\$ 241,206</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDING JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
GOVERNMENTAL ACTIVITIES:								
General government	\$ 511,914	\$ -	\$ -	\$ -	\$ (511,914)	\$ -	\$ (511,914)	\$ -
Personnel	295,704	-	-	-	(295,704)	-	(295,704)	-
Central services	1,923,094	-	-	-	(1,923,094)	-	(1,923,094)	-
Finance	836,380	67,928	-	-	(768,452)	-	(768,452)	-
Parks and recreation	1,899,688	181,003	-	-	(1,718,685)	-	(1,718,685)	-
Information technology	237,969	-	-	-	(237,969)	-	(237,969)	-
Codes	700,171	1,172,941	-	-	472,770	-	472,770	-
Planning	807,010	64,938	10,030	433,712	(298,330)	-	(298,330)	-
Police	9,845,376	615,558	179,398	-	(9,050,420)	-	(9,050,420)	-
Fire	8,490,945	146,736	-	96,678	(8,247,531)	-	(8,247,531)	-
Contributions	234,650	-	-	-	(234,650)	-	(234,650)	-
Disposal service	4,997,329	4,491,716	-	-	(505,613)	-	(505,613)	-
Program cost	29,743	-	-	-	(29,743)	-	(29,743)	-
Streets and public works	7,808,136	-	1,504,203	3,835,776	(2,468,157)	-	(2,468,157)	-
Interest and issuance costs on long-term debt	225,080	-	-	-	(225,080)	-	(225,080)	-
	<u>38,843,189</u>	<u>6,740,820</u>	<u>1,693,631</u>	<u>4,366,166</u>	<u>(26,042,572)</u>	<u>-</u>	<u>(26,042,572)</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES:								
Golf course	840,726	840,650	-	-	-	(76)	(76)	-
	<u>840,726</u>	<u>840,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76)</u>	<u>(76)</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ 39,683,915	\$ 7,581,470	\$ 1,693,631	\$ 4,366,166	(26,042,572)	(76)	(26,042,648)	-
COMPONENT UNITS	\$ 139,001	\$ 91,886	\$ 36,357	\$ -	-	-	-	(10,758)
General revenues:								
Property taxes					9,867,021	-	9,867,021	-
In lieu of taxes					866,793	-	866,793	-
Sales taxes					10,683,972	-	10,683,972	-
Wholesale beer tax					956,362	-	956,362	-
Wholesale liquor tax					477,604	-	477,604	-
Business tax					986,136	-	986,136	-
Franchise taxes					834,214	-	834,214	-
Unrestricted state shared taxes								
State shared sales tax					3,844,821	-	3,844,821	-
State shared income tax					814,449	-	814,449	-
State shared beer tax					24,570	-	24,570	-
State shared alcoholic beverage tax					160,452	-	160,452	-
Other unrestricted state shared revenues					27,122	-	27,122	-
Unrestricted investment earnings					23,015	197	23,212	364
Other					82,055	-	82,055	-
Gain (loss) on disposal of assets					50,947	-	50,947	-
Special item - contribution of library to Sumner County					(6,351,071)	-	(6,351,071)	-
Transfers					44,877	(44,877)	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS					23,393,339	(44,680)	23,348,659	364
CHANGE IN NET POSITION					(2,649,233)	(44,756)	(2,693,989)	(10,394)
NET POSITION - BEGINNING OF YEAR, AS RESTATED					67,927,393	1,291,911	69,219,304	251,600
NET POSITION - END OF YEAR					\$ 65,278,160	\$ 1,247,155	\$ 66,525,315	\$ 241,206

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 8,271,950	\$ -	\$ 2,222,460	\$ -	\$ 1,360,048	\$ 11,854,458
Receivables						
Property taxes	12,147,749	-	-	-	-	12,147,749
Other taxes	254,671	-	-	-	-	254,671
Disposal fees	-	139,227	-	-	-	139,227
Due from other governments	4,479,188	-	84,709	-	248,543	4,812,440
Deposit - state of Tennessee	-	-	1,053,326	-	-	1,053,326
Prepaid items	278,000	-	-	-	-	278,000
Due from other funds	-	422,149	-	-	-	422,149
TOTAL ASSETS	<u>\$ 25,431,558</u>	<u>\$ 561,376</u>	<u>\$ 3,360,495</u>	<u>\$ -</u>	<u>\$ 1,608,591</u>	<u>\$ 30,962,020</u>
LIABILITIES						
Accounts payable	156,570	447,856	89,672	\$ -	\$ 109,525	\$ 803,623
Accrued liabilities	3,000,154	-	-	-	10,084	3,010,238
Due to other funds	422,149	-	-	-	-	422,149
Unearned revenue	5,217	-	-	-	-	5,217
TOTAL LIABILITIES	<u>3,584,090</u>	<u>447,856</u>	<u>89,672</u>	<u>-</u>	<u>119,609</u>	<u>4,241,227</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	13,852,756	113,520	-	-	128,038	14,094,314
FUND BALANCE						
Nonspendable	278,000	-	-	-	-	278,000
Restricted for:						
Public works	471,249	-	-	-	-	471,249
Street maintenance	555,680	-	-	-	1,112,551	1,668,231
Law enforcement	9,258	-	-	-	248,393	257,651
Parks capital projects	-	-	71,739	-	-	71,739
Streets capital projects	-	-	3,199,084	-	-	3,199,084
Committed for:						
Information technology	5,500	-	-	-	-	5,500
Public works	40,000	-	-	-	-	40,000
Street maintenance	589,972	-	-	-	-	589,972
Fire department	200,686	-	-	-	-	200,686
Assigned to:						
Retiree benefits	806,992	-	-	-	-	806,992
General government	29,716	-	-	-	-	29,716
Public works	411,431	-	-	-	-	411,431
Law enforcement	171,277	-	-	-	-	171,277
Parks	17,850	-	-	-	-	17,850
Subsequent year budget	1,577,919	-	-	-	-	1,577,919
Unassigned	2,829,182	-	-	-	-	2,829,182
TOTAL FUND BALANCES	<u>7,994,712</u>	<u>-</u>	<u>3,270,823</u>	<u>-</u>	<u>1,360,944</u>	<u>12,626,479</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 25,431,558</u>	<u>\$ 561,376</u>	<u>\$ 3,360,495</u>	<u>\$ -</u>	<u>\$ 1,608,591</u>	<u>\$ 30,962,020</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

JUNE 30, 2015

TOTAL GOVERNMENTAL FUND BALANCES	\$ 12,626,479
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet	60,326,229
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet:	
Bonds and notes payable	(8,727,536)
Add: bond premium	(312,913)
Compensated absences	(1,744,997)
Other post employment benefits liability	(708,614)
In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expenditures are reported when due	(112,721)
Net pension asset in governmental activities is not a current financial resource and therefore is not reported in the governmental funds Balance Sheet	1,692,882
Employer pension contributions made since the measurement date are deferred outflows of resources in governmental activities but have been expensed in governmental funds Balance Sheet	2,318,093
Deferred inflows and outflows of resources that are not financial resources and therefore are not reported in the governmental funds Balance Sheet:	
Deferred inflows from actuarial assumptions	(3,107,358)
Deferred outflows from differences in estimated and actual experience	1,162,340
Certain deferred inflows relating to property taxes and other tax revenues in the governmental fund statements is recognized as revenues in the government-wide Statement of Net Position	<u>1,866,276</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u>\$ 65,278,160</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, 2015

