

**CITY OF HENDERSONVILLE, TENNESSEE**

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

(With Independent Auditor's Report Thereon)

Prepared by the Department of Finance

# CITY OF HENDERSONVILLE, TENNESSEE

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**CITY OF HENDERSONVILLE, TENNESSEE**

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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 22, 2014

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, 2014.

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.

Yeary, Howell & Associates, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Hendersonville’s financial statements for the year ended June 30, 2014. 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 54,068, with median family income well above average for the State of Tennessee. It is considered to be the 11<sup>th</sup> 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.						
<b>Vice Mayor</b> Matt Stamper	Mark A. Skidmore Rosa Long	Scott Sprouse Pat Campbell	Arlene 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, 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 2014. 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 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 continues to enhance its recreational program by adding a number of significant services and facilities to its Park System which include tennis courts, lacrosse fields, softball fields, soccer fields, and practice areas. The football, basketball and summer youth programs have been expanded to accommodate a larger volume of participants. Many fields are now lighted for nighttime activities. Portions of the pedestrian bicycle path project have been completed. An outdoor inline hockey rink and Frisbee-golf course are open as well as the Country Hills Golf course for public activities. Additional Park facilities and shelters were constructed which included the construction of a new dog park in FY 2014.
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.
6. The 40,000 square foot Hendersonville Public library is open and available for the citizens to enjoy.

7. The City is also working with the Tennessee Department of Transportation to construct the Freehill Road and Hwy 386 interchange at a cost of approximately five 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 near completion. 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 \$2,500 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.

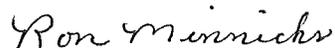
### **Awards and Acknowledgements**

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, 2013. This was the thirty first 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 Yeary, Howell & Associates, Certified Public Accountants was most helpful in reviewing the interpretations of financial presentation and disclosure requirements.

Respectfully submitted,



Ron Minnicks  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Hendersonville  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# CITY OF HENDERSONVILLE

## ORGANIZATION CHART

JUNE 30, 2014

CITIZENS

### LEGISLATIVE

BOARD OF MAYOR AND ALDERMEN

WARD <b>ONE</b> 2 MEMBER	WARD <b>TWO</b> 2 MEMBER	WARD <b>THREE</b> 2 MEMBER	MAYOR	WARD <b>FOUR</b> 2 MEMBER	WARD <b>FIVE</b> 2 MEMBER	WARD <b>SIX</b> 2 MEMBER
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### JUDICIAL

CITY ATTORNEY

### EXECUTIVE

VICE MAYOR

EXECUTIVE ASSISTANT/CITY RECORDER

MAYORAL ASSISTANT/ECD

### JUDICIAL

CITY JUDGE

### DEPARTMENTS

EXECUTIVE			PUBLIC WORKS
PARKS		FINANCE ADMINISTRATION	POLICE
CODES		PERSONNEL/HUMAN RESOURCES	FIRE
PLANNING			EMERG. MAN.

**OFFICIALS OF THE  
CITY OF HENDERSONVILLE, TENNESSEE**

**June 30, 2014**

Scott Foster  
Scott Sprouse  
Rosa Long  
Mark Skidmore  
Lisa West  
Arlene Cunningham  
Paul Goode  
Fred Qualls  
Don Ames  
Hamilton Frost, Jr.  
Darrell Woodcock  
Jim Waters  
Matt Stamper  
Fred Rogers  
Jamie Steele  
Ron Minnicks  
Dave LeMarbre  
Gerald Horton  
Leonard "Mickey" Miller  
Steve Mills  
Donald Long  
Kay Franklin  
Dana Swinea

Mayor  
Vice Mayor, Ward 2  
Alderman, Ward 1  
Alderman, Ward 1  
Alderman, Ward 2  
Alderman, Ward 3  
Alderman, Ward 3  
Alderman, Ward 4  
Alderman, Ward 4  
Alderman, Ward 4  
Alderman, Ward 5  
Alderman, Ward 5  
Alderman, Ward 6  
Alderman, Ward 6  
Planning Director  
Fire Chief  
Director of Finance  
Parks Director  
Public Works Director  
Police Chief  
Codes Director  
Mayoral Assistant; Ec. Com. Dev.  
Executive Assistant/City Recorder  
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**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(615) 385-1008  
FAX (615) 385-1208

## **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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hendersonville, Tennessee (the City), as of and for the year ended June 30, 2014, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hendersonville, Tennessee as of June 30, 2014, 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 2014, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to these matters.

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

## 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 3 through 13 and 48, 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*

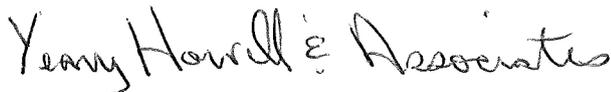
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented 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 *Government Auditing Standards*, we have also issued our report dated December 5, 2014 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 *Government Auditing Standards* in considering the City of Hendersonville's internal control over financial reporting and compliance.

Yenny Howell & Associates

December 5, 2014

# 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, 2014. 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 i-v 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 \$68,798,118 (net position). Of this amount, \$4,338,064 (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 \$701,269. This negative change is attributable to a decrease in net investment in capital grants and developer contributions within the Streets and Public Works department.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,969,051, an increase of \$213,144 in comparison to the prior year as restated. Approximately \$1,030,329 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 \$1,030,329 or 3.46% of the total general fund expenditures.

The City's total debt decreased by \$820,185 or (6.93%) 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 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 14-15 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 six 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, and capital projects fund 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 16-19 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 26-28 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 29 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 30-47 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 49-52 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 \$68,798,118 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (89.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Hendersonville's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013	2014	2013*
Current and other assets	\$ 29,158,664	\$ 27,838,332	\$ 137,581	\$ 123,821	\$ 29,296,245	\$ 27,962,153
Capital assets	66,684,201	68,230,918	1,191,349	1,422,028	67,875,550	69,652,946
Total assets	<u>95,842,865</u>	<u>96,069,250</u>	<u>1,328,930</u>	<u>1,545,849</u>	<u>97,171,795</u>	<u>97,615,099</u>
Long-term liabilities outstanding	13,840,590	14,697,644	-	-	13,840,590	14,697,644
Other liabilities	4,079,162	3,331,134	37,019	31,981	4,116,181	3,363,115
Deferred inflows of resources	10,416,906	10,054,953	-	-	10,416,906	10,054,953
Total liabilities and inflows of resources	<u>28,336,658</u>	<u>28,083,731</u>	<u>37,019</u>	<u>31,981</u>	<u>28,373,677</u>	<u>28,115,712</u>
Net position:						
Net investment capital assets	60,427,388	59,308,345	1,191,349	1,422,028	61,618,737	60,730,373
Restricted	2,841,317	4,004,309	-	-	2,841,317	4,004,309
Unrestricted	4,237,502	4,672,865	100,562	91,840	4,338,064	4,764,705
Total net position	<u>\$ 67,506,207</u>	<u>\$ 67,985,519</u>	<u>\$ 1,291,911</u>	<u>\$ 1,513,868</u>	<u>\$ 68,798,118</u>	<u>\$ 69,499,387</u>

\*As restated

An additional portion of the City's net position (4.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,338,064) 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 \$1,739,198 during the current fiscal year. This decrease is 2.5% 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 \$479,312, thereby accounting for .7% of the total decrease in the net position of the City. The key factor for this decrease was due to a decrease in capital grants and contributions primarily in the Streets and Public Works departments.

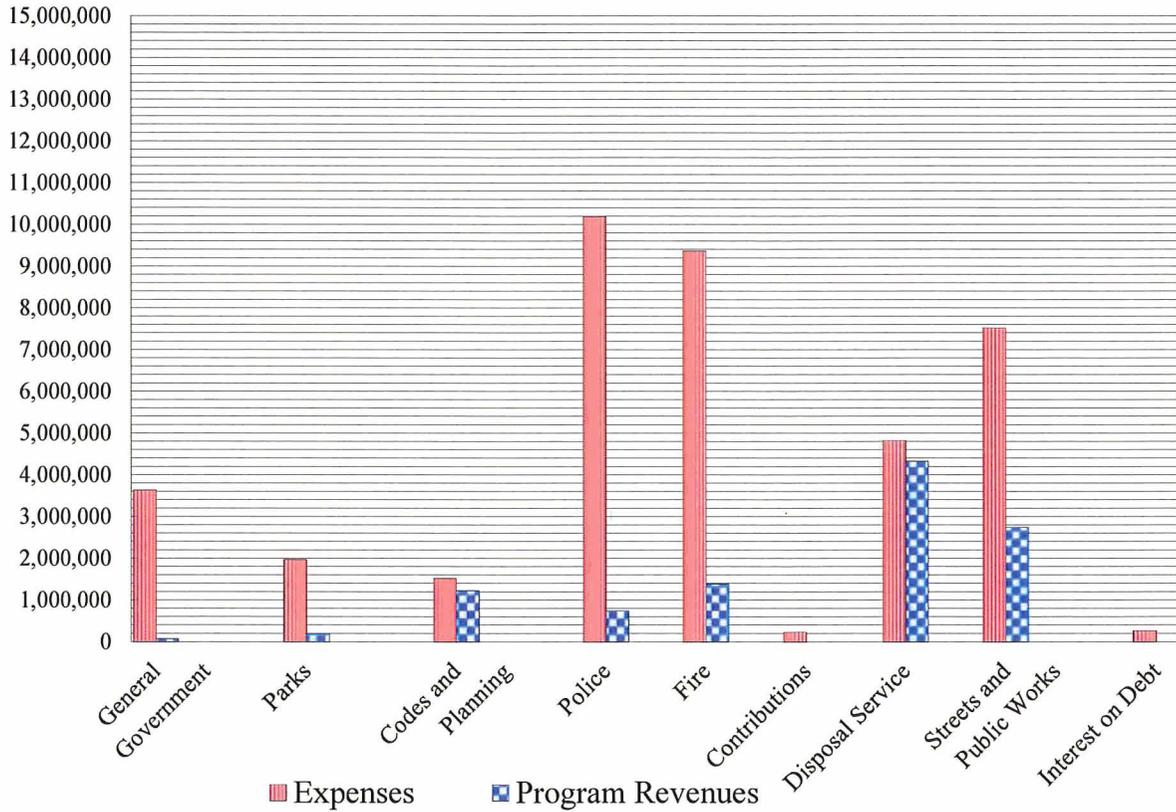
### **City of Hendersonville's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business -type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013*</u>
Revenues						
Program revenues:						
Charges for services	\$ 6,035,052	\$ 5,585,968	\$ 807,896	\$ 773,593	\$ 6,842,948	\$ 6,359,561
Operating grants and contributions	1,981,342	1,717,007	-	-	1,981,342	1,717,007
Capital grants and contributions	2,690,020	14,603,705	-	-	2,690,020	14,603,705
General revenues:						
Property taxes	9,796,287	10,466,430	-	-	9,796,287	10,466,430
Sales taxes	10,020,450	9,358,299	-	-	10,020,450	9,358,299
Other locally assessed taxes	3,863,004	3,012,631	-	-	3,863,004	3,012,631
Other State shared taxes	4,524,308	4,345,269	-	-	4,524,308	4,345,269
Other	79,040	102,318	186	333	79,226	102,651
Total revenues	<u>38,989,503</u>	<u>49,191,627</u>	<u>808,082</u>	<u>773,926</u>	<u>39,797,585</u>	<u>49,965,553</u>
Expenses:						
General government	611,767	599,372	-	-	611,767	599,372
Personnel	307,249	287,082	-	-	307,249	287,082
Central services	1,794,169	1,599,478	-	-	1,794,169	1,599,478
Finance	900,653	943,891	-	-	900,653	943,891
Parks	1,967,782	1,901,842	-	-	1,967,782	1,901,842
Codes	766,109	744,323	-	-	766,109	744,323
Planning	752,671	506,212	-	-	752,671	506,212
Police	10,190,417	9,556,547	-	-	10,190,417	9,556,547
Fire	9,364,318	8,755,714	-	-	9,364,318	8,755,714
Contributions	233,150	228,750	-	-	233,150	228,750
Disposal service	4,822,061	4,690,339	-	-	4,822,061	4,690,339
Program costs	17,543	15,766	-	-	17,543	15,766
Streets and Public Works	7,521,104	7,363,860	-	-	7,521,104	7,363,860
Interest expense on long-term debt	264,699	350,448	-	-	264,699	350,448
Golf Course	-	-	985,162	968,630	985,162	968,630
Total expenses	<u>39,513,692</u>	<u>37,543,624</u>	<u>985,162</u>	<u>968,630</u>	<u>40,498,854</u>	<u>38,512,254</u>
Increase (decrease) in net position before transfers and special item	(524,189)	11,648,003	(177,080)	(194,704)	(701,269)	11,453,299
Transfers	44,877	(173,640)	(44,877)	173,640	-	-
Increase (decrease) in net position	(479,312)	11,474,363	(221,957)	(21,064)	(701,269)	11,453,299
Net position, beginning of year - as restated	<u>67,985,519</u>	<u>56,511,156</u>	<u>1,513,868</u>	<u>1,534,932</u>	<u>69,499,387</u>	<u>58,046,088</u>
Net position, end of year	<u>\$ 67,506,207</u>	<u>\$ 67,985,519</u>	<u>\$ 1,291,911</u>	<u>\$ 1,513,868</u>	<u>\$ 68,798,118</u>	<u>\$ 69,499,387</u>

