

CITY OF HENDERSONVILLE, TENNESSEE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

(With Independent Auditor's Report Thereon)

Prepared by the Department of Finance

CITY OF HENDERSONVILLE, TENNESSEE

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INTRODUCTORY SECTION

City of Hendersonville



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www.hvilletn.org • Fax (615) 264-5327

January 02, 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. Note: The City of Hendersonville was granted an extension by the State. This report is published to fulfill that requirement by the extension date for the fiscal year ended June 30, 2013.

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, 2013. 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 53,080, with median family income well above average for the State of Tennessee. It is considered to be the 11th largest city in Tennessee by population. The City of Hendersonville is empowered to levy a property tax on both real and personal

Mayor	Ward One	Ward Two	Ward Three	Ward Four	Ward Five	Ward Six
Scott Foster, P.E.						
Vice Mayor Scott Sprouse	Mark A. Skidmore Rosa Long	Scott Sprouse Lisa West	Arlene Cunningham Paul R. Goode	Don Ames Fred Qualls	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 trending toward a recovery period with signs of increased construction and new retail business in the area. Hendersonville continues to pursue its efforts in promoting industrial, retail, commercial, and residential growth in fiscal year 2013. 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 with the development of the Freehill Business Park. The City is currently experiencing continued growth in retail and office development with new development approved for construction.
2. The Country Hills Golf course opened in the spring of 1990 and has provided residents of the City and the surrounding area a quality recreational activity. The City employed the Raskin Group in the fall of 1992 to manage the course. Play and activity has continued to grow with numerous course enhancements added. The City constructed a new club house in 2000 which provides the course with the availability of clubhouse activities.
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, 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 for public activities. Additional Park facilities and shelters were constructed during the 2013 fiscal year with plans to construct a dog park in FY 2014.
4. The City partnered with Forward Sumner, a nonprofit corporation formed in June, 2002 for the purpose of uniting business, community and government to promote and foster the economic development and prosperity of Sumner County for the benefit of all citizens.
5. The City partnered with the State of Tennessee, Sumner County, and a developer to construct the Indian Lake Boulevard Extension. This new road has provided access to undeveloped property that has attracted new commercial and retail developments to the City of Hendersonville.
6. The 40,000 square foot Hendersonville Public library is open and available for the citizens to enjoy.

7. The City approved an economic impact plan prepared by the Industrial Development Board that allowed tax increment financing to be provided through the issuance of \$18 million in bonds. Proceeds from the bonds are currently being used to build a new road and utilities in undeveloped property that will develop into Indian Lake Village, a commercial and retail development.

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, 2012. This was the thirtieth 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 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 unflinching 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

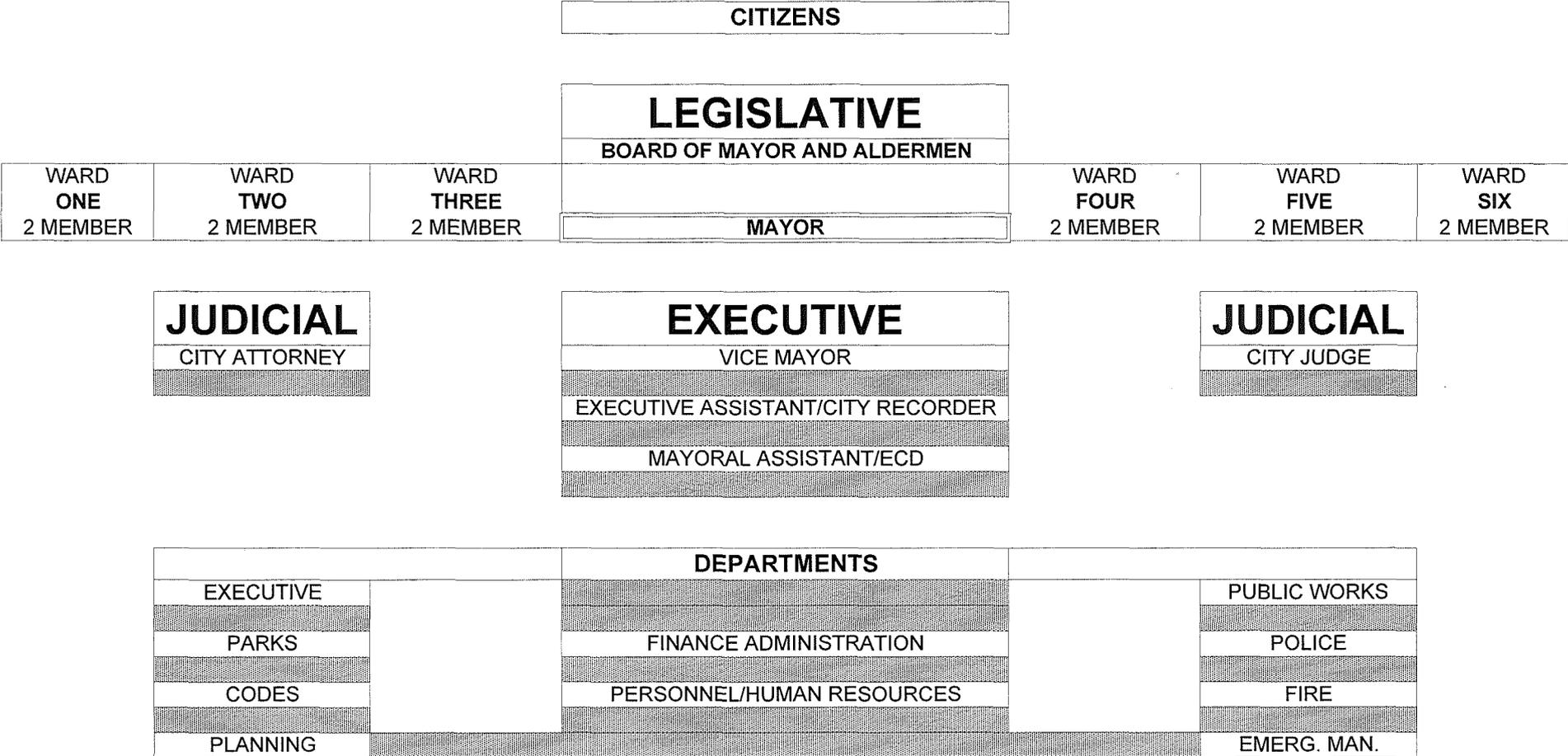
June 30, 2012

Executive Director/CEO

CITY OF HENDERSONVILLE

ORGANIZATION CHART

JUNE 30, 2013



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

June 30, 2013

Scott Foster
Scott Sprouse
Rosa Long
Mark Skidmore
Lisa West
Arlene Cunningham
Paul Goode
Fred Qualls
Don Ames
Hamilton Frost, Jr.
Derrell 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

Began service July 1, 2013

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 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

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Independent Auditor's Report

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

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, 2013, 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, 2013, 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 2013, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position* and GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncement and early implemented GASB Statement No. 65, Items Previously Recognized as Assets and Liabilities*. 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

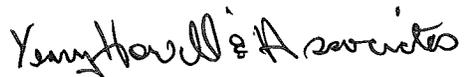
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hendersonville's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section are presented 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 January 2, 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.



January 2, 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, 2013. 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 \$70,537,316 (net position). Of this amount, \$4,764,705 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$11,661,843. This positive change is attributable to an increase in net investment in capital assets through developer contributions, revenue and control of expenditures.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,980,135, an increase of \$1,258,847 in comparison to the prior year. Approximately \$1,802,256 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 \$1,802,256 or 6.48% of the total general fund expenditures.

The City's total debt decreased by \$957,185 (7.48%) 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 \$70,537,316 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (87.7%) 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012*</u>
Current and other assets	\$27,838,332	\$27,753,301	\$ 123,821	\$ 139,898	\$27,962,153	\$27,893,199
Capital assets	<u>69,044,619</u>	<u>59,050,391</u>	<u>1,422,028</u>	<u>1,424,832</u>	<u>70,466,647</u>	<u>60,475,223</u>
Total assets	<u>96,882,951</u>	<u>86,803,692</u>	<u>1,545,849</u>	<u>1,564,730</u>	<u>98,428,800</u>	<u>88,368,422</u>
Long-term liabilities outstanding	14,697,644	15,159,930	--	--	14,697,644	15,159,930
Other liabilities	3,106,906	4,312,803	31,981	29,798	3,138,887	4,342,601
Deferred inflows of resources	10,054,953	<u>9,990,418</u>	--	--	<u>10,054,953</u>	<u>9,990,418</u>
Total liabilities and inflows of resources	<u>27,859,503</u>	<u>29,463,151</u>	<u>31,981</u>	<u>29,798</u>	<u>27,891,484</u>	<u>29,492,949</u>
Net position:						
Net investment capital assets	60,346,274	50,385,520	1,422,028	1,424,832	61,768,302	51,810,352
Restricted	4,004,309	2,565,324	--	--	4,004,309	2,565,324
Unrestricted	<u>4,672,865</u>	<u>4,389,697</u>	<u>91,840</u>	<u>110,100</u>	<u>4,764,705</u>	<u>4,499,797</u>
Total net position	<u>\$69,023,448</u>	<u>\$57,340,541</u>	<u>\$1,513,868</u>	<u>\$1,534,932</u>	<u>\$70,537,316</u>	<u>\$58,875,473</u>

*As restated

An additional portion of the City's net position (5.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,764,705) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position increased by \$11,661,843 during the current fiscal year. This increase is 15.1% of total net position. This increase represents mostly a decrease in liabilities and an increase in net investments in capital assets, primarily from contributions.

Governmental Activities

Governmental activities increased the City's net position by \$11,682,907, thereby accounting for 100% of the total increase in the net position of the City. The key factor for this increase was due to an increase in investment in capital assets, primarily from contributions, increase in revenue and control of expenditures.

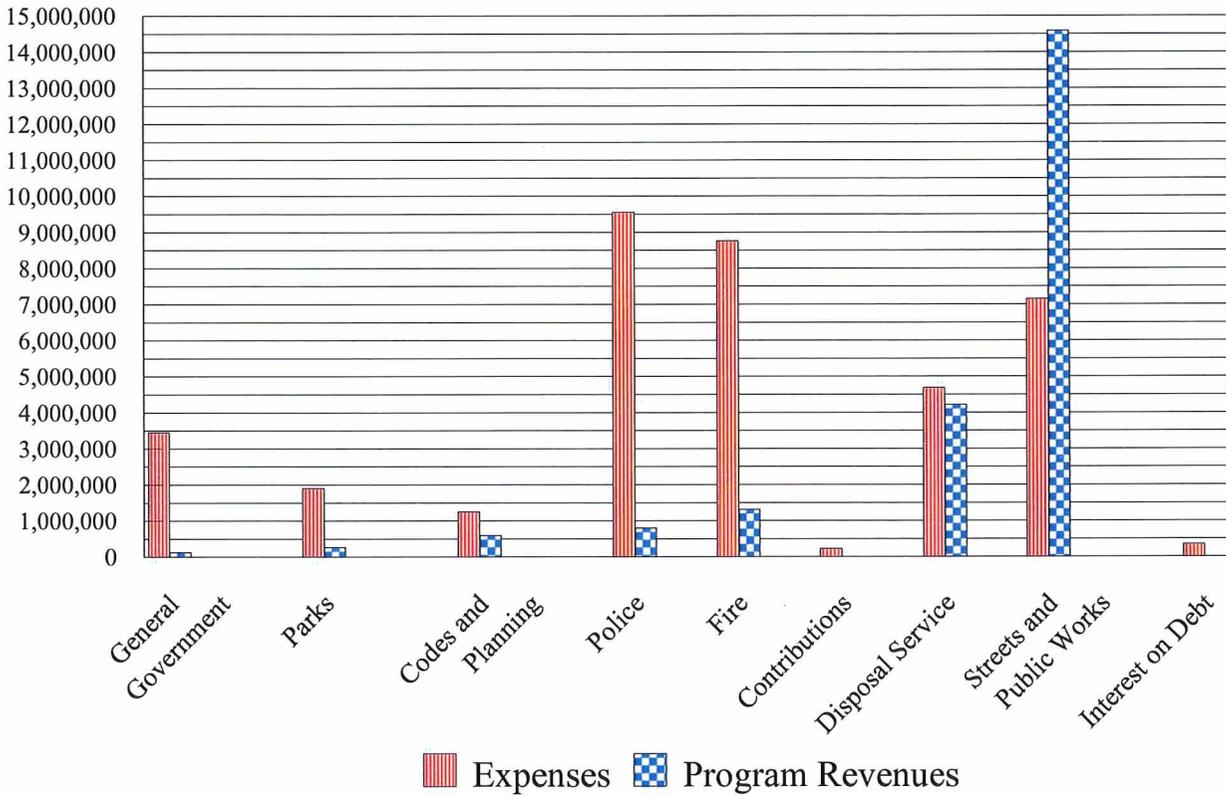
City of Hendersonville's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business -type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012*</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012*</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,585,968	\$ 5,750,571	\$ 773,593	\$ 807,223	\$6,359,561	\$6,557,794
Operating grants and contributions	1,717,007	2,420,534	--	--	1,717,007	2,420,534
Capital grants and contributions	14,603,705	3,440,122			14,603,705	3,440,122
General revenues:						
Property taxes	10,466,430	10,395,977	--	--	10,466,430	10,395,977
Sales taxes	9,358,299	8,706,782	--	--	9,358,299	8,706,782
Other locally assessed taxes	3,012,631	1,967,577	--	--	3,012,631	1,967,577
Other State shared taxes	4,345,269	4,109,777	--	--	4,345,269	4,109,777
Other	<u>102,318</u>	<u>908,186</u>	<u>333</u>	<u>365</u>	<u>102,651</u>	<u>908,551</u>
Total revenues	<u>49,191,627</u>	<u>37,699,526</u>	<u>773,926</u>	<u>807,588</u>	<u>49,965,553</u>	<u>38,507,114</u>
Expenses:						
General government	599,372	588,384	--	--	599,372	588,384
Personnel	287,082	275,582	--	--	287,082	275,582
Central services	1,599,478	1,492,771	--	--	1,599,478	1,492,771
Finance	943,891	772,429	--	--	943,891	772,429
Parks	1,901,842	1,717,639	--	--	1,901,842	1,717,639
Codes	744,323	701,823	--	--	744,323	701,823
Planning	506,212	523,417	--	--	506,212	523,417
Police	9,556,547	9,373,511	--	--	9,556,547	9,373,511
Fire	8,755,714	7,808,722	--	--	8,755,714	7,808,722
Contributions	228,750	228,750	--	--	228,750	228,750
Disposal service	4,690,339	4,580,896	--	--	4,690,339	4,580,896
Program costs	15,766	41,734	--	--	15,766	41,734
Streets and Public Works	7,155,316	6,425,222	--	--	7,155,316	6,425,222
Interest expense on long-term debt	350,448	432,096	--	--	350,448	432,096
Golf Course	<u>--</u>	<u>--</u>	<u>968,630</u>	<u>966,007</u>	<u>968,630</u>	<u>966,007</u>
Total expenses	<u>37,335,080</u>	<u>34,962,976</u>	<u>968,630</u>	<u>966,007</u>	<u>38,303,710</u>	<u>35,928,983</u>
Increase (decrease) in net position before						
transfers and special item	11,856,547	2,736,550	(194,704)	(158,419)	11,061,843	2,578,131
Transfers	(173,640)	<u> </u>	173,640	<u> </u>	<u> </u>	<u> </u>
Increase (decrease) in net position	11,682,907	2,736,550	(21,064)	(158,419)	11,661,843	2,578,131
Net position, beginning of year	<u>57,340,541</u>	<u>54,603,991</u>	<u>1,534,932</u>	<u>1,693,351</u>	<u>58,875,473</u>	<u>56,297,342</u>
Net position, end of year	<u>\$69,023,448</u>	<u>\$57,340,541</u>	<u>\$1,513,868</u>	<u>\$1,534,932</u>	<u>\$70,537,316</u>	<u>\$58,875,473</u>

