

CITY OF HENDERSONVILLE
NORTH CAROLINA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the fiscal year ended
June 30, 2014

Prepared by the Department of Finance



CITY OF HENDERSONVILLE, NORTH CAROLINA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

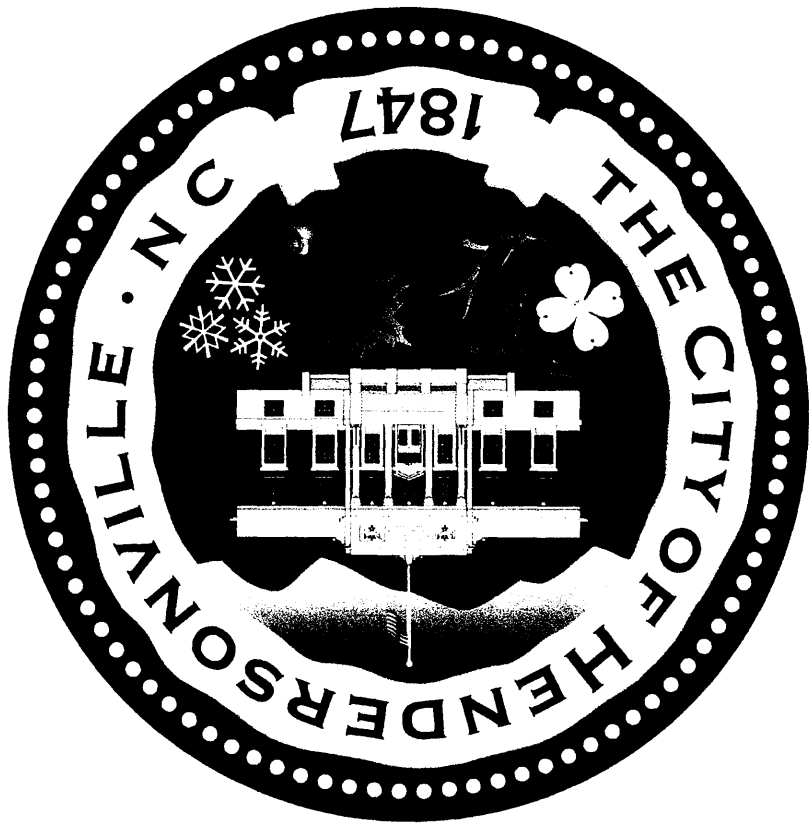
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**INTRODUCTORY
SECTION**





**Letter of
Transmittal**



CITY COUNCIL:
BARBARA G. VOLK
Mayor
RON STEPHENS
Mayor Pro Tem
STEVE CARAKER
JERRY A. SMITH, JR.
JEFF MILLER

CITY OF HENDERSONVILLE

The City of Four Seasons

FINANCE DEPARTMENT
Lisa A. White, CPA, CGFO
Finance Director

OFFICERS:
JOHN F. CONNET
City Manager
SAMUEL H. FRITSCHNER
City Attorney
TAMMIE K. DRAKE
City Clerk

December 3, 2014

To the **Mayor, Members of City Council, City Manager and Citizens of the City of Hendersonville:**

North Carolina General Statute 159-34 states that “each unit of local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A complete set of financial statements shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.” Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hendersonville for the fiscal year ended June 30, 2014.

This report consists of management’s representations concerning the finances of the City of Hendersonville. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hendersonville has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hendersonville’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the City of Hendersonville’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hendersonville’s financial statements have been audited by Carland and Andersen, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hendersonville for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Hendersonville was part of a broader, federally mandated compliance audit designed to meet the special needs of federal and state grantor agencies. The standards governing compliance audits, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special requirements involving the administration of federal grants and awards. These documents are available in the Compliance Report Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is

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Hendersonville, NC 28792-4328
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designed to complement the MD&A and should be read in conjunction with it. The City of Hendersonville's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Hendersonville was chartered in 1847. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. Henderson County is located in western North Carolina and continues to be one of the fastest growing counties in the state. Popular as a summer resort and health center for more than a century, the City today has an economic base of industry, agriculture and tourism, and is a growing retirement center. The City is the County seat of Henderson County and largest among five municipalities located within the County. As of June 30, 2014, the North Carolina Office of State Planning estimated the City's population to be 13,473.