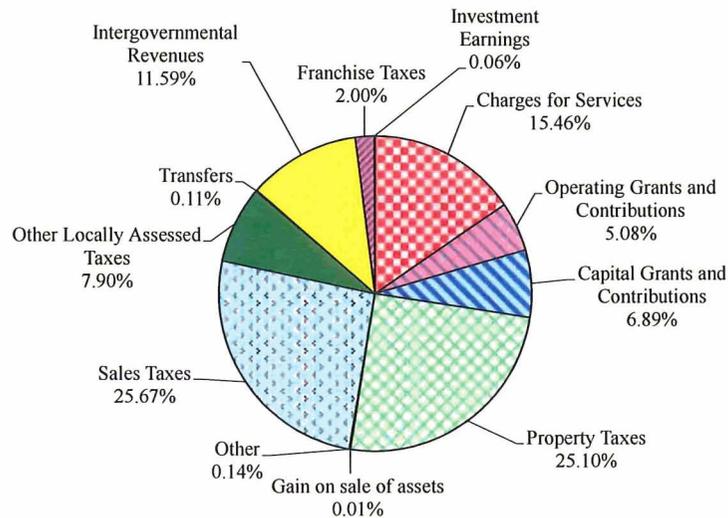
\*As restated

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

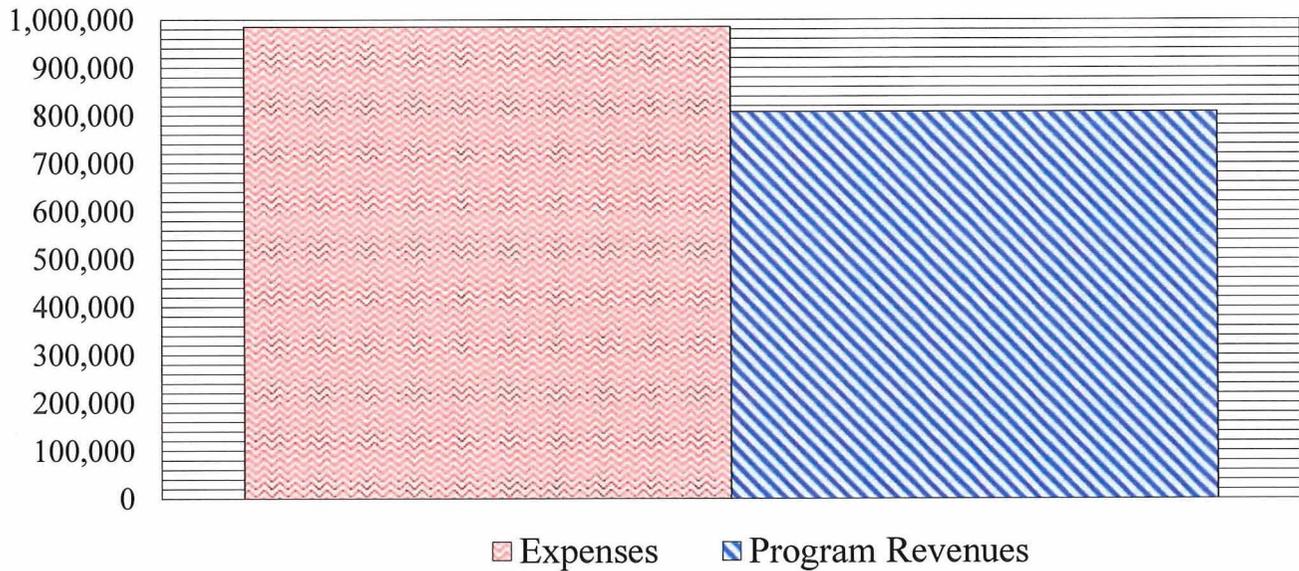
## Expenses and Program Revenues - Governmental Activities



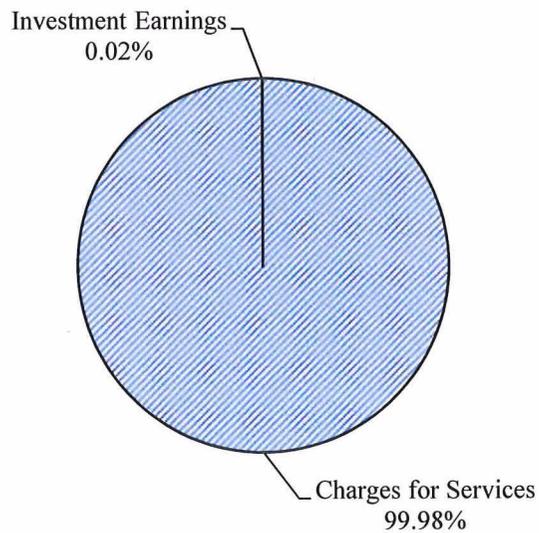
## Revenues by Source - Governmental Activities



## Expenses and Program Revenues Business-type Activities Golf Course



## Revenues by Source - Business-type Activities Golf Course



## Financial Analysis of the Government's Funds

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

### Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,969,051, an increase of \$213,144 in comparison with the prior year as restated. Approximately 7.9% of this total amount (\$1,030,329) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$11,938,722) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$991,591), 2) restricted to provide for capital projects (\$4,242,382) 3) designated nonspendable to provide for prepaid items (\$73,510), 4) committed to provide for designated departmental projects (\$267,175), 5) assigned for specific projects regarding other governmental funds (\$1,603,865) 6) assigned for departmental obligations in the amount of (\$1,164,848) 7) and assigned for subsequent year budget in the amount of (\$3,595,351).

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 \$1,030,329, while total fund balance reached \$7,122,804. 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 3.46% of total general fund expenditures, while total fund balance represents 23.9% of that same amount.

The fund balance of the City's general fund decreased by \$601,864 during the current fiscal year. The key factor in this decrease was primarily due to capital improvements budgeted.

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 \$4,242,382. The increase in total fund balance from the prior fiscal year was \$569,717 due to the issuance of \$1,250,000 in new debt.

At the end of the current fiscal year, fund balance of the state street aid fund (nonmajor governmental fund) was \$1,434,859. The increase in total fund balance from the prior fiscal year as restated was \$236,432.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$169,006. The increase in total fund balance from the prior fiscal year was \$8,859.

### 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 \$100,562. The decrease in total net position of the Golf Course Fund amounted to \$221,957 primarily related to depreciation. 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 by \$70,871 and can be briefly summarized as follows:

- The Parks department budget was amended by (\$15,000) for construction of a dog park in Memorial park.
- The Police department budget was amended (\$55,871) which appropriated \$50,052 regarding a State of Tennessee Department of Transportation governor's highway safety grant and appropriated \$5,819 to purchase bulletproof vests.

Total general fund revenues for FY 2013-2014 were over budgeted revenues by \$1,390,574 or 4.16%. Total expenditures for FY 2013-2014 were under budgeted expenditures \$4,986,026 or 14.5% resulting in a positive variance with final budget in the amount of \$3,595,452.

### **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, 2014, amounts to \$67,875,550 (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 2.5% (a 2.3% decrease for governmental activities and a 16.2% decrease for business-type activities).

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

- \$ 899,671 in donated streets from developers.
- \$1,860,021 in new machinery and equipment purchases.
- \$5,432,714 reduction in construction in progress projects, the majority of which were added to street projects, Park improvements, and pedestrian/bike path construction that were completed.
- \$7,548,522 reclassified from assets not being depreciated to assets being depreciated in regard to the Hendersonville library.

## City of Hendersonville's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013*</u>
Land	\$ 4,632,797	\$ 4,632,797	\$ 641,194	\$ 641,194	\$ 5,273,991	\$ 5,273,991
Buildings and Improvements	17,008,529	16,870,529	1,033,754	1,029,454	18,042,283	17,899,983
Improvements other than buildings	2,822,614	2,796,618	4,259,559	4,259,559	7,082,173	7,056,177
Machinery and Equipment	13,020,168	11,203,451	709,954	706,496	13,730,122	11,909,947
Construction in progress	1,949,390	6,598,303	-	-	1,949,390	6,598,303
Infrastructure	99,377,152	93,044,767	-	-	99,377,152	93,044,767
Less accumulated depreciation	<u>(72,126,449)</u>	<u>(66,915,547)</u>	<u>(5,453,112)</u>	<u>(5,214,675)</u>	<u>(77,579,561)</u>	<u>(72,130,222)</u>
Net Capital Assets	<u>\$66,684,201</u>	<u>\$ 68,230,918</u>	<u>\$1,191,349</u>	<u>\$ 1,422,028</u>	<u>\$ 67,875,550</u>	<u>\$ 69,652,946</u>

\*As restated

Additional information on the City of Hendersonville's capital assets can be found in note 3 on page 36 of this report.

### Long -Term Debt

At the end of the current year, the City of Hendersonville had total bonded debt outstanding of \$11,010,129, 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds		\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	10,023,000	10,843,185	-	-	10,023,000	10,843,185
Revenue and tax bonds		-	-	-	-	-
Obligation to school system	987,129	987,129	-	-	987,129	987,129
Total	<u>\$11,010,129</u>	<u>\$11,830,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,010,129</u>	<u>\$11,830,314</u>

The City of Hendersonville's total debt decreased by \$820,185 (6.9%) during the current fiscal year. On February 27, 2014 Standard & Poors Rating Services raised the City of Hendersonville rating from AA to AA+ based on their local GO criteria published September 12, 2013.

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

Additional information on the City of Hendersonville's long term debt can be found in note 7 on pages 39-40 of this report.

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

The unemployment rate for the City of Hendersonville is currently 5.5%, which is lower than last year's rate of 6.8%. This compares to the state's average unemployment rate of 6.6% and the national average rate of 6.1%.

In the 2014-2015 budget, General fund revenues and transfers in are budgeted to increase by 2.68% from the 2013-2014 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 2013-2014 budget year still required a conservative approach to the 2014-2015 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 decreased to \$7,122,804. The City has appropriated \$3,595,351 of this amount for spending in the 2014-2015 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, 2014

	Primary Government		Total Primary Government	Component units		
	Governmental Activities	Business Activities		Arts Council	Beautiful Hendersonville	Industrial Development
<u>Assets</u>						
Cash and cash equivalents	\$9,979,123	83,060	10,062,183	26,535	15,591	169,592
Receivables (net):						
Property taxes	10,494,115	-	10,494,115	-	-	-
Other taxes	129,796	-	129,796	-	-	-
Disposal fees	119,112	-	119,112	-	-	-
Due from other governments	4,255,604	-	4,255,604	287	-	-
Accounts receivable	-	606	606	-	-	-
Inventories	-	45,589	45,589	-	-	-
Restricted assets - cash and cash equivalents						
Cash - capital note proceeds	2,972,613	-	2,972,613	-	-	-
Deposit for capital construction - State of Tennessee	1,132,256	-	1,132,256	-	-	-
Prepaid items	76,045	-	76,045	-	-	-
Deposits	-	8,326	8,326	-	-	-
Capital assets, net of accumulated depreciation	60,102,014	550,155	60,652,169	30,806	-	-
Land and construction in progress - nondepreciable	6,582,187	641,194	7,223,381	-	-	10,852
Total Assets	<u>\$95,842,865</u>	<u>1,328,930</u>	<u>97,171,795</u>	<u>57,628</u>	<u>15,591</u>	<u>180,444</u>
<u>Liabilities</u>						
Accounts payable	\$1,699,196	10,442	1,709,638	461	-	-
Accrued liabilities	2,375,122	26,577	2,401,699	1,602	-	-
Unearned revenue	4,844	-	4,844	-	-	-
Long-term liabilities due within one year	3,782,593	-	3,782,593	-	-	-
Long-term liabilities due in more than one year	10,057,997	-	10,057,997	-	-	-
Total Liabilities	<u>17,919,752</u>	<u>37,019</u>	<u>17,956,771</u>	<u>2,063</u>	<u>-</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>						
Deferred revenue	10,416,906	-	10,416,906	-	-	-
<u>Net Position</u>						
Net investment in capital assets	60,427,388	1,191,349	61,618,737	30,806	-	10,852
Restricted for:						
Street maintenance	1,989,933	-	1,989,933	-	-	-
Public works	443,905	-	443,905	-	-	-
Law enforcement	177,854	-	177,854	-	-	-
Solid waste disposal	92,112	-	92,112	-	-	-
Capital projects	137,513	-	137,513	-	-	-
Unrestricted	4,237,502	100,562	4,338,064	24,759	15,591	169,592
Total Net Position	<u>\$67,506,207</u>	<u>1,291,911</u>	<u>68,798,118</u>	<u>55,565</u>	<u>15,591</u>	<u>180,444</u>

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Activities**

**For the Year Ended June 30, 2014**

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Arts Council	Beautiful Hendersonville	Industrial Development	
<b>Primary Government:</b>											
<b>Governmental Activities:</b>											
General government	\$611,767	-	-	-	(611,767)	-	(611,767)	-	-	-	-
Personnel	307,249	-	-	-	(307,249)	-	(307,249)	-	-	-	-
Central services	1,794,169	-	-	-	(1,794,169)	-	(1,794,169)	-	-	-	-
Finance	900,653	75,056	-	-	(825,597)	-	(825,597)	-	-	-	-
Parks	1,967,782	163,007	-	34,264	(1,770,511)	-	(1,770,511)	-	-	-	-
Codes	766,109	764,866	-	-	(1,243)	-	(1,243)	-	-	-	-
Planning	752,671	173,005	293,834	-	(285,832)	-	(285,832)	-	-	-	-
Police	10,190,417	530,827	195,679	17,675	(9,446,236)	-	(9,446,236)	-	-	-	-
Fire	9,364,318	-	57,600	1,328,393	(7,978,325)	-	(7,978,325)	-	-	-	-
Contributions	233,150	-	-	-	(233,150)	-	(233,150)	-	-	-	-
Disposal service	4,822,061	4,328,291	-	-	(493,770)	-	(493,770)	-	-	-	-
Program cost	17,543	-	-	-	(17,543)	-	(17,543)	-	-	-	-
Streets and public works	7,521,104	-	1,434,229	1,309,688	(4,777,187)	-	(4,777,187)	-	-	-	-
Interest on debt	264,699	-	-	-	(264,699)	-	(264,699)	-	-	-	-
<b>Total Government Activities</b>	<b>39,513,692</b>	<b>6,035,052</b>	<b>1,981,342</b>	<b>2,690,020</b>	<b>(28,807,278)</b>	<b>-</b>	<b>(28,807,278)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type Activities:</b>											
Golf Course	985,162	807,896	-	-	-	(177,266)	(177,266)	-	-	-	-
<b>Total Business-type Activities</b>	<b>985,162</b>	<b>807,896</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(177,266)</b>	<b>(177,266)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$40,498,854</b>	<b>6,842,948</b>	<b>1,981,342</b>	<b>2,690,020</b>	<b>(28,807,278)</b>	<b>(177,266)</b>	<b>(28,984,544)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component Units:</b>											
Arts Council	\$65,243	37,665	26,789	-	-	-	-	(789)	-	-	-
Beautiful Hendersonville	12,933	255	6,500	-	-	-	-	-	(6,178)	-	-
Industrial Development Board	77,358	105,349	-	-	-	-	-	-	-	27,991	-
	<b>\$155,534</b>	<b>143,269</b>	<b>33,289</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(789)</b>	<b>(6,178)</b>	<b>27,991</b>	<b>-</b>
<b>General Revenues:</b>											
Property taxes					\$9,796,287	-	9,796,287	-	-	-	-
In lieu taxes					839,406	-	839,406	-	-	-	-
Sales taxes					10,020,450	-	10,020,450	-	-	-	-
Wholesale beer tax					944,129	-	944,129	-	-	-	-
Wholesale liquor tax					417,539	-	417,539	-	-	-	-
Business tax					882,621	-	882,621	-	-	-	-
Franchise taxes					779,309	-	779,309	-	-	-	-
Unrestricted state shared taxes:											
State shared sales tax					3,675,558	-	3,675,558	-	-	-	-
State shared income tax					633,813	-	633,813	-	-	-	-
State shared beer tax					24,308	-	24,308	-	-	-	-
State shared alcoholic beverage tax					152,711	-	152,711	-	-	-	-
Other unrestricted other state shared taxes					37,918	-	37,918	-	-	-	-
Unrestricted investment earnings					21,922	186	22,108	20	4	202	-
Other					54,618	-	54,618	-	-	-	-
Gain on sale of assets					2,500	-	2,500	-	-	-	-
<b>Transfers</b>					<b>44,877</b>	<b>(44,877)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total general revenues					<u>28,327,966</u>	<u>(44,691)</u>	<u>28,283,275</u>	<u>20</u>	<u>4</u>	<u>202</u>	<u>-</u>
Change in net position					(479,312)	(221,957)	(701,269)	(769)	(6,174)	28,193	-
Net position - beginning of year, as restated					<u>67,985,519</u>	<u>1,513,868</u>	<u>69,499,387</u>	<u>56,334</u>	<u>21,765</u>	<u>152,251</u>	<u>-</u>
Net position - end of year					<u>\$67,506,207</u>	<u>1,291,911</u>	<u>68,798,118</u>	<u>55,565</u>	<u>15,591</u>	<u>180,444</u>	<u>-</u>