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 23,829,117	\$ -	\$ -	\$ -	\$ -	\$ 23,829,117
Intergovernmental revenues	5,824,471	-	155,070	-	1,445,039	7,424,580
Fines and forfeitures	514,335	-	-	-	-	514,335
Licenses and permits	2,202,399	-	-	-	-	2,202,399
Charges for services	181,003	4,470,308	-	-	-	4,651,311
Uses of money and property	14,947	-	5,277	-	17,525	37,749
Miscellaneous	319,257	-	-	-	-	319,257
	<u>32,885,529</u>	<u>4,470,308</u>	<u>160,347</u>	<u>-</u>	<u>1,462,564</u>	<u>38,978,748</u>
EXPENDITURES						
Current operations:						
General government	434,423	-	-	-	-	434,423
Personnel	315,919	-	-	-	-	315,919
Central services	1,894,510	-	-	-	-	1,894,510
Finance	877,973	-	-	-	-	877,973
Parks and recreation	1,700,430	-	-	-	-	1,700,430
Information technology	219,792	-	-	-	-	219,792
Codes	738,692	-	-	-	-	738,692
Planning	847,660	-	-	-	-	847,660
Public works	1,967,093	-	-	-	-	1,967,093
Police	10,030,094	-	-	-	-	10,030,094
Fire	8,798,116	-	-	-	-	8,798,116
Contributions	234,650	-	-	-	-	234,650
Disposal service	(60,000)	5,057,329	-	-	-	4,997,329
Program cost	-	-	-	-	29,743	29,743
Streets	-	-	416,154	-	1,547,967	1,964,121
Debt service						
Principal	-	-	-	2,282,594	-	2,282,594
Interest	2,950	-	-	281,867	-	284,817
Capital outlay	904,714	-	715,752	-	127,775	1,748,241
TOTAL EXPENDITURES	<u>28,907,016</u>	<u>5,057,329</u>	<u>1,131,906</u>	<u>2,564,461</u>	<u>1,705,485</u>	<u>39,366,197</u>
REVENUES OVER (UNDER) EXPENDITURES	3,978,513	(587,021)	(971,559)	(2,564,461)	(242,921)	(387,449)
OTHER FINANCING SOURCES (USES)						
Transfers in	44,877	587,021	-	2,564,461	-	3,196,359
Transfers out	<u>(3,151,482)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,151,482)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,106,605)</u>	<u>587,021</u>	<u>-</u>	<u>2,564,461</u>	<u>-</u>	<u>44,877</u>
NET CHANGE IN FUND BALANCES	871,908	-	(971,559)	-	(242,921)	(342,572)
FUND BALANCES - BEGINNING OF YEAR	<u>7,122,804</u>	<u>-</u>	<u>4,242,382</u>	<u>-</u>	<u>1,603,865</u>	<u>12,969,051</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,994,712</u>	<u>\$ -</u>	<u>\$ 3,270,823</u>	<u>\$ -</u>	<u>\$ 1,360,944</u>	<u>\$ 12,626,479</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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (342,572)
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	1,748,241
Donations of assets by developers	3,495,360
Depreciation expense	(5,250,502)
Contribution of library to Sumner County	(6,351,071)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities	2,282,594
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	25,769
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, 2015	(112,721)
Accrued interest on debt obligations at June 30, 2014	146,689
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	82,418
Changes in other post employment benefits obligation	(44,251)
Net recognized differences in pension plan (expense) revenue	1,644,771
Revenues in the Statement of Activities for property, sales and other taxes that do not provide current financial resources are not reported as revenues for governmental funds	<u>26,042</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,649,233)</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<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:				
Real and personal property	\$ 10,106,064	\$ 10,106,064	\$ 9,827,886	\$ (278,178)
Payments in lieu of property taxes	708,900	708,900	866,793	157,893
Local sales taxes	9,990,000	9,990,000	10,700,689	710,689
Wholesale beer	945,000	945,000	956,362	11,362
Wholesale liquor	405,000	405,000	477,604	72,604
Business taxes	950,000	950,000	977,437	27,437
Total local taxes	<u>23,104,964</u>	<u>23,104,964</u>	<u>23,806,771</u>	<u>701,807</u>
Intergovernmental:				
State sales tax	4,000,000	4,000,000	3,873,080	(126,920)
State income tax	610,000	610,000	814,449	204,449
State beer tax	27,000	27,000	24,570	(2,430)
State alcoholic beverage tax	154,000	154,000	160,452	6,452
State/City street and transportation	106,000	106,000	104,825	(1,175)
State supplemental pay	113,400	113,400	112,200	(1,200)
Other state revenue allocation	59,000	59,000	22,423	(36,577)
County	76,000	76,000	71,255	(4,745)
Corp of Engineers	33,000	33,000	16,430	(16,570)
Grants	2,050,735	2,133,800	647,133	(1,486,667)
Total Intergovernmental	<u>7,229,135</u>	<u>7,312,200</u>	<u>5,846,817</u>	<u>(1,465,383)</u>
Fines and Penalties:				
City court and other	478,500	478,500	446,407	(32,093)
Penalties	70,000	70,000	67,928	(2,072)
Total Fines and Penalties	<u>548,500</u>	<u>548,500</u>	<u>514,335</u>	<u>(34,165)</u>
Licenses and Permits:				
Building permits	492,000	492,000	1,044,137	552,137
Franchise taxes	775,000	775,000	834,214	59,214
Other permits	152,000	152,000	324,048	172,048
Total Licenses and Permits	<u>1,419,000</u>	<u>1,419,000</u>	<u>2,202,399</u>	<u>783,399</u>
Charges for Services:				
Recreational fees	156,000	156,000	181,003	25,003
Interest	15,000	15,000	14,947	(53)
Other Revenues:				
Contributions from others	315,000	439,600	148,831	(290,769)
Sale of assets	10,000	10,000	36,581	26,581
Miscellaneous	46,000	46,000	133,845	87,845
Total Other Revenue	<u>371,000</u>	<u>495,600</u>	<u>319,257</u>	<u>(176,343)</u>
TOTAL REVENUE	<u>32,843,599</u>	<u>33,051,264</u>	<u>32,885,529</u>	<u>(165,735)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
EXPENDITURES				
General Government:				
Salaries	\$ 286,019	\$ 286,019	\$ 279,770	\$ (6,249)
Employee benefits	91,179	91,179	88,802	(2,377)
Repairs and maintenance	1,500	1,500	400	(1,100)
Travel and training	16,000	16,000	11,183	(4,817)
Supplies	17,350	17,350	7,580	(9,770)
Outside services	7,000	7,000	5,340	(1,660)
Telephone	4,000	4,000	3,407	(593)
Other costs	56,500	56,500	37,941	(18,559)
Capital outlay	-	-	-	-
Total General Government	<u>479,548</u>	<u>479,548</u>	<u>434,423</u>	<u>(45,125)</u>
Personnel:				
Salaries	268,079	268,079	206,464	(61,615)
Employee benefits	73,095	73,095	58,593	(14,502)
Travel and training	6,000	6,000	1,770	(4,230)
Supplies	23,200	23,200	4,869	(18,331)
Outside services	40,350	40,350	32,944	(7,406)
Telephone	50	50	20	(30)
Other costs	15,160	15,160	12,440	(2,720)
Capital outlay	-	-	-	-
Total Personnel	<u>425,934</u>	<u>425,934</u>	<u>317,100</u>	<u>(108,834)</u>
Central Services:				
Salaries	234,976	234,976	229,930	(5,046)
Employee benefits	241,501	241,501	158,250	(83,251)
Repairs and maintenance	88,200	88,200	100,901	12,701
Supplies	9,000	9,000	10,430	1,430
Insurance	600,000	600,000	657,934	57,934
Outside services	21,000	21,000	16,659	(4,341)
Utilities	185,000	185,000	177,290	(7,710)
Tax increment bond payment	450,000	450,000	465,340	15,340
Other costs	105,000	105,000	81,376	(23,624)
Capital outlay	-	-	-	-
Total Central Services	<u>1,934,677</u>	<u>1,934,677</u>	<u>1,898,110</u>	<u>(36,567)</u>
Finance:				
Salaries	652,409	652,409	501,667	(150,742)
Employee benefits	204,667	204,667	164,767	(39,900)
Travel and training	2,200	2,200	1,521	(679)
Supplies	25,500	25,500	23,950	(1,550)
Outside services	97,000	97,000	91,626	(5,374)
Utilities	100	100	35	(65)
Other costs	99,700	99,700	94,407	(5,293)
Capital outlay	-	-	-	-
Total Finance	<u>1,081,576</u>	<u>1,081,576</u>	<u>877,973</u>	<u>(203,603)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
Information Technology				
Salaries	\$ 173,779	\$ 173,779	\$ 75,431	\$ (98,348)
Employee benefits	63,282	63,282	28,374	(34,908)
Travel and training	500	500	-	(500)
Supplies	53,050	53,050	43,198	(9,852)
Outside services	50,000	50,000	59,432	9,432
Telephone	100	100	-	(100)
Other costs	-	-	74	74
Capital outlay	-	-	-	-
Total Information Technology	<u>340,711</u>	<u>340,711</u>	<u>206,509</u>	<u>(134,202)</u>
Parks:				
Salaries	987,241	987,241	944,763	(42,478)
Employee benefits	311,230	311,230	276,081	(35,149)
Repairs and maintenance	189,000	189,000	189,281	281
Travel and training	4,000	4,000	2,785	(1,215)
Supplies	87,000	87,000	84,475	(2,525)
Outside services	10,000	17,500	14,288	(3,212)
Utilities	170,000	170,000	175,361	5,361
Other costs	60,500	60,500	53,135	(7,365)
Capital outlay	24,000	24,000	25,800	1,800
Total Parks	<u>1,842,971</u>	<u>1,850,471</u>	<u>1,765,969</u>	<u>(84,502)</u>
Codes:				
Salaries	526,240	526,240	512,753	(13,487)
Employee benefits	202,857	202,857	180,854	(22,003)
Repairs and maintenance	5,000	5,000	3,043	(1,957)
Travel and training	4,450	4,450	3,170	(1,280)
Supplies	23,750	23,750	24,044	294
Outside services	31,500	31,500	5,405	(26,095)
Telephone	9,500	9,500	6,124	(3,376)
Other costs	11,300	11,300	3,299	(8,001)
Capital outlay	20,000	20,000	18,837	(1,163)
Total Codes	<u>834,597</u>	<u>834,597</u>	<u>757,529</u>	<u>(77,068)</u>
Planning				
Salaries	406,273	406,273	385,176	(21,097)
Employee benefits	124,598	124,598	109,904	(14,694)
Repairs and maintenance	1,500	1,500	1,388	(112)
Travel and training	6,000	6,000	4,936	(1,064)
Supplies	11,300	11,300	7,024	(4,276)
Outside services	1,000	1,000	548	(452)
Utilities	1,500	1,500	1,390	(110)
Other costs	49,500	49,500	36,677	(12,823)
Capital outlay	-	-	-	-
Total Planning	<u>601,671</u>	<u>601,671</u>	<u>547,043</u>	<u>(54,628)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>OVER</u>
				<u>(UNDER)</u>
Streets and Public Works				
Salaries	\$ 844,693	\$ 844,693	\$ 728,843	\$ (115,850)
Employee benefits	320,276	320,276	297,871	(22,405)
Repairs and maintenance	120,350	120,350	131,644	11,294
Travel and training	7,000	7,000	4,207	(2,793)
Supplies	130,700	130,700	98,018	(32,682)
Outside services	92,000	92,000	94,932	2,932
Utilities	352,500	352,500	386,958	34,458
Other costs	370,150	373,150	355,445	(17,705)
Capital outlay	-	-	-	-
Total Streets and Public Works	<u>2,237,669</u>	<u>2,240,669</u>	<u>2,097,918</u>	<u>(142,751)</u>
Police Department				
Salaries	6,632,093	6,632,093	6,515,990	(116,103)
Employee benefits	2,576,536	2,576,536	2,288,331	(288,205)
Repairs and maintenance	346,000	346,000	294,197	(51,803)
Travel and training	45,000	45,000	32,065	(12,935)
Supplies	768,420	768,420	520,109	(248,311)
Outside services	73,000	73,000	90,225	17,225
Telephone and utilities	117,000	117,000	112,169	(4,831)
Other costs	47,530	47,530	42,513	(5,017)
Investigations	4,500	4,500	1,411	(3,089)
Capital outlay	<u>267,720</u>	<u>267,720</u>	<u>267,228</u>	<u>(492)</u>
Total Police Department	<u>10,877,799</u>	<u>10,877,799</u>	<u>10,164,238</u>	<u>(713,561)</u>
Fire Department				
Salaries	6,321,418	6,321,418	5,960,332	(361,086)
Employee benefits	2,168,019	2,168,019	2,096,808	(71,211)
Repairs and maintenance	133,080	133,080	152,445	19,365
Travel and training	56,560	56,560	40,763	(15,797)
Supplies	154,977	154,977	157,200	2,223
Outside services	49,837	49,837	36,148	(13,689)
Telephone and utilities	82,400	82,400	76,165	(6,235)
Other costs	71,200	71,200	34,243	(36,957)
Capital outlay	<u>197,688</u>	<u>197,688</u>	<u>181,303</u>	<u>(16,385)</u>
Total Fire Department	<u>9,235,179</u>	<u>9,235,179</u>	<u>8,735,407</u>	<u>(499,772)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Contributions				
Senior Citizens	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Community Child Care	16,000	16,000	16,000	-
HHS Stars	8,250	8,250	8,250	-
Hendersonville Public Library	50,000	50,000	50,000	-
Chamber of Commerce	15,000	15,000	15,000	-
Samaratin	12,500	12,500	12,500	-
Forward Summer	20,000	20,000	20,000	-
Health Department	12,000	12,000	12,000	-
Sumner County Animal Shelter	10,000	10,000	10,000	-
Component units	25,500	25,500	25,500	-
Other	<u>52,400</u>	<u>52,400</u>	<u>52,400</u>	<u>-</u>
Total Contributions	<u>234,650</u>	<u>234,650</u>	<u>234,650</u>	<u>-</u>
Grants	2,215,735	2,348,852	701,813	(1,647,039)
Capital projects	<u>445,000</u>	<u>922,640</u>	<u>368,035</u>	<u>(554,605)</u>
TOTAL EXPENDITURES	<u>32,787,717</u>	<u>33,408,974</u>	<u>29,106,717</u>	<u>(4,302,257)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>55,882</u>	<u>(357,710)</u>	<u>3,778,812</u>	<u>(4,136,522)</u>
OTHER FINANCING USES				
Transfers to Debt Service Fund	(2,589,860)	(2,589,859)	(2,567,411)	(22,448)
Transfers to Solid Waste Fund	(1,106,250)	(1,106,250)	(587,021)	(519,229)
Transfers to Golf Fund	<u>44,877</u>	<u>44,877</u>	<u>44,877</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(3,651,233)</u>	<u>(3,651,232)</u>	<u>(3,109,555)</u>	<u>(541,677)</u>
CHANGE IN FUND BALANCE - GENERAL FUND - AS BUDGETED	<u>(3,595,351)</u>	<u>(4,008,942)</u>	669,257	<u>(4,678,199)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>6,792,210</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,461,467</u>	
Fund balance - end of year (non-GAAP)	\$ 7,461,467			
Add: Current year encumbrances	<u>533,245</u>			
Fund balance - end of year (GAAP)	<u>\$ 7,994,712</u>			

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

SOLID WASTE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>Revenues</u>				
Other:				
Disposal fees	\$ 4,439,342	\$ 4,439,342	\$ 4,470,308	\$ 30,966
Total Revenues	<u>4,439,342</u>	<u>4,439,342</u>	<u>4,470,308</u>	<u>30,966</u>
 <u>Expenditures</u>				
Tipping fees	1,081,249	1,081,249	863,333	(217,916)
Disposal service	4,348,603	4,348,603	4,116,362	(232,241)
Brush disposal and other	<u>115,740</u>	<u>115,740</u>	<u>77,634</u>	<u>(38,106)</u>
Total Expenditures and Encumbrances	<u>5,545,592</u>	<u>5,545,592</u>	<u>5,057,329</u>	<u>(488,263)</u>
 Other Financing Sources (Uses)				
Transfer in	<u>1,106,250</u>	<u>1,106,250</u>	<u>587,021</u>	<u>(519,229)</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of year			<u>-</u>	
Fund Balance - End of year			<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF NET POSITION

PROPRIETARY FUND - GOLF COURSE

JUNE 30, 2015

ASSETS

Cash and cash equivalents	\$	106,108
Receivables		1,113
Inventories		40,321
Other current assets		<u>7,052</u>
TOTAL CURRENT ASSETS		154,594
CAPITAL ASSETS, NET		<u>1,122,051</u>
TOTAL ASSETS		<u>1,276,645</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable		3,323
Accrued liabilities		<u>26,167</u>
TOTAL CURRENT LIABILITIES		<u>29,490</u>

NET POSITION

Net investment in capital assets		1,122,051
Unrestricted		<u>125,104</u>
TOTAL NET POSITION	\$	<u><u>1,247,155</u></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, 2015

OPERATING REVENUES	
Charges for sales and services	\$ 840,650
	<u>840,650</u>
OPERATING EXPENSES	
Costs of sales	182,595
Personnel services	364,743
Repairs and maintenance	44,685
Supplies	8,688
Gas	19,552
Credit card charges	11,656
Chemicals and fertilizer	28,154
Utilities	32,480
Depreciation	69,298
Advertising and promotion	4,208
Other operating expenses	34,667
Management services	40,000
	<u>840,726</u>
OPERATING INCOME	<u>(76)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	197
INCOME BEFORE TRANSFERS	121
TRANSFERS OUT	<u>(44,877)</u>
CHANGE IN NET POSITION	(44,756)
NET POSITION - BEGINNING OF YEAR	<u>1,291,911</u>
NET POSITION - END OF YEAR	<u>\$ 1,247,155</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 840,143
Cash paid for personnel services	(365,153)
Cash paid for management services	(40,000)
Payments to suppliers	<u>(367,262)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>67,728</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(44,877)</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(44,877)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>197</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>197</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,048
CASH - BEGINNING OF YEAR	<u>83,060</u>
CASH - END OF YEAR	<u>\$ 106,108</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED	
BY OPERATING ACTIVITIES	
Operating income	\$ <u>(76)</u>
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation	69,298
Changes in operating assets and liabilities	
Receivables, net	(507)
Inventories	5,268
Other current assets	1,274
Accounts payable	(7,119)
Accrued liabilities	<u>(410)</u>
TOTAL ADJUSTMENTS	<u>67,804</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 67,728</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
TRAINING AND TEEN ACTIVITY FUND
JUNE 30, 2015

ASSETS

Cash	\$ 30,414
TOTAL ASSETS	<u>\$ 30,414</u>

LIABILITIES

Amounts due to agencies	\$ 30,414
TOTAL LIABILITIES	<u>\$ 30,414</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

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

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

Reporting Entity

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

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

Beautiful Hendersonville was established to account for the operation of the organization to promote the beautification of the City and recycling. Primary sources of funds are donations, sale of recyclables and appropriations from the primary government. The Mayor and Board of Aldermen appoint the board.