The City encompasses an area of 6.80 square miles and is located on a mountain plateau 2,200 feet above sea level. It is 185 miles north of Atlanta and 450 miles south of Washington, D.C. The City is located at the base of the Blue Ridge Mountains with easy access to I-26, I-40, U.S. Highway 64, and the Blue Ridge Parkway.

Hendersonville's moderate climate and beautiful scenery attract many visitors from all over the United States. With an average rainfall of 48 inches, average summer temperature of 71 degrees, average winter temperature of 39 degrees and average snowfall of 15 inches, Hendersonville is known as the "*City of Four Seasons*." This moniker was given to the City more than 50 years ago by a local weatherman, the late Kermit Edney.

The City has operated under the "Manager-Council" form of government since January 1994. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a four-member council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Clerk and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing heads of the City's departments. The council is elected on a nonpartisan basis.

The City is authorized by the *Machinery Act of North Carolina* to levy a property tax on both real and personal property located within its legal boundaries. A full range of services, including police and fire protection, construction and maintenance of highways, streets and other infrastructure, certain sanitation services, and water and sewer service to more than 65,000 people is provided by the City.

The Council is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Hendersonville's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer budget resources within a department as they find necessary. Transfers between departments, however, need special approval from the governing council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hendersonville operates. Hendersonville's financial position remains strong and should remain strong in the foreseeable future based on current trends and economic indicators. The City still needs to continue to explore for new methods of securing financial resources and seek ways to control expenditures in order to provide its citizens with a high quality of service.

Local Economy

The City has a vibrant economy with a strong residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, community college system, agriculture, health care, and industries located within the County. Henderson County has a strong and diversified industrial employment environment, including headquarters and office locations, production and assembly operations, and logistics and distribution facilities.

There are more than 135 manufacturers in Henderson County producing globally-recognized products that add value to our local economy. An advanced manufacturing cluster has been cultivated and encouraged driving significant employment and investment in the automotive, outdoor recreation, food and beverage, advanced materials, metals and plastics sectors. Among the largest employers in the area are General Electric Lighting, Continental, Wilsonart, Meritor, and Borg Warner Thermal Systems. Recent additions to the County's industrial community include Empire Distributors, Sierra Nevada Brewing Company, and Legacy Paddlesports.

Henderson County has a labor force of over 51,000 persons, and one of the lowest unemployment rates in the state at 4.5% as of September 2014. In the first quarter of 2014, manufacturers averaged an annual payroll of over \$264,400,000, resulting in an average annual manufacturing wage of \$50,584, which is 46% higher than the total average wage in the country.

Several industrial parks are located within the County in addition to industrial sites with quality infrastructure and access. The Henderson County Partnership for Economic Development is a non-profit organization that serves as the professional economic development entity for the County and municipalities, managing existing industry, marketing, product development and advocacy programs while positively impacting the employment and investment economy.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and agriculture to the region. Apples, which were first planted at the end of the 18th century, continue to be a vital part of the economy today with sales averaging \$31 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. The County has 5,660 acres in apple production spread across 117 farms and produces 85% of the apples grown in North Carolina, which ranks 7th in the US. The mountain climate and soils are conducive to producing excellent fruit color and flavor.

Agriculture in Henderson County is more than just apple production. Indeed, the County is home to 468 farms producing other crops and protein products. Henderson County is also a major grower of tomatoes and sweet corn (#2 and #3 in state rankings) and is third in NC in combined fruit, vegetable, and berry production. In addition to its prominence in food crops, Henderson County is the second highest producer in the state's "green industry" (greenhouse, ornamental plants and sod production) and is the eighth largest producer of dairy products. Agriculture constitutes about a fifth of the overall economic productivity, making Henderson County a major center for the agricultural industry here in Western North Carolina.