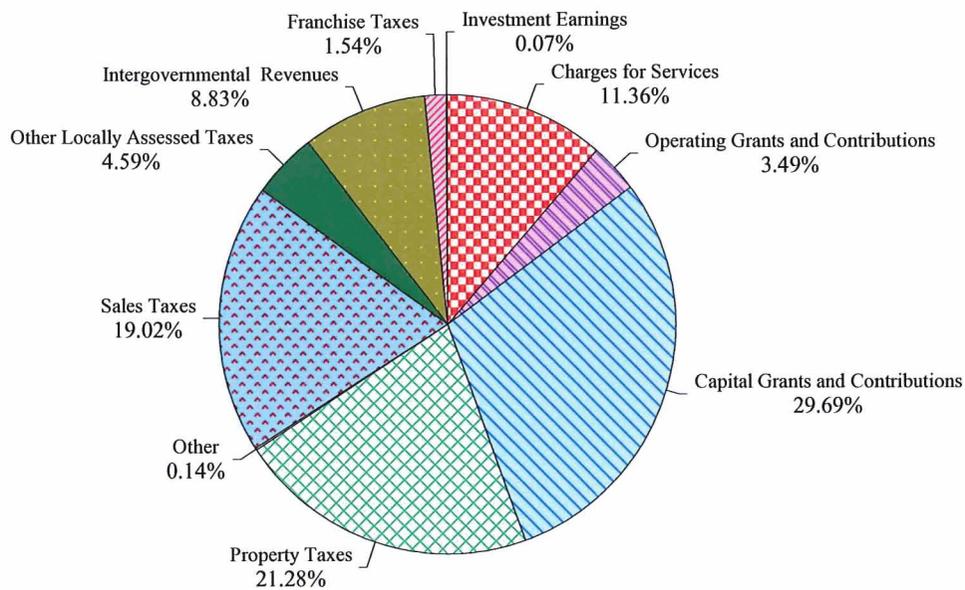
*As restated

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

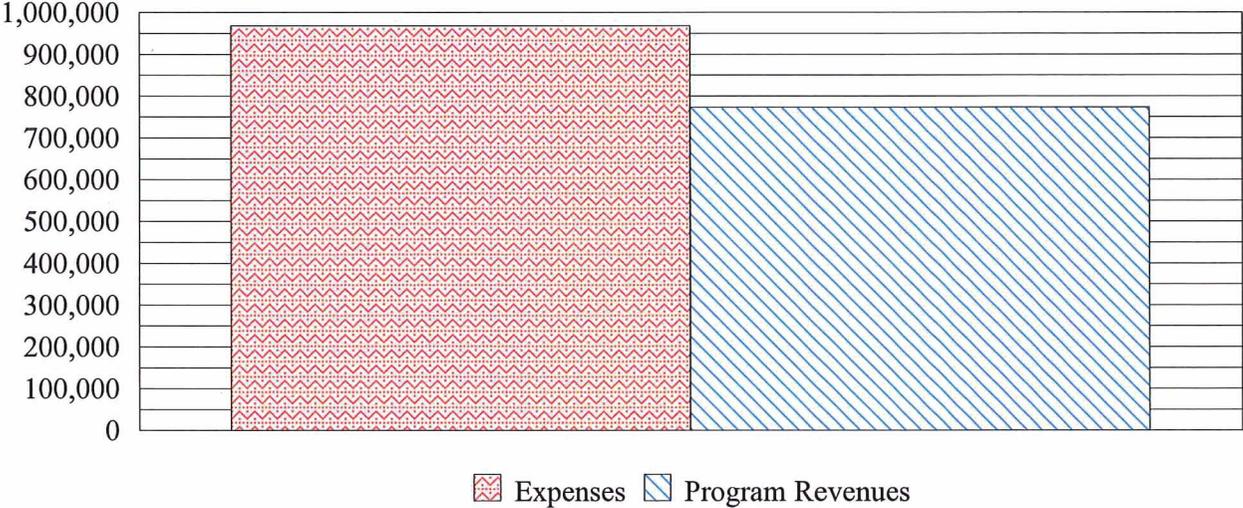
EXPENSES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES



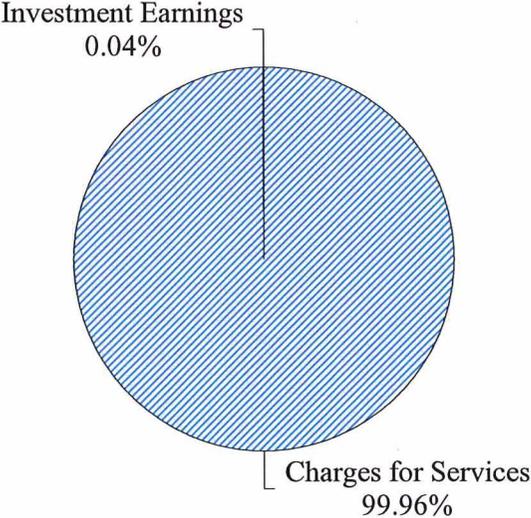
Revenues by Source - Governmental Activities



Expenses and Program Revenues Business-type Activities



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 \$12,980,135, an increase of \$1,258,847 in comparison with the prior year. Approximately 13.9% of this total amount (\$1,802,256) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$11,177,870) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$1,035,950), 2) restricted to provide for capital projects (\$3,672,665) 3) designated nonspendable to provide for prepaid items (\$17,493), 4) committed to provide for designated departmental projects (\$274,997), 5) assigned for specific projects regarding other governmental funds (\$1,582,802) 6) assigned for departmental obligations in the amount of (\$1,488,870) 7) and assigned for subsequent year budget in the amount of (\$3,105,102).

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 \$1,802,256, while total fund balance reached \$7,724,668. 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 6.47% of total general fund expenditures, while total fund balance represents 27.7% of that same amount.

The fund balance of the City's general fund increased by \$1,062,121 during the current fiscal year. The key factor in this increase was due to revenues exceeded expenditures by \$3,956,699 and issuance of debt.

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

At the end of the current fiscal year, total fund balance of the capital projects fund was \$3,672,665. The decrease in total fund balance from the prior fiscal year was \$42,136 due to expenditures exceeding revenues.

At the end of the current fiscal year, fund balance of the state street aid fund (nonmajor governmental fund) was \$1,422,655. The increase in total fund balance from the prior fiscal year was \$217,113.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$160,147. The increase in total fund balance from the prior fiscal year was \$21,749.

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 \$91,840. The decrease in total net position of the Golf Course Fund amounted to \$18,260. 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 \$2,891,073 and can be briefly summarized as follows:

- The Parks department budget was amended by (\$50,000) of which this amount was appropriated to hire a temporary replacement of the Parks Mechanic and to outsource repair of vehicle and equipment maintenance.
- The Codes department budget was amended by (\$40,500) which appropriated this amount from grant funds to replace heating and air units at the Police department.
- The Planning department budget was amended (\$70,170) which appropriated funds regarding an Emergency Solutions grant.
- The Public Works department budget was amended by (\$1,466,900) which appropriated \$1,272,865 for Public Works projects, and appropriated \$125,000 for a Citywide Traffic Signal upgrade and appropriated \$69,035 for the Walton Ferry/Old Shackle Island road alignment project..
- The Police department budget was amended (\$63,503) which appropriated \$49,853 regarding a State of Tennessee Department of Transportation governor's highway safety grant and appropriated \$13,650 to purchase bulletproof vests.
- The Fire department budget was amended (\$1,200,000) which appropriated \$818,650 for the purchase of a ladder truck and appropriated \$381,350 for the purchase of generators by the Hendersonville Utility District.

Total general fund revenues for FY 2012-2013 were over budgeted revenues by \$57,842 or .18%. Total expenditures for FY 2012-2013 were under budgeted expenditures \$5,128,116 or 15.9%% resulting in a positive variance with final budget in the amount of \$5,185,958.

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, 2013, amounts to \$70,466,647 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 16.5% (a 16.9% increase for governmental activities and a .19% decrease for business-type activities).

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

- \$8,471,430 in donated streets from developers.
- \$1,449,198 in new machinery and equipment purchases.
- \$5,124,216 in construction in progress, the majority of which are street projects, Park improvements, and pedestrian/bike path construction.
- \$718,281 for improvements other than buildings

City of Hendersonville's Capital Assets

	<u>Governmental Activities</u>		<u>Business –type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 4,632,797	\$ 4,632,797	\$ 641,194	\$ 641,194	\$ 5,273,991	\$ 5,273,991
Buildings and Improvements	16,870,529	16,778,599	1,029,454	1,029,454	17,899,983	17,808,053
Improvements other than buildings	2,796,618	2,757,618	4,259,559	4,259,559	7,056,177	7,017,177
Machinery and Equipment	11,203,451	9,893,836	706,496	654,696	11,909,947	10,548,532
Construction in progress	6,598,303	2,047,678	--	--	6,598,303	2,047,678
Infrastructure	92,820,539	83,867,448	--	--	92,820,539	83,867,448
Less accumulated depreciation	(65,877,618)	(60,927,585)	(5,214,675)	(5,160,071)	(71,092,293)	(66,087,656)
Net Capital Assets	<u>\$69,044,619</u>	<u>\$59,050,391</u>	<u>\$1,422,028</u>	<u>\$1,424,832</u>	<u>\$70,466,647</u>	<u>\$60,475,223</u>

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 \$11,830,314, 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>2013</u>	<u>2012 *</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012*</u>
General obligation bonds	\$ --	\$ 1,555,000	\$ --	\$ --	\$ --	\$ 1,555,000
Notes payable	10,843,185	10,245,370	--	--	10,843,185	10,245,370
Revenue and tax bonds	--	--	--	--	--	--
Obligation to School system	<u>987,129</u>	<u>987,129</u>	<u>--</u>	<u>--</u>	<u>987,129</u>	<u>987,129</u>
Total	<u>\$11,830,314</u>	<u>\$12,787,499</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$11,830,314</u>	<u>\$12,787,499</u>

* As restated.

The City of Hendersonville's total debt decreased by \$957,185 (7.5%) during the current fiscal year.

On September 18, 2012 the City of Hendersonville received an AA rating from Standard & Poors Rating Services which viewed the outlook for this rating as stable.

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 6.8%, which is the same rate of 6.8% last year. This compares to the state's average unemployment rate of 8.5% and the national average rate of 7.5%.

In the 2013-2014 budget, General fund revenues and transfers in are budgeted to decrease by 2.34% from the 2012-2013 budget year. The City's budget has benefited by an expanding commercial and retail base producing a moderate increase in local sales tax receipts, building permits, and business taxes. Economic conditions experienced during the 2012-2013 budget year still required a conservative approach to the 2013-2014 budget.

