

CITY OF HENDERSONVILLE, TENNESSEE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

(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



101 Maple Drive North

• Hendersonville, TN 37075

• Telephone (615) 822-1000

www.hvilletn.org • Fax (615) 264-5327

November 30, 2012

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

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, 2012. 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 51,325, 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
Scott Foster, P.E.
Vice Mayor
Garry V. Forsythe

Ward One
Garry V. Forsythe
Jack Long

Ward Two
Scott Sprouse
Lisa West

Ward Three
Arlene Cunningham
Chris Gallaher

Ward Four
Steve Brown
Fred Qualls

Ward Five
Tommy Elsten
Hamilton Frost, Jr.

Ward Six
Jim Hoback
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 increase 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 2012. The major positive initiatives taken by the City of Hendersonville are as follows:

1. The mayoral assistant for Economic and Community Development works closely with the Industrial Development Board in serving the City's goals with the development of the Freehill Business Park. The City is currently experiencing unprecedented growth in retail and office development with over \$1 billion in new development approved for construction.
2. The Country Hills Golf course opened in the spring of 1990 and has provided the 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 being added. The City constructed a new club house in 2000 which provides the course with the availability of clubhouse activities.
3. The City has enhanced 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 in line hockey rink and Frisbee-golf course are open for public activities. Additional concession stand / restroom facilities and shelters were constructed during the 2012 fiscal year.
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 City partnered with Sumner County and a private group of citizens, Friends of the Arts and Literature, to fund the construction of a 40,000 square foot library. The 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 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: Main Street Beautification Project, the Drakes Creek ecosystem restoration project, the Rockland Road improvement project, Park improvements, Stop 30 road bridge repair, traffic signal upgrades, 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, 2011. This was the twenty-ninth 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 unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville's finances. The firm of Yeary, Howell & Associates, Certified Public Accountants was most helpful in reviewing the interpretations of financial presentation and disclosure requirements.

Respectfully submitted,



Ron Minnick
Interim Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson

President

Jeffrey R. Emer

Executive Director

CITY OF HENDERSONVILLE

ORGANIZATION CHART

JUNE 30, 2012

CITIZENS

LEGISLATIVE

BOARD OF MAYOR AND ALDERMEN

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

JUDICIAL

CITY ATTORNEY

EXECUTIVE

VICE MAYOR

EXECUTIVE ASSISTANT/CITY RECORDER

MAYORAL ASSISTANT/ECD

JUDICIAL

CITY JUDGE

DEPARTMENTS

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

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

June 30, 2012

Scott Foster		Mayor
Garry Forsythe		Vice Mayor, Ward 1
Jack Long		Alderman, Ward 1
Scott Sprouse		Alderman, Ward 2
Lisa West		Alderman, Ward 2
Chris Gallaher	Term of service ended May 31, 2012	Alderman, Ward 3
Paul Goode	Began service July 1, 2012	Alderman, Ward 3
Arlene Cunningham		Alderman, Ward 3
Fred Qualls		Alderman, Ward 4
Steve Brown		Alderman, Ward 4
Hamilton Frost, Jr.		Alderman, Ward 5
Tommy Elsten		Alderman, Ward 5
Jim Hoback		Alderman, Ward 6
Matt Stamper		Alderman, Ward 6
Fred Rogers		Planning Director
Jamie Steele		Fire Chief
Vacant		Treasurer/Finance Director
Ron Minnicks		Interim Finance Director
Dave LeMarbre		Parks Director
Gerald Horton		Public Works Director
Leonard "Mickey" Miller		Police Chief
Steve Mills		Codes Director
Donald Long		Mayoral Assistant; Ec. Com. Dev.
Kay Franklin		Interim Executive Assistant/City Recorder
Dana Swinea		Accountant, CPA, CMFOA Designee

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

FINANCIAL SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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

INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Aldermen
City of Hendersonville
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, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Hendersonville's management. 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2012, and the respective changes in financial position and cash flows where applicable and the respective budgetary comparison information for the General and Solid Waste Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012 on our consideration of the City of Hendersonville's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information on pages 2 through 12 and 46 respectively 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.

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 non-major 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 purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements. The combining and individual non-major 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.

Yeary Howell & Associates

November 5, 2012

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, 2012. 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 \$59,874,686 (net assets). Of this amount, \$5,499,010 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$2,575,711. This positive change is attributable to an increase in 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 \$11,721,288, an increase of \$345,154 in comparison to the prior year. Approximately \$2,179,647 of that total is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,179,647 or 8.15% of the total general fund expenditures.

The City's total debt decreased by \$1,470,130 (11.07%) 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 13-14 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 15-18 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 25-27 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 28 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 29-45 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 47-50 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 by \$59,874,686 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (86.5%) 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 Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$27,765,385	\$25,546,280	\$ 139,898	\$ 102,371	\$27,905,283	\$25,648,651
Capital assets	<u>59,050,391</u>	<u>58,249,898</u>	<u>1,424,832</u>	<u>1,630,246</u>	<u>60,475,223</u>	<u>59,880,144</u>
Total assets	<u>86,815,776</u>	<u>83,796,178</u>	<u>1,564,730</u>	<u>1,732,617</u>	<u>88,380,506</u>	<u>85,528,795</u>
Long-term liabilities outstanding	14,172,801	15,489,503	--	--	14,172,801	15,489,503
Other liabilities	<u>14,303,221</u>	<u>12,701,051</u>	<u>29,798</u>	<u>39,266</u>	<u>14,333,019</u>	<u>12,740,317</u>
Total liabilities	<u>28,476,022</u>	<u>28,190,554</u>	<u>29,798</u>	<u>39,266</u>	<u>28,505,820</u>	<u>28,229,820</u>
Net assets:						
Invested in capital assets, net of related debt	50,385,520	47,902,266	1,424,832	1,630,246	51,810,352	49,532,512
Restricted	2,565,324	2,520,305	--	--	2,565,324	2,520,305
Unrestricted	<u>5,388,910</u>	<u>5,183,053</u>	<u>110,100</u>	<u>63,105</u>	<u>5,499,010</u>	<u>5,246,158</u>
Total net assets	<u>\$58,339,754</u>	<u>\$55,605,624</u>	<u>\$1,534,932</u>	<u>\$1,693,351</u>	<u>\$59,874,686</u>	<u>\$57,298,975</u>

An additional portion of the City's net assets (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,499,010) 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 assets, 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 assets increased by \$2,575,711 during the current fiscal year. This increase is 4.3% of total net assets. This increase represents mostly a decrease in liabilities and an increase in cash and cash equivalents.

Governmental Activities

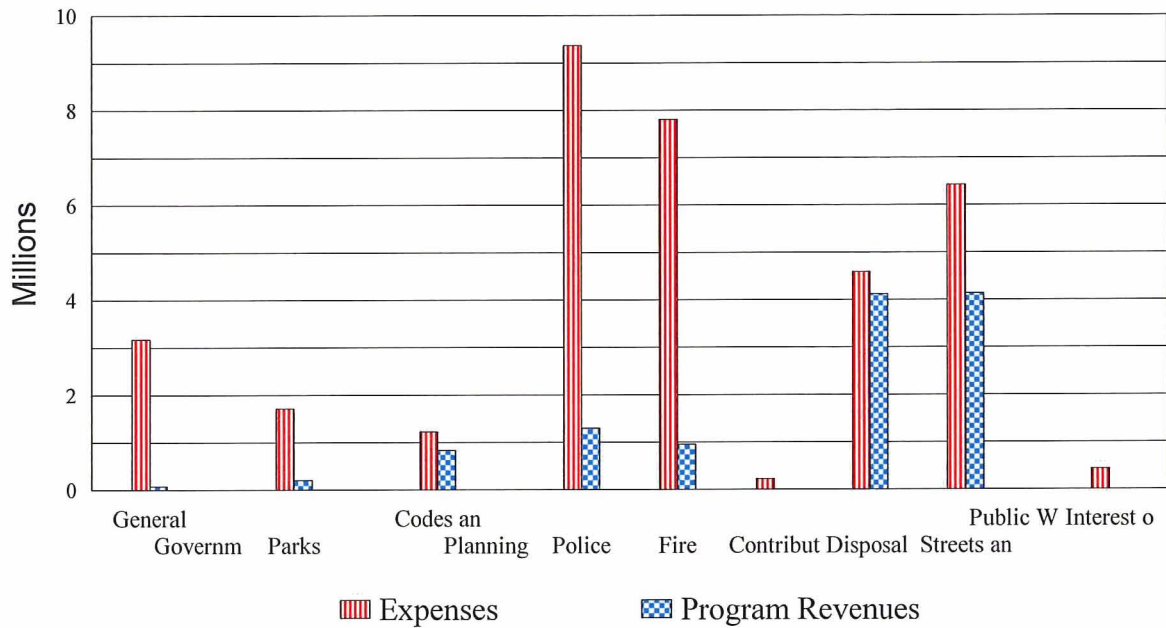
Governmental activities increased the City's net assets by \$2,734,130, thereby accounting for 106.2% of the total increase in the net assets of the City. The key factor for this increase was due to an increase in revenue and control of expenditures.

City of Hendersonville's Changes in Net Assets

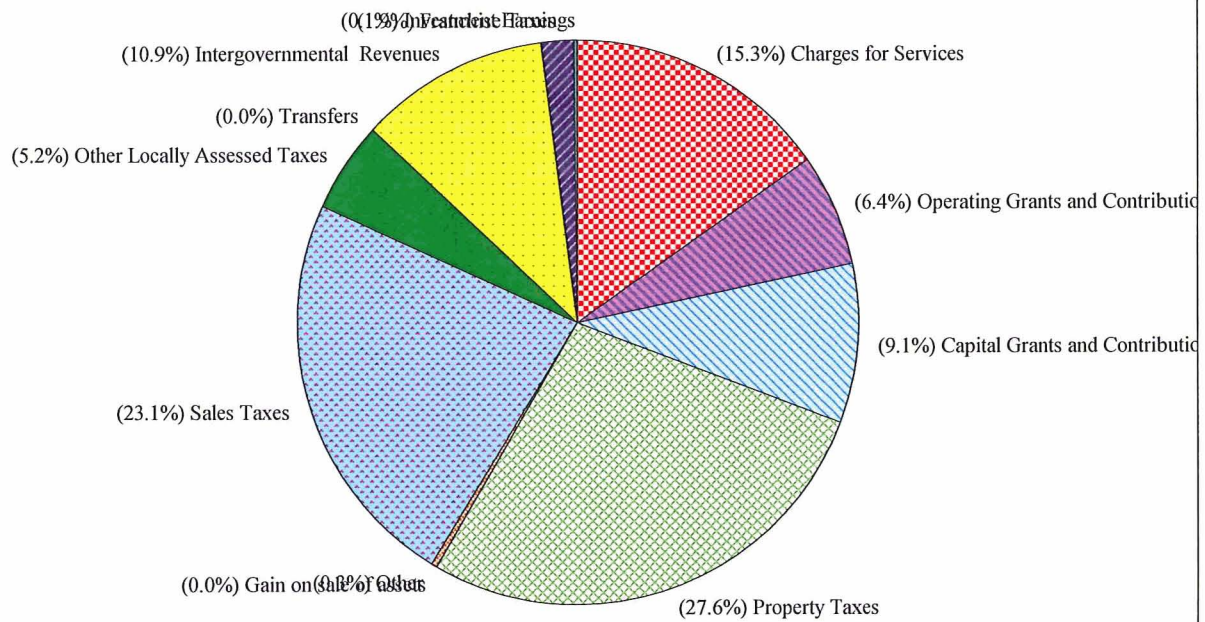
	<u>Governmental Activities</u>		<u>Business -type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,750,571	\$ 5,305,697	\$ 807,223	\$ 749,422	\$6,557,794	\$6,055,119
Operating grants and contributions	2,420,534	2,778,686	--	--	2,420,534	2,778,686
Capital grants and contributions	3,440,122	3,103,597			3,440,122	3,103,597
General revenues:						
Property taxes	10,395,977	10,203,015	--	--	10,395,977	10,203,015
Sales taxes	8,706,782	7,991,077	--	--	8,706,782	7,991,077
Other locally assessed taxes	1,967,577	1,881,324	--	--	1,967,577	1,881,324
Other State shared taxes	4,109,777	3,674,847	--	--	4,109,777	3,674,847
Other	<u>908,186</u>	<u>736,823</u>	<u>365</u>	<u>462</u>	<u>908,551</u>	<u>737,285</u>
Total revenues	<u>37,699,526</u>	<u>35,675,066</u>	<u>807,558</u>	<u>749,884</u>	<u>38,507,114</u>	<u>36,424,950</u>
Expenses:						
General government	590,804	642,965	--	--	590,804	642,965
Personnel	275,582	285,927	--	--	275,582	285,927
Central services	1,492,771	1,511,175	--	--	1,492,771	1,511,175
Finance	772,429	754,467	--	--	772,429	754,467
Parks	1,717,639	1,757,196	--	--	1,717,639	1,757,196
Codes	701,823	682,307	--	--	701,823	682,307
Planning	523,417	473,752	--	--	523,417	473,752
Police	9,373,511	8,299,857	--	--	9,373,511	8,299,857
Fire	7,808,722	7,744,910	--	--	7,808,722	7,744,910
Contributions	228,750	228,750	--	--	228,750	228,750
Disposal service	4,580,896	4,368,646	--	--	4,580,896	4,368,646
Program costs	41,734	47,734	--	--	41,734	47,734
Streets and Public Works	6,425,222	6,860,051	--	--	6,425,222	6,860,051
Interest expense on long-term debt	432,096	423,682	--	--	432,096	423,682
Golf Course	<u>--</u>	<u>--</u>	<u>966,607</u>	<u>925,247</u>	<u>966,007</u>	<u>925,247</u>
Total expenses	<u>34,965,396</u>	<u>34,081,418</u>	<u>966,007</u>	<u>925,247</u>	<u>35,931,403</u>	<u>35,006,665</u>
Increase (decrease) in net assets before						
transfers and special item	2,734,130	1,593,648	(158,419)	(175,363)	2,575,711	1,418,285
Transfers	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Increase (decrease) in net assets	2,734,130	1,593,648	(158,419)	(175,363)	2,575,711	1,418,285
Net assets, beginning of year	<u>55,605,624</u>	<u>54,011,976</u>	<u>1,693,351</u>	<u>1,868,714</u>	<u>57,298,975</u>	<u>55,880,690</u>
Net assets, end of year	<u>\$58,339,754</u>	<u>\$55,605,624</u>	<u>\$1,534,932</u>	<u>\$1,693,351</u>	<u>\$59,874,686</u>	<u>\$57,298,975</u>