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following proprietary fund:

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

Additionally, the City reports the following fiduciary fund:

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

The City had no internal service funds as of or for the year ended June 30, 2015.

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Cash and Cash Equivalents

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

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

Receivables and Payables

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of Supplies and Prepaid Items

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

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

Capital Assets

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

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

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

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

Buildings	40 years
Improvements other than buildings	15 years
Machinery, equipment an 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows in the June 30, 2015 financial statements consist of amounts related to pensions (differences in actual and expected experience and contributions after the measurement date).

Compensated Absences

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

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discount are deferred and amortized over the life of the bonds or notes using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Loss on refunding, if applicable, is reported as deferred outflow of resources and amortized over the shorter period of the old or new debt.

In the fund financial statements, governmental fund types recognize bond and note premiums and discounts, as well as bond and note issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and net pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the State of Tennessee Consolidated Retirement System (TCRS), the additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Actuarial gains related to pension assets are also included in deferred inflows.

Equity Classification

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classification (continued)

Fund balance is reported in the governmental fund financial statements under the following categories:

- *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items.
- *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external source or through enabling legislation. It is the City's policy to first use the restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available.
- *Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the City Board is also required.
- *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance.
- *Unassigned fund balance* is the residual classification of the General Fund. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Property Tax and Garbage Disposal Fees

The City's property tax is levied on the first Monday in October on the assessed value as listed on January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made. Since the legal claim is not enforceable until the next fiscal year, these taxes are deferred. Assessed values are established by the State of Tennessee at the following rates of assessed market value:

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

Taxes are levied at a rate of \$0.758 per \$100 of assessed valuation for 2015 (\$0.65 per \$100 of assessed valuation for 2014). Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,606,788 for the fiscal year ended June 30, 2015 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county court clerk for collection.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax and Garbage Disposal Fees (continued)

The government-wide financial statements report property taxes receivable of \$12,147,749. Of this receivable amount, \$11,700,000 represents the estimated net realizable 2015 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 \$146,900 for beer and liquor taxes and \$107,771 for payments in lieu of tax.

Disposal fees are billed to finance the City's garbage collection system on a fiscal year basis. Disposal fees are billed annually on the first Monday in October and are payable through February 28. The disposal rate for fiscal year 2015 was \$263 per residence. The disposal fees are accounted for in the Solid Waste Fund, a major governmental fund.

The government-wide financial statements report disposal fees receivable in the amount of \$139,227. The receivable reported in the governmental funds balance sheet is \$139,227 with an offsetting deferred inflows of resources of \$113,520 for amounts not available at June 30, 2015.

Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 105 percent 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, 2015 there were no amounts exposed to custodial credit risk.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2015 the City's reporting entity had no investments.

Interest Rate Risk:

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk:

The City does not have a formal policy relating to credit risk however the general investment policy allows investments in certificates of deposit in local banks, in FNMA discounts notes as well as investments in the Local Government Investment Pool of the State of Tennessee.

Custodial Risk:

The City currently does not invest in securities held by counter parties other than the Local Government Investment Pool of the State of Tennessee.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS

Primary Government

Capital assets activity for the year ended June 30, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,632,797	\$ -	\$ -	\$ -	\$ 4,632,797
Construction in progress	1,949,390	1,239,707	-	(189,772)	2,999,325
Total capital assets not being depreciated	<u>6,582,187</u>	<u>1,239,707</u>	<u>-</u>	<u>(189,772)</u>	<u>7,632,122</u>
<u>Capital assets being depreciated:</u>					
Buildings and improvements	17,008,529	-	(7,548,522)	-	9,460,007
Improvements other than building	2,822,614	-	-	18,022	2,840,636
Machinery and equipment	13,020,168	493,260	(707,311)	-	12,806,117
Infrastructure	99,377,152	3,510,634	-	171,750	103,059,536
Total capital assets being depreciated	<u>132,228,463</u>	<u>4,003,894</u>	<u>(8,255,833)</u>	<u>189,772</u>	<u>128,166,296</u>
<u>Less accumulated depreciation for:</u>					
Buildings and improvements	(5,095,985)	(314,737)	1,197,451	-	(4,213,271)
Improvements other than buildings	(1,452,959)	(132,821)	-	-	(1,585,780)
Machinery and equipment	(9,439,567)	(870,350)	707,311	-	(9,602,606)
Infrastructure	(56,137,938)	(3,932,594)	-	-	(60,070,532)
Total accumulated depreciation	<u>(72,126,449)</u>	<u>(5,250,502)</u>	<u>1,904,762</u>	<u>-</u>	<u>(75,472,189)</u>
Governmental activities capital assets, net	<u>\$ 66,684,201</u>	<u>\$ (6,901)</u>	<u>\$ (6,351,071)</u>	<u>\$ -</u>	<u>\$ 60,326,229</u>

During the current year, the City and Sumner County entered into an agreement to transfer the Library facility. The City's contribution of the library to the County has been recorded as a special item in the City's June 30, 2015 financial statements at its net book value in the amount of \$6,351,071 as of the beginning of the fiscal year.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

Capital assets activity for the year ended June 30, 2015, was as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 641,194	\$ -	\$ -	\$ -	\$ 641,194
<u>Capital assets being depreciated:</u>					
Buildings and structures	1,033,754	-	-	-	1,033,754
Improvements other than buildings	4,259,559	-	-	-	4,259,559
Machinery, equipment and vehicles	709,954	-	-	-	709,954
Total capital assets being depreciated	<u>6,003,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,003,267</u>
<u>Less accumulated depreciation for:</u>					
Buildings and structures	(644,300)	(26,580)	-	-	(670,880)
Improvements other than buildings	(4,259,562)	-	-	-	(4,259,562)
Machinery and equipment	(549,250)	(42,718)	-	-	(591,968)
Total accumulated depreciation	<u>(5,453,112)</u>	<u>(69,298)</u>	<u>-</u>	<u>-</u>	<u>(5,522,410)</u>
Business-type activities capital assets, net	<u>\$ 1,191,349</u>	<u>\$ (69,298)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,122,051</u>

Depreciation expense was charged to function/programs as of June 30, 2015, as follows:

Governmental activities:

General government	\$ 129,130
Public safety	829,399
Street and public works	4,005,613
Parks	275,682
Codes and planning	<u>10,678</u>
Total depreciation expense - governmental activities	<u>\$ 5,250,502</u>

Current year capital asset additions of the governmental activities include \$3,495,360 in donated infrastructure and equipment.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Capital assets activity for the component units for year ended June 30, 2015, was as follows:

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 10,852	\$ -	\$ -	\$ 10,852
<u>Capital assets being depreciated</u>	<u>\$ 30,806</u>	<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ 29,734</u>

NOTE 4 - RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2015, the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 11,700,000	\$ 11,700,000
Delinquent property taxes (unavailable)	-	368,250
Delinquent solid waste fees (unavailable)	-	113,520
State and county shared taxes (unavailable)	400,000	1,784,506
	<u>\$ 12,100,000</u>	<u>\$ 13,966,276</u>

Unearned revenues consist of codes department revenues collected in advance.

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of funds held by the State of Tennessee for the purchase of a road right-of-way in the amount of \$1,053,326.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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, 2015. This amounted to \$442,149 which was an amount due from the General Fund to the Solid Waste Fund which represents collection of Solid Waste assessments not yet transferred to the Solid Waste Fund. These interfund amounts were liquidated subsequent to year end. Interfund transfers for the year ended June 30, 2015 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	Transfer In: Governmental Funds			
	Solid Waste Balance	Debt Service Additions	General Fund	Totals
<u>Transfer Out:</u>				
General Fund	\$ 587,021	\$ 2,564,461	\$ -	\$ 3,151,482
Golf Enterprise Fund	\$ -	\$ -	\$ 44,877	\$ 44,877

Transfers are made from the General Fund to the Solid Waste Fund to fund shortfalls in revenues and to the Debt Service Fund to provide for debt service payments. Transfer from the Golf Fund to the General Fund relates to return of prior year operating funds advanced.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 7 - LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE

The government issues 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. These bonds relate to the Golf Enterprise Fund. Should golf revenues be insufficient to pay the debt service, the debt would be payable from the taxing authority of the City. For governmental activities, compensated absences and Other Post-Employment Benefits (“OPEB”) obligations are generally liquidated by the general fund and the state street aid fund, a nonmajor governmental fund.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<u>Government Activities</u>					
Capital outlay notes payable	\$ 10,023,000	\$ -	\$ 2,085,167	\$ 7,937,833	\$ 2,338,593
Tax anticipation notes	-	2,500,000	2,500,000	-	-
Obligation to county school system	<u>987,129</u>	<u>-</u>	<u>197,426</u>	<u>789,703</u>	<u>197,426</u>
	11,010,129	2,500,000	4,782,593	8,727,536	2,536,019
Note premiums	<u>338,682</u>	<u>-</u>	<u>25,769</u>	<u>312,913</u>	<u>-</u>
Total governmental activities long-term debt	<u>11,348,811</u>	<u>2,500,000</u>	<u>4,808,362</u>	<u>9,040,449</u>	<u>2,536,019</u>
Compensated absences	1,827,416	1,372,602	1,455,021	1,744,997	1,450,000
Net OPEB liability	<u>664,363</u>	<u>196,782</u>	<u>152,531</u>	<u>708,614</u>	<u>-</u>
Total primary government long-term liabilities	<u>\$ 13,840,590</u>	<u>\$ 4,069,384</u>	<u>\$ 6,415,914</u>	<u>\$ 11,494,060</u>	<u>\$ 3,986,019</u>

The General Fund and State Street Aid Fund are the only funds that provide funding to liquidate the liability for compensated absences and to liquidate the net pension obligations or net other postemployment benefit obligations.

During 2015, the City issued \$2,500,000 in tax and revenue anticipation notes. Proceeds from the notes were used for the City’s General Fund operating expenses during the current year. The notes were issued at an interest cost of 0.44% and were repaid from the 2015 fiscal year property taxes.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

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

Long-term bonds and notes at June 30, 2015 consisted of the following obligations:

Governmental activities long-term debt

\$1,507,000 Capital Outlay Notes 2004 - The notes are payable in annual installments through 2016 at a variable rate of interest based on bond market indexes. There is currently no cap on the rate.	\$ 175,000
\$4,100,000 Capital Outlay Notes 2011 - The notes are payable in annual installments through 2023 at a rate of 3.21%.	2,732,000
\$6,810,000 Refunding and Improvement Capital Outlay Notes 2012 - The notes are payable in annual installments through 2025 at rates of interest from 2% to 3%.	3,885,000
\$1,250,000 Capital Outlay Notes 2013 - The notes are payable in annual installments through 2026 at a rate of interest of 2.43%.	1,145,833
\$987,129 Obligation to County School System - The obligation is payable in five annual installments which began in 2015 and relates to unreimbursed county share of liquor taxes. Interest is not charged.	<u>789,703</u>
Total capital outlay and other notes payable	8,727,536
Plus: unamortized premium on notes	<u>312,913</u>
Total governmental activities long-term debt	<u>\$ 9,040,449</u>

All bonds and notes and other obligations are to be retired from property tax revenues and are backed by the full faith and credit of the City. Liabilities for compensated absences and other post employment benefits are liquidated by the fund the employee's time is charged, typically the general fund or state street aid fund.

From time to time, Industrial Revenue Bonds are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Industrial Development Board ("IDB") of the City of Hendersonville, Tennessee, is a non-profit corporation organized and existing pursuant to Part 53 of Title 7 of the Tennessee Code. Among its powers, the IDB is authorized by statute to issue industrial revenue bonds and to use the proceeds of these bonds to finance certain projects by private sector entities. As of June 30, 2015, 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, 2015

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

In 2006, the City approved an economic impact plan submitted by the IDB for the area located within the City known generally as the Indian Lake Village Economic Development Area. Pursuant to the Plan, the IDB issued its industrial development revenue bonds in the aggregate principal amount of \$18 million, the proceeds of which were used to finance the construction of a bridge across Drakes Creek, the construction of a four lane divided boulevard from Soudersville Road to Indian Lake Boulevard and the construction of a public park of which four acres is the site of the Hendersonville Public Library. The repayment of the IDB bonds is secured by letters of credit issued by Fifth Third Bank guaranteed by the developer. The City and the County allocated the increase in property tax revenues within the economic development area to the IDB to be used to pay debt service and other authorized expenses related to the bonds. During fiscal year 2015, the amount of incremental property taxes generated by the economic development area equaled \$465,340, and this amount was used for debt service and related expenses of the IDB bonds. The City possesses no obligation to repay the bonds, and the bonds are not reported as liabilities of the City in the accompanying financial statements.