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$7,724,668. The City has appropriated \$3,105,102 of this amount for spending in the 2013-2014 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, 2013

	Primary Government		Total Primary Government	Component units		
	Governmental Activities	Business Activities		Arts Council	Beautiful Hendersonville	Industrial Development
Assets						
Cash and cash equivalents	\$8,884,855	70,507	8,955,362	25,611	21,765	141,399
Receivables (net):						
Property taxes	10,206,945	-	10,206,945	-	-	-
Other taxes	113,105	-	113,105	-	-	-
Disposal fees	126,815	-	126,815	-	-	-
Due from other governments	5,391,675	-	5,391,675	-	-	-
Accounts receivable	-	406	406	-	-	-
Inventories	-	47,598	47,598	-	-	-
Restricted assets - cash and cash equivalents						
Cash - bond proceeds	1,942,668	-	1,942,668	-	-	-
Deposit - State of Tennessee	1,154,776	-	1,154,776	-	-	-
Prepaid items	17,493	-	17,493	-	-	-
Deposits	-	5,310	5,310	-	-	-
Capital assets, net of accumulated depreciation	50,264,997	780,834	51,045,831	31,879	-	-
Land and construction in progress - nondepreciable	18,779,622	641,194	19,420,816	-	-	10,852
Total Assets	\$96,882,951	1,545,849	98,428,800	57,490	21,765	152,251
Liabilities						
Accounts payable	\$602,481	8,536	611,017	452	-	-
Accrued liabilities	1,912,113	23,445	1,935,558	704	-	-
Contracts payable-from bond proceeds	588,153	-	588,153	-	-	-
Unearned revenue	4,159	-	4,159	-	-	-
Long-term liabilities due within one year	3,230,185	-	3,230,185	-	-	-
Long-term liabilities due in more than one year	11,467,459	-	11,467,459	-	-	-
Total Liabilities	17,804,550	31,981	17,836,531	1,156	-	-
Deferred Inflows of Resources						
Unavailable revenue	10,054,953	-	10,054,953	-	-	-
Net Position						
Net investment in capital assets	60,346,274	1,422,028	61,768,302	31,879	-	10,852
Restricted for:						
Street maintenance	2,109,167	-	2,109,167	-	-	-
Public works	440,630	-	440,630	-	-	-
Law enforcement	166,945	-	166,945	-	-	-
Solid waste disposal	98,291	-	98,291	-	-	-
Parks	25,912	-	25,912	-	-	-
Capital projects	1,163,364	-	1,163,364	-	-	-
Unrestricted	4,672,865	91,840	4,764,705	24,455	21,765	141,399
Total Net Position	\$69,023,448	1,513,868	70,537,316	56,334	21,765	152,251

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total	Arts Council	Component Units	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities			Beautiful Hendersonville	Industrial Development
Primary Government:										
Governmental Activities:										
General government	\$599,372	-	18,575	38,400	(542,397)	-	(542,397)	-	-	-
Personnel	287,082	-	-	-	(287,082)	-	(287,082)	-	-	-
Central services	1,599,478	-	-	-	(1,599,478)	-	(1,599,478)	-	-	-
Finance	943,891	70,076	-	-	(873,815)	-	(873,815)	-	-	-
Parks	1,901,842	146,694	-	124,376	(1,630,772)	-	(1,630,772)	-	-	-
Codes	744,323	507,924	-	-	(236,399)	-	(236,399)	-	-	-
Planning	506,212	84,560	-	-	(421,652)	-	(421,652)	-	-	-
Police	9,556,547	562,545	213,346	25,000	(8,755,656)	-	(8,755,656)	-	-	-
Fire	8,755,714	-	57,600	1,251,192	(7,446,922)	-	(7,446,922)	-	-	-
Contributions	228,750	-	-	-	(228,750)	-	(228,750)	-	-	-
Disposal service	4,690,339	4,214,169	-	-	(476,170)	-	(476,170)	-	-	-
Program cost	15,766	-	-	-	(15,766)	-	(15,766)	-	-	-
Streets and public works	7,155,316	-	1,427,486	13,164,737	7,436,907	-	7,436,907	-	-	-
Interest on debt	350,448	-	-	-	(350,448)	-	(350,448)	-	-	-
Total Government Activities	37,335,080	5,585,968	1,717,007	14,603,705	(15,428,400)	-	(15,428,400)	-	-	-
Business-type Activities:										
Golf Course	968,630	773,593	-	-	-	(195,037)	(195,037)	-	-	-
Total Business-type Activities	968,630	773,593	-	-	-	(195,037)	(195,037)	-	-	-
Total Primary Government	\$38,303,710	6,359,561	1,717,007	14,603,705	(15,428,400)	(195,037)	(15,623,437)	-	-	-
Component Units:										
Arts Council	\$69,034	38,484	25,550	-	-	-	(5,000)	-	-	-
Beautiful Hendersonville	2,654	-	6,500	-	-	-	-	3,846	-	-
Industrial Development Board	75,612	47,815	-	-	-	-	-	-	(27,797)	-
	\$147,300	86,299	32,050	-	-	-	(5,000)	3,846	(27,797)	-
General Revenues:										
Property taxes and in lieu of tax					\$10,466,430	-	10,466,430	-	-	-
Sales taxes					9,358,299	-	9,358,299	-	-	-
Wholesale beer tax					929,388	-	929,388	-	-	-
Wholesale liquor tax					351,331	-	351,331	-	-	-
Business tax					974,806	-	974,806	-	-	-
Franchise taxes					757,106	-	757,106	-	-	-
Unrestricted state shared taxes:										
State shared sales tax					3,555,315	-	3,555,315	-	-	-
State shared income tax					602,307	-	602,307	-	-	-
State shared beer tax					25,399	-	25,399	-	-	-
State shared alcoholic beverage tax					138,950	-	138,950	-	-	-
Other unrestricted other state shared taxes					23,298	-	23,298	-	-	-
Unrestricted investment earnings					34,283	333	34,616	20	8	318
Other					68,035	-	68,035	-	-	-
Transfers					(173,640)	173,640	-	-	-	-
Total general revenues					27,111,307	173,973	27,285,280	20	8	318
Change in net position					11,682,907	(21,064)	11,661,843	(4,980)	3,854	(27,479)
Net position - beginning of year, as restated					57,340,541	1,534,932	58,875,473	61,314	17,911	179,730
Net position - end of year					\$69,023,448	\$1,513,868	70,537,316	56,334	21,765	152,251

See accompanying notes to financial statements

CITY OF HENDERSONVILLE, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2013

Assets	General Fund	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$7,336,351	-	2,014,112	-	1,477,060	10,827,523
Receivables (net)						
Property taxes	10,257,945	-	-	-	-	10,257,945
Other taxes	113,105	-	-	-	-	113,105
Disposals fees	-	144,175	-	-	-	144,175
Due from other governments	4,048,261	-	1,103,004	-	240,410	5,391,675
Deposit - State of Tennessee	-	-	1,154,776	-	-	1,154,776
Prepaid items	17,493	-	-	-	-	17,493
Due from other funds	-	373,972	-	-	-	373,972
Total Assets	\$21,773,155	518,147	4,271,892	-	1,717,470	28,280,664
Liabilities						
Accounts payable	\$188,246	402,496	11,074	-	665	602,481
Accrued costs	1,746,417	-	-	-	10,101	1,756,518
Contracts payable	-	-	588,153	-	-	588,153
Due to other funds	373,972	-	-	-	-	373,972
Unearned revenue	4,159	-	-	-	-	4,159
Total Liabilities	2,312,794	402,496	599,227	-	10,766	3,325,283
Deferred Inflows of Resources						
Unavailable revenues	11,735,693	115,651	-	-	123,902	11,975,246
Fund Balance:						
Nonspendable:						
Prepaid items	17,493	-	-	-	-	17,493
Restricted for:						
Public works	440,630	-	-	-	-	440,630
Street maintenance	562,610	-	-	-	1,422,655	1,985,265
Law enforcement	6,798	-	-	-	160,147	166,945
Parks	25,912	-	-	-	-	25,912
Parks capital projects	-	-	71,444	-	-	71,444
Streets capital projects	-	-	3,601,221	-	-	3,601,221
Committed to:						
Public works	40,000	-	-	-	-	40,000
Street maintenance	227,175	-	-	-	-	227,175
Parks	7,822	-	-	-	-	7,822
Assigned to:						
Retiree benefits	633,076	-	-	-	-	633,076
General government	1,850	-	-	-	-	1,850
Public works	429,602	-	-	-	-	429,602
Law enforcement	424,342	-	-	-	-	424,342
Subsequent year budget	3,105,102	-	-	-	-	3,105,102
Unassigned	1,802,256	-	-	-	-	1,802,256
Total Fund Balances	7,724,668	-	3,672,665	-	1,582,802	12,980,135
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$21,773,155	518,147	4,271,892	-	1,717,470	28,280,664

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, 2013

Amounts reported for fund balance - total governmental funds		\$12,980,135
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		69,044,619
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	\$1,368,678	
Property tax receivable, net of allowance of doubtful accounts	384,964	
Disposal fees receivable, net of allowance for doubtful accounts	<u>98,291</u>	
		1,851,933
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(155,595)
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	(10,843,185)	
Note premiums	(364,451)	
Obligation to county school system	(987,129)	
Other postemployment benefits	(587,468)	
Compensated absences	<u>(1,915,411)</u>	
		(14,697,644)
Net position of governmental activities		<u>\$69,023,448</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, 2013

	General	Solid Waste Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$22,129,587	-	-		-	22,129,587
Intergovernmental	6,297,001	-	3,307,671		1,319,688	10,924,360
Fines and fees	595,632	-	-		-	595,632
Licenses and permits	1,349,590	-	-		-	1,349,590
Charges for services	146,694	4,229,754	-		-	4,376,448
Uses of money and property	21,371	-	7,970		4,942	34,283
Miscellaneous	1,260,235	-	-	-	36,989	1,297,224
Total Revenue	<u>31,800,110</u>	<u>4,229,754</u>	<u>3,315,641</u>	<u>-</u>	<u>1,361,619</u>	<u>40,707,124</u>
Expenditures						
Current:						
General government	396,272	-	-		-	396,272
Personnel	287,784	-	-		-	287,784
Central services	1,599,478	-	-		-	1,599,478
Finance	852,925	-	-		-	852,925
Parks	1,629,574	-	-		-	1,629,574
Codes	736,517	-	-		-	736,517
Planning	505,872	-	-		-	505,872
Public works	2,169,770	-	-		-	2,169,770
Police	8,964,947	-	-		-	8,964,947
Fire	8,212,617	-	-		-	8,212,617
Contributions	228,750	-	-		-	228,750
Disposal service	-	4,690,339	-		-	4,690,339
Program cost	-	-	-		15,766	15,766
Streets	-	-	404,849		983,472	1,388,321
Debt service	-	-	-	8,243,831	-	8,243,831
Capital Outlay	2,258,905	-	4,165,990	-	123,519	6,548,414
Total Expenditures	<u>27,843,411</u>	<u>4,690,339</u>	<u>4,570,839</u>	<u>8,243,831</u>	<u>1,122,757</u>	<u>46,471,177</u>
Excess (deficiency) revenues over expenditures	3,956,699	(460,585)	(1,255,198)		238,862	(5,764,053)
Other Financing Sources (Uses)						
Debt issuance	1,170,000	-		5,640,000	-	6,810,000
Note premium	50,899	-		335,641	-	386,540
Transfer from other funds		460,585	1,213,062	2,268,190	-	3,941,837
Transfer to other funds	(4,115,477)	-	-	-	-	(4,115,477)
Total Other Financing Sources (Uses)	<u>(2,894,578)</u>	<u>460,585</u>	<u>1,213,062</u>	<u>8,243,831</u>	<u>-</u>	<u>7,022,900</u>
Net Change in Fund Balance	1,062,121	-	(42,136)	-	238,862	1,258,847
Fund Balance, Beginning of Year	<u>6,662,547</u>	<u>-</u>	<u>3,714,801</u>	<u>-</u>	<u>1,343,940</u>	<u>11,721,288</u>
Fund Balance, End of Year	<u>\$7,724,668</u>	<u>-</u>	<u>3,672,665</u>	<u>-</u>	<u>1,582,802</u>	<u>12,980,135</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, 2013

Amounts reported for net change in fund balance - total governmental funds	\$1,258,847
 Amounts reported for governmental activities in the statement of activities are different because:	
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	6,548,414
Depreciation expense	(5,089,616)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(97,618)
Local option sales tax	25,050
Business taxes	23,235
State shared revenues	13,991
Disposal Fees	(15,585)
Contributed capital assets	8,535,430
 Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	
	7,767,185
 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	18,474
 Long-term debt issuance provide current financial resources to governmental funds, but the issuance of debt increases long-term obligations for governmental activities.	
	(6,810,000)
 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:	
Note premiums	(386,540)
Amortization of note premiums	22,088
 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	(39,937)
Other postemployment benefits	(90,511)
Change in net position of governmental activities	\$11,682,907

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, 2013

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Local Taxes:				
Real & personal property	\$9,767,469	9,767,469	9,860,462	92,993
Payments in lieu of property taxes	706,600	706,600	703,586	(3,014)
Local sales taxes	8,700,000	8,700,000	9,333,249	633,249
Wholesale beer	860,000	860,000	929,388	69,388
Wholesale liquor	330,000	330,000	351,331	21,331
Business taxes	790,000	790,000	951,571	161,571
Total Local Taxes	<u>21,154,069</u>	<u>21,154,069</u>	<u>22,129,587</u>	<u>975,518</u>
Intergovernmental:				
State sales tax	3,350,000	3,350,000	3,541,439	191,439
State income tax	400,000	400,000	602,307	202,307
State beer tax	26,000	26,000	25,399	(601)
State alcoholic beverage tax	230,000	230,000	141,576	(88,424)
State/City streets & transp.	110,000	110,000	105,268	(4,732)
State fire supplement	54,500	54,500	57,600	3,100
State police supplement	54,500	54,500	55,800	1,300
Other state revenue allocation	28,000	28,000	23,087	(4,913)
County	91,000	91,000	84,464	(6,536)
Corp of Engineers	29,000	29,000	28,173	(827)
Grants	1,350,812	2,660,950	1,631,888	(1,029,062)
Total Intergovernmental	<u>5,723,812</u>	<u>7,033,950</u>	<u>6,297,001</u>	<u>(736,949)</u>
Fines and Penalties:				
City court and drug control	529,200	529,200	525,556	(3,644)
Penalties	76,600	76,600	70,076	(6,524)
Total Fines and Penalties	<u>605,800</u>	<u>605,800</u>	<u>595,632</u>	<u>(10,168)</u>
Licenses and Permits:				
Building permits	538,000	538,000	507,924	(30,076)
Franchise taxes	705,000	705,000	757,106	52,106
Other permits	155,600	155,600	84,560	(71,040)
Total Licenses & Permits	<u>1,398,600</u>	<u>1,398,600</u>	<u>1,349,590</u>	<u>(49,010)</u>
Charges for Services:				
Recreational fees	142,000	142,000	146,694	4,694
Interest	36,600	36,600	21,371	(15,229)
Other Revenues:				
Contributions from others	13,000	137,400	134,600	(2,800)
Called performance bonds	-	1,137,500	1,057,600	(79,900)
Sale of Assets	10,000	10,000	1,634	(8,366)
Miscellaneous	86,349	86,349	66,401	(19,948)
Total Other Revenues	<u>109,349</u>	<u>1,371,249</u>	<u>1,260,235</u>	<u>(111,014)</u>
 Total Revenues	 <u>29,170,230</u>	 <u>31,742,268</u>	 <u>31,800,110</u>	 <u>57,842</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, 2013