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

Expenses and Program Revenues - Governmental Activities

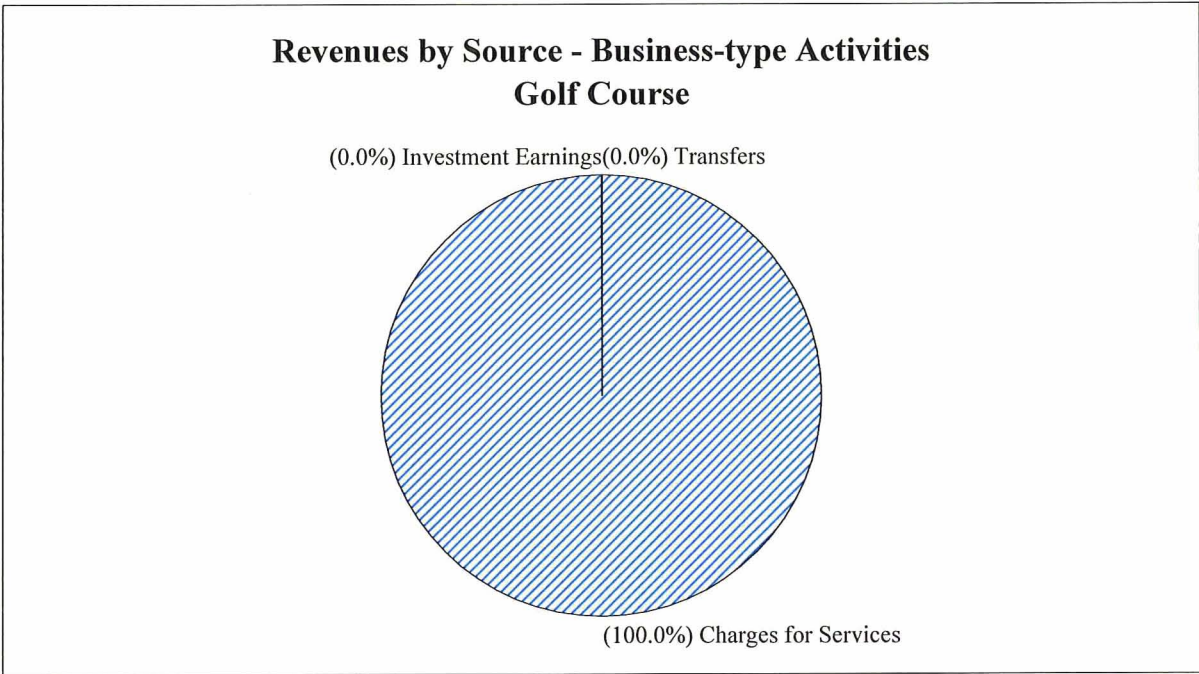
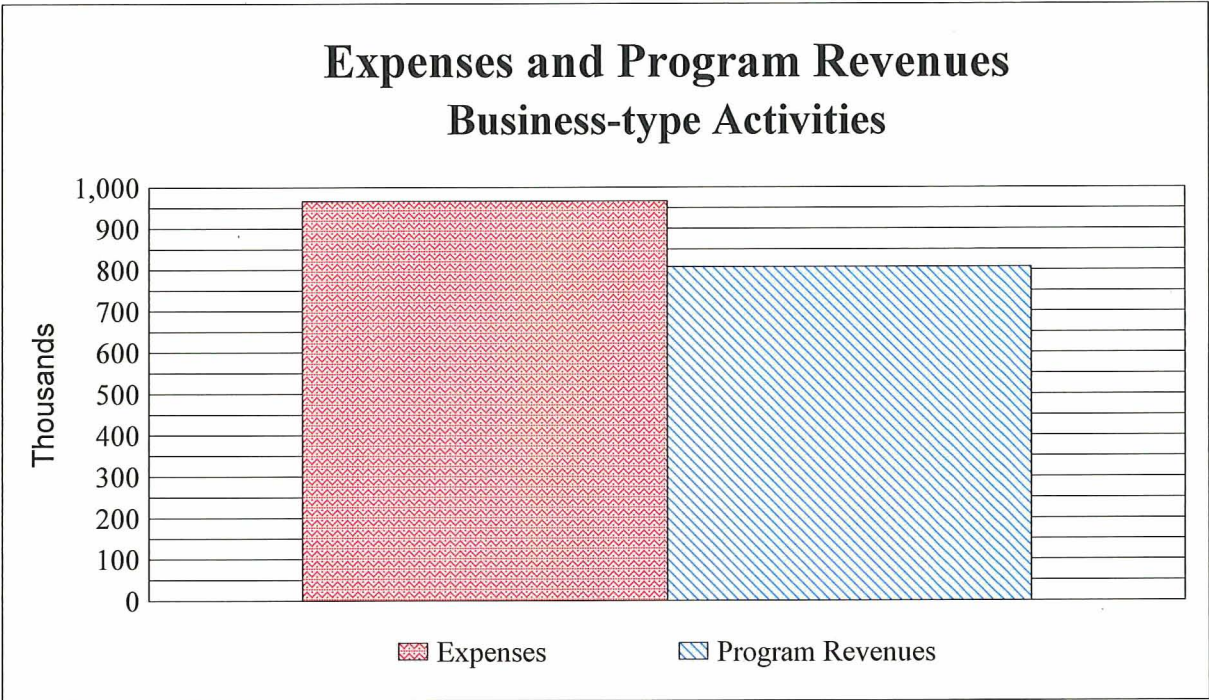


Revenues by Source - Governmental Activities



Business-type activities

Business-type activities decreased the City's net assets by \$158,419 accounting for 100% of the total decrease in the government's net assets.



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 \$11,721,288, an increase of \$345,154 in comparison with the prior year. Approximately 18.6% of this total amount (\$2,174,645) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$9,541,641) indicates that it is not available for new spending because it has been either 1) restricted for departmental obligations in the amount of (\$519,482), 2) restricted to provide for capital projects (\$3,714,801) 3) designated nonspendable to provide for prepaid items (\$4,154), 4) committed to provide for designated departmental projects (\$227,622), 5) assigned for specific projects regarding other governmental funds (\$1,343,940) 6) assigned for departmental obligations in the amount of (\$1,549,447) 7) and assigned for subsequent year budget in the amount of (\$2,132,194).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,179,647, while total fund balance reached \$6,662,547. 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 8.15% of total general fund expenditures, while total fund balance represents 24.9% of that same amount.

The fund balance of the City's general fund increased by \$182,517 during the current fiscal year. The key factor in this increase was due to revenues exceeded expenditures by \$2,590,454.

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 \$3,714,801. The decrease in total fund balance from the prior fiscal year was \$196,274 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 \$1,205,542. The increase in total fund balance from the prior fiscal year was \$321,397.

At the end of the current fiscal year, total fund balance of the drug fund (nonmajor governmental fund) was \$138,398. The increase in total fund balance from the prior fiscal year was \$37,514.

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 assets of the Golf Course Fund at the end of the year amounted to \$110,100. The decrease in total net assets of the Golf Course Fund amounted to \$158,419. 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 \$2,251,884 and can be briefly summarized as follows:

- The Planning department was amended (\$192,555) for a Safe Routes to School grant.
- The Parks department budget was amended by (\$55,112) of which \$4,369 was for donations received for repairs and maintenance due to flooding and \$50,743 for the purchase of a fairway mower.
- The Public Works department budget was amended (\$645,134) of which \$632,315 was for acquisition of flooded land, \$6,900 for additional funding of assets, and \$5,000 for supplemental paving.
- The Police department budget was amended (\$300,948) which includes \$270,300 for additional funding to purchase 15 patrol vehicles, \$10,511 for a BJA grant to purchase tasers, \$10,815 for a U.S. Department of Justice bullet proof vest grant, and \$9,252 to purchase repeaters and an antenna system.
- The Fire department budget was amended (\$1,058,135) which includes \$8,135 for reimbursement from insurance to replace a wrecked vehicle, a \$750,000 AFG grant to purchase a 100 ft aerial platform fire apparatus truck, a \$250,000 port security grant to purchase a fire and rescue boat and a Port Security Grant in the amount of \$50,000 for fire equipment.

Total general fund revenues for FY 2011-2012 were over budgeted revenues by \$100,539 or .34%. Total expenditures for FY 2011-2012 were under budgeted expenditures \$1,382,168 or 4.8%% resulting in a positive variance with final budget in the amount of \$1,482,707.

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, 2012, amounts to \$60,475,223 (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 1.04% (a 1.38% increase for governmental activities and a 12.60% decrease for business-type activities).

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

- \$1,285,160 in donated streets from developers.
- \$2,039,380 in new machinery and equipment purchases.
- \$1,160,064 in construction in progress, the majority of which are street projects, Park improvements, and pedestrian/bike path construction.
- \$718,281 for land acquisition of private property due to the flood

City of Hendersonville's Capital Assets

	<u>Governmental Activities</u>		<u>Business –type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 4,632,797	\$ 3,914,516	\$ 641,194	\$ 641,194	\$ 5,273,991	\$ 4,555,710
Buildings and Improvements	16,778,599	16,778,599	1,029,454	1,029,454	17,808,053	17,808,053
Improvements other than buildings	2,757,618	2,757,618	4,259,559	4,259,559	7,017,177	7,017,177
Machinery and Equipment	9,893,836	8,257,127	654,696	654,696	10,548,532	8,911,823
Construction in progress	2,047,678	2,489,956	--	--	2,047,678	2,489,956
Infrastructure	83,867,448	80,979,946	--	--	83,867,448	80,979,946
Less accumulated depreciation	<u>(60,927,585)</u>	<u>(56,927,864)</u>	<u>(5,160,071)</u>	<u>(4,954,657)</u>	<u>(66,087,656)</u>	<u>(61,882,521)</u>
Net Capital Assets	<u>\$59,050,391</u>	<u>\$58,249,898</u>	<u>\$1,424,832</u>	<u>\$1,630,246</u>	<u>\$60,475,223</u>	<u>\$59,880,144</u>

Additional information on the City of Hendersonville's capital assets can be found in note 3 on page 35 of this report.

Long -Term Debt

At the end of the current year, the City of Hendersonville had total bonded debt outstanding of \$11,800,300, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 1,555,000	\$ 1,875,000	\$ --	\$ --	\$ 1,555,000	\$ 1,875,000
Notes payable	10,245,370	11,395,500	--	--	10,245,370	11,395,500
Revenue and tax bonds	--	--	--	--	--	--
Total	<u>\$11,800,370</u>	<u>\$13,270,500</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$11,800,370</u>	<u>\$13,270,500</u>

The City of Hendersonville's total debt decreased by \$1,470,130 (11.1%) during the current fiscal year.

The City of Hendersonville and its various agencies maintain a AA2 rating from Moody's for general obligation debt as of June 30, 2012. 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 6 on pages 37-38 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 a 1.5% decrease from a rate of 8.3% last year. This compares to the state's average unemployment rate of 8.1% and the national average rate of 8.2%.

In the 2012-2013 budget, General fund revenues and transfers in are budgeted to decrease by 2.72% from the 2011-2012 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 2011-2012 budget year still required a conservative approach to the 2012-2013 budget.

All of these factors were considered in preparing the City's budget for the 2012-2013 fiscal year.