See accompanying notes to financial statements

**CITY OF HENDERSONVILLE, TENNESSEE**

**Balance Sheet  
Governmental Funds**

**June 30, 2014**

	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$8,083,830	-	3,044,205	-	1,823,701	12,951,736
Receivables (net)						
Property taxes	10,548,522	-	-	-	-	10,548,522
Other taxes	129,796	-	-	-	-	129,796
Disposals fees	-	139,839	-	-	-	139,839
Due from other governments	3,943,390	-	71,323	-	240,891	4,255,604
Deposit - State of Tennessee	-	-	1,132,256	-	-	1,132,256
Prepaid items	73,510	-	-	-	2,535	76,045
Due from other funds	-	1,044,877	-	-	-	1,044,877
<b>Total Assets</b>	<b>\$22,779,048</b>	<b>1,184,716</b>	<b>4,247,784</b>	<b>-</b>	<b>2,067,127</b>	<b>30,278,675</b>
<b>Liabilities</b>						
Accounts payable	\$285,860	1,071,877	5,402	-	336,057	1,699,196
Accrued costs	2,220,094	-	-	-	8,339	2,228,433
Due to other funds	1,044,877	-	-	-	-	1,044,877
Unearned revenue	4,844	-	-	-	-	4,844
<b>Total Liabilities</b>	<b>3,555,675</b>	<b>1,071,877</b>	<b>5,402</b>	<b>-</b>	<b>344,396</b>	<b>4,977,350</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	12,100,569	112,839	-	-	118,866	12,332,274
<b>Fund Balance:</b>						
Nonspendable:						
Prepaid items	73,510	-	-	-	2,535	76,045
Restricted for:						
Public works	443,905	-	-	-	-	443,905
Street maintenance	538,838	-	-	-	1,432,324	1,971,162
Law enforcement	8,848	-	-	-	169,006	177,854
Parks capital projects	-	-	71,591	-	-	71,591
Streets capital projects	-	-	4,170,791	-	-	4,170,791
Committed to:						
Public works	40,000	-	-	-	-	40,000
Street maintenance	227,175	-	-	-	-	227,175
Assigned to:						
Retiree benefits	737,226	-	-	-	-	737,226
General government	5,000	-	-	-	-	5,000
Public works	195,735	-	-	-	-	195,735
Law enforcement	222,812	-	-	-	-	222,812
Parks	4,075	-	-	-	-	4,075
Subsequent year budget	3,595,351	-	-	-	-	3,595,351
Unassigned	1,030,329	-	-	-	-	1,030,329
<b>Total Fund Balances</b>	<b>7,122,804</b>	<b>-</b>	<b>4,242,382</b>	<b>-</b>	<b>1,603,865</b>	<b>12,969,051</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$22,779,048</b>	<b>1,184,716</b>	<b>4,247,784</b>	<b>-</b>	<b>2,067,127</b>	<b>30,278,675</b>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

**Reconciliation of the Balance Sheet to the Statement of Net Position  
of Governmental Activities**

June 30, 2014

<b>Amounts reported for fund balance - total governmental funds</b>		\$12,969,051
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		66,684,201
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
State shared revenue and local option sales tax receivable	\$1,419,007	
Property tax receivable, net of allowance of doubtful accounts	329,115	
Disposal fees receivable, net of allowance for doubtful accounts	<u>92,112</u>	
		1,840,234
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(146,689)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds.		
Governmental bonds and notes payable	(10,023,000)	
Note premiums	(338,682)	
Obligation to county school system	(987,129)	
Other postemployment benefits	(664,363)	
Compensated absences	<u>(1,827,416)</u>	
		(13,840,590)
<b>Net position of governmental activities</b>		<u><u>\$67,506,207</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds

For the Year Ended June 30, 2014

	General	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$22,914,476	-	-	-	-	22,914,476
Intergovernmental	6,508,805	-	277,654	-	1,334,136	8,120,595
Fines and fees	550,316	-	-	-	-	550,316
Licenses and permits	1,717,180	-	-	-	-	1,717,180
Charges for services	163,007	4,334,470	-	-	-	4,497,477
Uses of money and property	13,085	-	5,351	-	3,486	21,922
Miscellaneous	127,418	-	-	-	55,567	182,985
Total Revenue	<u>31,994,287</u>	<u>4,334,470</u>	<u>283,005</u>	<u>-</u>	<u>1,393,189</u>	<u>38,004,951</u>
<b>Expenditures</b>						
Current:						
General government	427,151	-	-	-	-	427,151
Personnel	305,524	-	-	-	-	305,524
Central services	1,794,169	-	-	-	-	1,794,169
Finance	905,613	-	-	-	-	905,613
Parks	1,684,978	-	-	-	-	1,684,978
Codes	748,439	-	-	-	-	748,439
Planning	749,722	-	-	-	-	749,722
Public works	2,097,416	-	-	-	-	2,097,416
Police	9,764,722	-	-	-	-	9,764,722
Fire	9,085,509	-	-	-	-	9,085,509
Contributions	233,150	-	-	-	-	233,150
Disposal service	-	4,822,061	-	-	-	4,822,061
Program cost	-	-	-	-	17,543	17,543
Streets	-	-	292,832	-	1,077,058	1,369,890
Debt service	-	-	-	2,369,559	-	2,369,559
Capital Outlay	1,987,485	-	670,456	-	53,297	2,711,238
Total Expenditures	<u>29,783,878</u>	<u>4,822,061</u>	<u>963,288</u>	<u>2,369,559</u>	<u>1,147,898</u>	<u>39,086,684</u>
Excess (deficiency) revenues over expenditures	2,210,409	(487,591)	(680,283)	-	245,291	(1,081,733)
<b>Other Financing Sources (Uses)</b>						
Debt issuance	-	-	1,250,000	-	-	1,250,000
Transfer from other funds	44,877	487,591	-	2,369,559	-	2,902,027
Transfer to other funds	(2,857,150)	-	-	-	-	(2,857,150)
Total Other Financing Sources (Uses)	<u>(2,812,273)</u>	<u>487,591</u>	<u>1,250,000</u>	<u>2,369,559</u>	<u>-</u>	<u>1,294,877</u>
Net Change in Fund Balance	(601,864)	-	569,717	-	245,291	213,144
Fund Balance, Beginning of Year, as restated	<u>7,724,668</u>	<u>-</u>	<u>3,672,665</u>	<u>-</u>	<u>1,358,574</u>	<u>12,755,907</u>
Fund Balance, End 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>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2014**

<b>Amounts reported for net change in fund balance - total governmental funds</b>	<b>\$213,144</b>
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:	
Cost of assets acquired	2,711,238
Depreciation expense	(5,254,206)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(55,849)
Local option sales tax	64,977
Business taxes	(23,172)
State shared revenues	8,524
Disposal Fees	(6,179)
Contributed capital assets	996,251
 Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	
	2,070,185
 Interest is accrued on the outstanding bonds in the governmental activities, whereas in the governmental funds, an interest expenditure is reported when due:	
Change in accrued interest on debt	8,906
 Long-term debt issuance provide current financial resources to governmental funds, but the issuance of debt increases long-term obligations for governmental activities.	
	(1,250,000)
 Governmental funds report the effects of note premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities:	
Amortization of note premiums	25,769
 Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Compensated absences	87,995
Other postemployment benefits	(76,895)
 <hr/>	
Change in net position of governmental activities	<u><u>(\$479,312)</u></u>

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and  
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2014**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Local Taxes:				
Real & personal property	\$9,832,099	9,832,099	9,852,136	20,037
Payments in lieu of property taxes	722,600	722,600	839,406	116,806
Local sales taxes	9,570,000	9,570,000	9,955,473	385,473
Wholesale beer	925,000	925,000	944,129	19,129
Wholesale liquor	345,000	345,000	417,539	72,539
Business taxes	827,000	827,000	905,793	78,793
Total Local Taxes	<u>22,221,699</u>	<u>22,221,699</u>	<u>22,914,476</u>	<u>692,777</u>
Intergovernmental:				
State sales tax	3,750,000	3,750,000	3,666,056	(83,944)
State income tax	455,000	455,000	633,813	178,813
State beer tax	28,000	28,000	24,308	(3,692)
State alcoholic beverage tax	220,000	220,000	148,644	(71,356)
State/City streets & transp.	112,000	112,000	105,158	(6,842)
State fire supplement	56,000	56,000	57,600	1,600
State police supplement	56,000	56,000	52,800	(3,200)
Other state revenue allocation	24,000	24,000	37,898	13,898
County	94,000	94,000	47,708	(46,292)
Corp of Engineers	30,000	30,000	24,989	(5,011)
Grants	2,497,725	3,876,103	1,709,831	(2,166,272)
Total Intergovernmental	<u>7,322,725</u>	<u>8,701,103</u>	<u>6,508,805</u>	<u>(2,192,298)</u>
Fines and Penalties:				
City court and drug control	572,300	572,300	475,260	(97,040)
Penalties	65,500	65,500	75,056	9,556
Total Fines and Penalties	<u>637,800</u>	<u>637,800</u>	<u>550,316</u>	<u>(87,484)</u>
Licenses and Permits:				
Building permits	572,000	572,000	764,866	192,866
Franchise taxes	760,000	760,000	779,309	19,309
Other permits	141,200	141,200	173,005	31,805
Total Licenses & Permits	<u>1,473,200</u>	<u>1,473,200</u>	<u>1,717,180</u>	<u>243,980</u>
Charges for Services:				
Recreational fees	152,000	152,000	163,007	11,007
Interest	35,459	35,459	13,085	(22,374)
Other Revenues:				
Contributions from others	63,000	78,000	70,300	(7,700)
Sale of Assets	11,000	11,000	2,550	(8,450)
Miscellaneous	74,600	74,600	54,568	(20,032)
Total Other Revenues	<u>148,600</u>	<u>163,600</u>	<u>127,418</u>	<u>(36,182)</u>
Total Revenues	<u>31,991,483</u>	<u>33,384,861</u>	<u>31,994,287</u>	<u>(1,390,574)</u>

Continued on next page

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and  
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

**General Fund, Continued**

**For the Year Ended June 30, 2014**

<u>Expenditures</u>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
General Government:				
Salaries	\$279,883	279,883	276,961	2,922
Employee benefits	91,503	91,503	86,255	5,248
Repairs and maintenance	1,500	1,500	1,115	385
Travel and training	16,000	16,000	8,618	7,382
Supplies	17,350	17,350	9,443	7,907
Outside services	7,000	7,000	4,488	2,512
Telephone	4,000	4,000	3,065	935
Other costs	51,000	51,000	37,206	13,794
Capital outlay	-	-	-	0
Total General Government	<u>468,236</u>	<u>468,236</u>	<u>427,151</u>	<u>41,085</u>
Personnel:				
Salaries	202,163	202,163	201,362	801
Employee benefits	64,440	64,440	57,670	6,770
Travel and training	4,000	4,000	1,901	2,099
Supplies	11,200	11,200	7,317	3,883
Telephone	50	50	15	35
Other costs	51,000	51,000	42,260	8,740
Capital outlay	15,000	15,000	-	15,000
Total Personnel	<u>347,853</u>	<u>347,853</u>	<u>310,525</u>	<u>37,328</u>
Central Services:				
Salaries	231,504	231,504	224,797	6,707
Benefits	241,121	241,121	137,112	104,009
Repairs and maintenance	88,200	88,200	86,627	1,573
Supplies	9,000	9,000	9,113	(113)
Insurance	501,000	501,000	554,551	(53,551)
Outside services	50,750	50,750	18,340	32,410
Utilities	185,000	185,000	169,161	15,839
Tax increment financing bond payment	430,000	430,000	445,708	(15,708)
Other costs	101,000	101,000	146,910	(45,910)
Capital outlay	75,000	75,000	-	75,000
Total Central Services	<u>1,912,575</u>	<u>1,912,575</u>	<u>1,792,319</u>	<u>120,256</u>
Finance				
Salaries	561,520	561,520	515,845	45,675
Employee benefits	207,548	207,548	178,479	29,069
Travel and training	1,700	1,700	1,212	488
Supplies	26,000	26,000	21,859	4,141
Outside services	98,650	98,650	90,578	8,072
Utilities	100	100	35	65
Other costs	96,400	96,400	97,605	(1,205)
Capital outlay	-	-	-	-
Total Finance:	<u>991,918</u>	<u>991,918</u>	<u>905,613</u>	<u>86,305</u>

Continued on next page

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and  
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

**General Fund, Continued**

**For the Year Ended June 30, 2014**

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Parks:</b>				
Salaries	\$970,000	970,000	884,630	85,370
Employee benefits	311,672	311,672	288,268	23,404
Repairs and maintenance	281,248	281,248	175,020	106,228
Outside Services	10,000	10,000	7,486	2,514
Travel and training	4,000	4,000	2,025	1,975
Supplies	65,500	65,500	115,630	(50,130)
Utilities	165,000	165,000	162,143	2,857
Other costs	60,500	60,500	50,991	9,509
Capital outlay	293,802	308,802	56,315	252,487
Total Parks	<u>2,161,722</u>	<u>2,176,722</u>	<u>1,742,508</u>	<u>434,214</u>
<b>Codes:</b>				
Salaries	516,316	516,316	517,884	(1,568)
Employee benefits	203,801	203,801	192,374	11,427
Repairs and maintenance	5,000	5,000	4,490	510
Travel and training	4,450	4,450	1,999	2,451
Supplies	17,750	17,750	16,455	1,295
Outside Services	5,000	5,000	4,828	172
Insurance	1,000	1,000	-	1,000
Telephone	9,500	9,500	6,631	2,869
Other costs	11,800	11,800	3,778	8,022
Capital outlay	-	-	-	-
Total Codes	<u>774,617</u>	<u>774,617</u>	<u>748,439</u>	<u>26,178</u>
<b>Planning:</b>				
Salaries	358,238	358,238	357,988	250
Employee benefits	113,390	113,390	117,377	(3,987)
Repairs and maintenance	1,800	1,800	656	1,144
Travel and training	6,000	6,000	7,004	(1,004)
Supplies	11,000	11,000	8,378	2,622
Outside services	51,500	51,500	18,566	32,934
Utilities	1,500	1,500	1,290	210
Other costs	283,169	283,169	238,463	44,706
Capital outlay	526,555	526,555	-	526,555
Total Planning	<u>1,353,152</u>	<u>1,353,152</u>	<u>749,722</u>	<u>603,430</u>
<b>Streets and Public Works:</b>				
Salaries	951,761	951,761	874,130	77,631
Employee benefits	345,894	345,894	342,738	3,156
Repairs and maintenance	841,402	841,402	55,383	786,019
Travel and training	7,000	7,000	3,522	3,478
Supplies	137,732	137,732	112,059	25,673
Utilities	331,500	331,500	375,196	(43,696)
Outside services	92,000	92,000	111,152	(19,152)
Other costs	190,150	190,150	110,283	79,867
Street and drainage projects	143,003	143,003	-	143,003
Capital outlay	191,400	191,400	140,827	50,573
Total Public Works	<u>3,231,842</u>	<u>3,231,842</u>	<u>2,125,290</u>	<u>1,106,552</u>