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
Salaries	\$252,991	252,991	245,254	7,737
Employee benefits	92,817	92,817	78,212	14,605
Repairs and maintenance	750	750	283	467
Travel and training	16,000	16,000	6,405	9,595
Supplies	16,750	16,750	14,418	2,332
Outside services	7,000	7,000	6,436	564
Telephone	4,000	4,000	3,583	417
Other costs	51,000	51,000	41,681	9,319
Capital outlay	-	-	-	-
Total General Government	441,308	441,308	396,272	45,036
Personnel:				
Salaries	183,161	183,161	180,772	2,389
Employee benefits	58,778	58,778	52,126	6,652
Travel and training	4,000	4,000	726	3,274
Supplies	8,000	8,000	5,762	2,238
Telephone	50	50	17	33
Other costs	61,000	61,000	48,381	12,619
Capital outlay	-	-	-	-
Total Personnel	314,989	314,989	287,784	27,205
Central Services:				
Salaries	220,682	220,682	217,626	3,056
Benefits	254,879	254,879	115,625	139,254
Repairs and maintenance	88,100	88,100	73,843	14,257
Supplies	9,000	9,000	8,291	709
Insurance	401,000	401,000	492,643	(91,643)
Outside services	28,000	28,000	15,157	12,843
Utilities	180,000	180,000	158,028	21,972
Tax increment financing bond payment	425,000	425,000	428,408	(3,408)
Other costs	119,000	119,000	95,504	23,496
Capital outlay	-	-	-	-
Total Central Services	1,725,661	1,725,661	1,605,125	120,536
Finance				
Salaries	543,654	543,654	460,739	82,915
Employee benefits	197,648	197,648	174,496	23,152
Travel and training	1,400	1,400	1,422	(22)
Supplies	26,000	26,000	17,736	8,264
Outside services	95,150	95,150	84,699	10,451
Utilities	140	140	26	114
Other costs	82,000	82,000	106,468	(24,468)
Capital outlay	0	-	-	-
Total Finance:	945,992	945,992	845,586	100,406

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, 2013

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks:				
Salaries	\$902,138	922,138	886,203	35,935
Employee benefits	290,873	290,873	290,906	(33)
Repairs and maintenance	251,780	281,780	149,535	132,245
Outside Services	10,000	10,000	6,637	3,363
Travel and training	4,000	4,000	2,923	1,077
Supplies	56,000	56,000	68,033	(12,033)
Utilities	160,000	160,000	168,077	(8,077)
Other costs	54,500	54,500	50,666	3,834
Capital outlay	362,500	362,500	112,394	250,106
Total Parks	<u>2,091,791</u>	<u>2,141,791</u>	<u>1,735,374</u>	<u>406,417</u>
Codes:				
Salaries	475,739	475,739	473,301	2,438
Employee benefits	187,796	187,796	182,753	5,043
Repairs and maintenance	5,000	5,000	5,351	(351)
Travel and training	4,450	4,450	2,591	1,859
Supplies	17,750	17,750	17,023	727
Outside Services	5,000	5,000	5,048	(48)
Insurance	1,000	1,000	603	397
Telephone	9,500	9,500	7,164	2,336
Other costs	9,500	9,500	4,283	5,217
Capital outlay	25,000	65,500	58,578	6,922
Total Codes	<u>740,735</u>	<u>781,235</u>	<u>756,695</u>	<u>24,540</u>
Planning:				
Salaries	332,864	332,864	328,717	4,147
Employee benefits	104,803	104,803	105,053	(250)
Repairs and maintenance	1,800	1,800	606	1,194
Travel and training	6,000	6,000	5,273	727
Supplies	10,700	10,700	6,802	3,898
Outside services	51,500	51,500	14,795	36,705
Utilities	1,200	1,200	1,354	(154)
Other costs	246,497	316,667	43,272	273,395
Capital outlay	-	-	-	-
Total Planning	<u>755,364</u>	<u>825,534</u>	<u>505,872</u>	<u>319,662</u>
Streets and Public Works:				
Salaries	865,591	865,591	851,526	14,065
Employee benefits	318,832	318,832	317,544	1,288
Repairs and maintenance	555,688	760,688	480,565	280,123
Travel and training	7,000	7,000	4,441	2,559
Supplies	127,732	127,732	113,068	14,664
Utilities	302,000	302,000	339,430	(37,430)
Outside services	52,000	52,000	23,151	28,849
Other costs	188,650	188,650	104,459	84,191
Street and drainage projects	1,454,655	1,454,655	12,361	1,442,294
Capital outlay	40,000	1,301,900	656,890	645,010
Total Public Works	<u>3,912,148</u>	<u>5,379,048</u>	<u>2,903,435</u>	<u>2,475,613</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, 2013

Expenditures, Continued	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Police Department:				
Salaries	\$5,843,133	5,843,133	5,688,616	154,517
Employee benefits	2,273,998	2,273,998	2,120,710	153,288
Repairs and maintenance	284,000	284,000	287,285	(3,285)
Travel and training	35,000	35,000	27,281	7,719
Supplies	678,338	741,841	688,290	53,551
Outside services	191,970	191,970	191,625	345
Telephone and utilities	111,800	111,800	92,702	19,098
Investigations	4,500	4,500	3,402	1,098
Other costs	89,442	89,442	51,081	38,361
Capital outlay	321,450	321,450	318,788	2,662
Total Police Department	<u>9,833,631</u>	<u>9,897,134</u>	<u>9,469,780</u>	<u>427,354</u>
Fire Department:				
Salaries	5,449,233	5,449,233	5,347,688	101,545
Employee benefits	1,990,596	1,990,596	1,989,693	903
Repairs and maintenance	112,830	112,830	121,395	(8,565)
Travel and training	56,560	56,560	54,215	2,345
Supplies	160,740	160,740	169,973	(9,233)
Telephone and utilities	82,400	82,400	68,289	14,111
Outside services	27,065	27,065	26,032	1,033
Other costs	85,700	85,700	51,589	34,111
Capital outlay	490,844	1,690,844	645,747	1,045,097
Total Fire Department	<u>8,455,968</u>	<u>9,655,968</u>	<u>8,474,621</u>	<u>1,181,347</u>
Contributions:				
Senior Citizens	13,000	13,000	13,000	-
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	-
Hendersonville Public Library	50,000	50,000	50,000	-
Component units	25,500	25,500	25,500	-
Other	80,750	80,750	80,750	-
Total Contributions	<u>228,750</u>	<u>228,750</u>	<u>228,750</u>	<u>-</u>
 Total Expenditures and Encumbrances	<u>29,446,337</u>	<u>32,337,410</u>	<u>27,209,294</u>	<u>5,128,116</u>
 Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	<u>(276,107)</u>	<u>(595,142)</u>	<u>4,590,816</u>	<u>5,185,958</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfers In (Out):				
Debt service fund	(\$2,364,295)	(2,364,292)	(2,268,190)	96,102
Solid waste fund	(460,585)	(460,585)	(460,585)	-
Capital projects fund	(1,213,062)	(1,213,062)	(1,213,062)	-
Golf fund	-	(173,640)	(173,640)	-
Note proceeds	1,170,000	1,170,000	1,170,000	-
Note premium	30,000	30,000	50,899	20,899
Total Other Financing Sources (Uses)	<u>(2,837,942)</u>	<u>(3,011,579)</u>	<u>(2,894,578)</u>	<u>117,001</u>
Net Change in Fund Balance	<u>(3,114,049)</u>	<u>(3,606,721)</u>	<u>1,696,238</u>	<u>5,302,959</u>
Fund Balance, Beginning of Year	<u>5,271,084</u>	<u>5,271,084</u>	<u>5,271,084</u>	<u>-</u>
Fund Balance, End of Year	<u>\$2,157,035</u>	<u>1,664,363</u>	<u>6,967,322</u>	<u>5,302,959</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

Solid Waste Fund

For the Year Ended June 30, 2013

<u>Revenues</u>	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other:				
Disposal fees	\$4,208,737	4,208,737	4,229,754	21,017
Total Revenues	4,208,737	4,208,737	4,229,754	21,017
<u>Expenditures</u>				
Tipping fees	997,268	997,268	811,692	185,576
Disposal service	4,097,861	4,097,861	3,823,286	274,575
Brush disposal and other	115,740	115,740	55,361	60,379
Total Expenditures and Encumbrances	5,210,869	5,210,869	4,690,339	520,530
Excess of Revenues Over Expenditures and Encumbrances	(1,002,132)	(1,002,132)	(460,585)	541,547
Other Financing Sources (Uses)				
Transfer in	1,002,132	1,002,132	460,585	(541,547)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	-	-	-	-

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Net Position

Proprietary Fund

June 30, 2013

	Golf Enterprise Fund
<u>Assets</u>	
Current Assets:	
Cash	\$70,507
Accounts receivable	406
Inventory	47,598
Total Current Assets	<u>118,511</u>
Noncurrent Assets:	
Property, Plant and Equipment	
Land	641,194
Buildings and improvements	1,029,454
Golf course improvements	4,259,559
Equipment	706,496
Total Property, Plant and Equipment	<u>6,636,703</u>
Less: accumulated depreciation	<u>(5,214,675)</u>
Net Property, Plant and Equipment	<u>1,422,028</u>
Other	
Deposits	5,310
Total Other Assets	<u>5,310</u>
Total Noncurrent Assets	<u>1,427,338</u>
Total Assets	<u>\$1,545,849</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$8,536
Accrued expenses	23,445
Total Current Liabilities	<u>31,981</u>
Total Liabilities	<u>31,981</u>
<u>Net Position</u>	
Net investment in capital assets	1,422,028
Unrestricted	91,840
Total Net Position	<u>\$1,513,868</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, 2013

	<u>Golf Enterprise Fund</u>
Operating Revenues:	
Charges for sales and services	\$773,593
Total Operating Revenues	<u>773,593</u>
Operating Expenses:	
Costs of sales	166,842
Personal services	363,769
Repairs and maintenance	51,413
Supplies	14,453
Gas	28,601
Credit card charges	10,045
Chemicals and fertilizer	28,605
Utilities	30,814
Depreciation	205,994
Advertising and promotions	4,471
Other	23,623
Management services	40,000
Total Operating Expenses	<u>968,630</u>
Operating Income (Loss)	<u>(195,037)</u>
Nonoperating Revenues (Expenses):	
Interest income	333
Net Nonoperating Revenues (Expenses)	<u>333</u>
Net Income (Loss) Before Transfers	<u>(194,704)</u>
Transfer In	<u>173,640</u>
Change in Net Position	(21,064)
Net Position - Beginning of Year	<u>1,534,932</u>
Net Position- End of Year	<u>\$1,513,868</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2013

	<u>Golf Enterprise Fund</u>
Cash Flows Provided (Used) By Operating Activities:	
Cash received from customers	\$773,187
Cash paid for personnel services	(362,335)
Cash paid to suppliers for goods and services	(407,157)
Cash paid for deposits	(2,198)
Net Cash Provided (Used) by Operating Activities	1,497
Cash Flows Provided (Used) By Noncapital Financing Activities:	
Cash transfer from other funds	173,640
Cash Flows Provided (Used) By Capital Related Financing Activities:	
Purchase of equipment	(203,190)
Cash Flows Provided (Used) By Investing Activities:	
Interest received on investments	333
Net Increase (Decrease) in Cash	(27,720)
Cash and Cash Equivalents, Beginning of Year	98,227
Cash and Cash Equivalents, End of Year	\$70,507
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	(\$195,037)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	205,994
(Increase) Decrease in:	
Accounts receivable	(406)
Deposits	(2,198)
Inventory	(9,039)
Increase (Decrease) in:	
Accounts payable	1,135
Accrued expenses	1,048
Net cash provided by operating activities	\$1,497

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, 2013

Assets

Cash	<u>\$33,399</u>
Total Assets	<u><u>\$33,399</u></u>

Liabilities

Assets held in trust	<u>33,399</u>
Total Liabilities	<u><u>\$33,399</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to the Financial Statements

June 30, 2013

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, 2013

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, 2013.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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 10 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 an operating lease for motorcycles.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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, 2013

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 practice 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 resource or through enabling legislation. *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. 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. 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, 2013

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	40%	Farm and Residential Property	25%
- Personal	30%		

Taxes are levied at a rate of \$ 0.65 per \$100 of assessed valuation for tax year 2013 and \$0.65 per \$100 for tax year 2012. Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,550,408 for the fiscal year ended June 30, 2013 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 \$10,206,945 which is net of an allowance for doubtful collections of \$51,000. Of this receivable amount, \$9,753,800 represents the estimated net realizable 2013 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 \$10,257,945 with an offsetting deferred inflow of resources for amounts not available at June 30, 2013. The other taxes receivable reported in both financial statements includes \$113,105 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 2013 was \$255 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 \$126,815 which is net of an allowance for doubtful collections of \$17,360. The receivable reported in the governmental funds balance sheet is \$144,075 with an offsetting deferred inflows of resources of \$115,651 for amounts not available at June 30, 2013.