During the current fiscal year, total fund balance in the general fund increased to \$6,662,547. The City has appropriated \$2,132,194 of this amount for spending in the 2012-2013 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, Interim Finance Director
City of Hendersonville
101 Maple Drive North
Hendersonville, TN 37075

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Net Assets

June 30, 2012

	Primary Government		Total	Component units		
	Governmental	Business	Primary	Arts	Beautiful	Industrial
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Council</u>	<u>Hendersonville</u>	<u>Development</u>
Cash and cash equivalents	\$9,921,112	98,227	10,019,339	28,958	17,911	168,878
Receivables (net):						
Property taxes	10,276,051	-	10,276,051	-	-	-
Other taxes	121,760	-	121,760	-	-	-
Disposal fees	129,876	-	129,876	-	-	-
Due from other governments	4,052,207	-	4,052,207	-	-	-
Inventories	-	38,559	38,559	-	-	-
Restricted assets - cash and cash equivalents						
Cash - bond proceeds	3,248,139	-	3,248,139	-	-	-
Prepaid items	4,155	-	4,155	-	-	-
Other assets	12,085	3,112	15,197	-	-	-
Capital assets, net of accumulated depreciation	44,821,394	783,638	45,605,032	32,952	-	-
Land and construction in progress - nondepreciable	14,228,997	641,194	14,870,191	-	-	10,852
 Total Assets	 <u>\$86,815,776</u>	 <u>1,564,730</u>	 <u>88,380,506</u>	 <u>61,910</u>	 <u>17,911</u>	 <u>179,730</u>
 <u>Liabilities</u>						
Accounts payable	\$537,316	7,401	544,717	596	-	-
Accrued liabilities	3,178,612	22,397	3,201,009	-	-	-
Contracts payable	479,950	-	479,950	-	-	-
Contracts payable-from bond proceeds	112,640	-	112,640	-	-	-
Deferred revenue	9,990,418	-	9,990,418	-	-	-
Unearned revenue	4,285	-	4,285	-	-	-
Long-term liabilities due within one year	3,095,685	-	3,095,685	-	-	-
Long-term liabilities due in more than one year	11,077,116	-	11,077,116	-	-	-
 Total Liabilities	 <u>28,476,022</u>	 <u>29,798</u>	 <u>28,505,820</u>	 <u>596</u>	 <u>-</u>	 <u>-</u>
 <u>Net Assets</u>						
Investment in capital assets, net of related debt	50,385,520	1,424,832	51,810,352	32,952	-	10,852
Restricted for:						
Street maintenance	1,364,406	-	1,364,406	-	-	-
Public works	450,727	-	450,727	-	-	-
Law enforcement	143,742	-	143,742	-	-	-
Solid waste disposal	113,876	-	113,876	-	-	-
Parks	25,911	-	25,911	-	-	-
Capital projects	466,662	-	466,662	-	-	-
Unrestricted	5,388,910	110,100	5,499,010	28,362	17,911	168,878
Total Net Assets	<u>\$58,339,754</u>	<u>1,534,932</u>	<u>59,874,686</u>	<u>61,314</u>	<u>17,911</u>	<u>179,730</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs:	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets					
	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	\$590,804	-	8,271	-	(582,533)	-	(582,533)	-	-	-
Personnel	275,582	-	-	-	(275,582)	-	(275,582)	-	-	-
Central services	1,492,771	-	-	-	(1,492,771)	-	(1,492,771)	-	-	-
Finance	772,429	72,043	-	-	(700,386)	-	(700,386)	-	-	-
Parks	1,717,639	153,723	-	49,375	(1,514,541)	-	(1,514,541)	-	-	-
Codes	701,823	666,318	-	-	(35,505)	-	(35,505)	-	-	-
Planning	523,417	161,002	-	-	(362,415)	-	(362,415)	-	-	-
Police	9,373,511	579,650	184,151	533,231	(8,076,479)	-	(8,076,479)	-	-	-
Fire	7,808,722	-	197,321	756,000	(6,855,401)	-	(6,855,401)	-	-	-
Contributions	228,750	-	-	-	(228,750)	-	(228,750)	-	-	-
Disposal service	4,580,896	4,117,835	-	-	(463,061)	-	(463,061)	-	-	-
Program cost	41,734	-	-	-	(41,734)	-	(41,734)	-	-	-
Streets and public works	6,425,222	-	2,030,791	2,101,516	(2,292,915)	-	(2,292,915)	-	-	-
Interest on debt	432,096	-	-	-	(432,096)	-	(432,096)	-	-	-
Total Government Activities	34,965,396	5,750,571	2,420,534	3,440,122	(23,354,169)	-	(23,354,169)	-	-	-
Business-type Activities:										
Golf Course	966,007	807,223	-	-	-	(158,784)	(158,784)	-	-	-
Total Business-type Activities	966,007	807,223	-	-	-	(158,784)	(158,784)	-	-	-
Total Primary Government	<u>\$35,931,403</u>	<u>6,557,794</u>	<u>2,420,534</u>	<u>3,440,122</u>	<u>(23,354,169)</u>	<u>(158,784)</u>	<u>(23,512,953)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units:										
Arts Council	\$75,573	44,144	21,700	-	-	-	-	(9,729)	-	-
Beautiful Hendersonville	7,259	100	6,500	-	-	-	-	-	(659)	-
Industrial Development Board	23,257	44,799	-	-	-	-	-	-	-	21,542
	<u>\$106,089</u>	<u>89,043</u>	<u>28,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,729)</u>	<u>(659)</u>	<u>21,542</u>
General Revenues:										
Property taxes and in lieu of tax					\$10,395,977	-	10,395,977	-	-	-
Sales taxes					8,706,782	-	8,706,782	-	-	-
Wholesale beer tax					887,003	-	887,003	-	-	-
Wholesale liquor tax					319,398	-	319,398	-	-	-
Business tax					761,176	-	761,176	-	-	-
State shared sales tax					3,487,993	-	3,487,993	-	-	-
State shared income tax					445,897	-	445,897	-	-	-
State shared beer tax					25,218	-	25,218	-	-	-
State shared alcoholic beverage tax					134,151	-	134,151	-	-	-
Unrestricted other state shared taxes					16,518	-	16,518	-	-	-
Franchise taxes					730,581	-	730,581	-	-	-
Unrestricted investment earnings					53,998	365	54,363	530	15	370
Other					109,101	-	109,101	-	-	-
Gain on sale of assets					14,506	-	14,506	-	-	-
Total general revenues					<u>26,088,299</u>	<u>365</u>	<u>26,088,664</u>	<u>530</u>	<u>15</u>	<u>370</u>
Change in net assets					2,734,130	(158,419)	2,575,711	(9,199)	(644)	21,912
Net assets - beginning of year					<u>55,605,624</u>	<u>1,693,351</u>	<u>57,298,975</u>	<u>70,513</u>	<u>18,555</u>	<u>157,818</u>
Net assets - end of year					<u>\$58,339,754</u>	<u>1,534,932</u>	<u>\$59,874,686</u>	<u>61,314</u>	<u>17,911</u>	<u>179,730</u>

See accompanying notes to financial statements

CITY OF HENDERSONVILLE, TENNESSEE

**Balance Sheet
Governmental Funds**

June 30, 2012

<u>Assets</u>	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$8,310,775	-	3,609,909	1,248,567	13,169,251
Receivables (net)					
Property taxes	10,333,051	-	-	-	10,333,051
Other taxes	121,760	-	-	-	121,760
Disposals fees	-	147,236	-	-	147,236
Due from other governments	3,118,283	-	697,482	236,442	4,052,207
Prepaid items	4,155	-	-	-	4,155
Due from other funds	-	364,293	-	-	364,293
Total Assets	<u>\$21,888,024</u>	<u>511,529</u>	<u>4,307,391</u>	<u>1,485,009</u>	<u>28,191,953</u>
<u>Liabilities and Fund Balances</u>					
Accounts payable	\$149,378	380,293	-	7,645	537,316
Accrued costs	2,992,483	-	-	12,060	3,004,543
Contracts payable	-	-	592,590	-	592,590
Deferred/unearned revenue	11,719,323	131,236	-	121,364	11,971,923
Due to other funds	364,293	-	-	-	364,293
Total Liabilities	<u>15,225,477</u>	<u>511,529</u>	<u>592,590</u>	<u>141,069</u>	<u>16,470,665</u>
Fund Balance:					
Nonspendable:					
Prepaid items	4,155	-	-	-	4,155
Restricted for:					
Public works	450,727	-	-	-	450,727
Street maintenance	37,500	-	-	1,205,542	1,243,042
Law enforcement	5,344	-	-	138,398	143,742
Parks	25,911	-	-	-	25,911
Parks capital projects	-	-	71,172	-	71,172
Streets capital projects	-	-	3,643,629	-	3,643,629
Committed to:					
Public works	41,444	-	-	-	41,444
Street maintenance	227,175	-	-	-	227,175
Parks	9,003	-	-	-	9,003
Assigned to:					
Retiree benefits	509,467	-	-	-	509,467
General government	62,473	-	-	-	62,473
Public works	568,093	-	-	-	568,093
Law enforcement	304,088	-	-	-	304,088
Fire protection	88,729	-	-	-	88,729
Parks	16,597	-	-	-	16,597
Subsequent year budget	2,132,194	-	-	-	2,132,194
Unassigned	2,179,647	-	-	-	2,179,647
Total Fund Balances	<u>6,662,547</u>	<u>-</u>	<u>3,714,801</u>	<u>1,343,940</u>	<u>11,721,288</u>
Total Liabilities and Fund Balances	<u>\$21,888,024</u>	<u>511,529</u>	<u>4,307,391</u>	<u>1,485,009</u>	<u>28,191,953</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

June 30, 2012

Amounts reported for fund balance - total governmental funds		\$11,721,288
Amounts reported for governmental activities in the statement of net assets 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.		59,050,391
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	\$1,306,402	
Property tax receivable, net of allowance of doubtful accounts	482,582	
Disposal fees receivable, net of allowance for doubtful accounts	<u>113,876</u>	
		1,902,860
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(174,069)
Bond issue costs are amortized over the life of the notes in the statement of activities.		12,085
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	(11,800,370)	
Other postemployment benefits	(496,957)	
Compensated absences	<u>(1,875,474)</u>	
		(14,172,801)
Net assets of governmental activities		<u><u>\$58,339,754</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

For the Year Ended June 30, 2012

	General	Solid Waste Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$20,870,520	-	-	-	20,870,520
Intergovernmental	5,993,371	-	781,246	1,325,596	8,100,213
Fines and fees	572,903	-	-	-	572,903
Licenses and permits	1,560,101	-	-	-	1,560,101
Charges for services	153,723	4,091,025	-	-	4,244,748
Uses of money and property	35,001	-	14,692	4,305	53,998
Miscellaneous	141,501	-	-	78,790	220,291
Total Revenue	<u>29,327,120</u>	<u>4,091,025</u>	<u>795,938</u>	<u>1,408,691</u>	<u>35,622,774</u>
Expenditures					
Current:					
General government	389,440	-	-	-	389,440
Personnel	272,531	-	-	-	272,531
Central services	1,492,771	-	-	-	1,492,771
Finance	775,140	-	-	-	775,140
Parks	1,481,399	-	-	-	1,481,399
Codes	686,682	-	-	-	686,682
Planning	520,495	-	-	-	520,495
Public works	2,094,358	-	-	-	2,094,358
Police	8,832,841	-	-	-	8,832,841
Fire	7,563,874	-	-	-	7,563,874
Contributions	228,750	-	-	-	228,750
Disposal service	-	4,580,896	-	-	4,580,896
Program cost	-	-	-	41,734	41,734
Streets	-	-	17,603	996,546	1,014,149
Debt service	-	-	-	2,188,436	2,188,436
Capital Outlay	2,398,385	-	974,609	11,500	3,384,494
Total Expenditures	<u>26,736,666</u>	<u>4,580,896</u>	<u>992,212</u>	<u>3,238,216</u>	<u>35,547,990</u>
Excess (deficiency) revenues over expenditures	2,590,454	(489,871)	(196,274)	(1,829,525)	74,784
Other Financing Sources (Uses)					
Debt issuance	270,370	-	-	-	270,370
Transfer from other funds	-	489,871	-	2,188,436	2,678,307
Transfer to other funds	(2,678,307)	-	-	-	(2,678,307)
Total Other Financing Sources (Uses)	<u>(2,407,937)</u>	<u>489,871</u>	<u>-</u>	<u>2,188,436</u>	<u>270,370</u>
Net Change in Fund Balance	182,517	-	(196,274)	358,911	345,154
Fund Balance, Beginning of Year	<u>6,480,030</u>	<u>-</u>	<u>3,911,075</u>	<u>985,029</u>	<u>11,376,134</u>
Fund Balance, End of Year	<u>\$6,662,547</u>	<u>-</u>	<u>3,714,801</u>	<u>1,343,940</u>	<u>11,721,288</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, 2012

Amounts reported for net change in fund balance - total governmental funds	\$345,154
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	3,384,494
Depreciation expense	(4,402,392)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	107,172
Local option sales tax	85,709
Business taxes	6,935
State shared revenues	31,735
Disposal Fees	26,810
Contributed capital assets	1,818,391
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	1,740,500
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 bonded debt	15,840
Long-term debt issuance provide current financial resources to governmental funds, but the issuance of debt increases long-term obligations for governmental activities.	(270,370)
Governmental funds report the effects of debt issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities:	
Amortization of debt related costs	(2,420)
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	(62,421)
Other postemployment benefits	(91,007)
Change in net assets of governmental activities	<u><u>\$2,734,130</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