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2015, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Year ending June 30,</u>			
2016	\$ 2,338,593	\$ 215,448	\$ 2,554,041
2017	1,748,592	150,020	1,898,612
2018	1,218,593	111,201	1,329,794
2019	743,591	88,027	831,618
2020	546,167	72,477	618,644
2021-2025	2,027,833	140,901	2,168,734
2026	104,167	2,570	106,737
Totals	<u>\$ 8,727,536</u>	<u>\$ 780,644</u>	<u>\$ 9,508,180</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 8 - DEFERRED COMPENSATION AND FLEXIBLE BENEFIT PLAN

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

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

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

NOTE 9 - PENSION PLAN

Plan Description

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

Benefits Provided

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - PENSION PLAN (CONTINUED)

Benefits Provided (continued)

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	213
Active employees	<u>279</u>
	<u><u>563</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the City were \$2,318,093 based on a rate of 14.92% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26 %	17.00 %
Emerging market international equity	6.40 %	5.00 %
Private equity and strategic lending	4.61 %	8.00 %
U.S. fixed income	0.98 %	29.00 %
Real estate	4.73 %	7.00 %
Short-term securities	-	<u>1.00 %</u>
		<u>100.00 %</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
BALANCE AT JUNE 30, 2013	\$ 44,377,358	\$ 42,398,368	\$ 1,978,990
CHANGES FOR THE YEAR:			
Service cost	1,148,174	-	1,148,174
Interest	3,368,278	-	3,368,278
Differences between expected and actual experience	1,307,633	-	1,307,633
Contributions - employer	-	2,400,176	(2,400,176)
Contributions - employee	-	1,137	(1,137)
Net investment income	-	7,107,505	(7,107,505)
Benefit payments, including refunds of employee contributions	(1,230,315)	(1,230,315)	-
Administrative expense	-	(12,861)	12,861
Net changes	<u>4,593,770</u>	<u>8,265,642</u>	<u>(3,671,872)</u>
BALANCE AT JUNE 30, 2014	<u>\$ 48,971,128</u>	<u>\$ 50,664,010</u>	<u>\$ (1,692,882)</u>

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's net pension liability (asset)	\$ 5,444,521	\$ (1,692,882)	\$ (7,629,651)

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 9 - PENSION PLAN (CONTINUED)

Pension Expense

For the year ended June 30, 2015, the City recognized pension income of \$1,644,771.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 1,162,340	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,107,358
Contributions subsequent to the measurement date of June 30, 2014	<u>2,318,093</u>	<u>-</u>
Total	<u>\$ 3,480,433</u>	<u>\$ 3,107,358</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	
2016	\$ (631,546)
2017	(631,546)
2018	(631,546)
2019	(631,546)
2020	145,293
Thereafter	435,879

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN

The City administers the City of Hendersonville Post-Retirement Medical Insurance Plan. For accounting purposes, the plan is a single employer defined benefit OPEB plan. Benefits are established and amended by the Mayor and Board of Aldermen. Retired employees hired prior to July 1, 2008 with 30 years of service or employees over 60 years of age with 15 years of service with the City of Hendersonville, and who are vested in TCRS, are eligible for the plan. The amount of benefit is based on years of service and the benefit ranges from 25% to 100% of the City paid portion of their health insurance if the employee elects to continue on the plan. Retiree medical benefits cease at age 65. The plan does not issue a stand-alone report.

Funding Policy

The premium requirements are established and may be amended by the Mayor and Board of Aldermen. The plan is a fully insured PPO plan with three options. The portion of the premium paid by the City will be the dollar amount the City pays for the current individual employee coverage multiplied by the applicable amount of percentage relative to years of service. This only applies to employees hired prior to 2008. The City's obligation ranges from 25% for 15 years of service, up to 100% for 30 years of service. The retiree is responsible to pay any excess premium charged by the insurer for the amount above the City paid portion. The current monthly premium ranges from \$462 to \$550 per month for single coverage and ranges from \$1,261 to \$1,502 for family coverage.

The most recent actuarial valuation was July 2014 and the following is based on projections from the City's actuary.

Annual OPEB Cost and Net OPEB Obligations

	<u>June 30, 2015</u>
ARC	\$ 197,868
Interest on NPO	26,575
Amortization of prior year net OPEB Obligation	<u>(27,661)</u>
Annual OPEB Cost	196,782
Amount of Contribution*	<u>(152,531)</u>
Increase in NPO	44,251
Net OPEB Obligation - beginning of year	<u>664,363</u>
Net OPEB Obligation - end of year	<u>\$ 708,614</u>

*Contribution based on expected contribution from study.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Funded Policy (Continued)

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/15	\$ 196,782	77.51%	\$ 708,614
6/30/14	\$ 166,115	53.71%	\$ 664,363
6/30/13	\$ 173,857	47.94%	\$ 587,468

Funded Status and Funding Progress

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

Actuarial valuation date	July 1, 2014
Actuarial accrued liability (AAL)	\$ 2,419,968
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	\$ 2,419,968
Actuarial value of assets as a % of AAL	0%
Covered payroll	\$ 15,812,454
UAAL as a percentage of covered payroll	23.37%

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

Actuarial Methods and Assumptions

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 10 - POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (continued)

In the July 2014 actuarial valuation, the Projected Unit Cost Method was used. The actuarial assumptions included a 4.00 percent discount rate of return (1% real and 3% inflation) and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2020. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of compensation on an open basis over a 30 year period.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

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

City Golf Course - Management Agreement

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

Joint Venture

The City is a participant in the Sumner County Resource Authority, a joint venture, in which it retains an ongoing financial interest. The Authority is a joint venture of Sumner County and the Cities of Gallatin and Hendersonville which operates a solid waste transfer station. An agreement between the Resource Authority, the county and the cities provides that Sumner County will pay an annual \$100,000 fee in lieu of tipping fees. The cities of Gallatin and Hendersonville agree to pay tipping fees in such amounts as may be determined by the Authority but cannot exceed \$45 per ton for solid waste and \$3.50 per cubic yard for brush. Effective July 1, 2011 the tipping fee became \$44 per ton. The City paid no tipping fees and \$56,569 for brush disposal for 2015. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Resource Authority be unable to perform.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Joint Venture (continued)

Also during 2013 the City entered into a Post-Closure Monitoring and Maintenance Agreement with the Authority. The agreement provides that the three entities will pay for the post closure costs associated with the landfills incurred by the Authority. This cost will be paid 3/7 by the county and 2/7 by the cities. During 2015, the amount paid by the City was \$20,990.

The Authority as of June 30, 2015 has net investment in capital assets of \$1,776,555, and an unrestricted net deficit of \$3,275,198 (previously reported June 30, 2014 unrestricted net position of \$1,598,607 was adjusted by opening restatement of \$3,389,462 relating to estimated post closure landfill cost). The City has no equity interest in the Resource Authority. Complete financial statements of the Authority are available from the City Finance Director.

Contracts

The City of Hendersonville has a contract for trash pickup and disposal services. The pick-up rate is \$19.68 per month and the hauling and disposal rate is \$39.57 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2015 the City did not have any material construction contracts in process.

Operating Lease

The City has entered into an operating lease for eight police motorcycles through 2015. The fiscal year 2015 lease expense was \$6,799.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT

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

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

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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

No departments exceeded their departmental appropriations for the year ended June 30, 2015.

The nature and amount of the adjustments necessary to convert the actual generally accepted accounting principle data to the budgetary basis is as follows:

	<u>General Fund</u>
Net change in fund balance Generally Accepted Accounting Principles Basis	\$ 871,908
Add: Prior year reserve for encumbrances	330,594
Less: Current year reserve for encumbrances	<u>(533,245)</u>
Net change in fund balance, budgetary basis	<u>\$ 669,257</u>

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 13 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Encumbrances

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

	<u>General Fund</u>	<u>State Street Aid Fund (Non-major fund)</u>
Public works/street maintenance	\$ 250,802	\$ 521,076
Law enforcement	161,810	-
Other	<u>120,633</u>	<u>-</u>
	<u>\$ 533,245</u>	<u>\$ 521,076</u>

Budget Amendments

The General Fund expenditure and other financing uses budget was amended by \$413,592. The major amendments related to grants and capital projects.

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 14 - GASB STATEMENTS ADOPTED

Net position as of July 1, 2014 has been restated for the adoption of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement requires the liability of employers to employees for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The requirements of this statement are effective for financial periods beginning after June 15, 2014. The effect of the adoption of this Statement on the City's governmental activities net position as of July 1, 2014 is as follows:

Governmental activities net position, as previously reported	\$	67,506,207
To record adjustments due to implementation of GASB 68 affecting net position at July 1, 2014:		
Net pension liability		(1,978,990)
Deferred outflows of resources		<u>2,400,176</u>
Beginning governmental activities net position, as restated	\$	<u><u>67,927,393</u></u>

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 72, *Fair Value Measurement and Application* - This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The new standard is not expected to have a significant impact on the City's financial statements.

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

CITY OF HENDERSONVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE 15 - GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This statement establishes a hierarchy of generally accepted accounting principles for states and local governments to follow in preparing financial statements. Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The new standard is not expected to have a significant impact on the City's financial statements.

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

NOTE 16 - SUBSEQUENT EVENTS

Subsequent to year end, the City has issued \$4,020,400 in capital outlay notes to provide funds for certain public works maintenance and building projects, parks and golf course projects, IT software, a new fire engine another equipment purchases. The note will be repaid in annual payments of principal in the amount of \$402,040, and semi-annual interest payments at 2.41%. The note matures in January 2026.

The City also has issued \$2,500,000 in tax revenue anticipation notes to meet appropriations made for the General Fund for fiscal year 2016 operating expenses. These notes are expected to be repaid once the fall 2015 tax levy collections are received, with interest at a rate of .9247%.

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>TOTAL PENSION LIABILITY</u>	
Service cost	\$ 1,148,174
Interest	3,368,278
Changes in benefit terms	-
Differences between actual & expected experience	1,307,633
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,230,315)</u>
 NET CHANGE IN TOTAL PENSION LIABILITY	 4,593,770
TOTAL PENSION LIABILITY - BEGINNING	<u>44,377,358</u>
 TOTAL PENSION LIABILITY - ENDING (A)	 <u>48,971,128</u>
 <u>PLAN FIDUCIARY NET POSITION</u>	
Contributions - employer	2,400,176
Contributions - employee	1,137
Net investment income	7,107,505
Benefit payments, including refunds of employee contributions	(1,230,315)
Administrative expense	<u>(12,861)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 8,265,642
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>42,398,368</u>
 PLAN FIDUCIARY NET POSITION - ENDING (B)	 <u>50,664,010</u>
 NET PENSION LIABILITY (ASSET) - ENDING (A)-(B)	 <u>\$ (1,692,882)</u>
 Plan fiduciary net position as a percentage of total pension liability	 103.46 %
 Covered-employee payroll	\$ 15,575,435
 Net pension liability (asset) as a percentage of covered-employee payroll	 (10.87) %

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

CITY OF HENDERSONVILLE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>
Actuarial determined contribution	\$ 2,400,176	\$ 2,318,093
Contributions in relation to the actuarial determined contribution	<u>2,400,176</u>	<u>2,318,093</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,575,435	\$ 16,501,189
Contributions as a percentage covered employee payroll	15.41 %	14.05 %

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

NOTE TO SCHEDULE:

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

CITY OF HENDERSONVILLE, TENNESSEE

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2015

(Dollar amounts expressed in thousands)

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

COMBINING AND INDIVIDUAL NONMAJOR FUND STATEMENTS

NONMAJOR GOVERNMENTAL AND FIDUCIARY FUNDS

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

Forfeiture Fund - This fund was established in 2015 to record revenues and expenditures awarded to the City's Police Department by Federal and State courts.