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, 2013 there were no amounts exposed to custodial credit risk.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

2) DEPOSITS AND INVESTMENTS, Continued

Investments

At June 30, 2013 the City's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Maturity</u>	<u>Rating</u>
Local Government Investment Pool	\$ 64,645	N/A	N/A
Less Liquid Investments (Cash equivalents)	<u>(64,645)</u>		
Total Investments per financial statements	\$ <u>-----</u>		

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, 2013, was as follows:

Primary Government:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 4,632,797	-	-	-	4,632,797
Construction in progress	2,047,678	5,124,216	-	(573,591)	6,598,303
Library building	7,548,522	-	-	-	7,548,522
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,230,077	-	-	91,930	9,322,007
Improvements other than building	2,757,618	39,000	-	-	2,796,618
Machinery and equipment	9,893,836	1,449,198	(139,583)	-	11,203,451
Infrastructure	<u>83,867,448</u>	<u>8,471,430</u>	<u>-</u>	<u>481,661</u>	<u>92,820,539</u>
Total capital assets	<u>119,977,976</u>	<u>15,083,844</u>	<u>(139,583)</u>	<u>-----</u>	<u>134,922,237</u>
Less accumulated depreciation for:					
Buildings and improvements	3,506,548	236,898	-	-	3,743,446
Improvements other than buildings	1,176,546	137,792	-	-	1,314,338
Machinery and equipment	7,458,401	1,190,265	(139,583)	-	8,509,083
Infrastructure	<u>48,786,090</u>	<u>3,524,661</u>	<u>-</u>	<u>-----</u>	<u>52,310,751</u>
Total accumulated depreciation	<u>60,927,585</u>	<u>5,089,616</u>	<u>(139,583)</u>	<u>-----</u>	<u>65,877,618</u>
Governmental activities capital assets, net	\$ <u>59,050,391</u>				<u>69,044,619</u>

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

3) CAPITAL ASSETS, Continued:

Capital assets activity for the year ended June 30, 2013, was as follows (continued):

Primary Government, Continued:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclasses</u>	<u>Ending Balance</u>
Business-type activities:					
<u>Capital assets not being depreciated:</u>					
Land	\$ 641,194	-	-	-	641,194
<u>Capital assets being depreciated</u>					
Buildings and structures	1,029,454	-	-	-	1,029,454
Improvements other than buildings	4,259,559	-	-	-	4,259,559
Machinery, equipment and vehicles	<u>654,696</u>	<u>203,190</u>	<u>(151,390)</u>	-	<u>706,496</u>
Total capital assets	<u>6,584,903</u>	<u>203,190</u>	<u>(151,390)</u>	<u>-</u>	<u>6,636,703</u>
Less accumulated depreciation for:					
Buildings and structures	588,931	28,832	-	-	617,763
Improvements other than buildings	3,921,692	168,935	-	-	4,090,627
Machinery and equipment	<u>649,448</u>	<u>8,227</u>	<u>151,390</u>	-	<u>506,285</u>
Total accumulated depreciation	<u>5,160,071</u>	<u>205,994</u>	<u>151,390</u>	<u>-</u>	<u>5,214,675</u>
Business-type activities capital assets, net	<u>\$1,424,832</u>				<u>1,422,028</u>

Depreciation expense was charged to function/programs as of June 30, 2013, as follows:

Governmental activities:	
General government	\$ 109,273
Public safety	1,037,717
Street and public works	3,647,748
Parks	286,861
Codes and planning	<u>8,017</u>
Total depreciation expense-governmental activities	<u>\$5,089,616</u>
Business-type activities:	
Golf enterprise	\$ <u>205,994</u>

Current year capital asset additions of the governmental activities include \$8,535,430 in donated equipment improvements. The library building constructed by the City, with funds from the County, public and the City, was completed in a prior fiscal year and discussions are underway to contribute this facility to the county.

Component Units	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ <u>10,852</u>	<u>-</u>	<u>-</u>	<u>10,852</u>
Capital assets being depreciated	\$ <u>32,952</u>	<u>-</u>	<u>1,073</u>	<u>31,879</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 \$51,000 and \$17,360 respectively.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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, 2013 the components of deferred inflows of resources were as follows:

	<u>Government-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 9,753,800	9,753,800
Delinquent property taxes (unavailable)	-	435,964
Delinquent solid waste fees (unavailable)	-	115,651
State and County shared taxes (unavailable)	<u>301,153</u>	<u>1,669,831</u>
	\$ <u>10,054,953</u>	<u>11,975,246</u>

Unearned revenues consist of grant amounts for which terms have not been met.

5) RESTRICTED ASSETS

Restricted assets consist of unspent bond proceeds in the amount of \$1,942,668 and funds held by the state of Tennessee for the purchase of a road right-of-way in the amount of \$1,154,776.

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, 2013. This amounted to \$373,972 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, 2013 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u>				<u>Totals</u>
	<u>Governmental Funds</u>		<u>Proprietary Fund</u>		
<u>Transfer Out:</u>	<u>Solid Waste Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Golf Enterprise Fund</u>	
General Fund	\$ <u>460,585</u>	<u>2,268,190</u>	<u>1,213,062</u>	<u>173,640</u>	<u>\$4,115,477</u>

Transfers are made from the General Fund to the Solid Waste Fund and Golf Course Fund to fund shortfalls in revenues and to the Debt Service Fund to provide for debt service payments.

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

There were no inter-fund revenues and expenses for the year ended June 30, 2013.

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, 2013

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, 2013:

	<u>Balance</u> <u>06-30-12</u>	<u>Addition</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>	<u>Current</u> <u>Portion</u>
Governmental Activities					
General obligation bonds	\$ 1,555,000	-	1,555,000	-	-
Notes payable	10,245,370	6,810,000	6,212,185	10,843,185	2,070,185
Obligation to county school system	987,129*	-	-	987,129	-
Compensated absences	1,875,474	1,191,823	1,151,886	1,915,411	1,160,000
Net OPEB liability	<u>496,957</u>	<u>90,511</u>	<u>-</u>	<u>587,468</u>	<u>-</u>
Total Primary Government	\$ 15,159,930	<u>8,092,334</u>	<u>8,919,071</u>	14,333,193	<u>3,230,185</u>
Note premiums	<u>-</u>	<u>386,540</u>	<u>22,089</u>	<u>364,451</u>	
	\$ <u>15,159,930</u>			<u>14,697,644</u>	

*As restated, see Note 14.

Long term bonds and notes at June 30, 2013 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.	\$ 507,000
\$4,100,000 Capital Outlay- The notes are payable in twelve installments through 2023 at a rate of 3.210%.	3,416,000
\$270,390 Capital Outlay – The notes are repayable in annual installments through 2014 at a rate of interest of 3.4%.	135,185
\$6,810,000 Refunding and Improvement Capital Outlay Notes, Series 2012- The notes are payable in annual installments through 2025 at rates of interest from 2% to 3%.	6,785,000
\$987,129 Obligation to County School System – The obligation is payable in five annual installments beginning in 2015.	<u>987,129</u>
	\$ <u>11,830,314</u>

During the year the City issued \$6,810,000 in General Obligation Refunding and Improvement Capital Outlay Notes. The refunding portion was \$5,640,000 which currently refunded the 2001, 2003, 2005, 2006 Capital Outlay notes and the 2006 General Obligation Refunding Bond in the amount of \$5,796,500. The average rate of interest of the old bonds ranged from 2% to 3.95%. The average rate of the new note is 3%. The City used the net proceeds to currently retire the notes and bonds.

The current refunding portion of the issue reduced total debt service over the next four years by approximately \$65,640 and resulted in an economic gain (present values) of approximately \$60,106. There was no difference in the reacquisition and the carrying amount of the old debt.

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.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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

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, 2013, 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.

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 2013, the amount of incremental property taxes generated by the economic development area equaled \$428,436.00, 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, 2013, are as follows:

Year Ending <u>June 30</u>	Governmental Activities			Totals
	Obligation to County <u>School System</u>	Notes	Interest	
2014	\$ -	2,070,185	312,414	2,382,599
2015	197,426	1,981,000	248,765	2,427,191
2016	197,426	2,037,000	187,172	2,421,598
2017	197,426	1,447,000	127,244	1,771,670
2018	197,426	917,000	88,066	1,202,492
2019-2023	197,425	2,201,000	207,581	2,606,006
2024-2025	-	190,000	3,800	193,800
Totals	\$ <u>987,129</u>	<u>10,843,185</u>	<u>1,175,042</u>	<u>13,005,356</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.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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 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, 2013 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, 2013, Hendersonville's annual pension cost of \$2,227,422 to TCRS was equal to Hendersonville's required and actual contributions.

The required contribution was determined as part of the July 1, 2009 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, 2007 was four years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

9) PENSION PLAN, Continued

Plan Description, Continued

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	\$2,227,422	100.00%	-
6/30/12	\$2,162,730	100.00%	-
6/30/11	\$2,112,440	100.00%	-

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.56% funded. The actuarial accrued liability for benefits was \$41.49 million, and the actuarial value of assets was \$37.99 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.50 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.75 million, and the ratio of the UAAL to the covered payroll was 25.46%.

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. 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 \$422 to \$488 per month for single coverage and ranges from \$855 to \$1,014 for family coverage.

Annual OBEP Cost and Net OBEP Obligations

	<u>June 30, 2013</u>
ARC	\$ 174,670
Interest on NPO	19,878
Amortization of prior year	
Net OPEB Obligation	<u>(20,691)</u>
Annual OPEB Cost	173,857
Amount of Contribution*	<u>(83,346)</u>
Increase in NPO	90,511
Net OPEB Obligation 7/1	<u>496,957</u>
Net OPEB Obligation 6/30	\$ <u>587,468</u>

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

10) POST EMPLOYMENT HEALTHCARE PLAN, Continued

<u>Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation At Year End</u>
6/30/13	\$173,857	47.94%	\$587,468
6/30/12	189,248	51.9%	496,957
6/30/11	181,814	35%	405,950

Funded Status and Funding Progress

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

Actuarial valuation date		7/01/12
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	\$	14,131,090
UAAL as a percentage of covered payroll		14.36%

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 period used to determine amortization costs for the unfunded actuarial accrued liability is a level period for 30 years.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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 \$48,337 for brush disposal for 2013. These same entities have executed a "contract in Lieu of Performance Bond" with the State of Tennessee for financial assurance of the closure and post closure costs of the landfill should the Resource Authority be unable to perform.

Also during 2012 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 2013, the amount paid by the City was \$7,024.

The Authority as of June 30, 2013 has net investment in capital assets of \$2,126,930, and an unrestricted net deficit of \$571,069 compared to \$2,194,229 and \$585,424 respectively for year 2012. 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 \$19.38 per month and the hauling and disposal rate is \$38.42 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2013 the City had approximately \$4,050,000 in road improvement projects in process which were approximately 88% complete. The project is approximately 85% funded with state funds.

Operating Lease

The City has entered into an operating lease for eight police motorcycles. The fiscal year 2013 lease expense was \$20,397. The obligation under the lease is as follows:

2014	\$27,196
2015	6,799

Contingencies

During the prior fiscal year, the City became aware of TCA 57-4-306 requiring the split of the wholesale liquor tax with the local school system. The City has recorded a liability for all prior year obligations. Future state legislation could limit this obligation and reduce the liability.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

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.

1. The Mayor consults with all department heads prior to January 1st of each year to establish his priorities and objectives with each department for the coming year. The Mayor also sets salary proposals for departments.
2. During January and February, department heads prepare a proposed budget for their department. The Finance Director prepares revenue projections for the budget and prepares a summary of the overall budget for the Mayor to review.
3. Department heads meet with the Mayor and Finance Director to review their budget requests. The Mayor can amend budget requests as he deems necessary.
4. The department heads then present their budget requests to the standing committee to which their department is assigned.
5. During May, the Board of Mayor and Aldermen 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 1st, the budget is legally enacted through passage of an ordinance on two readings.
8. Department heads are authorized to expend funds within total departmental appropriations. However, amendments to the budget changing departmental and/or total appropriations require the passage of an ordinance on two readings. Budget transfers between departments must be approved by resolution and passed by the Board of Mayor and Aldermen.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

13) BUDGETS AND BUDGETARY ACCOUNTING, Continued

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, 2013.

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:	\$ 1,062,121
Add: Prior year reserve for encumbrances	1,505,203
Less: Prior year encumbrances released	(113,740)
Less: Current year reserve for encumbrances	<u>(757,346)</u>
Budget Basis	\$ <u>1,696,238</u>

Encumbrances

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

	<u>General Fund</u>	<u>State Street Aid Fund</u> (Non-major fund)
Public works/street maintenance \$	331,154	359,600
Law enforcement	424,342	-
Other	<u>1,850</u>	-
\$	<u>757,346</u>	<u>359,600</u>

Budget Amendments

The General Fund expenditure and other financing uses budget was amended by \$3,064,710. The major amendments related to:

Road related projects	\$ 1,450,000
Grant projects	1,270,000

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2013

14) CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET POSITION

For 2013, the City has adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, and Net Position, and has early adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

GASB 63 and GASB 65 establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Furthermore, these Statements provide guidance for deferred outflows of resources and deferred inflows of resources and their applicability to consumption or acquisition of net position, previously referred to as net assets, by the City.

As of July 1, 2012, the beginning net position of the governmental activities were restated related to bond issuance costs incurred prior to 2013. Under GASB 65 these costs would have been expensed as incurred.