"Value-added" farm products and "local grown" are emerging markets for wholesale and retail sales. This includes the production of wine and cider and other processed farm items. Consumer demand for food produced locally has risen sharply and Henderson County is benefiting as it has a wide variety of agricultural products and is promoting them through a local branding campaign. Retail markets are expanding, along with packing and wholesale distribution facilities. Also, Tri-Hishtil, a grafted vegetable plant producer, has recently announced plans to locate its new operations in the County and will become a neighbor to Van Wingerden International, a large grower of flowering plants. These greenhouse operations are among the top companies in the County for number of employees and have national significance for facility size and plants produced. In all its various forms, the agricultural/agribusiness industries mean close to \$500 million dollars to our local economy each year and account for over 8,000 jobs. This sector should continue to prosper as more and more people become environmentally conscious. The County also has a different kind of agricultural market known as "entertainment farming" or

“agritourism” that began taking root several years ago. It includes hay rides, petting zoos, corn mazes, educational tours, “pick your own” operations, wine tastings, and vineyard tours. This facet of agriculture is a natural for the area and is expected to grow as more tourist and outdoor enthusiasts discover its existence. The agriculturally-related industry sector should continue to prosper and the increased demand for locally produced products has potential to help sustain family and commercial farms and provide economic and environmental benefits to the community.

Long-term Financial Planning

The City of Hendersonville prepares a five-year Capital Improvement Plan (CIP) to function as a planning tool for capital improvements and major capital equipment purchases. The CIP represents a multi-year forecast of the capital needs but only the current year schedule is adopted annually by the City Council and becomes part of the operating budget. The CIP not only identifies capital projects but also the financing required for the projects and their impact on the operating budget. Capital projects differ from annual operating expenses in that they involve large dollar amounts, often require special financing, occur at irregular intervals, and involve development of assets expected to last several years. Future forecast in the CIP serve the City by helping plan for capital repairs, replacements, and acquisitions, which aides in financial planning to ensure the Cities' fiscal health and credit.

The General Fund Capital Reserve Fund is used in conjunction with the City’s formally adopted Capital Improvement Program (CIP). No funds are appropriated or transferred from the capital reserve fund unless approved by City Council. This fund has proven to be a valuable resource since its inception. The balance in the General Fund Capital Reserve Fund as of June 30, 2014, is \$936,107. City policy mandates that all unassigned fund balance over 45 percent of total general fund expenditures at the end of each fiscal year be transferred to a separate capital reserve fund. Total unassigned fund balance in the General Fund equaled 45 percent of total General Fund expenditures as of June 30, 2014.

A similar fund is maintained in the City’s Water and Sewer enterprise system. Five hundred and fifty thousand (550,000) dollars of system development fee revenue is transferred each year to a separate capital reserve fund that is utilized in a manner like the general fund. The capital improvement program for the water and sewer system is reviewed annually during the budget process to determine the system’s capital needs. These funds are only used for water and sewer capital projects and must be approved by the City Council. The balance in the Water and Sewer Capital Reserve Fund as of June 30, 2014, is \$2,273,753.

Relevant Financial Policies

The City of Hendersonville’s budget process, as with other municipalities, is regulated by North Carolina General Statute 159, Article 3-The Local Government Budget and Fiscal Control Act. This comprehensive set of financial policies dictates what a municipality can and cannot do during the course of the budgeting period which typically runs from July 1 to June 30 of the following year.

It is also the City’s policy that “one-time” nonrecurring revenue resource inflows from outside agencies not be used for operating purposes. This policy also pertains to sources of funding received from grants.

Major Initiatives

Several major projects were initiated in the course of the fiscal year ended June 30, 2014. These engineering initiatives included multiple sewer improvement projects and a new water delivery system. It also included the third phase of main street improvements. All of these projects received financial assistance from state funds or nonprofit grants.