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

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

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>State</u>	<u>Forfeiture</u>	<u>Drug</u>	<u>Nonmajor</u>
	<u>Aid Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,111,655	\$ 50,413	\$ 197,980	\$ 1,360,048
Due from other governments	<u>248,543</u>	<u>-</u>	<u>-</u>	<u>248,543</u>
TOTAL ASSETS	<u>\$ 1,360,198</u>	<u>\$ 50,413</u>	<u>\$ 197,980</u>	<u>\$ 1,608,591</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF</u> <u>RESOURCES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Accounts payable	\$ 109,525	\$ -	\$ -	\$ 109,525
Accrued liabilities	<u>10,084</u>	<u>-</u>	<u>-</u>	<u>10,084</u>
Total Liabilities	<u>119,609</u>	<u>-</u>	<u>-</u>	<u>119,609</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue	<u>128,038</u>	<u>-</u>	<u>-</u>	<u>128,038</u>
<u>Fund Balances</u>				
Nonspendable	-	-	-	-
Restricted	<u>1,112,551</u>	<u>50,413</u>	<u>197,980</u>	<u>1,360,944</u>
Total Fund Balances	<u>1,112,551</u>	<u>50,413</u>	<u>197,980</u>	<u>1,360,944</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,360,198</u>	<u>\$ 50,413</u>	<u>\$ 197,980</u>	<u>\$ 1,608,591</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Total
	State Street Aid Fund	Forfeiture Fund	Drug Fund	Nonmajor Governmental Funds
<u>REVENUES</u>				
Intergovernmental:				
State gasoline tax	\$ 1,347,143	\$ -	\$ -	\$ 1,347,143
Drug and other related fines, seizures, and sales	-	61,678	36,218	97,896
Uses of money and property	6,291	-	11,234	17,525
 Total Revenues	1,353,434	61,678	47,452	1,462,564
 <u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	626,308	-	-	626,308
Employee benefits	219,664	-	-	219,664
Other costs - maintenance and lighting	701,542	-	-	701,542
Capital outlay	128,228	-	-	128,228
 Program costs:				
Other costs	-	11,265	18,478	29,743
 Total Expenditures	1,675,742	11,265	18,478	1,705,485
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(322,308)	50,413	28,974	(242,921)
 FUND BALANCE - BEGINNING OF YEAR	1,434,859	-	169,006	1,603,865
 FUND BALANCE - END OF YEAR	\$ 1,112,551	\$ 50,413	\$ 197,980	\$ 1,360,944

CITY OF HENDERSONVILLE, TENNESSEE

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

STATE STREET AID FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Intergovernmental:				
Gasoline tax, State of Tennessee	\$ 1,400,000	\$ 1,400,000	\$ 1,347,143 *	\$ (52,857)
Uses of money and property	<u>3,000</u>	<u>3,000</u>	<u>6,291</u>	<u>3,291</u>
Total Revenues	<u>1,403,000</u>	<u>1,403,000</u>	<u>1,353,434</u>	<u>(49,566)</u>
<u>EXPENDITURES</u>				
Street Maintenance:				
Salaries	683,294	683,294	626,308	(56,986)
Employee benefits	283,666	283,666	219,664	(64,002)
Repairs and maintenance	450,000	1,013,858	863,779	(150,079)
Capital outlay	<u>85,000</u>	<u>85,000</u>	<u>128,228</u>	<u>43,228</u>
Total Expenditures and Encumbrances	<u>1,501,960</u>	<u>2,065,818</u>	<u>1,837,979</u>	<u>(227,839)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (98,960)</u>	<u>\$ (662,818)</u>	(484,545)	<u>\$ (277,405)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,075,389</u>	
FUND BALANCE - END OF YEAR			<u>\$ 590,844</u>	
* 1989 tax	\$ 148,224			
Three cent tax	275,105			
Gas and motor fuel tax	<u>923,814</u>			
	<u>\$ 1,347,143</u>			
Fund balance - end of year (non-GAAP)	\$ 590,844			
+ Current year encumbrances	<u>521,707</u>			
Fund balance - end of year (GAAP)	<u>\$ 1,112,551</u>			

CITY OF HENDERSONVILLE, TENNESSEE

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

DRUG FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
<u>REVENUES</u>				
Other:				
Uses of money and property	\$ 3,400	\$ 3,400	\$ 11,234	\$ 7,834
Drug related fines, seizures and sales	<u>50,000</u>	<u>50,000</u>	<u>36,218</u>	<u>(13,782)</u>
Total Revenues	<u>53,400</u>	<u>53,400</u>	<u>47,452</u>	<u>(5,948)</u>
<u>EXPENDITURES</u>				
Program costs	29,900	29,900	18,478	(11,422)
Capital outlay	<u>23,500</u>	<u>23,500</u>	<u>-</u>	<u>(23,500)</u>
Total Expenditures and Encumbrances	<u>53,400</u>	<u>53,400</u>	<u>18,478</u>	<u>(34,922)</u>
EXCESS OF REVENUES OVER				
EXPENDITURES AND ENCUMBRANCES	<u>\$ -</u>	<u>\$ -</u>	28,974	<u>\$ (40,870)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>165,758</u>	
FUND BALANCE - END OF YEAR			<u>\$ 194,732</u>	

CITY OF HENDERSONVILLE, TENNESSEE

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

TRAINING AND TEEN ACTIVITY AGENCY FUND

JUNE 30, 2015

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
<u>ASSETS</u>				
Cash	<u>\$ 31,062</u>	<u>\$ 4,414</u>	<u>\$ 5,062</u>	<u>\$ 30,414</u>
<u>LIABILITIES</u>				
Liabilities	<u>\$ 31,062</u>	<u>\$ -</u>	<u>\$ 648</u>	<u>\$ 30,414</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING BALANCE SHEET

NONMAJOR COMPONENT UNITS

JUNE 30, 2015

	Component Units			
	<u>Arts Council</u>	<u>Beautiful Hendersonville</u>	<u>Industrial Development</u>	<u>Total</u>
ASSETS				
Cash	\$ 22,056	\$ 12,623	\$ 168,420	\$ 203,099
Accounts receivable	-	-	4,569	4,569
Land and construction in process	-	-	10,852	10,852
Capital assets, net	<u>29,734</u>	<u>-</u>	<u>-</u>	<u>29,734</u>
TOTAL ASSETS	<u>51,790</u>	<u>12,623</u>	<u>183,841</u>	<u>248,254</u>
LIABILITIES				
Accounts payable	-	-	5,754	5,754
Accrued expenses	<u>1,294</u>	<u>-</u>	<u>-</u>	<u>1,294</u>
TOTAL LIABILITIES	<u>1,294</u>	<u>-</u>	<u>5,754</u>	<u>7,048</u>
NET POSITION				
Net investment in capital assets	29,734	-	10,852	40,586
Unrestricted	<u>20,762</u>	<u>12,623</u>	<u>167,235</u>	<u>200,620</u>
TOTAL NET POSITION	<u>\$ 50,496</u>	<u>\$ 12,623</u>	<u>\$ 178,087</u>	<u>\$ 241,206</u>

CITY OF HENDERSONVILLE, TENNESSEE

COMBINING STATEMENT OF ACTIVITIES

NONMAJOR COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2015

	Component Units			Total
	Arts Council	Beautiful Hendersonville	Industrial Development	
REVENUES				
Charges for services	\$ 37,713	\$ -	\$ 54,173	\$ 91,886
Operating grants and contributions	29,857	6,500	-	36,357
Interest income	84	-	280	364
TOTAL REVENUE	<u>67,654</u>	<u>6,500</u>	<u>54,453</u>	<u>128,607</u>
EXPENSES				
Operating expenses	<u>72,723</u>	<u>9,468</u>	<u>56,810</u>	<u>139,001</u>
CHANGE IN NET POSITION	(5,069)	(2,968)	(2,357)	(10,394)
NET POSITION - BEGINNING OF YEAR	<u>55,565</u>	<u>15,591</u>	<u>180,444</u>	<u>251,600</u>
NET POSITION - END OF YEAR	<u>\$ 50,496</u>	<u>\$ 12,623</u>	<u>\$ 178,087</u>	<u>\$ 241,206</u>

FINANCIAL SCHEDULE SECTION

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

JUNE 30, 2015

<u>Tax Year</u>		<u>Taxes Receivable July 1, 2014</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2015</u>
2004	*	4,997	-	(4,997)	-
2005	*	4,815	-	-	4,815
2006	*	3,595	-	(98)	3,497
2007	*	7,615	-	(712)	6,903
2008	*	29,470	-	(2,916)	26,554
2009	*	28,170	-	(4,511)	23,659
2010	*	37,088	-	(11,354)	25,734
2011	*	38,475	-	(18,128)	20,347
2012	*	89,839	-	(40,467)	49,372
2013	*	204,458	-	(126,857)	77,601
2014		<u>-</u>	<u>9,816,055</u>	<u>(9,606,788)</u>	<u>209,267</u>
		<u>\$ 448,522</u>	<u>\$ 9,816,055</u>	<u>\$ (9,816,828)</u>	447,749
2015	**				<u>11,700,000</u>
Taxes receivable					<u>\$ 12,147,749</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, 2015

Assessment Year		Taxes Receivable July 1, 2014	Assessments	Collections and Adjustments	Taxes Receivable June 30, 2015
2005	*	\$ 131	\$ -	\$ -	\$ 131
2006	*	270	-	(135)	135
2007	*	1,050	-	(630)	420
2008	*	2,398	-	(1,090)	1,308
2009	*	5,104	-	(2,088)	3,016
2010	*	7,502	-	(4,114)	3,388
2011	*	12,852	-	(6,804)	6,048
2012	*	31,365	-	(16,575)	14,790
2013	*	79,167	-	(54,303)	24,864
2014		<u>-</u>	<u>4,468,169</u>	<u>(4,383,042)</u>	<u>85,127</u>
		<u>\$ 139,839</u>	<u>\$ 4,468,169</u>	<u>\$ (4,468,781)</u>	<u>\$ 139,227</u>

* Turned over to County Clerk for collections.

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF LONG TERM DEBT REQUIREMENTS (GOVERNMENTAL ACTIVITIES)

JUNE 30, 2015

Fiscal Year	Capital Outlay Notes - 2004		Capital Outlay Notes - 2011		Capital Outlay Refunding Notes - 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 175,000	\$ 6,125	\$ 342,000	\$ 87,697	\$ 1,520,000	\$ 93,350
2017	-	-	342,000	76,719	1,105,000	47,525
2018	-	-	342,000	65,741	575,000	22,325
2019	-	-	342,000	54,763	100,000	12,700
2020	-	-	342,000	43,784	100,000	10,700
2021	-	-	342,000	32,806	100,000	8,700
2022	-	-	342,000	21,828	100,000	6,700
2023	-	-	338,000	10,850	95,000	4,750
2024	-	-	-	-	95,000	2,850
2025	-	-	-	-	95,000	950
2026	-	-	-	-	-	-
Total	\$ 175,000	\$ 6,125	\$ 2,732,000	\$ 394,188	\$ 3,885,000	\$ 210,550

Fiscal Year	Capital Outlay Notes - 2013		Obligation to County School System		Total	Total	Total Long-Term
	Principal	Interest	Principal	Interest	Principal	Interest	Debt
2016	\$ 104,167	\$ 28,276	\$ 197,426	\$ -	\$ 2,338,593	\$ 215,448	\$ 2,554,041
2017	104,166	25,776	197,426	-	1,748,592	150,020	1,898,612
2018	104,167	23,135	197,426	-	1,218,593	111,201	1,329,794
2019	104,166	20,564	197,425	-	743,591	88,027	831,618
2020	104,167	17,993	-	-	546,167	72,477	618,644
2021	104,166	15,465	-	-	546,166	56,971	603,137
2022	104,167	12,853	-	-	546,167	41,381	587,548
2023	104,166	10,282	-	-	537,166	25,882	563,048
2024	104,167	7,712	-	-	199,167	10,562	209,729
2025	104,167	5,155	-	-	199,167	6,105	205,272
2026	104,167	2,570	-	-	104,167	2,570	106,737
Total	\$ 1,145,833	\$ 169,781	\$ 789,703	\$ -	\$ 8,727,536	\$ 780,644	\$ 9,508,180

CITY OF HENDERSONVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

<u>Grant Description</u>	<u>Federal CFDA#</u>	<u>Grant Number</u>	<u>(Accrued) Deferred 7/1/14</u>	<u>Federal Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred 6/30/15</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<u>Passed through the Tennessee Department of Economic and Community Development:</u>						
Community Development Block Grant	14.218 *		\$ (9,642)	\$ 226,648	\$ 224,287	\$ (7,281)
Community Development Block Grant: Small City Disaster Recovery	14.228		-	65,950	66,300	(350)
<u>Passed through the Tennessee Housing Development</u>						
Emergency Solutions Grant Program	14.231	ESG-12-13	-	10,030	10,030	-
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>(9,642)</u>	<u>302,628</u>	<u>300,617</u>	<u>(7,631)</u>
US DEPARTMENT OF JUSTICE						
Bulletproof Vest Partnership Program	16.607		(13,755)	13,755	7,958	(7,958)
TOTAL US DEPARTMENT OF JUSTICE			<u>(13,755)</u>	<u>13,755</u>	<u>7,958</u>	<u>(7,958)</u>
US DEPARTMENT OF HOMELAND SECURITY / FEDERAL EMERGENCY MANAGEMENT						
<u>Passed through Metro Nashville and Davidson County, TN</u>						
Port Security Grant Program	97.056		(216,982)	216,982	-	-
<u>Passed through Federal Emergency Management</u>						
Assistance to Firefighters Program	97.044		-	-	96,678	(96,678)
TOTAL US DEPARTMENT OF HOMELAND SECURITY			<u>(216,982)</u>	<u>216,982</u>	<u>96,678</u>	<u>(96,678)</u>
US DEPARTMENT OF TRANSPORTATION						
<u>Passed through the Tennessee Department of Transportation</u>						
Highway Planning and Construction Cluster: Transportation Enhancement Program	20.205	090183	(71,323)	141,684	155,070	(84,709)
Highway Planning and Construction Cluster: Congestion Mitigation/Air Quality Grant Traffic Sign Upgrade Project	20.205	CPD060152voucher	(45,522)	2,212	-	(43,310)
Highway Planning and Construction Cluster: Greenway Grant	20.205	CM-9307(16)	(49,248)	-	39,515	(88,763)
Highway Planning and Construction Cluster: Safe Route to Schools Program	20.205	SRTS-8300(75)	(17,175)	544	143,125	(159,756)
Total Highway Planning and Construction Cluster			<u>(183,268)</u>	<u>144,440</u>	<u>337,710</u>	<u>(376,538)</u>
State and Community Highway Safety: Speed Enforcement/DUI Enforcement and Traffic Safety	20.600		-	2,201	59,240	(57,039)
Alcohol Open Container Requirements: DUI Enforcement Program	20.607	154AL-13-105	(12,822)	12,822	-	-
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>(196,090)</u>	<u>159,463</u>	<u>396,950</u>	<u>(433,577)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ (436,469)</u>	<u>\$ 692,828</u>	<u>\$ 802,203</u>	<u>\$ (545,844)</u>

* Considered a major program under OMB Circular A-133.