During 2012, many Tennessee local governments became aware of Tennessee Code Annotated 57-4-306 which required the split of the liquor tax with the local county school system. The City has accrued the required amounts for the fiscal years 2012 and 2013 and along with other Tennessee local governments determined a liability for prior years. The estimated liability for the City is \$987,129 and is expected to be paid over five years. The obligation is included in the City's general long term debt in the government wide financial statements.

	Governmental <u>Activities</u>
Net position, beginning of year as previously reported	\$ 58,339,754
Debt issuance costs - change in accounting principle	(12,084)
Liability to County school system- correction of error	<u>(987,129)</u>
Net position, beginning of year as restated	<u>\$ 57,340,541</u>

The correction of error effects years prior to June 30, 2012. The change in accounting principle increased current year changes in net position by \$2,420.

The City also implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement was effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the City's financial statements.

15) SUBSEQUENT EVENTS

Subsequent to year end, the City issued \$1,250,000 general obligation and improvement capital outlay notes. The notes will be repaid over twelve years and the interest rate is 2.43%. The notes will fund capital improvement projects.

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
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
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%
07/01/07	\$ 24,820	\$ 26,692	\$ 1,872	92.99%	\$ 11,808	15.85%

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
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/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, 2013

<u>Assets</u>	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	
Cash and cash equivalents	\$1,316,913	160,147	1,477,060
Due from other governments	240,410	-	240,410
Total Assets	<u>\$1,557,323</u>	<u>160,147</u>	<u>1,717,470</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$665	-	665
Accrued liabilities	10,101	-	10,101
Total Liabilities	<u>10,766</u>	<u>-</u>	<u>10,766</u>
 Deferred Inflows of Resources:			
Unavailable revenue	123,902	-	123,902
 Fund Balances:			
Fund balance - restricted	1,422,655	160,147	1,582,802
Total Fund Balance	<u>1,422,655</u>	<u>160,147</u>	<u>1,582,802</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,557,323</u>	<u>160,147</u>	<u>1,717,470</u>

CITY OF HENDERSONVILLE, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds		Total Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
Revenues			
Intergovernmental:			
State gasoline tax	\$1,319,688	-	1,319,688
Interest	4,416	526	4,942
Drug related fines, seizures, and sales	-	36,989	36,989
Total Revenues	1,324,104	37,515	1,361,619
Expenditures			
Street Maintenance:			
Current:			
Salaries	589,666	-	589,666
Employee benefits	217,135	-	217,135
Other Costs - maintenance and lighting	176,671	-	176,671
Capital outlay	123,519	-	123,519
Program Costs:			
Current:			
Other costs	-	15,766	15,766
Capital outlay	-	-	-
Total Expenditures	1,106,991	15,766	1,122,757
Excess (Deficiency) of Revenues Over Expenditures	217,113	21,749	238,862
Fund Balance, Beginning of Year	1,205,542	138,398	1,343,940
Fund Balance, End of Year	\$1,422,655	160,147	1,582,802

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, 2013

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental:				
Gasoline tax, State of Tennessee	\$1,325,000	1,325,000	1,319,688 *	(5,312)
Interest	5,000	5,000	4,416	(584)
Total Revenues	<u>1,330,000</u>	<u>1,330,000</u>	<u>1,324,104</u>	<u>(5,896)</u>
<u>Expenditures</u>				
Street Maintenance				
Salaries	687,514	687,514	589,666	97,848
Benefits	267,726	267,726	217,135	50,591
Repairs and maintenance	432,000	432,000	396,527	35,473
Capital outlay	85,000	85,000	40,094	44,906
Total Expenditures and Encumbrances	<u>1,472,240</u>	<u>1,472,240</u>	<u>1,243,422</u>	<u>228,818</u>
Excess of Revenues Over Expenditures and Encumbrances	(142,240)	(142,240)	80,682	222,922
Fund Balance, Beginning of Year	<u>982,373</u>	<u>982,373</u>	<u>982,373</u>	<u>-</u>
Fund Balance, End of Year	<u>\$840,133</u>	<u>840,133</u>	<u>1,063,055</u>	<u>222,922</u>

* 1989 tax	\$145,707
Three cent tax	\$270,437
Gas & motor fuel tax	903,544
	<u>\$1,319,688</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Other:				
Interest	\$500	500	526	26
Drug related fines, seizures and sales	78,000	78,000	36,989	(41,011)
Total Revenues	78,500	78,500	37,515	(40,985)
 <u>Expenditures</u>				
Program costs	55,000	55,000	15,766	39,234
Capital outlay	23,500	23,500	-	23,500
Total Expenditures and Encumbrances	78,500	78,500	15,766	62,734
 Excess of Revenues Over Expenditures and Encumbrances	-	-	21,749	21,749
 Fund Balance, Beginning of Year	138,398	138,398	138,398	-
Fund Balance, End of Year	\$138,398	138,398	160,147	21,749

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Changes in Assets and Liabilities

Training and Teen Activity Agency Fund

For the Year Ended June 30, 2013

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash	<u>\$32,021</u>	<u>5,047</u>	<u>3,669</u>	<u>33,399</u>
Liabilities:				
Liabilities	<u>\$32,021</u>	<u>1,378</u>	<u>-</u>	<u>33,399</u>

CITY OF HENDERSONVILLE, TENNESSEE

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

Schedule By Function and Activity

June 30, 2013

	<u>Land</u>	<u>Building & Improvements</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Library & 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	2,421,338	859,754	795,429	6,638	6,594,123
Codes and Planning	-	-	-	156,649	-	-	156,649
Public safety:							
Police	36,000	1,370,250	-	4,303,756	-	-	5,710,006
Fire	92,900	2,617,088	-	3,705,822	-	-	6,415,810
Streets and public works	2,137,281	810,334	-	2,086,388	92,024,823	14,140,187	111,199,013
Total governmental funds capital assets	<u>4,632,797</u>	<u>9,322,007</u>	<u>2,796,618</u>	<u>11,203,451</u>	<u>92,820,539</u>	<u>14,146,825</u>	<u>134,922,237</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>9,322,007</u>	<u>2,831,714</u>	<u>11,203,451</u>	<u>92,820,539</u>	<u>14,146,825</u>	<u>134,968,185</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, 2013

Function and Activity	Balance July 1, 2012	Additions	Transfers & Deletions	Balance June 30, 2013
Primary Government:				
General Government	\$4,846,636		-	4,846,636
Parks	6,393,726	200,397		6,594,123
Codes and Planning	136,471	20,178		156,649
Public safety:				
Police	5,326,407	383,599		5,710,006
Fire	5,647,988	907,405	139,583	6,415,810
Streets and public works	97,626,748	13,572,265		111,199,013
Total governmental funds capital assets	<u>\$119,977,976</u>	<u>15,083,844</u>	<u>139,583</u>	<u>134,922,237</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>

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

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2013

Major Governmental Funds

Descriptions	Interest Rates	Amount
General Fund:		
Local Governmental Investment Pool	Various	\$10,680
Passbook and checking accounts	-	7,323,321
Petty Cash	-	2,350
Total General Fund		<u>7,336,351</u>
Solid Waste Fund		
Cash	-	-
Total Solid Waste Fund		<u>-</u>
Capital Projects Fund:		
Passbook and checking accounts	-	2,014,112
Total Capital Projects Fund		<u>2,014,112</u>
Nonmajor Governmental Funds		
State Street Aid Fund:		
Local Government Investment Pool	Various	32,536
Passbook and checking accounts	-	1,284,377
Total State Street Aid Fund		<u>1,316,913</u>
Drug Fund:		
Local Government Investment Pool	Various	16,439
Passbook and checking accounts	-	143,708
Total Drug Fund		<u>160,147</u>
Proprietary Fund		
Golf Enterprise Fund		
Local Government Investment Pool	Various	4,990
Petty Cash	-	1,250
Passbook and checking accounts	-	64,267
Total Golf Enterprise Fund		<u>70,507</u>
Total Primary Government		10,898,030
Fiduciary Fund:		
Passbook and checking accounts	-	33,399
Component Units:		
Passbook and checking accounts	-	188,775
Total Reporting Entity		<u>\$11,120,204</u>

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2013

Tax Year		Taxes Receivable June 30, 2012	Assessments	Collections and Adjustments	Taxes Receivable June 30, 2013
2002	*	\$7,478	-	7,478	-
2003	*	7,150	-	619	6,531
2004	*	5,242	-	245	4,997
2005	*	6,632	-	1,817	4,815
2006	*	5,229	-	1,302	3,927
2007	*	10,713	-	2,627	8,086
2008	*	41,418	-	5,250	36,168
2009	*	50,239	-	9,516	40,723
2010	*	102,962	-	42,927	60,035
2011	*	328,519	-	204,497	124,022
2012		-	9,765,249	9,550,408	214,841
		<u>\$565,582</u>	<u>9,765,249</u>	<u>9,826,686</u>	504,145
2013	**				<u>9,753,800</u>
Taxes receivable per Governmental Funds Financial Statements					10,257,945
Allowance for uncollectibles					(51,000)
Taxes receivable per Government Wide Financial Statements					<u>\$10,206,945</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, 2013

<u>Assessment Year</u>		<u>Assessments Receivable June 30, 2012</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Assessments Receivable June 30, 2013</u>
2003	*	\$318	-	318	-
2004	*	129	-	129	-
2005	*	393	-	262	131
2006	*	1,080	-	675	405
2007	*	2,940	-	1,470	1,470
2008	*	5,886	-	1,962	3,924
2009	*	11,832	-	3,480	8,352
2010	*	26,378	-	13,794	12,584
2011	*	98,280	-	70,476	27,804
2012		-	4,216,162	4,126,657	89,505
		<u>\$147,236</u>	<u>4,216,162</u>	<u>4,219,223</u>	144,175
Allowance for uncollectibles					<u>(17,360)</u>
					<u>\$126,815</u>

* Turned over to County Clerk for collection.

CITY OF HENDERSONVILLE

Schedule of Long-Term Debt Requirements

June 30, 2013

<u>Fiscal Year</u>	<u>Capital Outlay Notes Principal</u>	<u>Obligation to County School System</u>	<u>Interest</u>	<u>Total Governmental Activities</u>
2014	\$2,070,185	-	312,414	2,382,599
2015	1,981,000	197,426	248,765	2,427,191
2016	2,037,000	197,426	187,172	2,421,598
2017	1,447,000	197,426	127,244	1,771,670
2018	917,000	197,426	88,066	1,202,492
2019	442,000	197,425	67,463	706,888
2020	442,000	-	54,484	496,484
2021	442,000	-	41,506	483,506
2022	442,000	-	28,528	470,528
2023	433,000	-	15,600	448,600
2024	95,000	-	2,850	97,850
2025	95,000	-	950	95,950
Total	<u>\$10,843,185</u>	<u>987,129</u>	<u>1,175,042</u>	<u>13,005,356</u>

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

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

CFDA Number	Program Name	Passed Through	Expenditures	Passed Through to Subrecipients
US Housing & Urban Development				
14.228 *	Community Development Block Grant	Tennessee Housing Development	\$380,107	\$343,047
14.231	Emergency Solutions Grant	Tennessee Housing Development	817	817
			<u>380,924</u>	
US Department of Justice				
16.607	Bulletproof Vest Partnership Program		10,101	
Federal Emergency Management / US Department of Homeland Security				
97.044 *	Assistance to Firefighters Program (FEMA)		315,000	
97.056 *	Port Security Grant Program (Homeland Security)		<u>573,844</u>	888,844
US Department of Transportation				
20.205 *	Safe Route to Schools Program	TN Dept.of Transportation	20,689	
*	Congestion Mitigation/Air Quality Grant	TN Dept.of Transportation	172,747	
*	Transportation Enhancement Program	TN Dept.of Transportation	3,307,672	
*	Greenway Program	TN Dept.of Transportation	<u>85,376</u>	3,586,484
20.607	DUI Enforcement Program	TN Dept.of Transportation		34,808
US Department of Energy				
81.128 #	Energy Efficiency & Conservation Grant			38,400
			<u>\$4,939,561</u>	<u>\$343,864</u>

* Major Program

American Recovery and Reinvestment Act Funds

This schedule was prepared using accrual basis of accounting.