Continued on next page

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

**General Fund, Continued**

**For the Year Ended June 30, 2014**

<u>Expenditures, Continued</u>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Police Department:				
Salaries	\$6,342,169	6,342,169	6,260,458	81,711
Employee benefits	2,525,381	2,525,381	2,333,041	192,340
Repairs and maintenance	334,000	334,000	261,388	72,612
Travel and training	35,000	35,000	27,596	7,404
Supplies	666,308	722,179	588,225	133,954
Outside services	77,600	77,600	51,510	26,090
Telephone and utilities	116,640	116,640	100,083	16,557
Investigations	4,500	4,500	1,937	2,563
Other costs	114,645	114,645	97,141	17,504
Capital outlay	269,717	269,717	317,430	(47,713)
Total Police Department	<u>10,485,960</u>	<u>10,541,831</u>	<u>10,038,809</u>	<u>503,022</u>
Fire Department:				
Salaries	6,237,544	6,237,544	5,962,323	275,221
Employee benefits	2,212,860	2,212,860	2,132,302	80,558
Repairs and maintenance	121,080	121,080	126,805	(5,725)
Travel and training	56,560	56,560	33,831	22,729
Supplies	699,292	699,292	667,159	32,133
Telephone and utilities	82,400	82,400	71,865	10,535
Outside services	28,750	28,750	43,319	(14,569)
Other costs	76,200	76,200	47,905	28,295
Capital outlay	2,796,570	2,796,570	1,198,091	1,598,479
Total Fire Department	<u>12,311,256</u>	<u>12,311,256</u>	<u>10,283,600</u>	<u>2,027,656</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 Sumner	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	50,900	50,900	50,900	-
Total Contributions	<u>233,150</u>	<u>233,150</u>	<u>233,150</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>34,272,281</u>	<u>34,343,152</u>	<u>29,357,126</u>	<u>4,986,026</u>
Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	<u>(2,280,798)</u>	<u>(958,291)</u>	<u>2,637,161</u>	<u>3,595,452</u>

Continued on next page

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

**General Fund, Continued**

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers In (Out):				
Debt service fund	(\$2,412,203)	(2,412,203)	(2,369,559)	42,644
Solid waste fund	(1,034,541)	(1,034,541)	(487,591)	546,950
Capital projects fund				-
Golf fund	44,877	44,877	44,877	-
Total Other Financing Sources (Uses)	(3,401,867)	(3,401,867)	(2,812,273)	589,594
 Net Change in Fund Balance	 (5,682,665)	 (4,360,158)	 (175,112)	 4,185,046
 Fund Balance, Beginning of Year	 6,967,322	 6,967,322	 6,967,322	 -
Encumbrances released			175,976	
Fund Balance, End of Year	\$1,284,657	2,607,164	6,792,210	4,185,046

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenditures, Encumbrances and Changes in  
Fund Balance - Budget (Non-GAAP Basis) and Actual**

**Solid Waste Fund**

**For the Year Ended June 30, 2014**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other:				
Disposal fees	\$4,316,317	4,316,317	4,334,470	18,153
Total Revenues	<u>4,316,317</u>	<u>4,316,317</u>	<u>4,334,470</u>	<u>18,153</u>
<u>Expenditures</u>				
Tipping fees	1,035,538	1,035,538	847,611	187,927
Disposal service	4,199,580	4,199,580	3,911,257	288,323
Brush disposal and other	115,740	115,740	63,193	52,547
Total Expenditures and Encumbrances	<u>5,350,858</u>	<u>5,350,858</u>	<u>4,822,061</u>	<u>528,797</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>(1,034,541)</u>	<u>(1,034,541)</u>	<u>(487,591)</u>	<u>546,950</u>
Other Financing Sources (Uses)				
Transfer in	<u>1,034,541</u>	<u>1,034,541</u>	<u>487,591</u>	<u>(546,950)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Net Position**

**Proprietary Fund**

**June 30, 2014**

	Golf Enterprise Fund
	<hr/>
<b><u>Assets</u></b>	
Current Assets:	
Cash	\$83,060
Accounts receivable	606
Inventory	45,589
Total Current Assets	<hr/> 129,255
Noncurrent Assets:	
Property, Plant and Equipment	
Land	641,194
Buildings and improvements	1,033,754
Golf course improvements	4,259,559
Equipment	709,954
Total Property, Plant and Equipment	<hr/> 6,644,461
Less: accumulated depreciation	<hr/> (5,453,112)
Net Property, Plant and Equipment	<hr/> 1,191,349
Other	
Deposits	8,326
Total Other Assets	<hr/> 8,326
Total Noncurrent Assets	<hr/> 1,199,675
Total Assets	<hr/> <u>\$1,328,930</u>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts payable	\$10,442
Accrued expenses	26,577
Total Current Liabilities	<hr/> 37,019
Total Liabilities	<hr/> 37,019
<b><u>Net Position</u></b>	
Net investment in capital assets	1,191,349
Unrestricted	100,562
Total Net Position	<hr/> <u>\$1,291,911</u>

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Revenues, Expenses, and Changes in Net Position**

**Proprietary Fund**

**For the Year Ended June 30, 2014**

	<u>Golf Enterprise Fund</u>
Operating Revenues:	
Charges for sales and services	\$807,896
Total Operating Revenues	<u>807,896</u>
Operating Expenses:	
Costs of sales	169,264
Personal services	361,658
Repairs and maintenance	38,726
Supplies	13,301
Gas	25,086
Credit card charges	10,998
Chemicals and fertilizer	26,293
Utilities	34,158
Depreciation	238,437
Advertising and promotions	4,082
Other	23,159
Management services	40,000
Total Operating Expenses	<u>985,162</u>
Operating Income (Loss)	<u>(177,266)</u>
Nonoperating Revenues (Expenses):	
Interest income	186
Net Nonoperating Revenues (Expenses)	<u>186</u>
Net Income (Loss) Before Transfers	<u>(177,080)</u>
Transfer Out	<u>(44,877)</u>
Change in Net Position	(221,957)
Net Position - Beginning of Year	<u>1,513,868</u>
Net Position- End of Year	<u><u>\$1,291,911</u></u>

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year Ended June 30, 2014**

	Golf Enterprise Fund
Cash Flows Provided (Used) By Operating Activities:	
Cash received from customers	\$807,696
Cash paid for personnel services	(361,630)
Cash paid to suppliers for goods and services	(338,049)
Cash paid for inter-fund services	(40,000)
Cash paid for deposits	(3,015)
Net Cash Provided (Used) by Operating Activities	65,002
Cash Flows Provided (Used) By Noncapital Financing Activities:	
Cash transfer to other funds	(44,877)
Cash Flows Provided (Used) By Capital Related Financing Activities:	
Purchase of equipment	(7,758)
Cash Flows Provided (Used) By Investing Activities:	
Interest received on investments	186
Net Increase (Decrease) in Cash	12,553
Cash and Cash Equivalents, Beginning of Year	70,507
Cash and Cash Equivalents, End of Year	\$83,060
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	(\$177,266)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	238,437
(Increase) Decrease in:	
Accounts receivable	(200)
Deposits	(3,015)
Inventory	2,009
Increase (Decrease) in:	
Accounts payable	1,906
Accrued expenses	3,131
Net cash provided by operating activities	\$65,002

There were no noncash investing, capital, or financing activities.

See accompanying notes to financial statements.

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Fiduciary Net Position**

**Training and Teen Activity Agency Fund**

**June 30, 2014**

**Assets**

Cash	<u>\$31,061</u>
Total Assets	<u><u>\$31,061</u></u>

**Liabilities**

Amounts due to agencies	<u>31,061</u>
Total Liabilities	<u><u>\$31,061</u></u>

See accompanying notes to financial statements.

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to the Financial Statements

June 30, 2014

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General Information

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 present 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. The following is a description of the discretely presented component units.

Hendersonville Arts Council - 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 - 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 - Established to account for the development of the City's industrial park. Primary sources of funds are sale of industrial site lots from land originally purchased by the City. The Mayor and Board of Aldermen appoint the board.

Separate financial statement information is not available for the component units, however none of the above component units have multiple funds (each consists only of a general fund) and therefore, the information presented in the government-wide financial statements presents the required disclosure.

#### Government-wide and Fund Financial Statements

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

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

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

#### Government-wide and Fund Financial Statements, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter are 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 cannot be said to have a measurement focus. 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 Financial Statements 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 intermediary 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 payment is due.

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 cannot be said to have a measurement focus.

The City had no internal funds as of or for the year ended June 30, 2014.

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation, Continued

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing 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 Investments

The City of Hendersonville is authorized to invest in certificates of deposit in local banks and FNMA Discount Notes as well as participate in the Local Government Investment Pool administered by the State of Tennessee Treasury Department. The pool contains investments in collateralized certificates of deposits, U.S. Treasury Securities and Repurchase Agreements backed by U.S. Treasury Securities. City policy dictates that collateral meet certain requirements and be deposited in an escrow account in another institution for the benefit of the City of Hendersonville 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.

#### Cash and Equivalents

Cash and cash equivalents consist of cash, savings accounts and short-term certificates of deposit with an original maturity of three months or less. Due to liquidity, the City considers the funds deposited in the local government investment pool as a cash equivalent for financial statement and cash flow purposes. The fair value of the position in the investment pool is the same as the value of the pool shares.

#### 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".

All solid waste fees and property tax receivables, are shown net of an allowance for uncollectible. The solid waste and property tax receivable allowance is equal to 15 percent and 12 percent respectively of outstanding undeferred receivable.

#### 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. Prepays of government funds are recorded as expenditures when consumed rather than when purchased. Prepaid amounts relate to postage and insurance.

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### 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 infrastructures, are defined by the City as assets with an initial, individual cost of \$7,000 or more and an estimated useful life in excess of two years. Infrastructure capital assets are defined by the City as assets with an individual cost of \$50,000 or more with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

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

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

#### 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.

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### Long-term Obligations, Continued

In the fund financial statements, governmental fund types recognize bond and note premiums and discounts, 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 recognized currently in all financial statements.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items which arise, under the accrual and modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental activities statement of net position and the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and state shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Equity Classification

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

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

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

*Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In accordance with Governmental Accounting Standard Board (GASB) Statement 54, fund balance is reported in the fund financial statements under the following categories. *Nonspendable fund balance* represents amounts that are required to be maintained intact, such as inventories and prepaid items. *Restricted fund balance* is that portion of fund balance that can be spent only for the specific purposes stipulated by external source or through enabling legislation. It is the City's policy to first use the restricted fund balance when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available. *Committed fund balance* includes amounts constrained to specific purposes as determined by formal action of the City using its highest level of decision-making authority, an ordinance by the City Board. Conversely, to rescind or modify a fund balance commitment, action by the City Board is also required. *Assigned fund balance* amounts are intended to be used by the City for specific purposes but do not meet the criteria to be restricted or committed. Intent may be stipulated by the Board by resolution. Appropriations of fund balance to eliminate projected budgetary deficits in the subsequent year's budget are presented as assignments of fund balance. *Unassigned fund balance* is the residual classification of the General Fund. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

#### 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 enforceable legal claim is not 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	Public Utility Property	55%
- Real	Farm and Residential Property	25%
- Personal		
40%		
30%		

Taxes are levied at a rate of \$ 0.65 per \$100 of assessed valuation for tax year 2014 and \$0.65 per \$100 for tax year 2013. Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,605,463 for the fiscal year ended June 30, 2014 were approximately 98 percent of the tax levy. Delinquent taxes past due for fourteen months are turned over to the county court clerk for collection.

The government-wide financial statements report property taxes receivable of \$10,494,115 which is net of an allowance for doubtful collections of \$54,407. Of this receivable amount, \$10,100,000 represents the estimated net realizable 2014 property taxes. This amount is included in deferred inflows of resources since they are not available until a future period.

The receivable reported in the governmental funds balance sheet is \$10,548,522 with an offsetting deferred inflow of resources for amounts not available at June 30, 2014. The other taxes receivable reported in both financial statements includes \$129,796 for beer and liquor taxes.

Disposal fees are billed to finance the City's garbage collection system on a fiscal year basis. Disposal fees are billed annually on the first Monday in October and are payable through February 28. The disposal rate for fiscal year 2014 was \$259 per residence. The disposal fees are accounted for in the Solid Waste Fund, a major governmental fund.

The government-wide financial statement report disposal fees receivable in the amount of \$119,112 which is net of an allowance for doubtful collections of \$20,727. The receivable reported in the governmental funds balance sheet is \$139,839 with an offsetting deferred inflows of resources of \$112,839 for amounts not available at June 30, 2014.

### 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, 2014 there were no amounts exposed to custodial credit risk.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

**2) DEPOSITS AND INVESTMENTS, Continued**

Investments

At June 30, 2014 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.

Custodial Risk:

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

**3) CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government:	<u>Beginning</u>				<u>Ending</u>
<b>Governmental activities</b>	<u>Balance*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Balance</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,632,797	-	-	-	4,632,797
Construction in progress	6,598,303	783,801	-	(5,432,714)	1,949,390
Library building	7,548,522	-	-	(7,548,522)	-
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,322,007	138,000	-	7,548,522	17,008,529
Improvements other than building	2,796,618	25,996	-	-	2,822,614
Machinery and equipment	11,203,451	1,860,021	(43,304)	-	13,020,168
Infrastructure	93,044,767	899,671	-	5,432,714	99,377,152
Total capital assets	\$ <u>135,146,465</u>	<u>3,707,489</u>	<u>(43,304)</u>	<u>-</u>	<u>138,810,650</u>
Less accumulated depreciation for:					
Buildings and improvements	4,741,322	354,663	-	-	5,095,985
Improvements other than buildings	1,314,338	138,621	-	-	1,452,959
Machinery and equipment	8,509,083	973,788	(43,304)	-	9,439,567
Infrastructure	52,350,804	3,787,134	-	-	56,137,938
Total accumulated depreciation	<u>66,915,547</u>	<u>5,254,206</u>	<u>(43,304)</u>	<u>-</u>	<u>72,126,449</u>
Governmental activities capital assets, net	\$ <u>68,230,918</u>				<u>66,684,201</u>

\*As restated.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

**3) CAPITAL ASSETS, Continued:**

Capital assets activity for the year ended June 30, 2014, was as follows (continued):

Primary Government, Continued:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Ending Balance</u>
<b><u>Business-type activities:</u></b>					
<b><u>Capital assets not being depreciated:</u></b>					
Land	\$ 641,194	-	-	-	641,194
<b><u>Capital assets being depreciated</u></b>					
Buildings and structures	1,029,454	4,300	-	-	1,033,754
Improvements other than buildings	4,259,559	-	-	-	4,259,559
Machinery, equipment and vehicles	706,496	3,458	-	-	709,954
Total capital assets	<u>6,636,703</u>	<u>7,758</u>	<u>-</u>	<u>-</u>	<u>6,644,461</u>
Less accumulated depreciation for:					
Buildings and structures	617,763	26,537	-	-	644,300
Improvements other than buildings	4,090,627	168,935	-	-	4,259,562
Machinery and equipment	<u>506,285</u>	<u>42,965</u>	<u>-</u>	<u>-</u>	<u>549,250</u>
Total accumulated depreciation	<u>5,214,675</u>	<u>238,437</u>	<u>-</u>	<u>-</u>	<u>5,453,112</u>
Business-type activities capital assets, net	<u>\$1,422,028</u>				<u>1,191,349</u>

Depreciation expense was charged to function/programs as of June 30, 2014, as follows:

Governmental activities:	
General government	\$ 104,226
Public safety	808,388
Street and public works	4,062,929
Parks	271,752
Codes and planning	6,911
Total depreciation expense-governmental activities	<u>\$5,254,206</u>
Business-type activities:	
Golf enterprise	\$ <u>238,437</u>

Current year capital asset additions of the governmental activities include \$996,251 in donated infrastructure and equipment.