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

General Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Local Taxes:				
Real & personal property	\$9,780,062	9,780,062	9,579,645	(200,417)
Payments in lieu of property taxes	685,500	685,500	709,160	23,660
Local sales taxes	8,100,000	8,100,000	8,621,073	521,073
Wholesale beer	835,000	835,000	887,003	52,003
Wholesale liquor	290,000	290,000	319,398	29,398
Business taxes	730,000	730,000	754,241	24,241
Total Local Taxes	20,420,562	20,420,562	20,870,520	449,958
Intergovernmental:				
State sales tax	3,200,000	3,200,000	3,469,523	269,523
State income tax	360,000	360,000	445,897	85,897
State beer tax	25,000	25,000	25,217	217
State alcoholic beverage tax	217,000	217,000	127,097	(89,903)
State/City streets & transp.	109,000	109,000	105,454	(3,546)
State fire supplement	58,000	58,000	58,200	200
State police supplement	50,000	50,000	50,400	400
Other state revenue allocation	28,000	28,000	16,495	(11,505)
County	93,000	93,000	88,771	(4,229)
Corp of Engineers	27,000	27,000	28,074	1,074
Grants	641,795	2,494,533	1,578,243	(916,290)
Total Intergovernmental	4,808,795	6,661,533	5,993,371	(668,162)
Fines and Penalties:				
City court and drug control	621,182	621,182	500,860	(120,322)
Penalties	70,000	70,000	72,043	2,043
Total Fines and Penalties	691,182	691,182	572,903	(118,279)
Licenses and Permits:				
Building permits	398,000	398,000	666,318	268,318
Franchise taxes	665,000	665,000	730,581	65,581
Tree assessment	-	-	2,200	2,200
Other permits	72,200	72,200	161,002	88,802
Total Licenses & Permits	1,135,200	1,135,200	1,560,101	424,901
Charges for Services:				
Recreational fees	130,000	130,000	153,723	23,723
Interest	31,200	31,200	35,001	3,801
Other Revenues:				
Contributions from others	61,525	61,525	17,894	(43,631)
Sale of Assets	6,000	6,000	14,506	8,506
Miscellaneous	64,975	89,379	109,101	19,722
Total Other Revenues	132,500	156,904	141,501	(15,403)
Total Revenues	27,349,439	29,226,581	29,327,120	100,539

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, 2012

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General Government:				
Salaries	\$249,157	249,157	239,739	9,418
Employee benefits	87,001	87,001	72,241	14,760
Repairs and maintenance	750	750	684	66
Travel and training	16,000	16,000	8,783	7,217
Supplies	16,750	16,750	13,593	3,157
Outside services	7,000	7,000	8,045	(1,045)
Telephone	4,000	4,000	3,947	53
Other costs	51,000	51,000	38,158	12,842
Capital outlay	-	-	-	-
Total General Government	431,658	431,658	385,190	46,468
Personnel:				
Salaries	181,622	181,622	179,157	2,465
Employee benefits	55,309	55,309	50,250	5,059
Travel and training	4,000	4,000	3,533	467
Supplies	11,000	11,000	6,192	4,808
Telephone	50	50	9	41
Other costs	58,200	58,200	33,390	24,810
Capital outlay	-	-	-	-
Total Personnel	310,181	310,181	272,531	37,650
Central Services:				
Salaries	219,504	219,504	214,644	4,860
Benefits	251,848	251,848	100,728	151,120
Repairs and maintenance	88,100	88,100	88,517	(417)
Supplies	8,000	8,000	6,598	1,402
Insurance	391,600	391,600	394,694	(3,094)
Outside services	25,000	25,000	14,972	10,028
Utilities	180,000	180,000	169,545	10,455
Tax increment financing bond payment	420,000	420,000	404,144	15,856
Other costs	89,000	89,000	98,928	(9,928)
Capital outlay	-	-	-	-
Total Central Services	1,673,052	1,673,052	1,492,770	180,282
Finance				
Salaries	533,829	533,829	444,432	89,397
Employee benefits	182,565	182,565	151,239	31,326
Travel and training	1,500	1,500	1,455	45
Supplies	30,000	30,000	31,388	(1,388)
Outside services	84,400	84,400	19,304	65,096
Utilities	200	200	25	175
Other costs	77,900	77,900	83,358	(5,458)
Capital outlay	12,000	12,000	61,649	(49,649)
Total Finance:	922,394	922,394	792,850	129,544

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, 2012

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks:				
Salaries	\$890,146	890,146	864,169	25,977
Employee benefits	257,911	257,911	264,979	(7,068)
Repairs and maintenance	276,187	279,712	167,902	111,810
Travel and training	4,000	4,000	2,533	1,467
Supplies	114,399	115,243	120,576	(5,333)
Outside Services	9,000	9,000	7,429	1,571
Utilities	146,000	146,000	149,586	(3,586)
Other costs	53,500	53,500	45,674	7,826
Capital outlay	130,526	181,269	80,216	101,053
Total Parks	1,881,669	1,936,781	1,703,064	233,717
Codes:				
Salaries	469,637	469,637	466,924	2,713
Employee benefits	167,995	167,995	168,657	(662)
Repairs and maintenance	5,000	5,000	6,023	(1,023)
Travel and training	4,000	4,000	3,899	101
Supplies	17,750	17,750	15,336	2,414
Outside Services	4,700	4,700	5,048	(348)
Insurance	1,000	1,000	7,505	(6,505)
Telephone	9,500	9,500	7,346	2,154
Other costs	10,505	10,505	5,944	4,561
Capital outlay	50,952	50,952	-	50,952
Total Codes	741,039	741,039	686,682	54,357
Planning:				
Salaries	325,715	325,715	323,714	2,001
Employee benefits	97,473	97,473	97,439	34
Repairs and maintenance	1,800	1,800	1,839	(39)
Travel and training	6,000	6,000	4,308	1,692
Supplies	10,300	10,300	9,053	1,247
Outside services	51,500	51,500	51,708	(208)
Utilities	1,200	1,200	1,161	39
Other costs	40,300	40,300	31,273	9,027
Capital outlay	-	192,555	-	192,555
Total Planning	534,288	726,843	520,495	206,348
Streets and Public Works:				
Salaries	840,635	840,635	825,275	15,360
Employee benefits	291,316	291,316	276,804	14,512
Repairs and maintenance	644,480	645,399	472,139	173,260
Travel and training	7,000	7,000	4,483	2,517
Supplies	112,900	112,900	151,504	(38,604)
Utilities	302,000	302,000	334,212	(32,212)
Outside services	92,000	92,000	36,155	55,845
Other costs	188,650	188,650	117,373	71,277
Street and drainage projects	172,168	177,168	115,042	62,126
Capital outlay	140,138	779,353	731,081	48,272
Total Public Works	2,791,287	3,436,421	3,064,068	372,353

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, 2012

Expenditures, Continued	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Police Department:				
Salaries	\$5,724,996	5,724,996	5,640,832	84,164
Employee benefits	1,948,968	1,948,968	1,901,933	47,035
Repairs and maintenance	241,000	241,000	289,794	(48,794)
Travel and training	35,000	35,000	16,346	18,654
Supplies	468,054	489,379	703,306	(213,927)
Outside services	300,000	300,000	280,260	19,740
Telephone and utilities	83,000	83,000	84,887	(1,887)
Investigations	3,500	3,500	3,642	(142)
Other costs	108,477	108,477	77,283	31,194
Capital outlay	401,520	681,143	505,930	175,213
Total Police Department	<u>9,314,515</u>	<u>9,615,463</u>	<u>9,504,213</u>	<u>111,250</u>
Fire Department:				
Salaries	5,196,611	5,196,611	5,218,286	(21,675)
Employee benefits	1,809,318	1,809,318	1,791,020	18,298
Repairs and maintenance	105,830	107,830	132,360	(24,530)
Travel and training	50,000	50,000	50,980	(980)
Supplies	432,315	438,450	462,938	(24,488)
Telephone and utilities	82,400	82,400	67,606	14,794
Outside services	27,065	4,349	2,576	1,773
Other costs	53,685	53,685	27,075	26,610
Capital outlay	200,000	1,272,716	1,252,319	20,397
Total Fire Department	<u>7,957,224</u>	<u>9,015,359</u>	<u>9,005,160</u>	<u>10,199</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>26,786,057</u>	 <u>29,037,941</u>	 <u>27,655,773</u>	 <u>1,382,168</u>
 Excess (Deficiency) of Revenues Over Expenditures and Encumbrances	 <u>563,382</u>	 <u>188,640</u>	 <u>1,671,347</u>	 <u>1,482,707</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Other Financing Sources (Uses):				
Transfers In (Out):				
Debt service fund	\$2,223,514	(2,223,514)	(2,188,436)	35,078
Solid waste fund	489,871	(489,871)	(489,871)	-
Golf fund	-	50,743	-	(50,743)
Note proceeds	-	270,370	270,370	-
Total Other Financing Sources (Uses)	<u>2,713,385</u>	<u>(2,392,272)</u>	<u>(2,407,937)</u>	<u>(15,665)</u>
 Net Change in Fund Balance	 <u>3,276,767</u>	 <u>(2,203,632)</u>	 <u>(736,590)</u>	 <u>1,467,042</u>
 Fund Balance, Beginning of Year	 <u>5,893,934</u>	 <u>5,893,934</u>	 <u>5,893,934</u>	 <u>-</u>
Fund Balance, End of Year	<u>\$9,170,701</u>	<u>3,690,302</u>	<u>5,157,344</u>	<u>1,467,042</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Other:				
Disposal fees	\$4,127,508	4,127,508	4,091,025	(36,483)
Total Revenues	<u>4,127,508</u>	<u>4,127,508</u>	<u>4,091,025</u>	<u>(36,483)</u>
<u>Expenditures</u>				
Tipping fees	973,303	973,303	760,603	212,700
Disposal service	3,976,194	3,976,194	3,698,592	277,602
Brush disposal and other	105,740	105,740	121,701	(15,961)
Total Expenditures and Encumbrances	<u>5,055,237</u>	<u>5,055,237</u>	<u>4,580,896</u>	<u>474,341</u>
Excess of Revenues Over Expenditures and Encumbrances	<u>(927,729)</u>	<u>(927,729)</u>	<u>(489,871)</u>	<u>437,858</u>
Other Financing Sources (Uses)				
Transfer in	<u>489,871</u>	<u>489,871</u>	<u>489,871</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Net Assets

Proprietary Fund

June 30, 2012

	<u>Golf Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash	\$98,227
Inventory	38,559
Total Current Assets	<u>136,786</u>
Noncurrent Assets:	
Property, Plant and Equipment	
Land	641,194
Buildings and improvements	1,029,454
Golf course improvements	4,259,559
Equipment	654,696
Total Property, Plant and Equipment	<u>6,584,903</u>
Less: accumulated depreciation	<u>(5,160,071)</u>
Net Property, Plant and Equipment	<u>1,424,832</u>
Other	
Deposits	3,112
Total Other Assets	<u>3,112</u>
Total Noncurrent Assets	<u>1,427,944</u>
Total Assets	<u>\$1,564,730</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$7,401
Accrued expenses	22,397
Total Current Liabilities	<u>29,798</u>
Total Liabilities	<u>29,798</u>
<u>Net Assets</u>	
Invested in capital assets	1,424,832
Unrestricted	110,100
Total Net Assets	<u>\$1,534,932</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Fund

For the Year Ended June 30, 2012

	Golf Enterprise Fund
Operating Revenues:	
Charges for sales and services	\$807,223
Total Operating Revenues	<u>807,223</u>
Operating Expenses:	
Costs of sales	172,018
Personal services	362,243
Repairs and maintenance	57,979
Supplies	17,224
Gas	21,221
Credit card charges	10,588
Chemicals and fertilizer	23,573
Utilities	31,336
Depreciation	205,414
Advertising and promotions	4,756
Other	25,655
Management services	34,000
Total Operating Expenses	<u>966,007</u>
Operating Income (Loss)	<u>(158,784)</u>
Nonoperating Revenues (Expenses):	
Interest income	365
Net Nonoperating Revenues (Expenses)	<u>365</u>
Change in Net Assets	(158,419)
Net Assets - Beginning of Year	<u>1,693,351</u>
Net Assets- End of Year	<u>\$1,534,932</u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2012

	Golf Enterprise Fund
Cash Flows Provided (Used) By Operating Activities:	
Cash received from customers	\$807,224
Cash paid for personnel services	(359,880)
Cash paid to suppliers for goods and services	(398,930)
Cash received for deposits	803
Net Cash Provided (Used) by Operating Activities	<u>49,217</u>
Cash Flows Provided (Used) By Capital Related Financing Activities:	
Purchase of equipment	<u>-</u>
Cash Flows Provided (Used) By Investing Activities:	
Interest received on investments	<u>365</u>
Net Increase (Decrease) in Cash	49,582
Cash and Cash Equivalents, Beginning of Year	<u>48,645</u>
Cash and Cash Equivalents, End of Year	<u><u>\$98,227</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations</u>	
Operating income (loss)	(\$158,784)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	205,414
(Increase) Decrease in:	
Deposits	803
Inventory	11,252
Increase (Decrease) in:	
Accounts payable	(9,875)
Accrued expenses	<u>407</u>
Net cash provided by operating activities	<u><u>\$49,217</u></u>

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

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Fiduciary Net Assets

Training and Teen Activity Agency Fund

June 30, 2012

Assets

Cash	<u>\$32,021</u>
Total Assets	<u><u>\$32,021</u></u>

Liabilities

Assets held in trust	<u>32,021</u>
Total Liabilities	<u><u>\$32,021</u></u>

See accompanying notes to financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to the Financial Statements

June 30, 2012

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 thereafter, 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 assets and the statement of changes in net assets, 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, 2012

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 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, 2012.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

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 11.79 percent respectively of outstanding undeferred receivable.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventories of Supplies and Prepaid Items

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

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

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 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.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

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 assets.

Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

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

Fund Balance

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, or City official designated by the Board. 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.