CITY OF HENDERSONVILLE, TENNESSEE
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

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

CFDA Number	Grant Number	Program Name	Grantor Agency	(Accrued or Deferred Revenue 7/01/12)	Cash Receipts	Grant Funds (Adjusted) Returned	Expenditures	(Accrued or Deferred Revenue 6/30/13)
14.228		Community Development Block Grant	Tennessee Housing Development	\$ -	14,109	-	17,758	(3,649)
					300,116	-	362,349	(62,233)
14.231	ESG-12-13	Emergency Solutions Grant	Tennessee Housing Development	-	817	-	817	-
16.607		Bulletproof Vest Partnership Program	US Department of Justice	(349)	10,450	-	10,101	-
20.205	STPEN9307(12) 090202 090194 090183	Transportation Enhancement Program	TN Department of Transportation	(549,295) (148,186)	184,800 2,431,076 148,186	-	184,800 2,844,330	(962,549)
	CPD060152-voucher	Congestion Mitigation/Air Quality Grant	TN Department of Transportation	(15,919)	55,596	-	278,542	(140,455)
	CM-9307(16)	Traffic Signal Upgrade Project	TN Department of Transportation	-	14,176	-	172,747	(133,070)
	SRTS-8300(75)	Greenway Grant	TN Department of Transportation	-	-	-	85,376	(71,200)
		Safe Route to Schools Program	TN Department of Transportation	-	-	-	20,689	(20,689)
20.607	154AL-13-105	DUI Enforcement Program	TN Department of Transportation	-	21,918	-	34,808	(12,890)
16.738		Edward Byrne/Justice Assistance Program	US Department of Justice	(13,905)	-	-	-	(13,905)
81.128		Energy Efficiency & Conservation Grant	US Department of Energy	-	38,400	-	38,400	-
97.036		Public Assistance Program	Federal Emergency Management	(14,474)	14,474	-	-	-
97.044		Assistance to Firefighters Program	Federal Emergency Management	-	315,000	-	315,000	-
97.039		Hazard Mitigation Grant	US Department of Homeland Security	(12,690)	12,690	-	-	-
97.056		Port Security Grant Program	US Department of Homeland Security	-	300,000	-	300,000	-
		Port Security Grant Program	US Department of Homeland Security	-	-	-	273,844	(273,844)
				<u>(\$754,818)</u>	<u>3,999,895</u>	<u>-</u>	<u>4,939,561</u>	<u>(1,694,484)</u>
State Grants								
-		Public Assistance Program	Tennessee Emergency Management	(\$22,445)	22,387	(58)	-	-
-	E-28707	Hazard Mitigation Grant	Tennessee Emergency Management	(7,421)	7,421	-	-	-
-	31625-18462	TAC Grants	TN Arts Council	-	5,700	-	5,700	-
				<u>(\$29,866)</u>	<u>35,508</u>	<u>(58)</u>	<u>5,700</u>	<u>-</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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Net investments in capital assets	\$20,657,077	25,275,901	30,999,923	30,285,633	41,305,856	44,159,515	48,621,776	47,902,266	50,385,520	60,346,274
Restricted for:										
Street maintenance	425,353	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167
Public works	-	-	-	-	-	-	-	470,009	450,727	440,630
Law enforcement	132,426	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945
Solid waste disposal	66,722	51,535	56,042	48,770	73,254	83,171	94,593	87,066	113,876	98,291
Parks	-	-	-	-	-	-	-	131,732	25,911	25,912
Capital projects	1,074,549	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364
Unrestricted	6,344,325	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
Total Net Assets	\$28,700,452	34,093,302	38,693,089	41,114,366	48,551,613	48,531,495	54,011,976	55,605,624	57,340,541	69,023,448
Business-Type Activities										
Net investments in capital assets	\$1,904,960	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
Unrestricted	208,401	189,644	37,459	85,608	79,263	26,690	21,626	63,105	110,100	91,840
	\$2,113,361	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
Primary Government										
Net investments in capital assets	\$22,562,037	27,207,527	33,171,867	32,524,677	43,635,737	46,244,735	50,468,864	49,532,512	51,810,352	61,768,302
Restricted for:										
Street maintenance	425,353	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406	2,109,167
Public works	-	-	-	-	-	-	-	470,009	450,727	440,630
Law enforcement	132,426	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742	166,945
Solid waste disposal	66,722	51,535	56,042	48,770	73,254	83,171	94,593	87,066	113,876	98,291
Parks	-	-	-	-	-	-	-	131,732	25,911	25,912
Capital projects	1,074,549	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662	1,163,364
Unrestricted	6,552,726	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
	\$30,813,813	36,214,572	40,902,492	43,439,018	50,960,757	50,643,405	55,880,690	57,298,975	58,875,473	70,537,316

Note: 2012 governmental activities net position restated

CITY OF HENDERSONVILLE, TENNESSEE

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

Schedule 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities:										
General government	\$339,384	396,446	1,408,429	1,181,062	593,417	706,185	687,810	642,965	588,385	599,373
Personnel	205,575	192,346	221,204	244,465	252,370	285,501	274,723	285,927	275,582	287,082
Central services	1,118,084	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
Finance	523,929	567,757	587,206	745,584	780,228	797,628	753,474	754,467	772,429	943,891
Parks	1,157,459	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
Codes	456,955	531,490	631,317	710,269	732,449	740,489	679,194	682,307	701,823	744,323
Planning	256,378	357,283	394,351	467,003	542,555	607,884	473,810	473,752	523,417	506,212
Police	4,982,459	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
Fire	4,562,205	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
Contributions	211,500	214,300	254,300	232,499	264,500	270,499	228,750	228,750	228,750	228,750
Disposal service	2,971,655	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
Program costs	21,122	18,073	21,545	50,628	28,502	128,983	63,685	47,734	41,734	15,766
Streets and public works	5,071,415	3,982,650	4,081,709	4,571,989	4,895,167	5,693,289	6,457,369	6,860,051	6,425,222	7,155,316
Interest expense on long-term debt	213,917	214,760	356,467	465,250	483,725	432,749	392,414	423,681	432,096	350,448
Total governmental activities expenses	22,092,037	22,380,545	25,418,896	28,189,166	29,740,140	33,465,750	33,549,074	34,081,418	34,962,976	37,335,080
Business-Type Activities										
Golf course	1,062,881	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007	968,630
Total business-type activities expenses	1,062,881	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007	968,630
Total primary government expenses	\$23,154,918	23,476,707	26,460,916	29,176,033	30,700,844	34,405,554	34,482,270	35,006,665	35,928,983	38,303,710
Program Revenues:										
Governmental Activities:										
Charges for services:										
Finance	\$51,982	62,791	55,396	66,329	69,743	54,348	60,804	77,333	72,043	70,076
Parks	83,665	108,967	96,600	126,046	158,108	150,346	124,564	135,658	153,723	146,694
Codes	612,942	819,351	840,271	787,951	592,805	644,111	367,518	468,239	666,318	502,924
Planning	93,058	169,710	178,274	227,786	172,070	146,420	40,576	109,377	161,002	84,560
Police	472,857	606,439	686,233	645,720	760,631	947,882	1,337,492	589,465	579,650	562,545
Disposal service	1,749,280	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
Operating grants and contributions	1,350,065	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
Capital grants and contributions	3,075,750	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
Total governmental activities program revenues	7,489,599	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
Business-Type Activities:										
Charges for services:										
Golf course	812,554	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223	773,593
Total business-type activities program revenues	812,554	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223	773,593
Total primary government program revenues	8,302,153	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
Net (Expense)/Renewal										
Governmental Activities	(14,602,438)	(11,757,954)	(14,570,029)	(18,605,143)	(14,420,484)	(23,070,813)	(18,610,306)	(22,893,438)	(23,351,749)	(15,428,400)
Business-Type Activities	(250,327)	(255,934)	(185,165)	(160,338)	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)	(195,037)
Total primary government net expense	(\$14,852,765)	(12,013,888)	(14,755,194)	(18,765,481)	(14,608,867)	(23,339,711)	(18,853,827)	(23,069,263)	(23,510,533)	(15,623,437)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property and in lieu of taxes	\$6,365,582	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
Sales	4,931,724	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
Wholesale beer tax	629,341	673,234	703,780	725,754	763,795	798,626	800,715	845,027	887,003	929,388
Wholesale liquor tax	185,328	193,931	221,358	238,686	248,822	263,527	277,440	292,612	319,398	351,331
Business tax	487,130	473,726	654,954	676,959	760,137	731,455	734,085	743,685	761,176	974,806
Unrestricted state shared taxes										
Franchise taxes	416,052	447,785	479,937	566,317	611,064	634,312	645,408	669,313	730,581	757,106
State shared sales tax	2,408,285	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
State shared income tax	124,434	205,347	313,260	515,505	630,543	450,178	351,594	382,750	445,897	602,307
State shared beer tax	20,271	20,029	20,312	22,819	23,252	22,197	21,390	22,518	25,218	25,399
State shared alcoholic beverage tax	69,556	84,980	97,566	145,071	168,927	198,508	202,476	238,321	134,151	138,950
Unrestricted other state shared taxes	210,364	206,125	227,107	251,229	227,520	266,036	153,046	120,021	16,518	23,298
Unrestricted investment earnings	95,576	161,474	319,910	495,903	372,161	71,981	28,763	47,824	53,998	34,283
Other	146,087	125,278	100,006	69,850	230,986	94,380	340,876	19,686	123,607	68,035
Special item	-	-	-	-	701,156	-	-	-	-	-
Transfers	(264,188)	(259,487)	(263,900)	(261,850)	(263,975)	30,000	-	-	-	(173,640)
Total governmental activities	15,825,542	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
Business-Type Activities										
Investments earnings	3,021	4,356	9,398	13,737	8,900	1,664	325	462	365	333
Transfers	264,188	259,487	263,900	261,850	263,975	(30,000)	-	-	-	173,640
Total business-type activities	267,209	263,843	273,298	275,587	272,875	(28,336)	325	462	365	173,973
Total primary government	16,092,751	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
Change in Net Position										
Governmental activities	1,223,104	5,392,850	4,599,787	2,421,277	8,453,101	(1,035,972)	5,480,481	1,593,648	2,736,550	11,682,907
Business-type activities	16,882	7,909	88,133	115,249	84,492	(297,234)	(243,196)	(175,363)	(158,419)	(21,064)
Total primary government	\$1,239,986	5,400,759	4,687,920	2,536,526	8,537,593	(1,333,206)	5,237,285	1,418,285	2,578,131	11,661,843

Note: 2012 governmental activities restated

CITY OF HENDERSONVILLE, TENNESSEE

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

Schedule 3

(Prepared using the modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Funds:										
General Fund										
Reserved	\$-	-	-	444,487	539,687	333,093	645,800	808,068	816,923	896,737
Unreserved and undesignated	-	-	-	4,184,523	3,058,149	6,472,077	5,453,492	5,185,690	5,129,988	5,408,506
Nonspendable	17,493	4,155	7,641	-	-	-	-	-	-	-
Restricted	1,035,950	519,482	642,485	-	-	-	-	-	-	-
Committed	274,997	277,622	601,122	-	-	-	-	-	-	-
Assigned	4,593,972	3,681,641	2,830,717	-	-	-	-	-	-	-
Unassigned	1,802,256	2,179,647	2,398,065	-	-	-	-	-	-	-
Total General Fund	<u>\$7,724,668</u>	<u>6,662,547</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>	<u>6,305,243</u>
All Other Governmental Funds										
Reserved	\$-	-	-	88,397	379,420	332,791	158,885	184,624	255,099	100,187
Unreserved reported in Special Revenue Funds	-	-	-	699,561	469,389	778,917	644,643	444,365	311,978	459,085
Unreserved reported in Capital Projects Funds				458,818	540,575	893,314	4,474,314	1,203,996	2,278,026	1,074,549
Restricted reported in Special Revenue Funds	1,582,802	1,343,940	985,029	-	-	-	-	-	-	-
Restricted reported in Capital Projects Fund	3,672,665	3,714,801	3,911,075	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$5,255,467</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>	<u>1,633,821</u>
Total	<u>\$12,980,135</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>	<u>7,939,064</u>

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

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Taxes	\$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	12,552,157
Intergovernmental	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	4,306,152
Fines and fees	595,632	572,903	576,941	1,310,800	878,035	746,059	619,424	662,387	595,347	439,208
Licenses and permits	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	1,122,052
Charges for services	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	1,869,302
Uses of money, property and miscellaneous	34,283	53,998	47,824	28,763	71,981	372,161	495,903	319,910	161,474	95,576
Other	1,297,224	220,291	244,426	646,712	489,425	1,035,956	401,937	367,996	149,437	184,921
Total revenues	40,707,124	35,622,774	34,206,074	32,413,800	29,753,380	33,193,964	27,827,188	25,423,689	22,202,198	20,569,368
Expenditures:										
General government	396,272	389,440	413,716	428,039	474,199	492,361	1,060,434	1,327,373	378,824	322,840
Personnel	287,784	272,531	283,047	271,999	281,799	251,184	242,412	216,712	189,708	217,062
Central services	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	1,118,084
Finance	852,925	775,140	748,831	756,401	799,187	764,684	739,805	578,727	560,801	518,002
Parks	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	1,068,756
Codes	736,517	686,682	667,854	666,632	730,889	711,759	685,365	614,269	526,008	437,918
Planning	505,872	520,495	468,096	476,882	618,420	535,719	457,525	391,886	353,569	252,261
Public works	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	1,522,158
Police	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	4,729,172
Fire	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	4,374,867
Contributions	228,750	228,750	228,750	228,750	270,499	264,500	232,499	254,300	214,300	211,500
Disposal service	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	2,971,447
Program costs	15,766	41,734	47,734	63,685	128,983	28,502	55,628	21,545	18,073	21,122
Streets	1,388,321	1,014,149	1,514,493	1,195,641	952,132	936,659	850,136	870,947	1,308,300	1,560,491
Debt service - Principal	7,795,895	1,740,500	1,357,500	1,292,500	1,298,500	878,500	4,469,500	1,240,500	1,230,500	1,125,500
Debt service - Interest	447,936	447,936	377,401	407,461	445,026	513,495	461,510	225,327	222,595	211,461
Capital outlay	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	1,888,883
Total expenditures	46,471,177	35,547,990	33,697,843	31,525,234	33,606,352	36,546,931	31,991,241	26,159,768	27,132,780	22,551,524
Excess of revenues over (under) expenditures	(5,764,053)	74,784	508,231	888,566	(3,852,972)	(3,352,967)	(4,164,053)	(736,079)	(4,930,582)	(1,982,156)
Other Financing Sources & Uses:										
Bond, notes, premiums and leases	7,196,540	270,370	4,100,000	-	-	-	7,976,294	34,708	6,043,020	884,130
Operating transfers	(173,640)	-	-	-	30,000	(263,975)	(261,850)	(263,900)	(259,487)	(264,188)
Insurance recoveries	-	-	892,117	-	-	-	-	-	-	-
Total other financing sources (uses)	7,022,900	270,370	4,992,117	-	30,000	(263,975)	7,714,444	(229,192)	5,783,533	619,942
Special item	-	-	-	-	-	1,050,000	-	-	-	-
Net Change in Fund Balance	\$1,258,847	345,154	5,500,348	888,566	(3,822,972)	(2,566,942)	3,550,391	(965,271)	852,951	(1,362,214)
Debt Service as % of noncapital Expenditures	20.6%	6.8%	5.4%	5.6%	5.7%	5.0%	16.5%	6.1%	6.8%	6.5%