Component Units	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ <u>10,852</u>	<u>-</u>	<u>-</u>	<u>10,852</u>
Capital assets being depreciated	\$ <u>31,879</u>	<u>-</u>	<u>1,073</u>	<u>30,806</u>

**4) RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES**

Government-wide financial statement taxes and disposal fees receivable are net of allowance for doubtful accounts in the amount of \$54,407 and \$20,727 respectively.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

4) **RECEIVABLES AND DEFERRED/UNEARNED REVENUE, Continued:**

Deferred inflows of resources consist of amounts that are unavailable to liquidate liabilities of the current period. At June 30, 2014 the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 10,100,000	10,100,000
Delinquent property taxes (unavailable)	-	383,522
Delinquent solid waste fees (unavailable)	-	112,839
State and County shared taxes (unavailable)	<u>316,906</u>	<u>1,735,913</u>
	\$ <u>10,416,906</u>	<u>12,332,274</u>

Unearned revenues consist of code department revenues collected in advance.

5) **RESTRICTED ASSETS**

Restricted assets consist of unspent bond proceeds in the amount of \$2,972,613 and funds held by the state of Tennessee for the purchase of a road right-of-way in the amount of \$1,132,256.

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, 2014. This amounted to \$1,044,877 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, 2014 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>			
	<u>Governmental</u>			
	<u>Funds</u>			
	<u>Solid Waste Fund</u>	<u>Debt Service Fund</u>	<u>General Fund</u>	<u>Totals</u>
<u>Transfer Out:</u>				
General Fund	\$ 487,591	2,369,559		2,857,150
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).

The only inter-fund revenues and expenses for the year ended June 30, 2014 was a \$40,000 management fee paid from the Golf Proprietary Fund to the General Fund.

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 OPEB obligations are generally liquidated by the general fund and the state street aid fund, a nonmajor governmental fund.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

**7) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE, Continued:**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	<u>Balance</u> <u>06-30-13</u>	<u>Addition</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>	<u>Current</u> <u>Portion</u>
Governmental Activities					
Notes payable	\$ 10,843,185	1,250,000	2,070,185	10,023,000	2,085,167
Obligation to county school system	987,129	-	-	987,129	197,426
Compensated absences	1,915,411	1,343,931	1,431,926	1,827,416	1,500,000
Net OPEB liability	<u>587,468</u>	<u>166,115</u>	<u>89,220</u>	<u>664,363</u>	<u>-</u>
Total Primary Government	\$ 14,333,193	<u>2,760,046</u>	<u>3,591,331</u>	13,501,908	<u>3,782,593</u>
Note premiums	<u>364,451</u>	<u>-</u>	<u>25,769</u>	<u>338,682</u>	
	\$ <u>14,697,644</u>			<u>13,840,590</u>	

Long term bonds and notes at June 30, 2014 consisted of the following obligations:

<u>Governmental Activities</u>	<u>Amount</u> <u>Outstanding</u>
\$1,507,000 Capital Outlay- The notes are repayable in the annual installments through 2016 at a variable rate of interest based on bond market indexes. There is currently no cap on the rate.	\$ 344,000
\$4,100,000 Capital Outlay- The notes are payable in twelve installments through 2023 at a rate of 3.210%.	3,074,000
\$6,810,000 Refunding and Improvement Capital Outlay Notes, Series 2013- The notes are payable in annual installments through 2025 at rates of interest from 2% to 3%.	5,355,000
\$1,250,000 Capital Outlay – The notes are repayable in annual installments through 2026 at a rate of interest of 2.43%.	1,250,000
\$987,129 Obligation to County School System – The obligation is payable in five annual installments beginning in 2015 and relates to unreimbursed county share of liquor taxes.	<u>987,129</u>
	\$ <u>11,010,129</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.

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 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, 2014, 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, 2014

**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 \$18.0 million the proceeds of which were used to finance the construction of a bridge across Drakes Creek, the construction of a four lane divided boulevard from Saudersville Road to Indian Lake Boulevard and the construction of a public park of which four (4) 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 2014, the amount of incremental property taxes generated by the economic development area equaled \$445,680, 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, 2014, are as follows:

Year Ending June 30	Governmental Activities			Totals
	Obligation to County	Notes	Interest	
2015	\$ 197,426	2,085,167	279,140	2,561,733
2016	197,426	2,141,167	215,016	2,553,609
2017	197,426	1,551,167	152,556	1,901,149
2018	197,426	1,021,167	110,847	1,329,440
2019	197,425	546,167	87,713	831,305
2020-2024	-	2,374,835	206,249	2,581,084
2025-2026	-	303,330	8,543	311,873
Totals	\$ <u>987,129</u>	<u>10,023,000</u>	<u>1,060,064</u>	<u>12,070,193</u>

**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 ING Life Insurance and Annuity Company.

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.

**9) PENSION PLAN**

Plan Description

Employees of the City of Hendersonville are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who

# CITY OF HENDERSONVILLE, TENNESSEE

## Notes to Financial Statements (Continued)

June 30, 2014

### 9) PENSION PLAN, Continued

become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 (four) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hendersonville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

#### Funding Policy

Hendersonville has adopted a non-contributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

Hendersonville is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2014 was 15.41% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for Hendersonville are established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the year ending June 30, 2014, Hendersonville's annual pension cost of \$2,400,176 to TCRS was equal to Hendersonville's required and actual contributions.

The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hendersonville's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was four years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

#### Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	\$2,400,176	100.00%	-
6/30/13	\$2,227,422	100.00%	-
6/30/12	\$2,162,730	100.00%	-

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.74% funded. The actuarial accrued liability for benefits was \$45.5 million, and the actuarial value of assets was \$44.48 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.22 million, and the ratio of the UAAL to the covered payroll was 7.23%.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

**9) PENSION PLAN, Continued**

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

**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 \$551 per month for single coverage and ranges from \$1261 to \$1,502 for family coverage.

The most recent actuarial valuation was July 2012 and the following is based on projections from the City's actuary.

Annual OPEB Cost and Net OPEB Obligations

	June 30, 2014
ARC	\$ 167,075
Interest on NPO	23,499
Amortization of prior year	
Net OPEB Obligation	<u>(24,459)</u>
Annual OPEB Cost	166,115
Amount of Contribution*	<u>(89,220)</u>
Increase in NPO	76,895
Net OPEB Obligation 7/1/13	<u>587,468</u>
Net OPEB Obligation 6/30/14	\$ <u>664,363</u>

\*Contribution based on expected contribution from study.

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/14	\$ 166,115	53.71%	\$664,363
6/30/13	173,857	47.94%	587,468
6/30/12	189,248	51.90%	496,957

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2014

10) POST EMPLOYMENT HEALTHCARE PLAN

Funded Status and Funding Progress

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

Actuarial valuation date		<u>7/01/12</u>
Actuarial accrued liability (AAL)	\$	2,028,777
Actuarial value of plan asset		-
Unfunded actuarial accrued liability		<u>2,028,777</u>
Actuarial value of assets as a % of AAL		-
Covered payroll	\$	<u>14,131,090</u>
UAAL as a percentage of covered payroll		<u>14.36%</u>

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.

In the July 2012 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.

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 \$62,058 for brush disposal for 2014. These same entities have executed a

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2014

11) **COMMITMENTS AND CONTINGENCIES, Continued**

"contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Resource Authority be unable to perform.

Also during 2013 the City entered into a Post-Closure Monitoring and Maintenance Agreement with the Authority. The agreement provides that the three entities will pay for the post closure costs associated with the landfills incurred by the Authority. This cost will be paid 3/7 by the county and 2/7 by the cities. During 2014, the amount paid by the City was \$1,068.

The Authority as of June 30, 2014 has net investment in capital assets of \$1,978,065, and an unrestricted net deficit of \$379,458 compared to \$2,126,930 and \$571,069 respectively for year 2014. 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, 2014 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. The fiscal year 2014 lease expense was \$27,196. The obligation under the lease is as follows:

2015	\$6,799
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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.

13) **BUDGETS AND BUDGETARY ACCOUNTING**

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.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2014

13) **BUDGETS AND BUDGETARY ACCOUNTING, Continued**

1. The Mayor consults with all department heads prior to January 1<sup>st</sup> of each year to establish his priorities and objectives with each department for the coming year. The Mayor also sets salary proposals for departments.
2. During January and February, department heads prepare a proposed budget for their department. The Finance Director prepares revenue projections for the budget and prepares a summary of the overall budget for the Mayor to review.
3. Department heads meet with the Mayor and Finance Director to review their budget requests. The Mayor can amend budget requests as he deems necessary.
4. The department heads then present their budget requests to the standing committee to which their department is assigned.
5. During May, the Board of Mayor and Aldermen conducts 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 1<sup>st</sup>, 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 Funds, 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, 2014.

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 <i>Generally Accepted Accounting Principle</i> Basis:	\$ (601,864)
Add: Prior year reserve for encumbrances	757,346
Less: Current year reserve for encumbrances	<u>(330,594)</u>
Budget Basis	\$ <u>(175,112)</u>

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2014

13) **BUDGETS AND BUDGETARY ACCOUNTING, Continued**

Encumbrances

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

	General Fund	State Street Aid Fund (Non-major fund)
Public works/street maintenance \$	101,515	359,471
Law enforcement	222,864	-
Other	<u>6,215</u>	<u>-</u>
\$	<u>330,594</u>	<u>359,471</u>

Budget Amendments

The General Fund expenditure and other financing uses budget was amended by \$70,871. The major amendments related to Public Safety.

14) **GASB STATEMENTS ADOPTED**

For 2014, the City adopted GASB No. 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*. This statement replaces the requirements of Statement No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The adoption of GASB 67 did not affect the current year financial statements.

15) **GASB STATEMENTS ISSUED BUT NOT YET IMPLEMENTED**

GASB Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pensions. The requirements of statements are effective for the fiscal year beginning July 1, 2014.

16) **RESTATEMENT**

In a prior fiscal year, the City completed construction of a library facility funded by the City and the County. Records indicated the initial intent was to transfer the facility to the County, however the governing bodies have been unable to reach an agreement on the terms of the transfer. The City has not depreciated the facility in prior years, however, due to lapse of time the City has determined it necessary to begin depreciating the facility. The amount of unrecorded prior year depreciation at June 30, 2013 was \$997,876.

Also during the fiscal year, the State of Tennessee determined the City owed the State for City road improvement projects completed in prior years. The State had not billed the City due to computer problems. The total amount owed the State is \$335,485, however \$224,228 related to projects completed in prior years.

**CITY OF HENDERSONVILLE, TENNESSEE**

Notes to Financial Statements (Continued)

June 30, 2014

**16) RESTATEMENTS, Continued**

These restatements resulted in the following changes in beginning of year net position and fund balance.

	Governmental <u>Activities</u>
Net position, beginning of year as previously reported	\$ 69,023,448
Payable to State of Tennessee	(224,228)
Infrastructure asset adjustment	224,228
Accumulated depreciation adjustment-infrastructure	(40,053)
Accumulated depreciation adjustment-library facility	<u>(997,876)</u>
Net position, beginning of year as restated	\$ <u>67,985,519</u>

	State Street Aid Fund* <u>(GAAP Basis)</u>
Fund balance beginning of year as previously reported	\$ 1,422,655
Payable to State of Tennessee	(224,228)
Fund balance, beginning of year as restated	\$ <u>1,198,427</u>

The correction of errors related to years prior to June 30, 2013 and had no effect on current year changes of fund balance and the effect on the changes in net position was a decrease of \$208,544 related to depreciation for both fiscal years 2013 and 2014.

\*Nonmajor Special Revenue Fund

**17) SUBSEQUENT EVENTS**

Subsequent to year end, the City issued \$2,500,000 in tax and revenue anticipation notes. Proceeds from the notes will be used for the City's General Fund operating expenses for fiscal year 2015. The notes were issued at an interest cost of 0.44% and are expected to be paid from the 2015 fiscal year property taxes.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HENDERSONVILLE, TENNESSEE**

Schedule of Funding Progress

Political Subdivision Pension Plan  
Supplementary Information

Required Supplementary Information

Schedule of Funding Progress for Hendersonville, Tennessee:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
07/01/13	\$ 44,476	\$ 45,505	\$ 1,028	97.74%	\$ 14,217	7.23%
07/01/11	\$ 37,994	\$ 41,495	\$ 3,501	91.56%	\$ 13,752	25.46%
07/01/09	\$ 29,030	\$ 30,584	\$ 1,554	94.92%	\$ 13,978	11.12%

OPEB Plan

Hendersonville Employee

Schedule of Funding Progress

(dollar amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
July 1, 2012	\$ -	\$2,028	\$2,028	0%	\$14,131	14.36%
July 1, 2010	-	\$2,030	\$2,030	0%	\$11,961	16.97%
July 1, 2007	-	\$1,610	\$1,610	0%	\$12,166	13.23%

**COMBINING AND INDIVIDUAL NONMAJOR  
FUND STATEMENTS AND SCHEDULES**

## **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.

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, 2014**

<u>Assets</u>	Special Revenue Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
Cash and cash equivalents	\$1,654,695	169,006	1,823,701
Due from other governments	240,891	-	240,891
Prepaid items	2,535	-	2,535
	\$1,898,121	169,006	2,067,127
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$336,057	-	336,057
Accrued liabilities	8,339	-	8,339
	344,396	-	344,396
Deferred Inflows of Resources:			
Unavailable revenue	118,866	-	118,866
Fund Balances:			
Nonspendable	2,535	-	2,535
Fund balance - restricted	1,432,324	169,006	1,601,330
Total Fund Balance	1,434,859	169,006	1,603,865
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$1,898,121	169,006	2,067,127