Jackson Park Sewer Interceptor Project

The Jackson Park Sewer Interceptor Project is a gravity sewer project that began in April 2014. It is intended to eliminate a large pump station, then in use, and was initially scheduled for completion in July 2015. However, the project is operating ahead of schedule and is currently expected to be complete in January 2015. Total cost for the project is budgeted to be \$5,192,417 with \$4,340,600 received from a 20 year low interest rate loan from the State Revolving Loan Fund.

Shepherd Creek Sewer Interceptor/Atkinson Project

A similar interceptor project began for the Sheppard Creek/Atkinson Elementary area. This project includes the installation of a pump station and force main to correct for a failed septic system at Atkinson Elementary. In addition, it includes gravity sewer elements to eliminate 3 other pump stations (2 public, 1 private). Project construction was initiated in April 2014 with a schedule completion date of June 2015. However, this project is also operating ahead of schedule and is expected to be complete in April 2015. Total cost for the project is budgeted at \$2,474,921 with \$1,815,000 to be received from a 20 year low interest rate loan from the State Revolving Loan Fund.

Academy Road Water Project

The Academy Road Project was initiated in May 2014. The project, completed at the end of October 2014, was constructed to extend water service to 77 homes (20 of which had contaminated well systems). Total cost for the extension was budgeted at \$1,076,838. Grant funding of \$1,040,500 was obtained to cover the costs of the project.

Wolfpen Sewer Interceptor Project

Another sewer interceptor project was conducted in the Wolfpen Subdivision area. This gravity sewer project was initiated in order to eliminate 2 pump stations and a waste management plant. Construction began in June 2014 with a scheduled wrap-up date of July 2015. However, the project is ahead of schedule and is anticipated to conclude in February 2015. Total cost for the project is budgeted at \$2,949,947 with \$2,867,595 to be received from a 20 year low interest rate loan from the State Revolving Loan Fund.

Phase 3 Main Street Improvements

In addition to the various water and sewer projects, FY 2014 concluded the third phase of improvements in the Main Street area of downtown Hendersonville. These improvements consisted of new sidewalks, water lines, and lighting features. General street-scape and power line improvements were also included. Total cost for Phase Three was budgeted at \$3,584,330 and \$1,800,000 of the cost and was bank financed.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hendersonville for its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013. This was the twenty-fifth consecutive year the City of Hendersonville received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for review.

The preparation of the Comprehensive Annual Financial Report could not have been possible without the combined effort of Carland and Andersen, Inc. and the entire staff of the Hendersonville Finance Department and City Administration departments. Credit must also be given to the Mayor, City Council and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hendersonville.

Sincerely,

A handwritten signature in cursive script that reads "Lisa A. White". The signature is written in black ink and is positioned above the printed name.