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					Assessed Value	Total Direct Tax Rate*
	Public Utility	Industrial & Commercial	Personal Property	Farm & Residential	Total		
2004	\$ 26,289,267	549,096,500	110,697,087	2,411,013,530	3,097,096,384	840,265,833	\$0.72
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

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	Direct Rate City	Overlapping Rates	
		County**	Total
2004	\$0.72	2.59	3.31
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

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

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percent of Total Assessed Value	Taxable Assessed Value	Rank	Percent of Total Assessed Value
Inland American Hendersonville	\$22,308,360	1	1.48%	-	-	-
Hendersonville Hospital/HCA Realty	15,256,293	2	1.02%	13,469,606	1	1.60%
Monthaven Park LLC	12,003,880	3	0.80%	-	-	-
Mid America Apartments	11,053,240	4	0.74%	-	-	-
Grove @ Waterford	10,559,840	5	0.70%	-	-	-
Walmart Real Estate Realty	7,170,600	6	0.48%	-	-	-
Piedmont Natural Gas	6,867,199	7	0.46%	5,206,060	7	0.62%
DRG Hendersonville Etal (Gables)	6,691,800	8	0.45%	-	-	-
Hearth at Hendersonville	6,045,480	9	0.40%	-	-	-
G&I VI Williamsburg	5,800,000	10	0.39%	-	-	-
Monthaven Place LLC	-	-	-	10,446,080	2	1.24%
United Dominion Realty	-	-	-	9,454,440	3	1.13%
Bellsouth	-	-	-	5,885,836	4	0.70%
CMS Hendersonville	-	-	-	5,621,400	5	0.67%
Trinity Broadcasting Network	-	-	-	5,464,874	6	0.65%
Lowes/JDN Realty	-	-	-	4,456,922	8	0.53%
Sumner 2000, LLC	-	-	-	4,071,060	9	0.48%
George Burris	-	-	-	2,998,445	10	0.36%
Totals	<u>\$103,756,692</u>		<u>6.91%</u>	<u>\$67,074,723</u>		<u>7.98%</u>
Total Assessed Value	<u>\$1,502,346,000</u>			<u>\$840,265,833</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>
2004	6,049,914	5,835,875	96%	207,508	6,043,383	99.89%	6,531	0.1080%
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%	180,789	6,901,554	99.94%	3,927	0.0569%
2008	7,272,895	7,072,972	97%	191,837	7,264,809	99.89%	8,086	0.1112%
2009	7,632,368	7,380,922	97%	215,278	7,596,200	99.53%	36,168	0.4739%
2010	9,660,217	9,263,975	96%	355,519	9,619,494	99.58%	40,723	0.4216%
2011	9,665,857	9,343,593	97%	262,229	9,605,822	99.38%	60,035	0.6211%
2012	9,692,009	9,363,490	97%	204,497	9,567,987	98.72%	124,022	1.2796%
2013	9,765,249	9,550,408	98%	-	9,550,408	97.80%	214,841	2.2001%
							<u>\$504,145</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>
2004	\$4,898,188	2.25%	7.00%	9.25%
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%

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 Notes	Golf Course Bonds			
2004	40,849	\$3,509,978	-	3,374,000	1,270,000	8,153,978	0.73%	200
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	0.79%	230

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>
2004	40,849	\$3,097,096,384	3,509,978	-	3,374,000	6,883,978	0.22%	169
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

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	\$12,194,765	100.00%	\$12,194,765
Sumner County	145,115,000	36.78% *	53,371,045
Total	<u>\$157,309,765</u>		<u>\$65,565,810</u>

* Based upon Assessed Value of Property in:

County	\$ 4,084,854,250
City	\$ 1,502,346,000

CITY OF HENDERSONVILLE, TENNESSEE

Debt Capacity Information
Debt Margin Information, Last Ten Fiscal Years

Schedule 13

Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assessed Value	\$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	840,265,833
General Obligation Debt	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	6,883,978
Debt as % of Assessed Value	0.81%	0.86%	0.89%	0.71%	0.98%	1.14%	1.28%	1.14%	1.34%	0.82%

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	Gross Revenues*	Direct** Operating Expense	Net Revenue Available for Debt Service	Golf course			Coverage
				Debt Service Requirements			
				Principal	Interest	Total	
2004	\$815,575	700,471	115,104	280,000	78,607	358,607	0.32
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	-	-	-	-

* 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**
2004	40,849	\$1,119,671,090	27,410	36.4	14.1	10,763	3.0%
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%
2009	42,556	1,415,753,008	33,268	37.7	14.2	13,242	10.5%
2010	43,164	1,500,725,952	34,768	37.5	14.2	13,140	8.1%
2011	51,372	1,545,372,504	30,082	38.0	14.2	13,452	8.3%
2012	51,325	1,539,750,000	30,000	38.7	14.8	12,785	6.8%
2013	53,080	1,704,876,520	32,119	37.8	14.8	13,857	6.8%

* 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	2013			2004		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	500	1	18.87%	410	1	20.75%
Walmart	400	2	15.09%			
City of Hendersonville	360	3	13.58%	285	2	14.42%
Windham Professionals	250	4	9.43%			
McDonalds	220	5	8.30%			
Digital Connections, Inc.	200	6	7.55%	200	5	10.12%
MGM Windows Company	195	7	7.36%	120	7	6.07%
Lowes Home Improvement	180	8	6.79%			
Alladin Temp Rite	175	9	6.60%	240	3	12.15%
Sam's Club	170	10	6.42%			
Healthcare Management Resources				207	4	10.48%
Ferguson Harbor Inc.				180	6	9.11%
National Healthcare Center				120	8	6.07%
ITW Dynatec				114	9	5.77%
Sholodge				100	10	5.06%
	<u>2650</u>		<u>100.00%</u>	<u>1976</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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	4	5	6	6	6	6	6	6	5	5
Personnel	3	3	3	3	3	3	3	3	3	3
Central service	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	9	8	8	8
Parks	14	16	16	16	16	16	14	13	12	12
Codes	9	10	10	10	10	10	10	10	9	8
Planning	5	6	6	6	6	6	6	4	4	4
Police	119	123	121	121	121	113	104	102	100	99
Fire	103	104	104	104	104	97	97	82	81	81
Street and public works	32	35	36	36	36	36	36	34	34	27
Golf course*	6	5	5	5	5	5	5	5	5	5
Total	304	316	316	316	316	301	290	267	261	252

* 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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Calls	42,102	51,042	47,553	56,177	62,837	49,957	44,312	47,900	47,100	48,000
Fire										
Emergency responses										
Fire calls	4,166	4,600	4,568	4,250	4,250	4,100	4,000	4,000	3,275	3,000
Codes										
Building permits issued	579	439	504	492	539	716	786	946	941	819
Disposal service										
Refuse collected* (number of homes)	16,633	16,325	16,200	16,035	16,035	15,287	15,250	15,000	14,200	13,400
Golf Course										
Rounds played	22,671	22,977	20,871	20,557	21,843	23,311	25,802	22,349	26,958	24,713

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Parks										
Acres	540	540	540	540	540	540	540	540	540	540
Parks	7	7	7	7	7	7	7	7	7	7
Lake access	3	3	3	3	3	3	4	4	4	4
Picnic areas	14	14	14	14	14	13	13	13	13	13
Tennis courts	12	12	12	12	12	12	12	12	12	12
Picnic shelters	23	24	24	24	24	23	18	18	18	17
Practice areas	25	25	25	25	25	25	22	22	22	22
Soccer fields	22	22	22	18	18	17	15	15	15	15
Softball fields	15	15	15	15	15	15	15	15	17	16
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	11	11	11	11	11	10	10	10	9
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	3	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	1	-	-	-
Autos and trucks	20	17	17	17	17	17	18	-	-	-
Codes										
Autos and trucks	7	7	7	8	8	8	8	9	9	8
Police										
Stations	2	2	2	2	2	2	2	2	1	1
Vehicles, motorcycles, and boats	163	153	135	129	122	113	101	92	92	92
Fire										
Stations	6	6	6	6	6	6	5	5	5	5
Fire trucks	11	11	11	11	11	11	10	10	10	10
Autos and trucks	12	12	10	9	8	8	8	8	8	7
Fire hydrants	2170	2000	2000	2000	2000	1700	1700	1700	1,700	1,700
Jet skis	2	2	2	2	2	2	2	-	-	-
Fire boat	1	1	1	1	1	1	1	-	-	-
Inflatable boat with motor	2	2	-	-	-	-	-	-	-	-
Streets and public works										
Streets (miles)	369	363	362	360	360	356	352	348	343	341
Street lights	7351	7340	7334	7304	7292	7272	7244	7234	N/A	N/A
Traffic signals	30	30	28	28	28	27	24	24	21	15

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

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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, 2013, 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 January 2, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hendersonville, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the Schedule of Findings and Questioned Costs of items 13-01, 13-02, 13-04 and 13-05.

Mayor and Board of Aldermen
Hendersonville, Tennessee

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

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.



January 2, 2014

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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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, 2013. 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, 2013.

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.

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.



January 2, 2014

City of Hendersonville

Schedule of Findings and Questioned Costs

June 30, 2013

I. Summary of Auditor's Results

- A. The June 30, 2013 Auditor's Report on the Financial Statements was an unqualified opinion.
- B. A significant deficiency in the internal control was disclosed by the audit of the financial statements, however, it wasn't considered to be a material weakness.
- 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, 2013 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 – CFDA#14.228, Transportation Enhancement Program and Congestion Mitigation Air Quality Grant, CFDA#20.205, Assistance to Firefighters Program CFDA#97.044, Port Security Grant Program, CFDA#97.056.
- 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

None.

Current Year - Other Matters

- 13-01 State statutes require that State Street Aid receipts be used for the maintenance and improvement of streets. During our review of controls and compliance, it came to our attention that vehicles purchased from the State Street Aid Fund may have been driven for purposes other than those directly related to street maintenance and improvement.

Recommendation: We recommend that controls be implemented that will assure that all equipment and vehicles purchased with State Street Aid funds be used for purposes that are in compliance with State statutes.

Response:

City of Hendersonville

Schedule of Findings and Questioned Costs

June 30, 2013, Continued

II. Other Matters, Continued

- 13-02 During our test of travel and reimbursed expenses, an instance was noted in which travel was reimbursed in excess of policy guidelines. Also, policy relating to documentation required for reimbursement of economic and community development expenditures is not specific and documentation regarding who was in attendance for reimbursed entertainment expenses was not always included with supporting documentation.

Questioned costs: \$363.17

Recommendation: City travel policy allows for the mayor to revoke, modify or make exceptions to the travel rules deemed necessary in the interest of the city. We recommend travel policies provide for consistent application to all employees and that the finance director approve the mayor's travel claim reports. Recent changes to the travel policy now provide for per diem amounts for meals which should make for more efficient administration of compliance with travel policies. In regards to economic and community development related reimbursements, we recommend a policy be adopted which details guidelines for these expenses and the documentation required for reimbursement. We recommend that such documentation include the clear city purpose of the expense and the individuals in attendance. We also recommend that all the economic and community development expenses be approved by the immediate supervisor or the finance director prior to payment or reimbursement.

Response:

- 13-03 During our testing of store credit cards, instances were noted in which the city paid finance charges due to late payments. Instances were also noted in which the city paid sales tax on items and the documentation was not always clear as to the city purpose of the expense.

Recommendation: Late payment by the finance department appears to be due to the department making the purchase not providing the documentation and approval of the payment on a timely basis to allow for prompt payment. We recommend that all departments be required to provide prompt approval and documentation for expenses to allow for timely payment and that the documentation include the city purpose of the expense. If the reimbursement is for electronic devices, the documentation should include the individual who will use the device and where it will be located. The city should take measures to assure that the sales tax exemption is utilized in all available situations.

Response:

- 13-04 During our testing of the planning department receipts we noted that collections are often not deposited within three banking days as required by state statutes.

Recommendation: We recommend that all collections be deposited within three banking days to improve internal controls over receipts and to comply with state statutes.

Response:

City of Hendersonville

Schedule of Findings and Questioned Costs

June 30, 2013, Continued

II. Other Matters, Continued

13-05 In a prior fiscal year, the city completed the construction of the library facility which was funded by city and county funds as well as private donations. Records indicate that the initial intent was consideration of donating the building to the county which operates the facility.

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

Response:

Prior Year Significant Deficiencies

02-01 Procedures are not in place to monitor or verify payroll and related costs associated with the golf course. This weakness could result in improper reimbursement to the contractor.

Response: The City of Hendersonville has developed independent verification procedures as it relates to payroll and other costs at the Golf Course and has begun implementation of the procedures.

Status: Resolved.

III. Federal Findings and Questioned Costs

Current Year

None.

Prior Year

12-01	Federal Award Agency	US Department of Transportation
	Pass Thru Entity	State of Tennessee, Department of Transportation
	CFDA#/Program	20.205 Transportation Enhancement Program
	Applicable Compliance Component	Allowable Cost/Cost Principles
	Questioned Costs	\$12,479.68

During the June 30, 2012 fiscal year the results of a State of Tennessee Department of Transportation monitoring review of a project under the above referenced program reported the City had duplicated an invoice for reimbursement resulting in an over-reimbursement of \$3,511.20 and also the City used an incorrect reimbursement rate which also resulted in an over reimbursement of \$8,968.48. These grant costs related to a prior fiscal year and were repaid to the State of Tennessee.

The cause of the condition was a clerical error and an oversight of not updating the reimbursement rate that changed from one year to the next. The 2% decrease in the reimbursement rate resulted in the over-reimbursement.

The effect of the condition was an over-reimbursement which was repaid.

Status: Resolved.