**CITY OF HENDERSONVILLE, TENNESSEE**

**Combining Statement of Revenues, Expenditures & Changes in Fund Balance**

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2014**

	Special Revenue Funds		Total
	State		Nonmajor
	Street	Drug	Governmental
<u>Revenues</u>	Aid Fund	Fund	Funds
Intergovernmental:			
State gasoline tax	\$1,334,136	-	1,334,136
Interest	3,161	325	3,486
Drug related fines, seizures, and sales	-	55,567	55,567
Total Revenues	1,337,297	55,892	1,393,189
<u>Expenditures</u>			
Street Maintenance:			
Current:			
Salaries	549,240	-	549,240
Employee benefits	204,935	-	204,935
Other Costs - maintenance and lighting	322,883	-	322,883
Capital outlay	23,807	-	23,807
Program Costs:			
Current:			
Other costs	-	17,543	17,543
Capital outlay	-	29,490	29,490
Total Expenditures	1,100,865	47,033	1,147,898
Excess (Deficiency) of Revenues Over Expenditures	236,432	8,859	245,291
Fund Balance, Beginning of Year, as restated	1,198,427	160,147	1,358,574
Fund Balance, End of Year	\$1,434,859	169,006	1,603,865

**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, 2014**

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Gasoline tax, State of Tennessee	\$1,327,000	1,327,000	1,334,136 *	7,136
Interest	5,000	5,000	3,161	(1,839)
Total Revenues	<u>1,332,000</u>	<u>1,332,000</u>	<u>1,337,297</u>	<u>5,297</u>
<u>Expenditures</u>				
Street Maintenance				
Salaries	736,563	736,563	549,240	187,323
Benefits	290,082	290,082	204,935	85,147
Repairs and maintenance	432,000	432,000	322,754	109,246
Capital outlay	85,000	85,000	23,807	61,193
Total Expenditures and Encumbrances	<u>1,543,645</u>	<u>1,543,645</u>	<u>1,100,736</u>	<u>442,909</u>
Excess of Revenues Over Expenditures and Encumbrances	(211,645)	(211,645)	236,561	448,206
Fund Balance, Beginning of Year, as restated	<u>1,063,055</u>	<u>1,063,055</u>	<u>838,827</u>	<u>(224,228)</u>
Fund Balance, End of Year	<u><u>\$851,410</u></u>	<u><u>851,410</u></u>	<u><u>1,075,388</u></u>	<u><u>223,978</u></u>

* 1989 tax	\$146,933
Three cent tax	272,709
Gas & motor fuel tax	94,494
	<u>\$1,334,136</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Other:				
Interest	\$500	500	325	(175)
Drug related fines, seizures and sales	71,000	71,000	55,567	(15,433)
Total Revenues	<u>71,500</u>	<u>71,500</u>	<u>55,892</u>	<u>(15,608)</u>
 <u>Expenditures</u>				
Program costs	48,000	48,000	20,791	27,209
Capital outlay	23,500	23,500	29,490	(5,990)
Total Expenditures and Encumbrances	<u>71,500</u>	<u>71,500</u>	<u>50,281</u>	<u>21,219</u>
 Excess of Revenues Over Expenditures and Encumbrances	-	-	5,611	5,611
 Fund Balance, Beginning of Year	<u>160,147</u>	<u>160,147</u>	<u>160,147</u>	<u>-</u>
 Fund Balance, End of Year	<u><u>\$160,147</u></u>	<u><u>160,147</u></u>	<u><u>165,758</u></u>	<u><u>5,611</u></u>

**CITY OF HENDERSONVILLE, TENNESSEE**

**Statement of Changes in Assets and Liabilities**

**Training and Teen Activity Agency Fund**

**For the Year Ended June 30, 2014**

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash	<u>\$33,399</u>	<u>4,061</u>	<u>6,399</u>	<u>31,061</u>
Liabilities:				
Liabilities	<u>\$33,399</u>	<u>-</u>	<u>2,338</u>	<u>31,061</u>

## **FINANCIAL SCHEDULES**

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

CITY OF HENDERSONVILLE, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds and Component Units

Schedule By Function and Activity

June 30, 2014

	<u>Land</u>	<u>Building &amp; Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery &amp; Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
Primary Government:							
Function and Activity:							
General Government	\$1,346,112	3,033,875	375,280	91,082	287	-	4,846,636
Parks	1,020,504	1,490,460	2,447,334	881,769	756,429	6,638	6,603,134
Codes and Planning	-	-	-	156,649	-	-	156,649
Public safety:							
Police	36,000	1,370,250	-	4,927,563	-	-	6,333,813
Fire	92,900	2,617,088	-	4,764,330	-	-	7,474,318
Streets and public works	2,137,281	8,496,856	-	2,198,775	98,620,436	1,942,752	113,396,100
Total governmental funds capital assets	<u>4,632,797</u>	<u>17,008,529</u>	<u>2,822,614</u>	<u>13,020,168</u>	<u>99,377,152</u>	<u>1,949,390</u>	<u>138,810,650</u>
Component Units:	<u>10,852</u>	<u>-</u>	<u>35,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,948</u>
	<u>\$4,643,649</u>	<u>17,008,529</u>	<u>2,857,710</u>	<u>13,020,168</u>	<u>99,377,152</u>	<u>1,949,390</u>	<u>138,856,598</u>

**CITY OF HENDERSONVILLE, TENNESSEE**

**Capital Assets Used in the Operation of Governmental Funds and Component Units**

**Schedule of Changes in Capital Assets By Function and Activity**

**For the Year Ended June 30, 2014**

Function and Activity	Balance July 1, 2013	Additions	Transfers & Deletions	Balance June 30, 2014
Primary Government:				
General Government	\$4,846,636	-	-	4,846,636
Parks	6,555,123	56,315	(8,304)	6,603,134
Codes and Planning	156,649	-	-	156,649
Public safety:				
Police	5,710,006	519,224	104,583	6,333,813
Fire	6,415,810	1,198,091	(139,583)	7,474,318
Streets and public works	111,462,241	1,933,859	-	113,396,100
Total governmental funds capital assets	<u>\$135,146,465</u>	<u>3,707,489</u>	<u>(43,304)</u>	<u>138,810,650</u>
Component Units:				
Industrial Development Board	<u>\$10,852</u>	<u>-</u>	<u>-</u>	<u>10,852</u>
Arts Council	<u>\$35,096</u>	<u>-</u>	<u>-</u>	<u>35,096</u>

**CITY OF HENDERSONVILLE, TENNESSEE**

**Schedule of Cash and Cash Equivalents**

**All Funds**

**June 30, 2014**

Major Governmental Funds

<u>Descriptions</u>	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Passbook and checking accounts	-	\$8,081,480
Petty Cash	-	2,350
Total General Fund		<u>8,083,830</u>
Solid Waste Fund		
Cash	-	-
Total Solid Waste Fund		<u>-</u>
Capital Projects Fund:		
Passbook and checking accounts	-	3,044,205
Total Capital Projects Fund		<u>3,044,205</u>
<u>Nonmajor Governmental Funds</u>		
State Street Aid Fund:		
Passbook and checking accounts	-	1,654,695
Total State Street Aid Fund		<u>1,654,695</u>
Drug Fund:		
Passbook and checking accounts	-	169,006
Total Drug Fund		<u>169,006</u>
<u>Proprietary Fund</u>		
Golf Enterprise Fund		
Petty Cash	-	1,250
Passbook and checking accounts	-	81,810
Total Golf Enterprise Fund		<u>83,060</u>
Total Primary Government		13,034,796
Fiduciary Fund:		
Passbook and checking accounts	-	31,061
Component Units:		
Passbook and checking accounts	-	211,718
Total Reporting Entity		<u><u>\$13,277,575</u></u>

**CITY OF HENDERSONVILLE, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2014**

Tax Year		Taxes Receivable <u>June 30, 2013</u>	<u>Assessments</u>	Collections and <u>Adjustments</u>	Taxes Receivable <u>June 30, 2014</u>
2003	*	\$6,531	-	6,531	-
2004	*	4,997	-	-	4,997
2005	*	4,815	-	-	4,815
2006	*	3,927	-	332	3,595
2007	*	8,086	-	471	7,615
2008	*	36,168	-	6,698	29,470
2009	*	40,723	-	12,553	28,170
2010	*	60,035	-	22,947	37,088
2011	*	124,022	-	85,547	38,475
2012	*	214,841	-	125,002	89,839
2013		-	9,809,921	9,605,463	204,458
		<u>\$504,145</u>	<u>9,809,921</u>	<u>9,865,544</u>	448,522
2014	**				10,100,000
Taxes receivable per Governmental Funds Financial Statements					10,548,522
Allowance for uncollectibles					(54,407)
Taxes receivable per Government Wide Financial Statements					<u>\$10,494,115</u>

\* Turned over to County Clerk for collection.

\*\* Unlevied taxes receivable (Anticipated current year levy)

**CITY OF HENDERSONVILLE, TENNESSEE**

**Schedule of Changes in Disposal Fees Receivable**

**For the Year Ended June 30, 2014**

<u>Assessment Year</u>		<u>Assessments Receivable June 30, 2013</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Assessments Receivable June 30, 2014</u>
2005	*	\$131	-	-	131
2006	*	405	-	135	270
2007	*	1,470	-	420	1,050
2008	*	3,924	-	1,526	2,398
2009	*	8,352	-	3,248	5,104
2010	*	12,584	-	5,082	7,502
2011	*	27,804	-	14,952	12,852
2012	*	89,505	-	58,140	31,365
2013		-	4,336,116	4,256,949	79,167
		<u>\$144,175</u>	<u>4,336,116</u>	<u>4,340,452</u>	139,839
Allowance for uncollectibles					<u>(20,727)</u>
					<u>\$119,112</u>

\* Turned over to County Clerk for collection.

**CITY OF HENDERSONVILLE**

**Schedule of Long-Term Debt Requirements**

**June 30, 2014**

Fiscal Year	Capital Outlay Notes <u>Principal</u>	Obligation to County School System	Interest	Total Gov- ernmental Activities
2015	\$2,085,167	197,426	279,140	2,561,733
2016	2,141,167	197,426	215,016	2,553,609
2017	1,551,167	197,426	152,556	1,901,149
2018	1,021,167	197,426	110,847	1,329,440
2019	546,167	197,425	87,713	831,305
2020	546,167	-	72,203	618,370
2021	546,167	-	56,693	602,860
2022	546,167	-	41,184	587,351
2023	537,167	-	25,725	562,892
2024	199,167	-	10,444	209,611
2025	199,167	-	6,012	205,179
2026	104,163	-	2,531	106,694
<b>Total</b>	<u><u>\$10,023,000</u></u>	<u><u>987,129</u></u>	<u><u>1,060,064</u></u>	<u><u>12,070,193</u></u>

**CITY OF HENDERSONVILLE, TENNESSEE**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2014**

Federal Grants As Identified in the  
Catalog of Federal Domestic Assistance:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Passed Through</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
US Housing & Urban Development				
14.218	Community Development Block Grant		\$187,484	
14.228 *	Community Development Block Grant Small City Disaster Recovery	TN Dept.of Economic & Comm Dev.	637,651	
14.231	Emergency Solutions Grant	TN Dept. of Housing & Urban Dev.	<u>39,049</u>	\$864,184
				\$39,049
US Department of Justice				
16.607	Bulletproof Vest Partnership Program			13,755
Federal Emergency Management / US Department of Homeland Security				
97.044 *	Assistance to Firefighters Program (FEMA)		473,760	
97.056	Port Security Grant Program (Homeland Security)	Metro Nashville Davidson County	<u>216,982</u>	690,742
US Department of Transportation				
20.205 *	Safe Route to Schools Program	TN Dept.of Transportation	7,936	
	Congestion Mitigation/Air Quality Grant	TN Dept.of Transportation	45,522	
	Transportation Enhancement Program	TN Dept.of Transportation	277,654	
	Greenway Program	TN Dept.of Transportation	<u>31,264</u>	362,376
20.607	DUI Enforcement Program	TN Dept.of Transportation		56,426
				<u>\$1,987,483</u>
				<u>\$39,049</u>

This schedule was prepared using accrual basis of accounting.

\* Major Program

**CITY OF HENDERSONVILLE, TENNESSEE**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2014**

Federal Grants As Identified in the  
Catalog of Federal Domestic Assistance:

CFDA Number	Grant Number	Program Name	Grantor Agency	(Accrued) or Deferred Revenue 7/01/13	Cash Receipts	Grant Funds (Adjusted) Returned	Expenditures	(Accrued) or Deferred Revenue 6/30/14
14.218		Community Development Block Grant	US Housing & Urban Development	(\$3,649)	181,491	-	187,484	(9,642)
14.228		Community Development Block Grant Disaster Recovery	Tennessee Department of Economic & Community Development	(62,233)	699,884	-	637,651	-
14.231	ESG-12-13	Emergency Solutions Grant	Tennessee Housing Development	-	39,049	-	39,049	-
16.607	-	Bulletproof Vest Partnership Program	US Department of Justice	-	-	-	13,755	(13,755)
20.205	090202	Transportation Enhancement Program	TN Department of Transportation	(962,549)	1,194,040	-	231,491	-
	090183			(140,455)	113,575	(1,720)	46,163	(71,323)
	CPD060152voucher	Congestion Mitigation/Air Quality Grant Traffic Signal Upgrade Project	TN Department of Transportation	(133,070)	133,070	-	45,522	(45,522)
	CM-9307(16)	Greenway Grant	TN Department of Transportation	(71,200)	53,216	-	31,264	(49,248)
	SRTS-8300(75)	Safe Route to Schools Program	TN Department of Transportation	(20,689)	11,450	-	7,936	(17,175)
20.607	154AL-13-105	DUI Enforcement Program	TN Department of Transportation	(12,890)	56,494	-	56,426	(12,822)
16.738		Edward Byrne/Justice Assistance Program	US Department of Justice	(13,905)	13,905	-	-	-
97.044		Assistance to Firefighters Program	Federal Emergency Management	-	315,000	-	315,000	-
				-	158,760	-	158,760	-
97.056		Port Security Grant Program	US Department of Homeland Security	-	-	-	216,982	(216,982)
		Port Security Grant Program	US Department of Homeland Security	(273,844)	273,844	-	-	-
				<u>(\$1,694,484)</u>	<u>3,243,778</u>	<u>(1,720)</u>	<u>1,987,483</u>	<u>(436,469)</u>
State Grants								
-	31625-22956	TAC Grants	TN Arts Council	-	2,990	-	2,990	-
	31625-24890			-	-	-	287	(287)
				<u>\$0</u>	<u>2,990</u>	<u>-</u>	<u>3,277</u>	<u>(287)</u>

Credit balances represent inter-governmental receivables from State and Local Governments.  
This schedule prepared on the accrual basis of accounting

## **STATISTICAL INFORMATION**

CITY OF HENDERSONVILLE, TENNESSEE

Statistical Section Divider Page

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.