Lisa A. White, CPA, CGFO
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

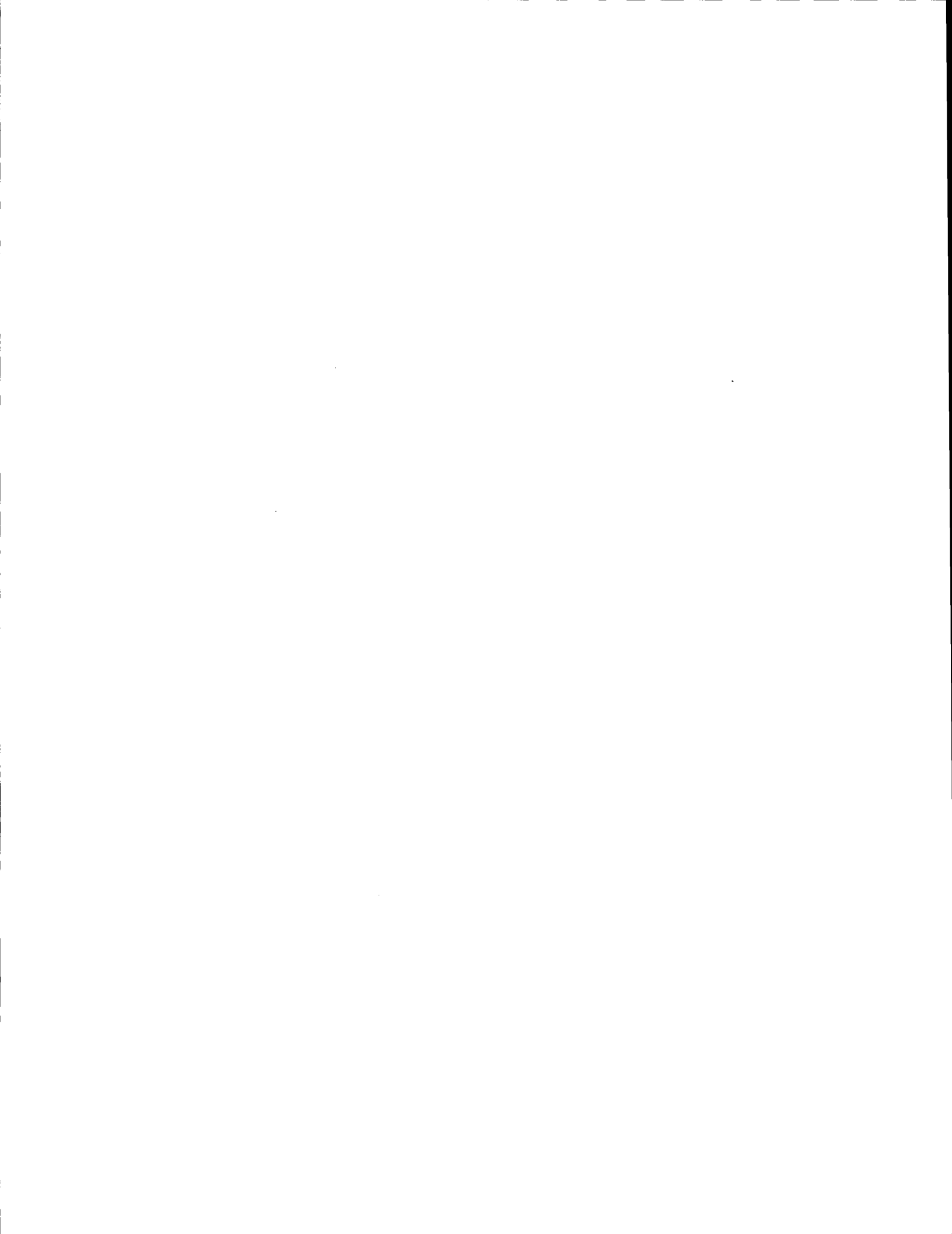
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City of Hendersonville
North Carolina