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 2012 and \$0.65 per \$100 for tax year 2011. Payments may be made during the period from October 1 through February 28. Current tax collections of \$9,363,490 for the fiscal year ended June 30, 2012 were approximately 96.6 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 \$10,276,051 which is net of an allowance for doubtful collections of \$57,000. Of this receivable amount, \$9,767,469 represents the estimated net realizable 2012 property taxes. This amount is included in deferred revenue since they are not available until a future period.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Property Tax and Garbage Disposal Fees

The receivable reported in the governmental funds balance sheet is \$10,333,051 with an offsetting deferred revenue for amounts not available at June 30, 2012. The other taxes receivable reported in both financial statements includes \$121,760 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 2012 was \$252 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 \$129,876 which is net of an allowance for doubtful collections of \$17,360. The receivable reported in the governmental funds balance sheet is \$147,236 with an offsetting deferred revenue of \$131,236 for amounts not available at June 30, 2012.

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, 2012 there were no amounts exposed to custodial credit risk.

Investments

At June 30, 2012 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	\$ 64,560	N/A	N/A
Less Liquid Investments (Cash equivalents)	<u>64,560</u>		
Total Investments per financial statements	\$ <u>0</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.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

3) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government:	Beginning Balance	Additions	Deletions	Reclasses	Ending Balance
Governmental activities					
<u>Capital assets not being depreciated:</u>					
Land	\$ 3,914,516	718,281	-	-	4,632,797
Construction in progress	2,489,956	1,160,064	-	(1,602,342)	2,047,678
Library building	7,548,522	-	-	-	7,548,522
<u>Capital assets being depreciated:</u>					
Buildings and improvements	9,230,077	-	-	-	9,230,077
Improvements other than building	2,757,618	-	-	-	2,757,618
Machinery and equipment	8,257,127	2,039,380	(402,671)	-	9,893,836
Infrastructure	80,979,946	1,285,160	-	1,602,342	83,867,448
Total capital assets	<u>115,177,762</u>	<u>5,202,885</u>	<u>(402,671)</u>	<u>-</u>	<u>119,977,976</u>
Less accumulated depreciation for:					
Buildings and improvements	3,277,216	229,332	-	-	3,506,548
Improvements other than buildings	1,038,400	138,146	-	-	1,176,546
Machinery and equipment	7,071,058	790,014	(402,671)	-	7,458,401
Infrastructure	45,541,190	3,244,900	-	-	48,786,090
Total accumulated depreciation	<u>56,927,864</u>	<u>4,402,392</u>	<u>(402,671)</u>	<u>-</u>	<u>60,927,585</u>
Governmental activities capital assets, net	\$ <u>58,249,898</u>				<u>59,050,391</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>-</u>	<u>-</u>	<u>-</u>	<u>654,696</u>
Total capital assets	<u>6,584,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,584,903</u>
Less accumulated depreciation for:					
Buildings and structures	554,088	34,843	-	-	588,931
Improvements other than buildings	3,752,757	168,935	-	-	3,921,692
Machinery and equipment	<u>647,812</u>	<u>1,636</u>	<u>-</u>	<u>-</u>	<u>649,448</u>
Total accumulated depreciation	<u>4,954,657</u>	<u>205,414</u>	<u>-</u>	<u>-</u>	<u>5,160,071</u>
Business-type activities capital assets, net	<u>\$1,630,246</u>				<u>1,424,832</u>

Depreciation expense was charged to function/programs as of June 30, 2012, as follows:

Governmental activities:	
General government	\$ 107,727
Public safety	704,710
Street and public works	3,343,070
Parks	235,328
Codes and planning	<u>11,557</u>
Total depreciation expense-governmental activities	<u>\$ 4,402,392</u>
Business-type activities:	
Golf enterprise	<u>\$ 205,414</u>

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

2) CAPITAL ASSETS, Continued

Current year capital asset additions of the governmental activities include \$1,818,391 in donated equipment improvements. The library building constructed by the City was completed in a prior fiscal year and discussions are underway to contribute this facility to the county.

Component Units	Beginning Balance	Increases	Decreases	Ending Balance
<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>34,024</u>	<u>-</u>	<u>(1,072)</u>	<u>32,952</u>

4) RECEIVABLES AND DEFERRED/UNEARNED REVENUE

Government-wide financial statement taxes and disposal fees receivable are net of allowance for doubtful accounts in the amount of \$57,000 and \$17,360 respectively.

Deferred and unearned revenue consists of amounts that are unearned or unavailable to liquidate liabilities of the current period. At June 30, 2012 the components of deferred revenue were as follows:

	<u>Governmental-wide Statements</u>	<u>Fund Statements</u>
Unlevied property taxes (unavailable)	\$ 9,767,469	9,767,469
Delinquent property taxes (unavailable)	-	539,582
Delinquent solid waste fees (unavailable)	-	131,236
State and County shared taxes (unavailable)	222,949	1,529,351
Grants (unearned)	708	708
Other (unearned)	<u>3,577</u>	<u>3,577</u>
	\$ <u>9,994,703</u>	<u>11,971,923</u>

5) 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, 2012. This amounted to \$364,293 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, 2012 are attributable to the budgeted allocation of resources from one fund to another and consist of the following:

	<u>Transfer In:</u> <u>Other Governmental</u> <u>Funds</u>		
	<u>Solid Waste Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<u>Transfer Out:</u> General Fund	\$ <u>489,871</u>	<u>2,188,436</u>	<u>2,678,307</u>

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

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, 2012.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

6) 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.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance 06-30-11	Addition	Reductions	Balance 06/30/12	Current Portion
Governmental Activities					
General obligation bonds	\$ 1,875,000	-	320,000	1,555,000	335,000
Notes payable	11,395,500	270,370	1,420,500	10,245,370	1,610,685
Compensated absences	1,813,053	1,098,540	1,036,119	1,875,474	1,150,000
Net OPEB liability	405,950	189,248	98,241	496,957	-
Total Primary Government	\$ <u>15,489,503</u>	<u>1,558,158</u>	<u>2,874,860</u>	<u>14,172,801</u>	<u>3,095,685</u>

Long term bonds and notes at June 30, 2012 consisted of the following obligations:

<u>Governmental Activities</u>	<u>Amount Outstanding</u>
\$3,977,000 Capital Outlay - The notes are repayable in eleven installments through July 2017. The interest rate ranges from 3.9% to 3.95%.	\$ 2,652,000
\$725,000 Capital Outlay-The notes are repayable in twelve annual installments from \$59,500 to \$60,500 beginning July 2002. The interest rate is 3.85%.	120,000
\$650,000 Capital Outlay - The notes are repayable in ten annual installments of \$65,000 beginning October 2004. The interest rate ranges from 2% to 3.75%.	130,000
\$3,680,000 General Obligation Refunding Bonds due in increasing annual installments through June 2016 at a rate of interest ranging from 3.9% to 3.95%	1,555,000
\$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.	665,000
\$4,500,000 Capital Outlay- The notes are payable in eleven installments through July 2016 at an average rate of 3.4%.	2,650,000
\$4,100,000 Capital Outlay- The notes are payable in twelve installments through 2023 at a rate of 3.210%	3,758,000
\$270,390 Capital Outlay – The notes are repayable in annual installments through 2014 at a rate of interest of 3.4%.	<u>270,370</u>
	\$ <u>11,800,370</u>

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

6) LONG-TERM DEBT AND OTHER OBLIGATIONS PAYABLE, (CONTINUED)

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.

From time to time, the City has issued Industrial Revenue Bonds 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 bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012 the amount of IDB bonds outstanding was not determinable. There have been approximately \$55,000,000 in IDB bonds issued since 2000.

The Industrial Development Board of the City of Hendersonville developed an economic impact plan regarding the development of an area located within the City of Hendersonville named the Indian Lake Village Economic Development Area. In accordance with the economic impact plan, the Industrial Development Board issued bonds totaling \$18 million with tax increment financing. Incremental property tax revenues of the City of Hendersonville that result from the development of the area under the economic impact plan will be allocated to the Industrial Development Board to be used to pay debt service of the tax increment financing. The City of Hendersonville has no obligation for repayment of the bonds, and accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The developer of the Indian Lake Village Economic Development Area is required to maintain an \$18 million letter of credit. During fiscal year 2012, there was \$404,144 in incremental property tax associated with the development which was used for debt service related to these bonds.

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2012, are as follows:

Year Ending June 30	Governmental Activities		
	Bonds	Notes	Interest
2013	\$ 335,000	1,610,685	404,382
2014	350,000	1,639,685	334,610
2015	430,000	1,486,000	262,196
2016	440,000	1,542,000	191,165
2017	-	1,392,000	117,448
2018-2022	-	2,237,000	229,330
2023	-	338,000	10,850
Totals	\$ <u>1,555,000</u>	<u>10,245,370</u>	<u>1,549,981</u>

Also, during the year the City issued and repaid \$2,500,000 in tax anticipation notes.

7) 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, 2012

8) 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, 2012 was 15.28% 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, 2012, Hendersonville's annual pension cost of \$2,162,730 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 seven years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$2,162,730	100.00%	-
6/30/11	\$2,112,440	100.00%	-
6/30/10	\$2,099,502	100.00%	-

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

8) **PENSION PLAN, Continued**

Plan Description, Continued

As of July 1, 2011, the most recent actuarial 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.

9) **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. 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 is \$324 per month for single coverage and \$666 for family coverage.

Annual OBEP Cost and Net OBEP Obligations

June 30, 2012

ARC	\$	190,866
Interest on NPO		16,238
Adjustment to ARC		<u>(17,856)</u>
Annual OPEB Cost		189,248
Amount of Contribution*		<u>(98,241)</u>
Increase in NPO		91,007
Net OPEB Obligation 7/1		<u>405,950</u>
Net OPEB Obligation 6/30	\$	<u>496,957</u>

*Contribution made was assumed to equal expected benefit payments.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

9) 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>
6/30/12	\$ 189,248	51.9%	\$496,957
6/30/11	181,814	35%	405,950
6/30/10	207,124	25%	287,149

Funded Status and Funding Progress

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

Actuarial valuation date	7/01/10
Actuarial accrued liability (AAL)	\$ 2,030,085
Actuarial value of plan asset	-
Unfunded actuarial accrued liability	2,030,085
Actuarial value of assets as a % of AAL	-
Covered payroll	\$ 11,961,134
UAAL as a percentage of covered payroll	17%

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, 2010, actuarial valuation, the Entry Age Actuarial Cost Method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative costs) and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2017. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a remaining amortization period of 27.26 years.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

10) 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 \$34,000 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 \$100,728 for brush disposal for 2012. 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 2012, the amount paid by the City was \$20,785.

The Authority as of June 30, 2012 has net assets invested in capital assets of \$2,194,229, and an unrestricted net deficit of \$585,424 compared to \$2,335,294 and \$766,090 respectively for year 2011. 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 \$18.88 per month and the hauling and disposal rate is \$37.30 per ton. The contract also provides for fuel adjustment fees.

At June 30, 2012 the City had approximately \$1,135,000 in road improvement projects in process which were approximately 15% complete. The projects will be approximately 85% funded with American Reinvest Recovery Act (ARRA) funds and state funds.

Operating Lease

The City has entered into an operating lease for six police motorcycles. The obligation under the lease is as follows:

2013

\$20,397

Contingencies

During the year, management became aware of a state law which appears to require the distribution of a percentage of a state shared revenue to another local government. Legal counsel is reviewing the issue and a negotiated settlement is expected. The potential liability, if any, has not been determined and therefore no provision has been made in these financial statements.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

11) 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.

12) 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, 2012

12) 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, 2012.

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:	\$ 182,517
Add: Prior year reserve for encumbrances	586,096
Less: Prior year encumbrances released	-
Less: Current year reserve for encumbrances	<u>(1,505,203)</u>
Budget Basis	\$ <u>(736,590)</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	\$ 468,316	\$ 223,169
Law enforcement	304,088	-
Fire protection	653,729	-
Other	<u>79,070</u>	<u>-</u>
	\$ <u>1,505,203</u>	\$ <u>223,169</u>

The above encumbrances for fire protection include \$565,000 which will be funded by grants.

Budget Amendments

The General Fund budget was amended by \$2,251,884 related primarily to fire and flood mitigation grant expenditures.

CITY OF HENDERSONVILLE, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2012

13) SUBSEQUENT EVENTS

Subsequent to year end, the City issued \$6,810,000 general obligation refunding and improvement capital outlay notes. The notes will currently refund approximately \$4,575,000 and advance refund \$1,550,000 in notes and provide \$1,200,000 for capital improvement projects. The notes refunded have interest rates ranging from 3.4% to 3.95%. The new note interest rates range from 2% to 3%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Funding Progress

Political Subdivision Pension Plan Supplementary Information

Required Supplementary Information

Schedule of Funding Progress for Hendersonville, Tennessee:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
07/01/11	\$ 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 ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
July 1, 2010	\$ -	\$2,030	\$2,030	0%	\$11,961	16.97
July 1, 2007	-	\$1,610	\$1,610	0%	\$12,166	13.23

Additional year of valuation will be presented as it becomes available.

**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.

Debt Service Fund - This fund is used to account for the accumulation and disbursement of funds for governmental debt service requirements.