	Schedule #
Contents	
Financial Trends	
These Schedules contain trend information to help readers understand how the City's financial performance and well - being have changed over time.	1-4
Revenue Capacity	
These Schedules contain information to help readers assess the City's most significant local revenue source-its property tax.	5-9
Debt Capacity	
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
Demographic and Economic Information	
These Schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.	15-16
Operating Information	
These 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

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, TENNESSEE**

**Financial Trends Information -  
Net Position By Component - Last Ten Fiscal Years**

Schedule 1  
(Prepared using the accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities:</b>										
Net investments in capital assets	\$25,275,901	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
Restricted for:										
Street maintenance	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167	1,989,933
Public works	-	-	-	-	-	-	470,009	450,727	440,630	443,905
Law enforcement	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854
Solid waste disposal	51,535	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	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513
Unrestricted	5,820,984	5,698,313	5,391,847	5,070,525	2,797,825	3,948,024	5,183,053	4,389,697	4,672,865	4,237,502
<b>Total Net Assets</b>	<b>\$34,093,302</b>	<b>38,693,089</b>	<b>41,114,366</b>	<b>48,551,613</b>	<b>48,531,495</b>	<b>54,011,976</b>	<b>55,605,624</b>	<b>57,340,541</b>	<b>67,985,519</b>	<b>67,506,207</b>
<b>Business-Type Activities</b>										
Net investments in capital assets	\$1,931,626	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
Unrestricted	189,644	37,459	85,608	79,263	26,690	21,626	63,105	110,100	91,840	100,562
	\$2,121,270	2,209,403	2,324,652	2,409,144	2,111,910	1,868,714	1,693,351	1,534,932	1,513,868	1,291,911
<b>Primary Government</b>										
Net investments in capital assets	\$27,207,527	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
Restricted for:										
Street maintenance	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	1,884,939	1,989,933
Public works	-	-	-	-	-	-	470,009	450,727	440,630	443,905
Law enforcement	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945	177,854
Solid waste disposal	51,535	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	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364	137,513
Unrestricted	6,010,628	5,735,772	5,477,455	5,149,788	2,824,515	3,969,650	5,246,158	4,499,797	4,764,705	4,338,064
	\$36,214,572	40,902,492	43,439,018	50,960,757	50,643,405	55,880,690	57,298,975	58,875,473	69,499,387	68,798,118

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

CITY OF HENDERSONVILLE, TENNESSEE

Financial Trends Information -  
Changes in Net Position - Last Ten Fiscal Years

Schedule 2

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
General government	\$396,446	1,408,429	1,181,062	593,417	706,185	687,810	642,965	588,385	599,373	611,768
Personnel	192,346	221,204	244,465	252,370	285,501	274,723	285,927	275,582	287,082	307,249
Central services	1,015,103	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
Finance	567,757	587,206	745,584	780,228	797,628	753,474	754,467	772,429	943,891	900,653
Parks	1,413,079	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
Codes	531,490	631,317	710,269	732,449	740,489	679,194	682,307	701,823	744,323	766,109
Planning	357,283	394,351	467,003	542,555	607,884	473,810	473,752	523,417	506,212	752,671
Police	5,391,321	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
Fire	5,092,160	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
Contributions	214,300	254,300	232,499	264,500	270,499	228,750	228,750	228,750	228,750	233,150
Disposal service	2,993,777	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
Program costs	18,073	21,545	50,628	28,502	128,983	63,685	47,734	41,734	15,766	17,543
Streets and public works	3,982,650	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
Interest expense on long-term debt	214,760	356,467	465,250	483,725	432,749	392,414	423,681	432,096	350,448	264,699
Total governmental activities expenses	22,380,545	25,418,896	28,189,166	29,740,140	33,465,750	33,549,074	34,081,418	34,962,976	37,543,624	39,513,692
<b>Business-Type Activities</b>										
Golf course	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007	968,630	985,162
Total business-type activities expenses	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007	968,630	985,162
Total primary government expenses	\$23,476,707	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
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
Charges for services:										
Finance	\$62,791	55,396	66,329	69,743	54,348	60,804	77,333	72,043	70,076	75,056
Parks	108,967	96,600	126,046	158,108	150,346	124,564	135,658	153,723	146,694	163,007
Codes	819,351	840,271	787,951	592,805	644,111	367,518	468,239	666,318	507,924	764,866
Planning	169,710	178,274	227,786	172,070	146,420	40,576	109,377	161,002	84,560	173,005
Police	606,439	686,233	645,720	760,631	947,882	1,337,492	589,465	579,650	562,545	530,827
Disposal service	1,826,067	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
Operating grants and contributions	1,192,331	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
Capital grants and contributions	5,836,935	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
Total governmental activities program revenues	10,622,591	10,848,867	9,584,023	15,319,656	10,394,937	14,938,768	11,187,980	11,611,227	21,906,680	10,706,414
<b>Business-Type Activities:</b>										
Charges for services:										
Golf course	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223	773,593	807,896
Total business-type activities program revenues	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223	773,593	807,896
Total primary government program revenues	11,462,819	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
<b>Net (Expense)/Revenue</b>										
<b>Governmental Activities</b>	(11,757,954)	(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)
<b>Business-Type Activities</b>	(255,934)	(185,165)	(160,338)	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)	(195,037)	(177,266)
Total primary government net expense	(\$12,013,888)	(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)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes										
Property and in lieu of taxes	\$6,667,540	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
Sales	5,675,816	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
Wholesale beer tax	673,234	703,780	725,754	763,795	798,626	800,715	845,027	887,003	929,388	944,129
Wholesale liquor tax	193,931	221,358	238,686	248,822	263,527	277,440	292,612	319,398	351,331	417,539
Business tax	473,726	654,954	676,959	760,137	731,455	734,085	743,685	761,176	974,806	882,621
Unrestricted state shared taxes										
Franchise taxes	447,785	479,937	566,317	611,064	634,312	645,408	669,313	730,581	757,106	779,309
State shared sales tax	2,475,026	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
State shared income tax	205,347	313,260	515,505	630,543	450,178	351,594	382,750	445,897	602,307	633,813
State shared beer tax	20,029	20,312	22,819	23,252	22,197	21,390	22,518	25,218	25,399	24,308
State shared alcoholic beverage tax	84,980	97,566	145,071	168,927	198,508	202,476	238,321	134,151	138,950	152,711
Unrestricted other state shared taxes	206,125	227,107	251,229	227,520	266,036	153,046	120,021	16,518	23,298	37,918
Unrestricted investment earnings	161,474	319,910	495,903	372,161	71,981	28,763	47,824	53,998	34,283	21,922
Other	125,278	100,006	69,850	230,986	94,380	340,876	19,686	123,607	68,035	57,118
Special item	-	-	-	701,156	-	-	-	-	-	-
Transfers	(259,487)	(263,900)	(261,850)	(263,975)	30,000	-	-	-	(173,640)	44,877
Total governmental activities	17,150,804	19,169,816	21,026,420	22,873,585	22,034,841	24,090,787	24,487,086	26,088,299	27,111,307	28,327,966
<b>Business-Type Activities</b>										
Investments earnings	4,356	9,398	13,737	8,900	1,664	325	462	365	333	186
Transfers	259,487	263,900	261,850	263,975	(30,000)	-	-	-	173,640	(44,877)
Total business-type activities	263,843	273,298	275,587	272,875	(28,336)	325	462	365	173,973	(44,691)
Total primary government	17,414,647	19,443,114	21,302,007	23,146,460	22,006,505	24,091,112	24,487,548	26,088,664	27,285,280	28,283,275
<b>Change in Net Position</b>										
<b>Governmental activities</b>	5,392,850	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)
<b>Business-type activities</b>	7,909	88,133	115,249	84,492	(297,234)	(243,196)	(175,363)	(158,419)	(21,064)	(221,957)
<b>Total primary government</b>	\$5,400,759	4,687,920	2,536,526	8,537,593	(1,333,206)	5,237,285	1,418,285	2,578,131	11,453,299	(701,269)

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

CITY OF HENDERSONVILLE, TENNESSEE

Financial Trend Information -  
Fund Balances, Governmental Funds, Last Ten Years

Schedule 3

(Prepared using the modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental Funds:</b>										
General Fund										
Reserved	\$-	-	-	-	444,487	539,687	333,093	645,800	808,068	816,923
Unreserved and undesignated	-	-	-	-	4,184,523	3,058,149	6,472,077	5,453,492	5,185,690	5,129,988
Nonspendable	73,510	17,493	4,155	7,641	-	-	-	-	-	-
Restricted	991,591	1,035,950	519,482	642,485	-	-	-	-	-	-
Committed	267,175	274,997	277,622	601,122	-	-	-	-	-	-
Assigned	4,760,199	4,593,972	3,681,641	2,830,717	-	-	-	-	-	-
Unassigned	1,030,329	1,802,256	2,179,647	2,398,065	-	-	-	-	-	-
Total General Fund	<u>\$7,122,804</u>	<u>7,724,668</u>	<u>6,662,347</u>	<u>6,480,030</u>	<u>4,629,010</u>	<u>3,597,836</u>	<u>6,805,170</u>	<u>6,099,292</u>	<u>5,993,758</u>	<u>5,946,911</u>
All Other Governmental Funds										
Reserved	\$-	-	-	-	88,397	379,420	332,791	158,885	184,624	255,099
Unreserved reported in Special Revenue Funds	-	-	-	-	699,561	469,389	778,917	644,643	444,365	311,978
Unreserved reported in Capital Projects Funds	-	-	-	-	458,818	540,575	893,314	4,474,314	1,203,996	2,278,026
Nonspendable reported in Special Revenue Funds	2,535	-	-	-	-	-	-	-	-	-
Restricted reported in Special Revenue Funds	1,601,330	1,358,574	1,343,940	985,029	-	-	-	-	-	-
Restricted reported in Capital Projects Fund	4,242,382	3,672,665	3,714,801	3,911,075	-	-	-	-	-	-
Total all other governmental funds	<u>\$5,846,247</u>	<u>5,031,239</u>	<u>5,058,741</u>	<u>4,896,104</u>	<u>1,246,776</u>	<u>1,389,384</u>	<u>2,005,022</u>	<u>5,277,842</u>	<u>1,832,985</u>	<u>2,845,103</u>
Total	<u>\$12,969,051</u>	<u>12,755,907</u>	<u>11,721,288</u>	<u>11,376,134</u>	<u>5,875,786</u>	<u>4,987,220</u>	<u>8,810,192</u>	<u>11,377,134</u>	<u>7,826,743</u>	<u>8,792,014</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, TENNESSEE**

**Financial Trend Information -  
Changes in Fund Balances, Governmental Funds. Last Ten Years**

**Schedule 4**

(Prepared using the modified accrual basis of accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Taxes	\$22,914,476	22,129,587	20,870,520	20,195,166	19,351,811	17,415,237	17,043,363	16,243,459	14,963,046	13,651,561
Intergovernmental	8,120,595	10,924,360	8,100,213	7,519,303	6,238,810	5,917,568	9,246,121	6,309,858	5,610,926	4,257,312
Fines and fees	550,316	595,632	572,903	576,941	1,310,800	878,035	746,059	619,424	662,387	595,347
Licenses and permits	1,717,180	1,349,590	1,560,101	1,553,604	1,053,502	1,424,843	1,375,939	1,582,054	1,498,482	1,436,846
Charges for services	4,497,477	4,376,448	4,244,748	4,068,810	3,783,402	3,556,291	3,374,365	2,174,553	2,000,942	1,950,221
Uses of money, property and miscellaneous	21,922	34,283	53,998	47,824	28,763	71,981	372,161	495,903	319,910	161,474
Other	182,985	1,297,224	220,291	244,426	646,712	489,425	1,035,956	401,937	367,996	149,437
<b>Total revenues</b>	<b>38,004,951</b>	<b>40,707,124</b>	<b>35,622,774</b>	<b>34,206,074</b>	<b>32,413,800</b>	<b>29,753,380</b>	<b>33,193,964</b>	<b>27,827,188</b>	<b>25,423,689</b>	<b>22,202,198</b>
<b>Expenditures:</b>										
General government	427,151	396,272	389,440	413,716	428,039	474,199	492,361	1,060,434	1,327,373	378,824
Personnel	305,324	287,784	272,531	283,047	271,999	281,799	251,184	242,412	216,712	189,708
Central services	1,794,169	1,599,478	1,492,771	2,019,106	1,309,030	1,010,125	994,299	1,127,625	1,119,028	1,015,103
Finance	905,613	852,925	775,140	748,831	756,401	799,187	764,684	739,805	578,727	560,801
Parks	1,684,978	1,629,574	1,481,399	1,894,255	1,648,418	1,699,832	1,419,812	1,609,638	1,395,845	1,259,010
Codes	748,439	736,517	686,682	667,854	666,632	730,889	711,759	685,365	614,269	526,008
Planning	749,722	505,872	520,495	468,096	476,882	618,420	535,719	457,525	391,886	353,569
Public works	2,097,416	2,169,770	2,094,358	2,022,238	2,108,999	1,814,496	1,895,908	1,802,708	1,365,249	1,071,757
Police	9,764,722	8,964,947	8,832,841	7,976,998	8,180,485	8,694,457	7,352,689	6,804,438	6,001,959	5,159,688
Fire	9,085,509	8,212,617	7,563,874	7,514,104	7,330,834	7,440,877	6,951,764	6,545,922	5,319,411	4,989,484
Contributions	233,150	228,750	228,750	228,750	228,750	270,499	264,500	232,499	254,300	214,300
Disposal service	4,822,061	4,690,339	4,580,896	4,368,646	4,262,827	4,130,275	3,912,036	2,658,985	3,035,687	2,993,777
Program costs	17,543	15,766	41,734	47,734	63,685	128,983	28,502	55,628	21,545	18,073
Streets	1,369,890	1,388,321	1,014,149	1,514,493	1,195,641	952,132	936,659	850,136	870,947	1,308,300
Debt service - Principal	2,070,185	7,852,821	1,740,500	1,357,500	1,292,500	1,298,500	878,500	4,469,500	1,240,500	1,230,500
Debt service - Interest	299,374	391,010	447,936	377,401	407,461	445,026	513,495	461,510	225,327	222,595
Capital outlay	2,711,238	6,548,414	3,384,494	1,795,074	896,651	2,816,656	8,643,060	2,187,111	2,181,003	5,641,283
<b>Total expenditures</b>	<b>39,086,684</b>	<b>46,471,177</b>	<b>35,547,990</b>	<b>33,697,843</b>	<b>31,525,234</b>	<b>33,606,352</b>	<b>36,546,931</b>	<b>31,991,241</b>	<b>26,159,768</b>	<b>27,132,780</b>
Excess of revenues over (under) expenditures	(1,081,733)	(5,764,053)	74,784	508,231	888,566	(3,852,972)	(3,352,967)	(4,164,053)	(736,079)	(4,930,582)
<b>Other Financing Sources &amp; Uses:</b>										
Bond, notes, premiums and leases	1,250,000	7,196,540	270,370	4,100,000	-	-	-	7,976,294	34,708	6,043,020
Operating transfers	44,877	(173,640)	-	-	-	30,000	(263,975)	(261,850)	(263,900)	(259,487)
Insurance recoveries	-	-	-	892,117	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,294,877</b>	<b>7,022,900</b>	<b>270,370</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>(263,975)</b>	<b>7,714,444</b>	<b>(229,192)</b>	<b>5,783,533</b>
Special item	-	-	-	-	-	-	1,050,000	-	-	-
<b>Net Change in Fund Balance</b>	<b>\$213,144</b>	<b>1,258,847</b>	<b>345,154</b>	<b>508,231</b>	<b>888,566</b>	<b>(3,822,972)</b>	<b>(2,566,942)</b>	<b>3,550,391</b>	<b>(965,271)</b>	<b>852,951</b>
<b>Debt Service as % of noncapital Expenditures</b>	<b>6.5%</b>	<b>20.6%</b>	<b>6.8%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>5.7%</b>	<b>5.0%</b>	<b>16.5%</b>	<b>6.1%</b>	<b>6.8%</b>