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the grant activity of the City of Hendersonville, Tennessee, and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Summary of Expenditures by CFDA Number

14.218	224,287
14.228	66,300
14.231	10,030
16.607	7,958
20.205	337,710
20.600	59,240
97.044	96,678
Total	\$ 802,203

FINANCIAL SCHEDULE SECTION

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

STATISTICAL INFORMATION

STATISTICAL SECTION

(Not Covered by Report of Independent Certified Public Accountants)

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

CONTENTS

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

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

CITY OF HENDERSONVILLE

NET ASSETS/POSITION BY COMPONENT (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 1

(Prepared using the accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 30,999,923	\$ 30,285,633	\$ 41,305,856	\$ 44,159,515	\$ 48,621,776	\$ 47,902,266	\$ 50,385,520	\$ 59,308,345	\$ 60,427,388	\$ 52,388,396
Restricted for										
Street maintenance	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167	1,989,933	1,668,231
Public works	-	-	-	-	-	470,009	450,727	440,630	443,905	471,249
Law enforcement	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651
Solid waste disposal	56,042	48,770	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-
Parks	-	-	-	-	-	131,732	25,911	25,912	-	-
Capital projects	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409
Unrestricted	<u>5,698,313</u>	<u>5,391,847</u>	<u>5,070,525</u>	<u>2,797,825</u>	<u>3,948,024</u>	<u>5,183,053</u>	<u>4,389,697</u>	<u>4,672,865</u>	<u>4,237,502</u>	<u>10,360,224</u>
Total governmental activities net position	<u>\$ 38,693,089</u>	<u>\$ 41,114,366</u>	<u>\$ 48,551,613</u>	<u>\$ 48,531,495</u>	<u>\$ 54,011,976</u>	<u>\$ 55,605,624</u>	<u>\$ 57,340,541</u>	<u>\$ 67,985,519</u>	<u>\$ 67,506,207</u>	<u>\$ 65,278,160</u>
Business-type activities										
Net investment in capital assets	\$ 2,171,944	\$ 2,239,044	\$ 2,329,881	\$ 2,085,220	\$ 1,847,088	\$ 1,630,246	\$ 1,424,832	\$ 1,422,028	\$ 1,191,349	\$ 1,122,051
Unrestricted	<u>37,459</u>	<u>85,608</u>	<u>79,263</u>	<u>26,690</u>	<u>21,626</u>	<u>63,105</u>	<u>110,100</u>	<u>91,840</u>	<u>100,562</u>	<u>125,104</u>
Total business-type activities net position	<u>\$ 2,209,403</u>	<u>\$ 2,324,652</u>	<u>\$ 2,409,144</u>	<u>\$ 2,111,910</u>	<u>\$ 1,868,714</u>	<u>\$ 1,693,351</u>	<u>\$ 1,534,932</u>	<u>\$ 1,513,868</u>	<u>\$ 1,291,911</u>	<u>\$ 1,247,155</u>
Primary government										
Net investment in capital assets	\$ 33,171,867	\$ 32,524,677	\$ 43,635,737	\$ 46,244,735	\$ 50,468,864	\$ 49,532,512	\$ 51,810,352	\$ 60,954,601	\$ 61,618,737	\$ 53,510,447
Restricted for:										
Street maintenance	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	1,884,939	1,989,933	1,668,231
Public works	-	-	-	-	-	470,009	450,727	440,630	443,905	471,249
Law enforcement	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854	257,651
Solid waste disposal	56,042	48,770	73,254	83,171	94,593	87,066	113,876	98,291	92,112	-
Parks	-	-	-	-	-	131,732	25,911	25,912	-	-
Capital projects	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513	132,409
Unrestricted	<u>5,735,772</u>	<u>5,477,455</u>	<u>5,149,788</u>	<u>2,824,515</u>	<u>3,969,650</u>	<u>5,246,158</u>	<u>4,499,797</u>	<u>4,764,705</u>	<u>4,338,064</u>	<u>10,485,328</u>
Total primary government net position	<u>\$ 40,902,492</u>	<u>\$ 43,439,018</u>	<u>\$ 50,960,757</u>	<u>\$ 50,643,405</u>	<u>\$ 55,880,690</u>	<u>\$ 57,298,975</u>	<u>\$ 58,875,473</u>	<u>\$ 69,499,387</u>	<u>\$ 68,798,118</u>	<u>\$ 66,525,315</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
Governmental Activities:										
General government	\$ 1,408,429	\$ 1,181,062	\$ 593,417	\$ 706,185	\$ 687,810	\$ 642,965	\$ 588,385	\$ 599,373	\$ 611,768	\$ 511,914
Personnel	221,204	244,465	252,370	285,501	274,723	285,927	275,582	287,082	307,249	295,704
Central services	1,119,028	1,127,625	994,299	1,010,125	1,309,030	1,511,175	1,492,771	1,599,478	1,794,169	1,923,094
Finance	587,206	745,584	780,228	797,628	753,474	754,467	772,429	943,891	900,653	836,380
Parks	1,613,232	1,896,487	1,626,631	2,042,299	1,883,622	1,757,196	1,717,639	1,901,842	1,967,782	1,899,688
Information technology	-	-	-	-	-	-	-	-	-	237,969
Codes	631,317	710,269	732,449	740,489	679,194	682,307	701,823	744,323	766,109	700,171
Planning	394,351	467,003	542,555	607,884	473,810	473,752	523,417	506,212	752,671	807,010
Police	6,171,472	7,004,505	7,557,764	8,958,105	8,528,358	8,299,857	9,373,511	9,556,547	10,190,417	9,845,376
Fire	5,522,949	6,832,815	7,076,497	7,661,739	7,554,008	7,744,910	7,808,722	8,755,714	9,364,318	8,490,945
Contributions	254,300	232,499	264,500	270,499	228,750	228,750	228,750	228,750	233,150	234,650
Disposal service	3,035,687	2,658,985	3,912,036	4,130,275	4,262,827	4,368,646	4,580,896	4,690,339	4,822,061	4,997,329
Program costs	21,545	50,628	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743
Streets and public works	4,081,709	4,571,989	4,895,167	5,693,289	6,457,369	6,860,051	6,425,222	7,363,860	7,521,104	7,808,136
Interest expense on long-term debt	356,467	465,250	483,725	432,749	392,414	423,681	432,096	350,448	264,699	225,080
Total governmental activities	<u>25,418,896</u>	<u>28,189,166</u>	<u>29,740,140</u>	<u>33,465,750</u>	<u>33,549,074</u>	<u>34,081,418</u>	<u>34,962,976</u>	<u>37,543,624</u>	<u>39,513,692</u>	<u>38,843,189</u>
Business-type activities:										
Golf Course	\$ 1,042,020	\$ 986,867	\$ 960,704	\$ 939,804	\$ 933,196	\$ 925,247	\$ 966,007	\$ 968,630	\$ 985,162	\$ 840,726
Total business-type activities	<u>1,042,020</u>	<u>986,867</u>	<u>960,704</u>	<u>939,804</u>	<u>933,196</u>	<u>925,247</u>	<u>966,007</u>	<u>968,630</u>	<u>985,162</u>	<u>840,726</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 26,460,916	\$ 29,176,033	\$ 30,700,844	\$ 34,405,554	\$ 34,482,270	\$ 35,006,665	\$ 35,928,983	\$ 38,512,254	\$ 40,498,854	\$ 39,683,915
PROGRAM REVENUES										
Governmental Activities:										
Charges for services:										
Finance	\$ 55,396	\$ 66,329	\$ 69,743	\$ 54,348	\$ 60,804	\$ 77,333	\$ 72,043	\$ 70,076	\$ 75,056	\$ 67,928
Parks	96,600	126,046	158,108	150,346	124,564	135,658	153,723	146,694	163,007	181,003
Codes	840,271	787,951	592,805	644,111	367,518	468,239	666,318	507,924	764,866	1,172,941
Planning	178,274	227,786	172,070	146,420	40,576	109,377	161,002	84,560	173,005	64,938
Police	686,233	645,720	760,631	947,882	1,337,492	589,465	579,650	562,545	530,827	615,558
Fire	-	-	-	-	-	-	-	-	-	146,736
Disposal service	1,908,849	2,041,235	3,240,741	3,415,862	3,670,260	3,925,625	4,117,835	4,214,169	4,328,291	4,491,716
Operating grants and contributions	1,433,940	2,241,103	1,832,207	1,834,293	2,300,116	2,778,686	2,420,534	1,717,007	1,981,342	1,693,631
Capital grants and contributions	5,649,304	3,447,853	8,493,351	3,201,675	7,037,438	3,103,597	3,440,122	14,603,705	2,690,020	4,366,166
Total governmental activities and program revenues	<u>10,848,867</u>	<u>9,584,023</u>	<u>15,319,656</u>	<u>10,394,937</u>	<u>14,938,768</u>	<u>11,187,980</u>	<u>11,611,227</u>	<u>21,906,680</u>	<u>10,706,414</u>	<u>12,800,617</u>
Business-type activities:										
Charges for services:										
Golf course	856,855	826,529	772,321	670,906	689,675	749,422	807,223	773,593	807,896	840,650
Total business-type activities program revenues	<u>856,855</u>	<u>826,529</u>	<u>772,321</u>	<u>670,906</u>	<u>689,675</u>	<u>749,422</u>	<u>807,223</u>	<u>773,593</u>	<u>807,896</u>	<u>840,650</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 11,705,722	\$ 10,410,552	\$ 16,091,977	\$ 11,065,843	\$ 15,628,443	\$ 11,937,402	\$ 12,418,450	\$ 22,680,273	\$ 11,514,310	\$ 13,641,267
NET (EXPENSE)/REVENUE										
Governmental activities	\$ (14,570,029)	\$ (18,605,143)	\$ (14,420,484)	\$ (23,070,813)	\$ (18,610,306)	\$ (22,893,438)	\$ (23,351,749)	\$ (15,636,944)	\$ (28,807,278)	\$ (26,042,572)
Business-type activities	(185,165)	(160,338)	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)	(195,037)	(177,266)	(76)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (14,755,194)	\$ (18,765,481)	\$ (14,608,867)	\$ (23,339,711)	\$ (18,853,827)	\$ (23,069,263)	\$ (23,510,533)	\$ (15,831,981)	\$ (28,984,544)	\$ (26,042,648)

CITY OF HENDERSONVILLE

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

LAST TEN FISCAL YEARS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS/POSITION										
Governmental activities:										
Taxes										
Property and in lieu of taxes	\$ 6,993,974	\$ 7,309,107	\$ 7,708,908	\$ 7,988,540	\$ 10,036,138	\$ 10,203,015	\$ 10,395,977	\$ 10,466,430	\$ 10,635,693	\$ 10,733,814
Sales	6,568,733	7,208,772	7,628,028	7,674,560	7,746,831	7,991,077	8,706,782	9,358,299	10,020,450	10,683,972
Wholesale beer tax	703,780	725,754	763,795	798,626	800,715	845,027	887,003	929,388	944,129	956,362
Wholesale liquor tax	221,358	238,686	248,822	263,527	277,440	292,612	319,398	351,331	417,539	477,604
Business tax	654,954	676,959	760,137	731,455	734,085	743,685	761,176	974,806	882,621	986,136
Unrestricted state shared taxes:										
Franchise taxes	479,937	566,317	611,064	634,312	645,408	669,313	730,581	757,106	779,309	834,214
State shared sales tax	2,732,819	3,062,298	3,062,261	2,810,541	2,752,025	2,911,237	3,487,993	3,555,315	3,675,558	3,844,821
State shared income tax	313,260	515,505	630,543	450,178	351,594	382,750	445,897	602,307	633,813	814,449
State shared beer tax	20,312	22,819	23,252	22,197	21,390	22,518	25,218	25,399	24,308	24,570
State shared alcoholic beverage tax	97,566	145,071	168,927	198,508	202,476	238,321	134,151	138,950	152,711	160,452
Unrestricted other state shared taxes	227,107	251,229	227,520	266,036	153,046	120,021	16,518	23,298	37,918	27,122
Unrestricted investment earnings	319,910	495,903	372,161	71,981	28,763	47,824	53,998	34,283	21,922	23,015
Other	100,006	69,850	230,986	94,380	340,876	19,686	123,607	68,035	57,118	133,002
Special item	-	-	701,156	-	-	-	-	-	-	(6,351,071)
Transfers	(263,900)	(261,850)	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877
Total government activities	<u>19,169,816</u>	<u>21,026,420</u>	<u>22,873,585</u>	<u>22,034,841</u>	<u>24,090,787</u>	<u>24,487,086</u>	<u>26,088,299</u>	<u>27,111,307</u>	<u>28,327,966</u>	<u>23,393,339</u>
Business-type activities										
Investment earnings	9,398	13,737	8,900	1,664	325	462	365	333	186	197
Transfers	263,900	261,850	263,975	(30,000)	-	-	-	173,640	(44,877)	(44,877)
Total business-type activities	<u>273,298</u>	<u>275,587</u>	<u>272,875</u>	<u>(28,336)</u>	<u>325</u>	<u>462</u>	<u>365</u>	<u>173,973</u>	<u>(44,691)</u>	<u>(44,680)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 19,443,114</u>	<u>\$ 21,302,007</u>	<u>\$ 23,146,460</u>	<u>\$ 22,006,505</u>	<u>\$ 24,091,112</u>	<u>\$ 24,487,548</u>	<u>\$ 26,088,664</u>	<u>\$ 27,285,280</u>	<u>\$ 28,283,275</u>	<u>\$ 23,348,659</u>
CHANGE IN NET POSITION										
Governmental activities	\$ 4,599,787	\$ 2,421,277	\$ 8,453,101	\$ (1,035,972)	\$ 5,480,481	\$ 1,593,648	\$ 2,736,550	\$ 11,474,363	\$ (479,312)	\$ (2,649,233)
Business-type activities	88,133	115,249	84,492	(297,234)	(243,196)	(175,363)	(158,419)	(21,064)	(221,957)	(44,756)
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,687,920</u>	<u>\$ 2,536,526</u>	<u>\$ 8,537,593</u>	<u>\$ (1,333,206)</u>	<u>\$ 5,237,285</u>	<u>\$ 1,418,285</u>	<u>\$ 2,578,131</u>	<u>\$ 11,453,299</u>	<u>\$ (701,269)</u>	<u>\$ (2,693,989)</u>