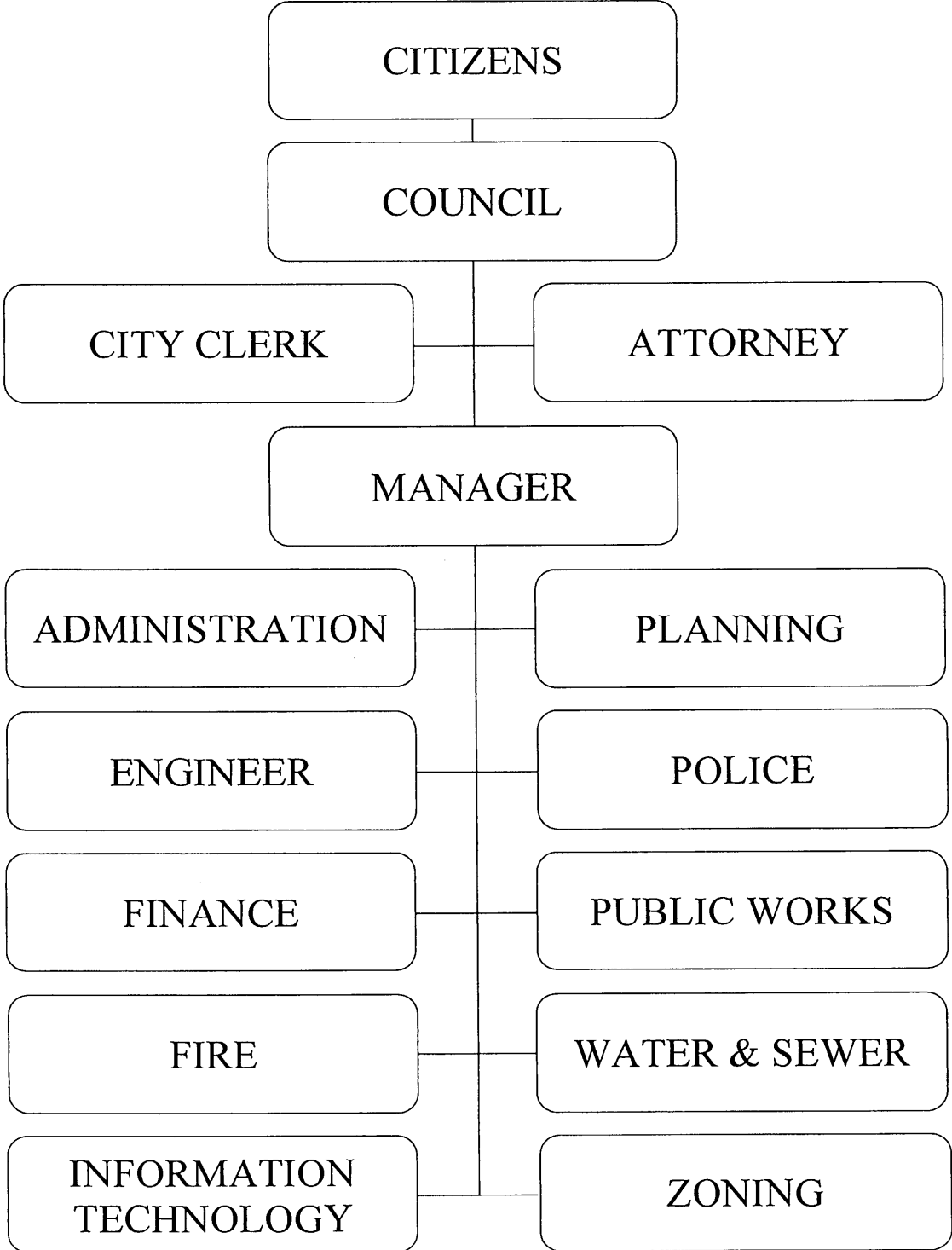
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



**CITY OF HENDERSONVILLE
NORTH CAROLINA
Organizational Chart**



**CITY OF HENDERSONVILLE
NORTH CAROLINA
OFFICIALS**

CITY COUNCIL

Mayor Barbara Volk

Mayor Pro-Tem Ron Stephens

Steve Caraker

Jerry A. Smith, Jr.

Jeffery Lane Miller

CITY STAFF

City Manager John F. Connet

City Clerk Tammie K. Drake

City Attorney Samuel H. Fritschner

Finance Director Lisa White



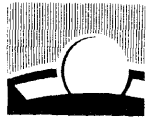


**FINANCIAL
SECTION**





**Independent
Auditors'
Report**



CARLAND & ANDERSEN, INC.
CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET • HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Ronald G. Carland, CPA
Terry B. Andersen, CPA

F.T. Carland, CPA
Trish Cheek, CPA
George B. Lee, CPA
Harold C. Reid, CPA

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
Hendersonville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hendersonville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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. The financial statements of the City of Hendersonville ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit, 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 unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville North Carolina as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefit's Schedules of Funding Progress and Employer Contributions on pages 4 through 14 and pages 58 through 61, 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 consist 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Hendersonville, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, other schedules, statistical schedules, as well as the accompanying Schedule of Expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. accordance with auditing standards generally accepted in the United States of America by us.

In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 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* in considering the City of Hendersonville's internal control over financial reporting and compliance.