**CITY OF HENDERSONVILLE, TENNESSEE**

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

**Schedule 5**

Fiscal Year	Appraised Value					Total	Assessed Value	Total Direct Tax Rate*
	Public Utility	Industrial & Commercial	Personal Property	Farm & Residential				
2005	\$ 29,141,536	600,327,700	111,697,087	2,512,832,203	3,253,998,526	872,291,944	\$0.72	
2006	28,546,091	696,519,100	127,578,753	3,041,171,851	3,893,815,795	916,533,750	0.72	
2007	31,533,033	694,113,900	127,597,644	3,041,650,600	3,894,895,177	1,096,630,300	0.6297	
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	0.65	
2011	31,556,364	1,115,290,200	155,128,797	3,859,545,700	5,161,521,061	1,487,054,923	0.65	
2012	31,619,300	1,105,379,400	140,713,230	3,885,920,300	5,163,632,230	1,491,078,308	0.65	
2013	34,220,698	1,114,115,592	148,286,650	4,033,122,692	5,329,745,632	1,502,346,000	0.65	
2014	34,152,322	1,138,818,536	146,558,705	3,999,566,826	5,319,096,389	1,508,488,723	0.65	

Property is assessed as follows:

Industrial and Commercial:

Real 40%  
Personal 30%

Public Utility 55%  
Farm and Residential 25%

\* Per \$100 of assessed valuation

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

Source: City tax rolls

**CITY OF HENDERSONVILLE, TENNESSEE**

**Revenue Capacity Information  
Direct and Overlapping Property Tax Rates, Last Ten Years**

**Schedule 6**

Fiscal Year	Overlapping Rates		Total
	Direct Rate City	County**	
2005	\$0.72	2.59	3.31
2006	0.72	2.59	3.31
2007	0.6297	2.28	2.9097
2008	0.6297	2.28	2.9097
2009	0.6297	2.28	2.9097
2010	0.65	2.0208	2.6708
2011	0.65	2.0208	2.6708
2012	0.65	2.0208	2.6708
2013	0.65	2.0208	2.6708
2014	0.65	2.0208	2.6708

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

**CITY OF HENDERSONVILLE, TENNESSEE**

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

**Schedule 7**

<u>Taxpayer</u>	2014			2005		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>
Inland American Hendersonville	\$20,000,000	1	1.33%	-		-
Hendersonville Hospital/HCA Realty	13,357,724	2	0.89%	13,770,807	1	1.58%
Monthaven Park LLC	12,003,880	3	0.80%	-		-
Mid America Apartments	11,053,240	4	0.73%	-		-
Grove @ Waterford	10,559,840	5	0.70%	-		-
Piedmont Natural Gas	7,281,785	6	0.48%	6,554,810	4	0.75%
Walmart Real Estate Realty	7,170,600	7	0.48%	-		-
DRG Hendersonville Etal (Gables)	6,691,800	8	0.44%	-		-
Sam's Club	6,394,240	9	0.42%	-		-
Hearth at Hendersonville	6,045,480	10	0.40%	-		-
Monthaven Place LLC	-		-	10,446,080	2	1.20%
United Dominion Realty	-		-	9,489,382	3	1.09%
Bellsouth	-		-	6,233,583	5	0.71%
CMS Hendersonville	-		-	5,628,381	6	0.65%
Trinity Broadcasting Network	-		-	5,473,036	7	0.63%
Lowes/JDN Realty	-		-	4,283,773	8	0.49%
Target	-		-	3,290,351	9	0.38%
Carrington Place Apartments	-		-	3,211,048	10	0.37%
<b>Totals</b>	<u>\$100,558,589</u>		<u>6.67%</u>	<u>\$68,381,251</u>		<u>7.84%</u>
<b>Total Assessed Value</b>	<u>\$1,508,488,723</u>			<u>\$872,291,944</u>		

Source: City tax rolls

**CITY OF HENDERSONVILLE, TENNESSEE**

**Revenue Capacity Information  
Property Tax Levies and Collections, Last Ten Fiscal Years**

**Schedule 8**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Collections</u>	<u>Total Collected as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
2005	\$6,280,502	6,110,869	97%	164,636	6,275,505	99.92%	4,997	0.0796%
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%	181,121	6,901,886	99.95%	3,595	0.0521%
2008	7,272,895	7,072,972	97%	192,308	7,265,280	99.90%	7,615	0.1047%
2009	7,632,368	7,380,922	97%	221,976	7,602,898	99.61%	29,470	0.3861%
2010	9,660,217	9,263,975	96%	368,072	9,632,047	99.71%	28,170	0.2916%
2011	9,665,857	9,343,593	97%	285,176	9,628,769	99.62%	37,088	0.3837%
2012	9,692,009	9,363,490	97%	290,044	9,653,534	99.60%	38,475	0.3970%
2013	9,765,249	9,550,408	98%	125,002	9,675,410	99.08%	89,839	0.9200%
2014	9,809,921	9,605,463	98%	-	9,605,463	97.92%	204,458	2.0842%
							<u>\$448,522</u>	

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

**CITY OF HENDERSONVILLE, TENNESSEE**

**Revenue Capacity Information  
Local Sales Tax Collections, Last Ten Fiscal Years**

**Schedule 9**

<u>Fiscal Year</u>	<u>Total Remittances From State</u>	<u>Local Tax Rate*</u>	<u>State Tax Rate</u>	<u>Total Tax Rate</u>
2005	\$5,586,948	2.25%	7.00%	9.25%
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%

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 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			
2005	40,849	\$3,420,998	-	8,275,000	980,000	12,675,998	1.09%	310
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

Notes:

Details of the City's debt can be found in the Note 6 in 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**

<u>Fiscal Year</u>	<u>Population</u>	<u>Estimated Appraised Value</u>	<u>General Obligation Bonds</u>	<u>Obligation to County Schools</u>	<u>Capital Notes</u>	<u>Total</u>	<u>Ratio of General Obligation Debt to Appraised Value</u>	<u>Net General Obligation Debt Per Capita</u>
2005	40,849	\$3,253,998,526	3,420,998	-	8,275,000	11,695,998	0.36%	286
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

**Note:**

The above general obligation debt includes capital outlay notes since they are 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	\$11,348,811	100.00%	\$11,348,811
Sumner County	157,021,125	36.24% *	56,904,461
 Total	<u>\$168,369,936</u>		<u>\$68,253,272</u>

\* Based upon Assessed Value of Property in:

County	\$ 4,162,496,086
City	\$ 1,508,488,723

CITY OF HENDERSONVILLE, TENNESSEE

Debt Capacity Information  
Debt Margin Information, Last Ten Fiscal Years

Schedule 13

Fiscal Year	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed Value	\$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	872,291,944
General Obligation Debt	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	11,695,998
Debt as % of Assessed Value	0.75%	0.81%	0.86%	0.89%	0.71%	0.98%	1.14%	1.28%	1.14%	1.34%

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 Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2005	\$844,584	752,668	91,916	290,000	63,080	353,080	0.26
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	-	-	-	-

\* 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**

Year	Population	Total Personal Income	Per Capita Personal Income*	Median Age*	Education Level in Years of Schooling*	School Enrollment**	Unemployment Rate**
2005	40,849	\$1,165,993,856	28,544	36.3	14.1	11,888	3.8%
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%
2008	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%

\* 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	2014			2005		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	500	1	17.24%	430	1	23.72%
Xtend Healthcare	500	2	17.24%			
Walmart	400	3	13.79%	200	3	11.03%
City of Hendersonville	360	4	12.41%			
McDonalds	220	5	7.59%			
Digital Connections, Inc.	200	6	6.90%	200	2	11.03%
MGM Windows Company	195	7	6.72%	150	6	8.27%
Lowes Home Improvement	180	8	6.21%			
Alladin Temp Rite	175	9	6.03%	175	5	9.65%
Sam's Club	170	10	5.86%			
Ferguson Harbor Inc.				180	4	9.93%
National Healthcare Center				120	8	6.62%
ITW Dynatec				113	9	6.23%
Sholodge				140	7	7.72%
Betty Machine				105	10	5.79%
	<u>2900</u>		<u>100.00%</u>	<u>1813</u>		<u>100.00%</u>

Source: Hendersonville Chamber of Commerce  
Total city employment is not available.

**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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	4	4	5	6	6	6	6	6	6	5
Personnel	3	3	3	3	3	3	3	3	3	3
Central service	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	9	9	8	8
Parks	16	14	16	16	16	16	16	14	13	12
Codes	9	9	10	10	10	10	10	10	10	9
Planning	5	5	6	6	6	6	6	6	4	4
Police	121	119	123	121	121	121	113	104	102	100
Fire	101	103	104	104	104	104	97	97	82	81
Street and public works	27	32	35	36	36	36	36	36	34	34
Golf course*	6	6	5	5	5	5	5	5	5	5
<b>Total</b>	<b>301</b>	<b>304</b>	<b>316</b>	<b>316</b>	<b>316</b>	<b>316</b>	<b>301</b>	<b>290</b>	<b>267</b>	<b>261</b>

\* These are leased employees.

Source: City Personnel Department

**CITY OF HENDERSONVILLE, TENNESSEE**

**Operating Information  
Operating Indicators by Function/Program, Last Ten Fiscal Years**

**Schedule 18**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police										
Calls	41,227	42,102	51,042	47,553	56,177	62,837	49,957	44,312	47,900	47,100
Fire										
Emergency responses										
Fire calls	4,181	4,166	4,600	4,568	4,250	4,250	4,100	4,000	4,000	3,275
Codes										
Building permits issued	628	579	439	504	492	539	716	786	946	941
Disposal service										
Refuse collected* (number of homes)	16,918	16,633	16,325	16,200	16,035	16,035	15,287	15,250	15,000	14,200
Golf Course										
Rounds played	23,741	22,671	22,977	20,871	20,557	21,843	23,311	25,802	22,349	26,958

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

\* Collection service is contracted out.

Sources: Various city departments

**CITY OF HENDERSONVILLE, TENNESSEE**

**Operating Information  
Capital Assets Statistics by Function/Program, Last Ten Fiscal Years**

**Schedule 19**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Parks</b>										
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	4	4	4
Picnic areas	14	14	14	14	14	14	13	13	13	13
Tennis courts	12	12	12	12	12	12	12	12	12	12
Picnic shelters	23	23	24	24	24	24	23	18	18	18
Practice areas	25	25	25	25	25	25	25	22	22	22
Soccer fields	22	22	22	22	18	18	17	15	15	15
Softball fields	15	15	15	15	15	15	15	15	15	17
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	11	11	11	11	11	10	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	3
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	1	-	-
Autos and trucks	20	20	17	17	17	17	17	18	-	-
<b>Codes</b>										
Autos and trucks	8	7	7	7	8	8	8	8	9	9
<b>Police</b>										
Stations	2	2	2	2	2	2	2	2	2	1
Vehicles, motorcycles, and boats	173	163	153	135	129	122	113	101	92	92
<b>Fire</b>										
Stations	6	6	6	6	6	6	6	5	5	5
Fire trucks	12	11	11	11	11	11	11	10	10	10
Autos and trucks	11	12	12	10	9	8	8	8	8	8
Fire hydrants	2190	2170	2000	2000	2000	2000	1700	1700	1700	1,700
Jet skis	2	2	2	2	2	2	2	2	-	-
Fire boat	1	1	1	1	1	1	1	1	-	-
Inflatable boat with motor	2	2	2	-	-	-	-	-	-	-
<b>Streets and public works</b>										
Streets (miles)	371	369	363	362	360	360	356	352	348	343
Street lights	7351	7351	7340	7334	7304	7292	7272	7244	7234	N/A
Traffic signals	30	30	30	28	28	28	27	24	24	21

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

Additional statistical information will be added as it becomes available.

Source: Departments within City Hall

## **OTHER REPORTS**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
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## **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, discretely presented component units, each major fund, and the aggregate remaining fund information of City of Hendersonville, Tennessee, as of and for the year ended June 30, 2014, 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 5, 2014.

### **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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (14-01)

### **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*.

We noted certain other matters that were reported to management in a separate letter dated December 5, 2014.

Board of Mayor and Aldermen  
Hendersonville, Tennessee

**City of Hendersonville, Tennessee's Response to Findings**

City of Hendersonville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hendersonville's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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.

*Yeam Howell & Associates*

December 5, 2014

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## **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, 2014. 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, 2014.

### **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.

Board of Mayor and Aldermen  
Hendersonville, Tennessee

**Report on Internal Control Over Compliance, Continued**

*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, or 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.

*Yeary Howell & Associates*

December 5, 2014

# City of Hendersonville

## Schedule of Findings and Questioned Costs

June 30, 2014

### I. Summary of Auditor's Results

- A. The June 30, 2014 Auditor's Report on the Financial Statements was an unqualified opinion.
- B. One significant deficiency in the internal control was disclosed during the audit of the financial statements.
- C. The audit did not disclose any noncompliance which is material to the financial statements.
- D. No significant deficiency in internal control over major programs were disclosed by the audit.
- E. The June 30, 2014 report on compliance for major programs was an unqualified opinion.
- F. The audit did not disclose any audit finding which is required to be reported under §.510a.
- G. Major Programs – Community Development Block Grant, Small City Disaster Recovery - CFDA#14.228, Safe Route to Schools Program, Greenway Program, Transportation Enhancement Program and Congestion Mitigation Air Quality Grant, CFDA#20.205, Assistance to Firefighters Program CFDA#97.044.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
- I. The City of Hendersonville was not considered to be a low risk auditee.

### II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

#### Current Year Significant Deficiencies

2014-001 During a prior fiscal year, the City completed construction of a library facility that was funded by City and County funds. Records indicate that the "initial intent" was to donate the building to the County which operates the facility. The City continues to perform maintenance on the building and to insure the building. Currently, the two governing bodies have not been able to reach an agreement regarding the wording and terms of the transfer of the asset. The City had not depreciated the facility due to the impending transfer. The County has also recorded the facility as an asset of the County. Due to the elapsed time, the City has determined it necessary to begin depreciating the facility and to record a prior period adjustment for the unrecorded depreciation in prior years. (See Note 16 in the notes to the financial statements).

Recommendation: We recommend formal action be taken by the City to establish the permanent status of the facility.

Response: The City has offered to deed the library to both the City and Sumner County as joint owners. The County only, would carry the asset on its books for depreciation and would be responsible for maintaining property insurance on the building. The County would continue to be responsible for the day-to-day operation of the library, with the City to continue to provide maintenance support and to maintain the library grounds. The County is expected to take action on the City's offer in January 2015.

### III. Federal Findings and Questioned Costs

#### Current Year

None.