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

CITY OF HENDERSONVILLE

FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 3

(Prepared using the modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Funds:										
General Fund										
Reserved	\$ 808,068	\$ 645,800	\$ 333,093	\$ 539,687	\$ 444,487	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved and undesignated	5,185,690	5,453,492	6,472,077	3,058,149	4,184,523	-	-	-	-	-
Nonspendable	-	-	-	-	-	7,641	4,155	17,493	73,510	278,000
Restricted	-	-	-	-	-	642,485	519,482	1,035,950	991,591	1,036,187
Committed	-	-	-	-	-	601,122	277,622	274,997	267,175	836,158
Assigned	-	-	-	-	-	2,830,717	3,681,641	4,593,972	4,760,199	3,015,185
Unassigned	-	-	-	-	-	2,398,065	2,179,647	1,802,256	1,030,329	2,829,182
Total general fund	<u>\$ 5,993,758</u>	<u>\$ 6,099,292</u>	<u>\$ 6,805,170</u>	<u>\$ 3,597,836</u>	<u>\$ 4,629,010</u>	<u>\$ 6,480,030</u>	<u>\$ 6,662,547</u>	<u>\$ 7,724,668</u>	<u>\$ 7,122,804</u>	<u>\$ 7,994,712</u>
All Other Governmental Funds										
Reserved	\$ 184,624	\$ 158,885	\$ 332,791	\$ 379,420	\$ 88,397	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in Special Revenue Funds	444,365	644,643	778,917	469,389	699,561	-	-	-	-	-
Unreserved reported in Capital Projects Funds	1,203,996	4,474,314	893,314	540,575	458,818	-	-	-	-	-
Nonspendable reported in Special Revenue Funds	-	-	-	-	-	-	-	-	2,535	-
Restricted reported in Special Revenue Funds	-	-	-	-	-	985,029	1,343,940	1,358,574	1,601,330	1,360,944
Restricted reported in Capital Projects Fund	-	-	-	-	-	3,911,075	3,714,801	3,672,665	4,242,382	3,270,823
Total all other governmental funds	<u>\$ 1,832,985</u>	<u>\$ 5,277,842</u>	<u>\$ 2,005,022</u>	<u>\$ 1,389,384</u>	<u>\$ 1,246,776</u>	<u>\$ 4,896,104</u>	<u>\$ 5,058,741</u>	<u>\$ 5,031,239</u>	<u>\$ 5,846,247</u>	<u>\$ 4,631,767</u>
Total	<u>\$ 7,826,743</u>	<u>\$ 11,377,134</u>	<u>\$ 8,810,192</u>	<u>\$ 4,987,220</u>	<u>\$ 5,875,786</u>	<u>\$ 11,376,134</u>	<u>\$ 11,721,288</u>	<u>\$ 12,755,907</u>	<u>\$ 12,969,051</u>	<u>\$ 12,626,479</u>

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

Fiscal year 2013 restated

CITY OF HENDERSONVILLE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

Schedule 4

(Prepared using the modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	\$ 14,963,046	\$ 16,243,459	\$ 17,043,363	\$ 17,415,237	\$ 19,351,811	\$ 20,195,166	\$ 20,870,520	\$ 22,129,587	\$ 22,914,476	\$ 23,829,117
Intergovernmental	5,610,926	6,309,858	9,246,121	5,917,568	6,238,810	7,519,303	8,100,213	10,924,360	8,120,595	7,424,580
Fines and fees	662,387	619,424	746,059	878,035	1,310,800	576,941	572,903	595,632	550,316	514,335
Licenses and permits	1,498,482	1,582,054	1,375,939	1,424,843	1,053,502	1,553,604	1,560,101	1,349,590	1,717,180	2,202,399
Charges for services	2,000,942	2,174,553	3,374,365	3,556,291	3,783,402	4,068,810	4,244,748	4,376,448	4,497,477	4,651,311
Uses of money, property and miscellaneous	319,910	495,903	372,161	71,981	28,763	47,824	53,998	34,283	21,922	37,749
Other	367,996	401,937	1,035,956	489,425	646,712	244,426	220,291	1,297,224	182,985	319,257
TOTAL REVENUES	25,423,689	27,827,188	33,193,964	29,753,380	32,413,800	34,206,074	35,622,774	40,707,124	38,004,951	38,978,748
EXPENDITURES										
General government	1,327,373	1,060,434	492,361	474,199	428,039	413,716	389,440	396,272	427,151	434,423
Personnel	216,712	242,412	251,184	281,799	271,999	283,047	272,531	287,784	305,524	315,919
Central services	1,119,028	1,127,625	994,299	1,010,125	1,309,030	2,019,106	1,492,771	1,599,478	1,794,169	1,894,510
Finance	578,727	739,805	764,684	799,187	756,401	748,831	775,140	852,925	905,613	877,973
Parks	1,395,845	1,609,638	1,419,812	1,699,832	1,648,418	1,894,255	1,481,399	1,629,574	1,684,978	1,700,430
IT	-	-	-	-	-	-	-	-	-	219,792
Codes	614,269	685,365	711,759	730,889	666,632	667,854	686,682	736,517	748,439	738,692
Planning	391,886	457,525	535,719	618,420	476,882	468,096	520,495	505,872	749,722	847,660
Public works	1,365,249	1,802,708	1,895,908	1,814,496	2,108,999	2,022,238	2,094,358	2,169,770	2,097,416	1,967,093
Police	6,001,959	6,804,438	7,352,689	8,694,457	8,180,485	7,976,998	8,832,841	8,964,947	9,764,722	10,030,094
Fire	5,319,411	6,545,922	6,951,764	7,440,877	7,330,834	7,514,104	7,563,874	8,212,617	9,085,509	8,798,116
Contributions	254,300	232,499	264,500	270,499	228,750	228,750	228,750	233,150	234,650	
Disposal service	3,035,687	2,658,985	3,912,036	4,130,275	4,262,827	4,368,646	4,580,896	4,690,339	4,822,061	4,997,329
Program costs	21,545	55,628	28,502	128,983	63,685	47,734	41,734	15,766	17,543	29,743
Streets	870,947	850,136	936,659	952,132	1,195,641	1,514,493	1,014,149	1,388,321	1,369,890	1,964,121
Debt service - Principal	1,240,500	4,469,500	878,500	1,298,500	1,292,500	1,357,500	1,740,500	7,852,821	2,070,185	2,282,594
Debt service - Interest	225,327	461,510	513,495	445,026	407,461	377,401	447,936	391,010	299,374	284,817
Capital outlay	2,181,003	2,187,111	8,643,060	2,816,656	896,651	1,795,074	3,384,494	6,548,414	2,711,238	1,748,241
TOTAL EXPENDITURES	26,159,768	31,991,241	36,546,931	33,606,352	31,525,234	33,697,843	35,547,990	46,471,177	39,086,684	39,366,197
Excess of revenues over (under) expenditures	(736,079)	(4,164,053)	(3,352,967)	(3,852,972)	888,566	508,231	74,784	(5,764,053)	(1,081,733)	(387,449)
OTHER FINANCING SOURCES (USES)										
Bond, notes, premiums and leases	34,708	7,976,294	-	-	-	4,100,000	270,370	7,196,540	1,250,000	-
Operating transfers	(263,900)	(261,850)	(263,975)	30,000	-	-	-	(173,640)	44,877	44,877
Insurance recoveries	-	-	-	-	-	892,117	-	-	-	-
Total other financing sources (uses)	(229,192)	7,714,444	(263,975)	30,000	-	4,992,117	270,370	7,022,900	1,294,877	44,877
Special item	-	-	1,050,000	-	-	-	-	-	-	-
Net Change in Fund Balance	\$ (965,271)	\$ 3,550,391	\$ (2,566,942)	\$ (3,822,972)	\$ 888,566	\$ 5,500,348	\$ 345,154	\$ 1,258,847	\$ 213,144	\$ (342,572)
Debt service as a percentage of noncapital expenditures	6.1 %	16.5 %	5.0 %	5.7 %	5.6 %	5.4 %	6.8 %	20.6 %	6.5 %	6.8 %

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

Schedule 5

Fiscal Year	Appraised Value					Assessed Value	Total Direct Tax Rate*
	Public Utility	Industrial & Commercial	Personal Property	Farm & Residential	Total		
2006	28,546,091	696,519,100	127,578,753	3,041,171,851	3,893,815,795	916,533,750	0.7200
2007	31,533,033	694,113,900	127,597,644	3,041,650,600	3,894,895,177	1,096,630,300	0.7200
2008	32,231,847	714,539,900	130,175,074	3,241,768,800	4,118,715,621	1,154,977,767	0.6297
2009	29,701,187	799,617,300	144,585,943	3,345,741,100	4,319,645,530	1,212,064,158	0.6297
2010	31,853,224	1,103,546,600	156,425,536	3,787,793,400	5,079,618,760	1,486,187,231	0.6297
2011	31,556,364	1,115,290,200	155,128,797	3,859,545,700	5,161,521,061	1,487,054,923	0.6500
2012	31,619,300	1,105,379,400	140,713,230	3,885,920,300	5,163,632,230	1,491,078,308	0.6500
2013	34,220,698	1,114,115,592	148,286,650	4,033,122,692	5,329,745,632	1,502,346,000	0.6500
2014	34,152,322	1,138,818,536	146,558,705	3,999,566,826	5,319,096,389	1,508,433,723	0.6500
2015	31,405,034	1,556,000,366	148,768,010	3,579,314,374	5,315,487,784	1,510,742,858	0.6500

Property is assessed as follows:

Industrial and Commercial:	40%
Real	30%
Personal	
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
2006	\$ 0.7200	2.5900	3.3100
2007	0.6297	2.2800	2.9097
2008	0.6297	2.2800	2.9097
2009	0.6297	2.2800	2.9097
2010	0.6500	2.0208	2.6708
2011	0.6500	2.0208	2.6708
2012	0.6500	2.0208	2.6708
2013	0.6500	2.0208	2.6708
2014	0.6500	2.0208	2.6708
2015	0.6500	2.5000	3.1500

Source - County Tax Assessor

The Direct Rate is a single rate with no components

Levied per \$100 of assessed value

** Levied on County property within the City

Source: City tax rolls

City of Hendersonville, Tennessee

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

Schedule 7

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total Assessed Value	Taxable Assessed Value	Rank	Percent of Total Assessed Value
Inland American Hendersonville	\$ 19,200,520	1	1.33%			
Monthaven Park LLC	12,656,680	2	0.87%			
Hendersonville Hospital/HCA Realty	11,086,255	3	0.77%	15,491,752	1	1.44%
Mid America Apartments	9,959,120	4	0.69%			
Grove @ Waterford	9,840,000	5	0.68%			
Wal Mart Real Estate	7,944,280	7	0.55%			
Sir Cantare, LLC	7,722,000	6	0.53%			
DRG Hendersonville	6,730,800	8	0.46%			
Piedmont Natural Gas	6,653,244	9	0.46%	6,442,911	4	0.60%
Sams Club Real Estate	6,630,200	10	0.46%			
Cameron at Monthaven				10,493,186	2	0.97%
United Dominion Realty, LP				9,462,978	3	0.88%
CMS Hendersonville (Gables)				5,654,520	5	0.52%
Bellsouth				5,434,210	6	0.50%
Lowes/JDN Realty				4,201,462	7	0.39%
Home Depot				3,661,060	8	0.34%
Vastland Development				3,580,760	9	0.33%
Trinity Broadcast Network				3,556,384	10	0.33%
Totals	<u>\$ 98,423,099</u>		<u>6.80%</u>	<u>\$ 67,979,223</u>		<u>6.31%</u>
Total Assessed Value	<u>\$ 1,448,285,530</u>			<u>\$ 1,077,671,704</u>		