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, 2012

<u>Assets</u>	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>		
Cash and cash equivalents	\$1,110,169	138,398	-	1,248,567
Due from other governments	236,442	-	-	236,442
 Total Assets	 <u>\$1,346,611</u>	 <u>138,398</u>	 <u>-</u>	 <u>1,485,009</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$7,645	-	-	7,645
Accrued liabilities	12,060	-	-	12,060
Deferred revenue	121,364	-	-	121,364
 Total Liabilities	 <u>141,069</u>	 <u>-</u>	 <u>-</u>	 <u>141,069</u>
Fund Balances:				
Fund balance - restricted	1,205,542	138,398	-	1,343,940
Total Fund Balance	<u>1,205,542</u>	<u>138,398</u>	<u>-</u>	<u>1,343,940</u>
 Total Liabilities & Fund Balances	 <u>\$1,346,611</u>	 <u>138,398</u>	 <u>-</u>	 <u>1,485,009</u>

CITY OF HENDERSONVILLE, TENNESSEE

Combining Statement of Revenues, Expenditures & Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>		
Revenues				
Intergovernmental:				
State gasoline tax	\$1,325,596	-	-	1,325,596
Interest	3,847	458	-	4,305
Drug related fines, seizures, and sales	-	78,790	-	78,790
Total Revenues	<u>1,329,443</u>	<u>79,248</u>	<u>-</u>	<u>1,408,691</u>
Expenditures				
Street Maintenance:				
Current:				
Salaries	596,074	-	-	596,074
Employee benefits	202,164	-	-	202,164
Other Costs - maintenance and lighting	198,308	-	-	198,308
Capital outlay	11,500	-	-	11,500
Program Costs:				
Current:				
Investigative activities	-	41,734	-	41,734
Debt service	-	-	2,188,436	2,188,436
Capital outlay	-	-	-	-
Total Expenditures	<u>1,008,046</u>	<u>41,734</u>	<u>2,188,436</u>	<u>3,238,216</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>321,397</u>	<u>37,514</u>	<u>(2,188,436)</u>	<u>(1,829,525)</u>
Other Financing Sources (Uses)				
Transfer in (out)	-	-	2,188,436	2,188,436
Total other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,188,436</u>	<u>2,188,436</u>
Net Change in Fund Balance	321,397	37,514	-	358,911
Fund Balance, Beginning of Year	<u>884,145</u>	<u>100,884</u>	<u>-</u>	<u>985,029</u>
Fund Balance, End of Year	<u>\$1,205,542</u>	<u>138,398</u>	<u>-</u>	<u>1,343,940</u>

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, 2012

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Gasoline tax, State of Tennessee	\$1,300,000	1,300,000	1,325,596 *	25,596
Interest	5,000	5,000	3,847	(1,153)
Total Revenues	<u>1,305,000</u>	<u>1,305,000</u>	<u>1,329,443</u>	<u>24,443</u>
<u>Expenditures</u>				
Street Maintenance				
Salaries	675,532	675,532	596,074	79,458
Benefits	236,897	236,897	202,164	34,733
Repairs and maintenance	432,000	432,000	328,337	103,663
Capital outlay	85,000	85,000	80,039	4,961
Total Expenditures and Encumbrances	<u>1,429,429</u>	<u>1,429,429</u>	<u>1,206,614</u>	<u>222,815</u>
Excess of Revenues Over Expenditures and Encumbrances	(124,429)	(124,429)	122,829	247,258
Fund Balance, Beginning of Year	<u>859,544</u>	<u>859,544</u>	<u>859,544</u>	<u>-</u>
Fund Balance, End of Year	<u>\$735,115</u>	<u>735,115</u>	<u>982,373</u>	<u>247,258</u>

* 1989 tax	\$146,246
Three cent tax	271,438
Gas & motor fuel tax	907,912
	<u>\$1,325,596</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<u>Revenues</u>				Positive
Other:				(Negative)
Interest	\$300	300	458	158
Drug related fines, seizures and sales	80,000	80,000	78,790	(1,210)
Total Revenues	80,300	80,300	79,248	(1,052)
<u>Expenditures</u>				
Program costs	57,000	57,000	23,789	33,211
Capital outlay	23,300	23,300	17,945	5,355
Total Expenditures and Encumbrances	80,300	80,300	41,734	38,566
Excess of Revenues Over Expenditures and Encumbrances	-	-	37,514	37,514
Fund Balance, Beginning of Year	100,884	100,884	100,884	-
Fund Balance, End of Year	<u>\$100,884</u>	<u>100,884</u>	<u>138,398</u>	<u>37,514</u>

CITY OF HENDERSONVILLE, TENNESSEE

Statement of Changes in Assets and Liabilities

Training and Teen Activity Agency Fund

For the Year Ended June 30, 2012

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash	<u>\$28,822</u>	<u>6,345</u>	<u>3,146</u>	<u>32,021</u>
Liabilities:				
Liabilities	<u>\$28,822</u>	<u>3,199</u>	<u>-</u>	<u>32,021</u>

FINANCIAL SCHEDULES

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

CITY OF HENDERSONVILLE, TENNESSEE

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

Schedule By Function and Activity

June 30, 2012

	<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	1,398,530	2,382,338	824,593	621,162	732,200	6,979,327
Codes and Planning	-	-	-	136,471	-	-	136,471
Public safety:							
Police	36,000	1,370,250	-	4,001,268	-	-	5,407,518
Fire	92,900	2,617,088	-	2,877,551	-	-	5,587,539
Streets and public works	2,137,281	810,334	-	1,962,871	83,245,999	8,864,000	97,020,485
Total governmental funds capital assets	<u>4,632,797</u>	<u>9,230,077</u>	<u>2,757,618</u>	<u>9,893,836</u>	<u>83,867,448</u>	<u>9,596,200</u>	<u>119,977,976</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>9,230,077</u>	<u>2,792,714</u>	<u>9,893,836</u>	<u>83,867,448</u>	<u>9,596,200</u>	<u>120,023,924</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, 2012

Function and Activity	Balance July 1, 2011	Additions	Transfers & Deletions	Balance June 30, 2012
Primary Government:				
General Government	\$4,829,892	16,744	-	4,846,636
Parks	6,746,123	254,704	21,500	6,979,327
Codes and Planning	156,395	-	19,924	136,471
Public safety:				
Police	4,504,405	994,334	91,221	5,407,518
Fire	4,984,539	856,929	253,929	5,587,539
Streets and public works	93,956,408	3,080,174	16,097	97,020,485
Total governmental funds capital assets	<u>\$115,177,762</u>	<u>5,202,885</u>	<u>402,671</u>	<u>119,977,976</u>
Component Units:				
Industrial Development Board	<u>\$10,852</u>	<u>-</u>	<u>-</u>	<u>10,852</u>
Arts Council	<u>\$35,096</u>	<u>-</u>	<u>-</u>	<u>35,096</u>

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Cash and Cash Equivalents

All Funds

June 30, 2012

Major Governmental Funds

<u>Descriptions</u>	<u>Interest Rates</u>	<u>Amount</u>
General Fund:		
Local Government Investment Pool	Various	\$10,666
Passbook and checking accounts	-	8,297,759
Petty Cash	-	2,350
Total General Fund		<u>8,310,775</u>
Solid Waste Fund		
Cash	-	-
Total Solid Waste Fund		<u>-</u>
Capital Projects Fund:		
Passbook and checking accounts	-	3,609,909
Total Capital Projects Fund		<u>3,609,909</u>
<u>Nonmajor Governmental Funds</u>		
State Street Aid Fund:		
Local Government Investment Pool	Various	32,493
Passbook and checking accounts	-	1,077,676
Total State Street Aid Fund		<u>1,110,169</u>
Drug Fund:		
Local Government Investment Pool	Various	16,417
Passbook and checking accounts	-	121,981
Total Drug Fund		<u>138,398</u>
<u>Proprietary Fund</u>		
Golf Enterprise Fund		
Local Government Investment Pool	Various	4,984
Petty Cash	-	1,250
Passbook and checking accounts	-	91,993
Total Golf Enterprise Fund		<u>98,227</u>
Total Primary Government		13,267,478
Fidiciary Fund:		
Passbook and checking accounts	-	32,021
Component Units:		
Passbook and checking accounts	-	<u>215,747</u>
Total Reporting Entity		<u><u>\$13,515,246</u></u>

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2012

<u>Tax Year</u>		<u>Taxes Receivable June 30, 2011</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Taxes Receivable June 30, 2012</u>
2001	*	\$6,328	-	6,328	-
2002	*	7,480	-	2	7,478
2003	*	7,459	-	309	7,150
2004	*	5,688	-	446	5,242
2005	*	7,084	-	452	6,632
2006	*	6,233	-	1,004	5,229
2007	*	19,126	-	8,413	10,713
2008	*	57,778	-	16,360	41,418
2009	*	108,970	-	58,731	50,239
2010	*	322,264	-	219,302	102,962
2011		-	9,692,009	9,363,490	328,519
		<u>\$548,410</u>	<u>9,692,009</u>	<u>9,674,837</u>	565,582
2012	**				<u>9,767,469</u>
Taxes receivable per Governmental Funds Financial Statements					<u>10,333,051</u>
Allowance for uncollectibles					<u>(57,000)</u>
Taxes receivable per Government Wide Financial Statements					<u>\$10,276,051</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, 2012

<u>Assessment Year</u>		<u>Assessments Receivable June 30, 2011</u>	<u>Assessments</u>	<u>Collections and Adjustments</u>	<u>Assessments Receivable June 30, 2012</u>
2002	*	\$190	-	-	190
2003	*	256	-	128	128
2004	*	258	-	129	129
2005	*	524	-	131	393
2006	*	1,485	-	405	1,080
2007	*	5,040	-	2,100	2,940
2008	*	9,810	-	3,924	5,886
2009	*	28,304	-	16,472	11,832
2010	*	93,412		67,034	26,378
2011		-	4,118,860	4,020,580	98,280
		<u>\$139,279</u>	<u>4,118,860</u>	<u>4,110,903</u>	147,236
Allowance for uncollectibles					(17,360)
					<u>\$129,876</u>

* Turned over to County Clerk for collection.

CITY OF HENDERSONVILLE

Schedule of Long-Term Debt Requirements

June 30, 2012

Fiscal Year	Governmental Activities				Total Gov- ernmental Activities
	General Obligation Bonds		Capital Outlay Notes		
	Principal	Interest	Principal	Interest	
2013	\$335,000	61,255	1,610,685	343,127	2,350,067
2014	350,000	48,190	1,639,685	286,420	2,324,295
2015	430,000	34,365	1,486,000	227,831	2,178,196
2016	440,000	17,380	1,542,000	173,785	2,173,165
2017	-	-	1,392,000	117,448	1,509,448
2018	-	-	869,000	76,149	945,149
2019	-	-	342,000	54,763	396,763
2020	-	-	342,000	43,784	385,784
2021	-	-	342,000	32,806	374,806
2022	-	-	342,000	21,828	363,828
2023	-	-	338,000	10,850	348,850
Total	\$1,555,000	161,190	10,245,370	1,388,791	13,350,351

CITY OF HENDERSONVILLE, TENNESSEE

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

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

<u>CFDA Number</u>		<u>Program Name</u>	<u>Grantor Agency</u>		<u>Expenditures</u>
16.607		Bulletproof Vest Partnership Program	US Department of Justice		\$349
16.738	#	Edward Byrne/Justice Assistance Program	US Department of Justice	\$2,652	
		Edward Byrne/Justice Assistance Program		<u>13,905</u>	16,557
97.044	*	Assistance to Firefighters Program	Federal Emergency Management	54,900	
	*	Assistance to Firefighters Program		675,000	
	*	Assistance to Firefighters Program		<u>81,000</u>	810,900
20.205	*	Transportation Enhancement Program	TN Dept.of Transportation	48,456	
	*	Congestion Mitigation/Air Quality Grant		24,711	
	* #	Transportation Enhancement Program		25,080	
	* #	Transportation Enhancement Program		148,186	
	* #	Transportation Enhancement Program		58,684	
	*	Transportation Enhancement Program		<u>549,295</u>	854,412
97.083		Fire Safer Grant	US Department of Homeland Security		84,221
97.039	*	Hazard Mitigation Grant	US Department of Homeland Security		506,874
					<u>\$2,273,313</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, 2012

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

CFDA Number	Grant Number	Program Name	Grantor Agency	(Accrued) or Deferred Revenue 7/01/11	Cash Receipts	Grant Funds (Adjusted) Returned	Expenditures	(Accrued) or Deferred Revenue 6/30/12
16.607	-	Bulletproof Vest Partnership Program	US Department of Justice	(\$7,244)	7,244	-	349	(\$349)
20.205	** STPEN9307(10)	Transportation Enhancement Program		-	48,456	-	48,456	-
	090202			(227,845)	252,925	-	25,080	-
	090202			-	-	-	549,295	(549,295)
	090194			-	-	-	148,186	(148,186)
	090183			(69,796)	128,480	-	58,684	-
	CPD060152voucher	Congestion Mitigation/Air Quality Grant Traffic Signal Upgrade Project	TN Department of Transportation	(5,009)	13,801	-	24,711	(15,919)
16.738		Edward Byrne/Justice Assistance Program	US Department of Justice	(2,491)	5,143	-	2,652	-
				-	-	-	13,905	(13,905)
81.128		Emergency Efficiency & Conservation Grant	US Department of Energy	40,500	-	40,500	-	-
97.036		Public Assistance Program	Federal Emergency Management	(14,474)	-	-	-	(14,474)
97.083	EMW-2007-FF01215	Fire Safer Grant	US Department of Homeland Security	(9,136)	93,357	-	84,221	-
97.044		Assistance to Firefighters Program	Federal Emergency Management	-	54,900	-	54,900	-
				-	675,000	-	675,000	-
				-	81,000	-	81,000	-
97.039		Hazard Mitigation Grant	US Department of Homeland Security	-	494,184	-	506,874	(12,690)
				<u>(\$295,495)</u>	<u>1,854,490</u>	<u>40,500</u>	<u>2,273,313</u>	<u>(754,818)</u>

State Grants

-		Public Assistance Program	Tennessee Emergency Management	(\$9,374)	-	13,071	-	(22,445)
-	E-28707	Hazard Mitigation Grant	Tennessee Emergency Management	-	82,364	-	89,785	(7,421)
-	31625-18462	TAC Grants	TN Arts Council	-	2,700	-	2,700	-
				<u>(\$9,374)</u>	<u>85,064</u>	<u>13,071</u>	<u>92,485</u>	<u>(\$29,866)</u>

Credit balances represent inter-governmental receivables from State and Local Governments.

** During the current year the city repaid \$12,479 in over reimbursed funds from a prior fiscal year.

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. The City implemented GASB Statement 34 in 2003: Schedules presenting government - wide information include information beginning that year.

CITY OF HENDERSONVILLE, TENNESSEE

Financial Trends Information -
Net Assets By Component - Last Ten Fiscal YearsSchedule 1
(Prepared using the accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Investments in capital assets, net of related debt	\$17,721,909	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
Restricted for:										
Street maintenance	643,424	425,353	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406
Public works	-	-	-	-	-	-	-	-	470,009	450,727
Law enforcement	111,787	132,426	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742
Solid waste disposal	103,287	66,722	51,535	56,042	48,770	73,254	83,171	94,593	87,066	113,876
Parks	-	-	-	-	-	-	-	-	131,732	25,911
Capital projects	1,310,544	1,074,549	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662
Unrestricted	7,386,397	6,344,325	5,820,984	5,698,313	5,391,847	5,070,525	2,797,825	3,948,024	5,183,053	5,388,910
Total Net Assets	<u>\$27,277,348</u>	<u>28,700,452</u>	<u>34,093,302</u>	<u>38,693,089</u>	<u>41,114,366</u>	<u>48,551,613</u>	<u>48,531,495</u>	<u>54,011,976</u>	<u>55,605,624</u>	<u>58,339,754</u>
Business-Type Activities										
Investments in capital assets, net of related debt	\$1,891,928	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
Other projects										
Unrestricted	204,551	208,401	189,644	37,459	85,608	79,263	26,690	21,626	63,105	110,100
	<u>\$2,096,479</u>	<u>2,113,361</u>	<u>2,121,270</u>	<u>2,209,403</u>	<u>2,324,652</u>	<u>2,409,144</u>	<u>2,111,910</u>	<u>1,868,714</u>	<u>1,693,351</u>	<u>1,534,932</u>
Primary Government										
Investments in capital assets, net of related debt	\$19,613,837	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
Restricted for:										
Street maintenance	643,424	425,353	515,455	559,459	774,031	1,049,667	916,216	830,446	1,035,905	1,364,406
Public works	-	-	-	-	-	-	-	-	470,009	450,727
Law enforcement	111,787	132,426	151,401	175,356	139,771	158,997	34,193	58,319	105,028	143,742
Solid waste disposal	103,287	66,722	51,535	56,042	48,770	73,254	83,171	94,593	87,066	113,876
Parks	-	-	-	-	-	-	-	-	131,732	25,911
Capital projects	1,310,544	1,074,549	2,278,026	1,203,996	4,474,314	893,314	540,575	458,818	690,565	466,662
Unrestricted	7,590,948	6,552,726	6,010,628	5,735,772	5,477,455	5,149,788	2,824,515	3,969,650	5,246,158	5,499,010
	<u>\$29,373,827</u>	<u>30,813,813</u>	<u>36,214,572</u>	<u>40,902,492</u>	<u>43,439,018</u>	<u>50,960,757</u>	<u>50,643,405</u>	<u>55,880,690</u>	<u>57,298,975</u>	<u>59,874,686</u>

CITY OF HENDERSONVILLE, TENNESSEE

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

Schedule 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental Activities:										
General government	\$404,807	339,384	396,446	1,408,429	1,181,062	593,417	706,185	687,810	642,965	590,805
Personnel	216,710	205,575	192,346	221,204	244,465	252,370	285,501	274,723	285,927	275,582
Central services	931,346	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
Finance	500,312	523,929	567,757	587,206	745,584	780,228	797,628	753,474	754,467	772,429
Parks	1,081,724	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
Codes	438,358	456,955	531,490	631,317	710,269	732,449	740,489	679,194	682,307	701,823
Planning	203,253	256,378	357,283	394,351	467,003	542,555	607,884	473,810	473,752	523,417
Police	4,922,696	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
Fire	4,330,908	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
Contributions	196,300	211,500	214,300	254,300	232,499	264,500	270,499	228,750	228,750	228,750
Disposal service	2,838,709	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
Program costs	67,853	21,122	18,073	21,545	50,628	28,502	128,983	63,685	47,734	41,734
Streets and public works	4,030,635	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
Interest expense on long-term debt	234,756	213,917	214,760	356,467	465,250	483,725	432,749	392,414	423,682	432,096
Total governmental activities expenses	20,398,367	22,092,037	22,380,545	25,418,896	28,189,166	29,740,140	33,465,750	33,549,074	34,081,418	34,965,396
Business-Type Activities										
Golf course	1,132,386	1,062,881	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007
Total business-type activities expenses	1,132,386	1,062,881	1,096,162	1,042,020	986,867	960,704	939,804	933,196	925,247	966,007
Total primary government expenses	\$21,530,753	23,154,918	23,476,707	26,460,916	29,176,033	30,700,844	34,405,554	34,482,270	35,006,665	35,931,403
Program Revenues:										
Governmental Activities:										
Charges for services:										
Finance	\$66,086	51,982	62,791	55,396	66,329	69,743	54,348	60,804	77,333	72,043
Parks	88,493	83,665	108,967	96,600	126,046	158,108	150,346	124,564	135,658	153,723
Codes	555,337	612,942	819,351	840,271	787,951	592,805	644,111	367,518	468,239	666,318
Planning	88,482	93,058	169,710	178,274	227,786	172,070	146,420	40,576	109,377	161,002
Police	558,978	472,857	606,439	686,233	645,720	760,631	947,882	1,337,492	589,465	579,650
Disposal service	2,595,018	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
Operating grants and contributions	1,181,448	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
Capital grants and contributions	926,350	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
Total governmental activities program revenues	6,060,192	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
Business-Type Activities:										
Charges for services:										
Golf course	838,981	812,554	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223
Total business-type activities program revenues	838,981	812,554	840,228	856,855	826,529	772,321	670,906	689,675	749,422	807,223
Total primary government program revenues	6,899,173	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
Net (Expense)/Revenue										
Governmental Activities	(14,338,175)	(14,602,438)	(11,757,954)	(14,570,029)	(18,605,143)	(14,420,484)	(23,070,813)	(18,610,306)	(22,893,438)	(23,354,169)
Business-Type Activities	(293,405)	(250,327)	(255,934)	(185,165)	(160,338)	(188,383)	(268,898)	(243,521)	(175,825)	(158,784)
Total primary government net expense	(\$14,631,580)	(14,852,765)	(12,013,888)	(14,755,194)	(18,765,481)	(14,608,867)	(23,339,711)	(18,853,827)	(23,069,263)	(23,512,953)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes										
Property and in lieu of taxes	\$5,219,266	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
Sales	4,368,680	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
Wholesale beer tax	590,213	629,341	673,234	703,780	725,754	763,795	798,626	800,715	845,027	887,003
Wholesale liquor tax	171,563	185,328	193,931	221,358	238,686	248,822	263,527	277,440	292,612	319,398
Business tax	495,922	487,130	473,726	654,954	676,959	760,137	731,455	734,085	743,685	761,176
State shared sales tax	2,465,129	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
State shared income tax	244,214	124,434	205,347	313,260	515,505	630,543	450,178	351,594	382,750	445,897
State shared beer tax	21,228	20,271	20,029	20,312	22,819	23,252	22,197	21,390	22,518	25,218
State shared alcoholic beverage tax	59,877	69,556	84,980	97,566	145,071	168,927	198,508	202,476	238,321	134,151
Unrestricted other state shared taxes	83,589	210,364	206,125	227,107	251,229	227,520	266,036	153,046	120,021	16,518
Franchise	412,562	416,052	447,785	479,937	566,317	611,064	634,312	645,408	669,313	730,581
Unrestricted investment earnings	180,286	95,576	161,474	319,910	495,903	372,161	71,981	28,763	47,824	53,998
Other	196,146	146,087	125,278	100,006	69,850	230,986	94,380	340,876	19,686	123,607
Special item	-	-	-	-	-	701,156	-	-	-	-
Transfers	(262,769)	(264,188)	(259,487)	(263,900)	(261,850)	(263,975)	30,000	-	-	-
Total governmental activities	14,245,906	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
Business-Type Activities										
Investments earnings	6,850	3,021	4,356	9,398	13,737	8,900	1,664	325	462	365
Transfers	262,769	264,188	259,487	263,900	261,850	263,975	(30,000)	-	-	-
Total business-type activities	269,619	267,209	263,843	273,298	275,587	272,875	(28,336)	325	462	365
Total primary government	14,515,525	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
Change in Net Assets										
Governmental activities	(92,269)	1,223,104	5,392,850	4,599,787	2,421,277	8,453,101	(1,035,972)	5,480,481	1,593,648	2,734,130
Business-type activities	(23,786)	16,882	7,909	88,133	115,249	84,492	(297,234)	(243,196)	(175,363)	(158,419)
Total primary government	(\$116,055)	1,239,986	5,400,759	4,687,920	2,536,526	8,537,593	(1,333,206)	5,237,285	1,418,285	2,575,711

CITY OF HENDERSONVILLE, TENNESSEE

Schedule 3

(Prepared using the modified accrual basis of accounting)

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Funds:										
General Fund										
Reserved	\$-	-	444,487	539,687	333,093	645,800	808,068	816,923	896,737	1,727,031
Unreserved and undesignated	-	-	4,184,523	3,058,149	6,472,077	5,453,492	5,185,690	5,129,988	5,408,506	5,529,703
Nonspendable	4,155	7,641	-	-	-	-	-	-	-	-
Restricted	519,482	642,485	-	-	-	-	-	-	-	-
Committed	277,622	601,122	-	-	-	-	-	-	-	-
Assigned	3,681,641	2,830,717	-	-	-	-	-	-	-	-
Unassigned	2,179,647	2,398,065	-	-	-	-	-	-	-	-
Total General Fund	<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>	<u>7,256,734</u>
All Other Governmental Funds										
Reserved	\$-	-	88,397	379,420	332,791	158,885	184,624	255,099	100,187	330,583
Unreserved reported in Special Revenue Funds	-	-	699,561	469,389	778,917	644,643	444,365	311,978	459,085	403,417
Unreserved reported in Capital Projects Funds			458,818	540,575	893,314	4,474,314	1,203,996	2,278,026	1,074,549	1,310,544
Restricted reported in Special Revenue Funds	1,343,940	985,029	-	-	-	-	-	-	-	-
Restricted reported in Capital Projects Fund	3,714,801	3,911,075	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>2,044,544</u>
Total	<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>	<u>9,301,278</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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Taxes	\$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	10,615,734
Intergovernmental	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	4,189,823
Fines and fees	572,903	576,941	1,310,800	878,035	746,059	619,424	662,387	595,347	439,208	536,985
Licenses and permits	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	1,056,381
Charges for services	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	2,613,501
Uses of money, property and miscellaneous	53,998	47,824	28,763	71,981	372,161	495,903	319,910	161,474	95,576	180,286
Other	220,291	244,426	646,712	489,425	1,035,956	401,937	367,996	149,437	184,921	240,761
Total revenues	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	19,433,471
Expenditures:										
General government	389,440	413,716	428,039	474,199	492,361	1,060,434	1,327,373	378,824	322,840	380,497
Personnel	272,531	283,047	271,999	281,799	251,184	242,412	216,712	189,708	217,062	211,410
Central services	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	901,308
Finance	775,140	748,831	756,401	799,187	764,684	739,805	578,727	560,801	518,002	487,936
Parks	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	971,685
Codes	686,682	667,854	666,632	730,889	711,759	685,365	614,269	526,008	437,918	423,541
Planning	520,495	468,096	476,882	618,420	535,719	457,525	391,886	353,569	252,261	200,773
Public works	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	1,888,677
Police	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	4,603,755
Fire	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	4,163,360
Contributions	228,750	228,750	270,499	270,499	264,500	232,499	254,300	214,300	211,500	196,300
Disposal service	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	2,838,709
Program costs	41,734	47,734	63,685	128,983	28,502	55,628	21,545	18,073	21,122	30,987
Streets	1,014,149	1,514,493	1,195,641	952,132	936,659	850,136	870,947	1,308,300	1,560,491	1,132,212
Debt service - Principal	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	1,860,500
Debt service - Interest	447,936	377,401	407,461	445,026	513,495	461,510	225,327	222,595	211,461	276,975
Capital outlay	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	2,104,949
Total expenditures	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	22,673,574
Excess of revenues over (under) expenditures	74,784	508,231	888,566	(3,852,972)	(3,352,967)	(4,164,053)	(736,079)	(4,930,582)	(1,982,156)	(3,240,103)
Other Financing Sources & Uses:										
Bond, notes and leases	270,370	4,100,000	-	-	-	7,976,294	34,708	6,043,020	884,130	3,415,848
Operating transfers	-	-	-	30,000	(263,975)	(261,850)	(263,900)	(259,487)	(264,188)	(262,769)
Insurance recoveries	-	892,117	-	-	-	-	-	-	-	-
Total other financing sources (uses)	270,370	4,992,117	-	30,000	(263,975)	7,714,444	(229,192)	5,783,533	619,942	3,153,079
Special item	-	-	-	-	1,050,000	-	-	-	-	-
Net Change in Fund Balance	\$345,154	5,500,348	888,566	(3,822,972)	(2,566,942)	3,550,391	(965,271)	852,951	(1,362,214)	(87,024)
Debt Service as % of noncapital Expenditures	6.8%	5.4%	5.6%	5.7%	5.0%	16.5%	6.1%	6.8%	6.5%	10.4%