Source:

* Property Tax Assessment Roll

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>
2006	\$ 6,599,043	\$ 6,353,394	96%	\$ 240,834	\$ 6,594,228	99.93%	\$ 4,815	0.0730%
2007	6,905,481	6,720,765	97%	181,219	6,901,984	99.95%	3,497	0.0506%
2008	7,272,895	7,072,972	97%	193,020	7,265,992	99.91%	6,903	0.0949%
2009	7,632,368	7,380,922	97%	224,892	7,605,814	99.65%	26,554	0.3479%
2010	9,660,217	9,263,975	96%	372,583	9,636,558	99.76%	23,659	0.2449%
2011	9,665,857	9,343,593	97%	296,530	9,640,123	99.73%	25,734	0.2662%
2012	9,692,009	9,363,490	97%	308,172	9,671,662	99.79%	20,347	0.2099%
2013	9,765,249	9,550,408	98%	165,469	9,715,877	99.49%	49,372	0.5056%
2014	9,809,921	9,605,463	98%	126,857	9,732,320	99.21%	77,601	0.7910%
2015	9,814,009	9,604,742	98%	-	9,604,742	97.87%	209,267	2.1323%
							\$ 447,749	

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
2006	\$ 6,481,761	2.25%	7.00%	9.25%
2007	7,195,266	2.25%	7.00%	9.25%
2008	7,540,261	2.25%	7.00%	9.25%
2009	7,723,354	2.25%	7.00%	9.25%
2010	7,696,198	2.25%	7.00%	9.25%
2011	7,997,611	2.25%	7.00%	9.25%
2012	8,621,073	2.25%	7.00%	9.25%
2013	9,333,249	2.25%	7.00%	9.25%
2014	9,955,473	2.25%	7.00%	9.25%
2015	10,700,689	2.25%	7.00%	9.25%

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

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

Source: Sales tax reports provided by the State of Tennessee

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

Schedule 10

Fiscal Year	Population	Governmental Activities			Business-type activities	Total Primary Government	Percent of Personal Income	Debt Per Capita
		General Obligation Bonds	Obligation to County Schools	Capital Outlay Notes	Golf Course Bonds			
2006	42,509	\$ 3,355,706	\$ -	\$ 7,135,000	\$ 670,000	\$11,160,706	0.90%	263
2007	42,509	3,415,000	-	10,582,500	345,000	14,342,500	1.09%	337
2008	42,556	3,095,000	-	10,024,000	-	13,119,000	0.94%	308
2009	42,556	2,485,000	-	9,335,500	-	11,820,500	0.83%	278
2010	43,164	2,185,000	-	8,343,000	-	10,528,000	0.70%	244
2011	51,372	1,875,000	-	11,395,500	-	13,270,500	0.86%	258
2012	51,325	1,555,000	987,129	10,245,370	-	12,787,499	0.83%	249
2013	53,080	-	987,129	11,207,636	-	12,194,765	0.72%	230
2014	54,068	-	987,129	10,361,682	-	11,348,811	0.67%	210
2015	55,153	-	789,703	7,937,833	-	8,727,536	0.49%	158

Notes:

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

Debt includes related premiums and discounts

* See schedule 15 for personal income information

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

Schedule 11

Fiscal Year	Population	Estimated Appraised Value	General Obligation Bonds	Obligation to County Schools	Capital Notes	Total	Ratio of General Obligation Debt to Appraised Value	Net General Obligation Debt Per Capita
2006	42,509	\$3,893,815,795	\$ 3,355,706	\$ -	\$ 7,135,000	\$ 10,490,706	0.27%	247
2007	42,509	3,894,895,177	3,415,000	-	10,582,500	13,997,500	0.36%	329
2008	42,556	4,118,715,621	3,095,000	-	10,024,000	13,119,000	0.32%	308
2009	42,556	4,319,645,530	2,485,000	-	9,335,500	11,820,500	0.27%	278
2010	43,164	5,079,618,760	2,185,000	-	8,343,000	10,528,000	0.21%	244
2011	51,372	5,161,521,061	1,875,000	-	11,395,500	13,270,500	0.26%	258
2012	51,325	5,163,632,230	1,555,000	987,129	10,245,370	12,787,499	0.25%	249
2013	53,080	5,329,745,632	-	987,129	11,207,636	12,194,765	0.23%	230
2014	54,068	5,319,096,389	-	987,129	10,361,682	11,348,811	0.21%	210
2015	55,153	5,315,487,784	-	789,703	7,937,833	8,727,536	0.16%	158

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

<u>Jurisdiction</u>	<u>General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City*</u>	<u>Amount Applicable to City*</u>
City of Hendersonville	\$ 8,727,536	100.00%	\$ 8,727,536
Sumner County	184,915,000	36.49%	67,473,986
Total	<u>\$ 193,642,536</u>		<u>\$ 76,201,522</u>

* Based upon Assessed Value of Property in

County:	\$ 4,140,247,715
City:	\$ 1,510,742,858

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

Schedule 13

Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Assessed Value	\$1,510,742,858	\$1,508,488,723	\$1,502,346,000	\$1,491,078,308	\$1,487,054,923	\$1,486,187,231	\$1,212,064,158	\$1,154,977,767	\$1,096,630,300	\$ 916,533,750
General Obligation Debt	8,727,536	11,348,811	12,194,765	12,787,499	13,270,500	10,528,000	11,820,500	13,119,000	13,997,500	10,490,706
Debt as a % of Assessed Value	0.58%	0.75%	0.81%	0.86%	0.89%	0.71%	0.98%	1.14%	1.28%	1.14%

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	
2006	\$ 866,253	\$ 762,190	\$ 104,063	\$ 310,000	\$ 46,894	\$ 356,894	0.29
2007	840,266	699,462	140,804	345,000	29,505	374,505	0.38
2008	781,221	693,926	87,295	345,000	11,176	356,176	0.25
2009	672,570	695,143	(22,573)	-	-	-	-
2010	690,000	695,064	(5,064)	-	-	-	-
2011	749,884	701,666	48,218	-	-	-	-
2012	807,588	760,594	46,994	-	-	-	-
2013	773,926	762,636	11,290	-	-	-	-
2014	808,082	746,725	61,357	-	-	-	-
2015	840,847	771,428	69,419	-	-	-	-

* Includes nonoperating revenues

** Net of depreciation and amortization

Note: The General Fund has made annual transfers to the Golf Course Fund to cover shortfalls.

The debt was paid off in fiscal year 2008

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

Schedule 15

<u>Year</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age*</u>	<u>Education Level in Years of Schooling*</u>	<u>School Enrollment**</u>	<u>Unemployment Rate**</u>
2006	42,509	\$ 1,244,621,011	\$ 29,279	36.2	14.1	12,239	4.6%
2007	42,509	1,319,181,797	31,033	36.2	14.2	12,582	3.3%
2008	42,556	1,392,006,760	32,710	37.0	14.2	12,891	5.3%
2009	42,556	1,415,753,008	33,268	37.7	14.2	13,242	10.5%
2010	43,164	1,500,725,952	34,768	37.5	14.2	13,140	8.1%
2011	51,372	1,545,372,504	30,082	38.0	14.2	13,452	8.3%
2012	51,325	1,539,750,000	30,000	38.7	14.8	12,785	6.8%
2013	53,080	1,704,876,520	32,119	37.8	14.8	13,857	6.8%
2014	54,068	1,766,509,696	32,672	37.8	14.8	16,224	5.5%
2015	55,153	1,782,324,348	32,316	37.8	14.8	14,206	4.8%

* Department of Labor, Research and Statistics

** Sumner Board of Education

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

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

Schedule 16

Employer	2015			2006		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	500	1	20.21%			
Xtend Healthcare	500	2	20.21%			
City of Hendersonville	309	3	12.49%	354	1	20.3%
Digital Connections, Inc.	200	4	8.08%	200	4	11.5%
MGM Windows	195	5	7.88%	120	6	6.9%
Aladdin Temp Rite	175	6	7.07%	240	2	13.8%
Sumner County YMCA	175	7	7.07%			
National Health Care	150	8	6.06%	120	7	6.9%
Windham Professionals	150	9	6.06%			
Nashville Wraps	120	10	4.85%			
Healthcare Management Resources				207	3	11.9%
Ferguson Harbor				180	5	10.3%
ITW Dynatech				114	8	6.5%
Betty Machine				109	9	6.3%
Sholodge				100	10	5.7%
Totals	<u>2,474</u>			<u>1,744</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government	4	4	4	5	6	6	6	6	6	6
Personnel	3	3	3	3	3	3	3	3	3	3
Central Service Ride	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	9	9	9	8
Parks	16	16	14	16	16	16	16	16	14	13
Codes	9	9	9	10	10	10	10	10	10	10
Planning	6	5	5	6	6	6	6	6	6	4
Police	127	121	119	123	121	121	121	113	104	102
Fire	101	101	103	104	104	104	104	97	97	82
Streets and Public Works	32	27	32	35	36	36	36	36	36	34
Information Technology**	2	n/a								
Golf Course*	6	6	6	5	5	5	5	5	5	5
	315	301	304	316	316	316	316	301	290	267

* Golf course workers are leased employees

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

Source: City Personnel Department

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

Schedule 18

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Calls	44,712	41,227	42,102	51,042	47,553	56,177	62,837	49,957	44,312	47,900
Fire										
Emergency Responses										
Fire Calls	4,658	4,181	4,166	4,600	4,568	4,250	4,250	4,100	4,000	4,000
Codes										
Building Permits Issued	618	628	579	439	504	492	539	716	786	946
Disposal Service										
Refuse Collected* (number of homes)	17,212	16,918	16,633	16,325	16,200	16,035	16,035	15,287	15,250	15,000
Golf Course										
Rounds Played	22,526	23,741	22,671	22,977	20,871	20,557	21,843	23,311	25802	22349

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Parks										
Acres	540	540	540	540	540	540	540	540	540	540
Parks	7	7	7	7	7	7	7	7	7	7
Lake Access	3	3	3	3	3	3	3	3	4	4
Picnic Areas	14	14	14	14	14	14	14	13	13	13
Tennis Courts	12	12	12	12	12	12	12	12	12	12
Picnic Shelters	23	23	23	24	24	24	24	23	18	18
Practice Areas	25	25	25	25	25	25	25	25	22	22
Soccer Fields	22	22	22	22	22	18	18	17	15	15
Softball Fields	15	15	15	15	15	15	15	15	15	15
Football Fields	2	2	2	2	2	2	2	2	2	2
Baseball Fields	16	16	16	16	16	16	16	16	16	16
Playgrounds	12	12	12	11	11	11	11	11	10	10
Sand Volleyball Courts (lighted)	3	3	3	3	3	3	3	3	3	3
One Mile Lighted Track/bike trail	1	1	1	1	1	1	1	1	1	1
In-Line Hockey Rink	2	2	2	2	2	2	2	2	2	2
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Skate Park	1	1	1	1	1	1	1	1	1	1
Lacrosse Field	2	2	2	2	2	2	2	2	1	-
Autos and Trucks	20	20	20	17	17	17	17	17	18	-
Codes										
Autos and Trucks	6	8	7	7	7	8	8	8	8	9
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Vehicles, Motorcycles and Boats	145	173	163	153	135	129	122	113	101	92
Fire										
Stations	6	6	6	6	6	6	6	6	5	5
Fire Trucks	12	12	11	11	11	11	11	11	10	10
Autos and Trucks	10	11	12	12	10	9	8	8	8	8
Fire Hydrants	2,190	2,190	2,170	2,000	2,000	2,000	2,000	1,700	1,700	1,700
Jet Skis	2	2	2	2	2	2	2	2	2	0
Fire Boat	1	1	1	1	1	1	1	1	1	0
Inflatable Boat with Motor	2	2	2	2	0	0	0	0	0	0
Streets and Public Works										
Streets (miles)	374	371	369	363	362	360	360	356	352	348
Street Lights	7,370	7,351	7,351	7,340	7,334	7,304	7,292	7,272	7,244	7,234
Traffic Signals	31	30	30	30	28	28	28	27	24	24

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

Source: Departments within City Hall

OTHER REPORTS SECTION



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

Board of Mayor and Aldermen
Hendersonville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, discretely presented component units (in the aggregate) and the aggregate remaining fund information of City of Hendersonville, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Hendersonville, Tennessee's basic financial statements, and have issued our report thereon dated December 23, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
December 23, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Mayor and Aldermen
Hendersonville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Hendersonville, Tennessee's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Hendersonville, Tennessee's major federal programs for the year ended June 30, 2015. The City of Hendersonville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Hendersonville, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hendersonville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, City of Hendersonville, Tennessee, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of City of Hendersonville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing for our audit of compliance, we considered City of Hendersonville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of City of Hendersonville's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
December 23, 2015

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number	Name of Federal Program
-------------	-------------------------

14.218	Community Development Block Grant
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF HENDERSONVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

PRIOR YEAR

2014-001 Status of Library Facility

Status: This finding has been resolved during 2015.

CURRENT YEAR

There are no current year audit findings.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

PRIOR YEAR

No findings noted.

CURRENT YEAR

No findings noted.