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		
2003	\$ 14,338,154	570,086,700	104,782,623	2,201,140,841	2,890,348,318	717,603,846	\$0.65
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

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	Total
		County**	
2003	\$0.65	2.54	3.19
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

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	2012			2003		
	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	1.50%	-	-	-
Hendersonville Hospital/HCA Realty	14,251,843	2	0.96%	7,626,204	3	1.08%
Walmart Real Estate Realty	13,280,960	3	0.89%	-	-	-
Monthaven Park LLC	12,003,880	4	0.81%	-	-	-
Adventura @ Indian Lake V	11,053,240	5	0.74%	-	-	-
Grove @ Waterford	8,320,000	6	0.56%	-	-	-
HD Development of Maryland	6,770,600	7	0.45%	-	-	-
DRG Hendersonville Etal (Gables)	6,691,800	8	0.45%	5,506,841	5	0.78%
Union Dominion Realty, LP	6,684,840	9	0.45%	9,159,783	2	1.30%
Piedmont Natural Gas	6,616,724	10	0.44%	5,165,629	6	0.73%
Ameriton Properties Inc.(Monthaven)	-	-	-	9,298,400	1	1.32%
Bellsouth	-	-	-	5,601,158	4	0.79%
Trinity Broadcasting Network/Christian Center	-	-	-	4,660,150	7	0.66%
Lowes / JDN Realty	-	-	-	4,124,168	8	0.58%
Sumner 2000, LLC	-	-	-	3,139,635	9	0.45%
T&R Nashville Ltd. (waterview Apartments)	-	-	-	2,889,439	10	0.41%
Totals	<u>\$107,982,247</u>		<u>7.24%</u>	<u>\$57,171,407</u>		<u>8.11%</u>
Total Assessed Value	<u>\$1,491,078,308</u>			<u>\$705,375,231</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>
2003	\$4,664,425	4,471,893	96%	185,054	4,656,947	99.84%	7,478	0.1603%
2004	6,049,914	5,835,875	96%	206,889	6,042,764	99.88%	7,150	0.1182%
2005	6,280,502	6,110,869	97%	164,391	6,275,260	99.92%	5,242	0.0835%
2006	6,599,043	6,353,394	96%	239,017	6,592,411	99.90%	6,632	0.1005%
2007	6,905,481	6,720,765	97%	179,487	6,900,252	99.92%	5,229	0.0757%
2008	7,272,895	7,072,972	97%	189,210	7,262,182	99.85%	10,713	0.1473%
2009	7,632,368	7,380,922	97%	210,028	7,590,950	99.46%	41,418	0.5427%
2010	9,660,217	9,263,975	96%	346,003	9,609,978	99.48%	50,239	0.5201%
2011	9,665,857	9,343,593	97%	219,302	9,562,895	98.93%	102,962	1.0652%
2012	9,692,009	9,363,490	97%	-	9,363,490	96.61%	328,519	3.3896%
							<u>\$565,582</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

Fiscal Year	Total Remittances From State	Local Tax Rate*	State Tax Rate	Total Tax Rate
2003	\$4,306,652	2.25%	7.00%	9.25%
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%

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	Capital Notes	Course Bonds			
2003	40,849	\$3,415,848	3,709,500	1,550,000	8,675,348	0.80%	212
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	10,245,370	-	11,800,370	0.77%	230

Notes:

Details of the City's debt can be found in the Note 6 in the current financial statements.

* 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>Capital Notes</u>	<u>Total</u>	<u>Ratio of General Obligation Debt to Appraised Value</u>	<u>Net General Obligation Debt Per Capita</u>
2003	40,849	\$2,890,348,318	3,415,848	3,709,500	7,125,348	0.25%	174
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	10,245,370	11,800,370	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.

CITY OF HENDERSONVILLE, TENNESSEE

**Debt Capacity Information
Direct and Overlapping Governmental Activities Debt**

Schedule 12

<u>Jurisdiction</u>	<u>General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City*</u>	<u>Amount Applicable to City*</u>
City of Hendersonville	\$11,800,370	100.00%	\$11,800,370
Sumner County	115,115,000	36.89% *	42,463,881
Total	<u>\$126,915,370</u>		<u>\$54,264,251</u>

* Based upon Assessed Value of Property in:
County \$ 4,042,152,398
City \$ 1,491,078,308

CITY OF HENDERSONVILLE, TENNESSEE

**Debt Capacity Information
Debt Margin Information, Last Ten Fiscal Years**

Schedule 13

Fiscal Year	<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>	<u>2003</u>
Assessed Value	\$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	717,603,846
General Obligation Debt	11,800,370	13,270,500	10,528,000	11,820,500	13,119,000	13,997,500	10,490,706	11,695,998	6,883,978	7,125,348
Debt as % of Assessed Value	0.79%	0.89%	0.71%	0.98%	1.14%	1.28%	1.14%	1.34%	0.82%	0.99%

Note - The City has no legal debt limit.

CITY OF HENDERSONVILLE, TENNESSEE

**Debt Capacity Information
Pledged - Revenue Coverage, Last Ten Years**

**Schedule 14
Golf Course Enterprise Fund**

Fiscal Year	Golf course						
	Gross Revenues*	Direct** Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$845,831	757,254	88,577	265,000	92,569	357,569	0.25
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	-	-	-	-

* 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**
2003	40,849	\$1,079,639,070	26,430	37.0	14.1	10,110	3.1%
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%

* 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	2012			2003		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Hendersonville Medical Center	500	1	18.86%	410	1	22.34%
Walmart	400	2	15.09%			
City of Hendersonville	361	3	13.62%	295	2	16.08%
Windham Professionals	250	4	9.43%			
McDonalds	220	5	8.30%			
Digital Connections, Inc.	200	6	7.54%			
MGM Windows Company	195	7	7.36%	120	6	6.54%
Lowes Home Improvement	180	8	6.79%			
Alladin Temp Rite	175	9	6.60%	180	4	9.81%
Sam's Club	170	10	6.41%			
Healthcare Management Resources				207	3	11.28%
Ferguson Harbor Inc.				180	5	9.81%
National Healthcare Center				120	7	6.54%
ITW Dynatec				114	8	6.21%
Betty Machine				109	9	5.94%
Sholodge				100	10	5.45%
	<u>2651</u>		<u>100.00%</u>	<u>1835</u>		<u>100.00%</u>

Source: Sumner County Fact Book 2012 & 2003
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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	5	6	6	6	6	6	6	5	5	5
Personnel	3	3	3	3	3	3	3	3	3	3
Central service	-	-	-	-	-	-	-	-	-	-
Finance	9	9	9	9	9	9	8	8	8	8
Parks	16	16	16	16	16	14	13	12	12	11
Codes	10	10	10	10	10	10	10	9	8	8
Planning	6	6	6	6	6	6	4	4	4	3
Police	123	121	121	121	113	104	102	100	99	98
Fire	104	104	104	104	97	97	82	81	81	81
Street and public works	35	36	36	36	36	36	34	34	27	25
Golf course*	5	5	5	5	5	5	5	5	5	5
Total	316	316	316	316	301	290	267	261	252	247

* 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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Calls	51,042	47,553	56,177	62,837	49,957	44,312	47,900	47,100	48,000	45,405
Fire										
Emergency responses										
Fire calls	4,600	4,568	4,250	4,250	4,100	4,000	4,000	3,275	3,000	3,000
Codes										
Building permits issued	439	504	492	539	716	786	946	941	819	748
Disposal service										
Refuse collected* (number of homes)	16,325	16,200	16,035	16,035	15,287	15,250	15,000	14,200	13,400	13,200
Golf Course										
Rounds played	22,977	20,871	20,557	21,843	23,311	25,802	22,349	26,958	24,713	25,447

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	4	4	4	4	4
Picnic areas	14	14	14	14	13	13	13	13	13	13
Tennis courts	12	12	12	12	12	12	12	12	12	12
Picnic shelters	24	24	24	24	23	18	18	18	17	17
Practice areas	25	25	25	25	25	22	22	22	22	22
Soccer fields	22	22	18	18	17	15	15	15	15	15
Softball fields	15	15	15	15	15	15	15	17	16	14
Football fields	2	2	2	2	2	2	2	2	2	2
Baseball fields	16	16	16	16	16	16	16	16	16	12
Playgrounds	11	11	11	11	11	10	10	10	9	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	3	3	-
Disc golf course	1	1	1	1	1	1	1	1	1	-
Skate park	1	1	1	1	1	1	1	1	1	-
Lacrosse field	2	2	2	2	2	1	-	-	-	-
Autos and trucks	17	17	17	17	17	18	-	-	-	-
Codes										
Autos and trucks	7	7	8	8	8	8	9	9	8	7
Police										
Stations	2	2	2	2	2	2	2	1	1	1
Vehicles, motorcycles, and boats	153	135	129	122	113	101	92	92	92	92
Fire										
Stations	6	6	6	6	6	5	5	5	5	5
Fire trucks	11	11	11	11	11	10	10	10	10	10
Autos and trucks	12	10	9	8	8	8	8	8	7	7
Fire hydrants	2000	2000	2000	2000	1700	1700	1700	1,700	1,700	1,700
Jet skis	2	2	2	2	2	2	-	-	-	-
Fire boat	1	1	1	1	1	1	-	-	-	-
Inflatable boat with motor	2	-	-	-	-	-	-	-	-	-
Streets and public works										
Streets (miles)	363	362	360	360	356	352	348	343	341	336
Street lights	7340	7334	7304	7292	7272	7244	7234	N/A	N/A	N/A
Traffic signals	30	28	28	28	27	24	24	21	15	11

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

Additional statistical information will be added as it becomes available.

Source: Departments within City Hall

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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

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

Board of Mayor and Aldermen
City of Hendersonville, Tennessee

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hendersonville as of and for the year ended June 30, 2012, which collectively comprise the City of Hendersonville's basic financial statements and have issued a report thereon dated November 5, 2012. 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 General of the United States.

Internal Control Over Financial Reporting

Management of City of Hendersonville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Hendersonville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Hendersonville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hendersonville's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (02-01) 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hendersonville's financial statements are free of 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that were reported to management in a separate letter dated November 5, 2012.

The City of Hendersonville's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Hendersonville's response and, accordingly, we express no opinion on it.

Board of Mayor and Aldermen
City of Hendersonville, Tennessee

This report is intended solely for the information and use of management, Board of Aldermen and, State Comptroller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Gary Howell". The signature is fluid and cursive, with a large initial "G" and "H".

November 5, 2012

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Mayor and Aldermen
City of Hendersonville
Hendersonville, Tennessee

Compliance

We have audited City of Hendersonville'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 the City of Hendersonville's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Hendersonville's management. Our responsibility is to express an opinion on City of Hendersonville, Tennessee's compliance based on our audit.

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 the 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 City of Hendersonville'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. Our audit does not provide a legal determination of City of Hendersonville, Tennessee's compliance with those requirements.

In our opinion, City of Hendersonville, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (12-01).

Internal Control over Compliance

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

A *deficiency in internal control* 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Honorable Mayor and Board of Aldermen
City of Hendersonville, Tennessee

City of Hendersonville, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Hendersonville, Tennessee's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information, and use of management, Board of Aldermen, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yenny Howell & Associates

November 5, 2012

City of Hendersonville

Schedule of Findings and Questioned Costs

June 30, 2012

I. Summary of Auditor's Results

- A. The June 30, 2012 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, 2012 report on compliance for major programs was an unqualified opinion.
- F. The audit did disclose an audit finding which is required to be reported under §.510a.
- G. Major Programs - Transportation Enhancement Program and Congestion Mitigation Air Quality Grant, CFDA#20.205, Assistance to Firefighters Program CFDA#97.044, Hazard Mitigation Grant, CFDA#97.039.
- H. Type A programs have been distinguished as those programs with expenditures greater than \$300,000.
- I. The City of Hendersonville was 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.

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.

Status: Staff performs monthly analysis of financial data, however no independent verification procedures are performed as it relates to payroll and other costs.

Recommendations: We continue to recommend that the city personnel periodically check inventory, cash counts, invoice support and payroll records of the subcontractor, and review and approve all major expenditures and changes in amounts paid for personnel costs.

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

City of Hendersonville

Schedule of Findings and Questioned Costs

June 30, 2012, Continued

III. Federal Findings and Questioned Costs.

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.

Recommendation: We recommend procedures relating to preparation of grant reimbursement requests be reviewed and improved to assure that only allowable costs are reimbursed.

City's Response: The City agrees with the finding and has improved existing procedures in the areas of communication, training, monitoring and operating procedures.