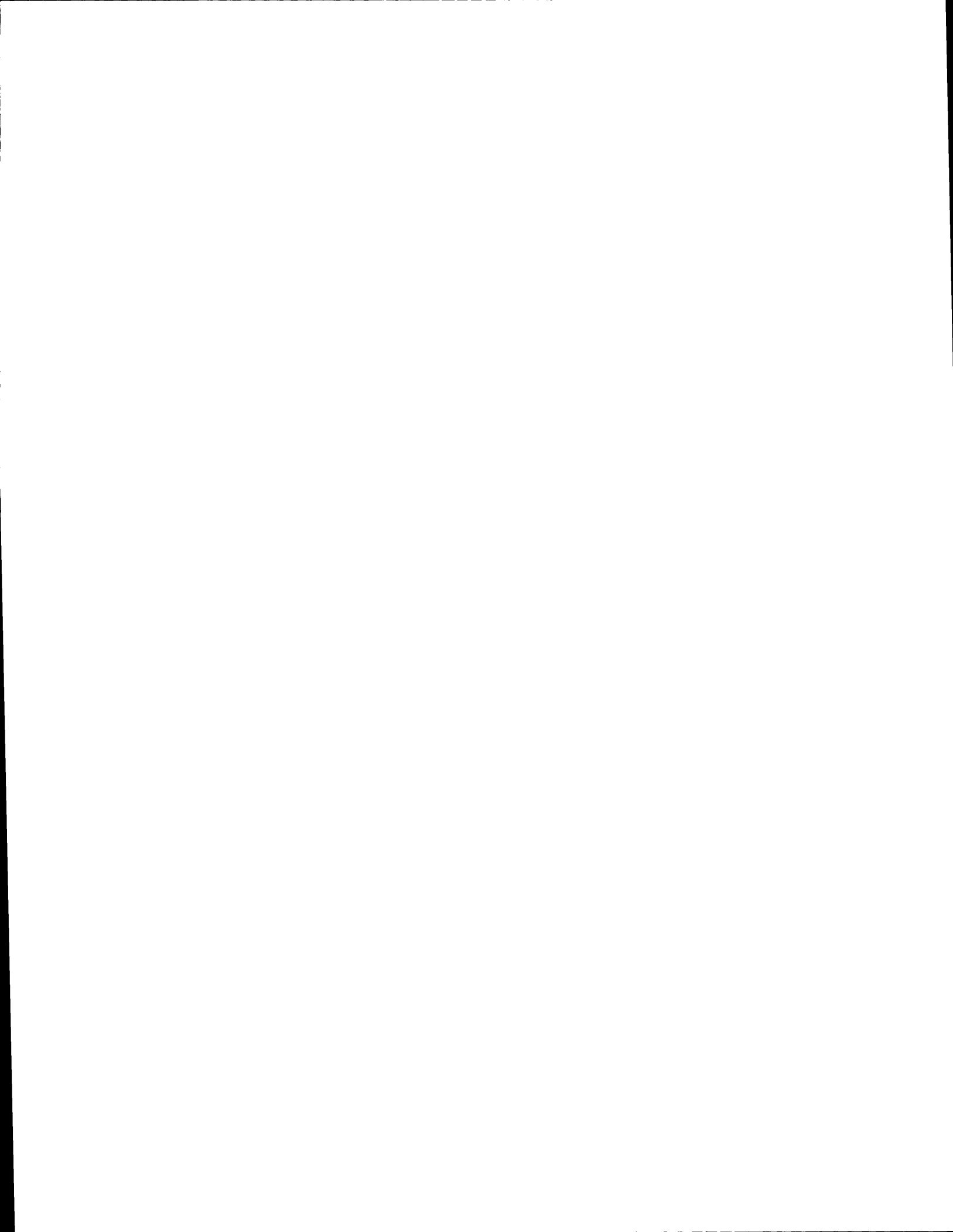


Hendersonville, North Carolina
December 3, 2014



**Management's
Discussion and
Analysis**





MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hendersonville, we offer readers of Hendersonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the City of Hendersonville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$103,040,642 (net position).
- The City of Hendersonville's total net position increased by \$1,638,593 primarily due to an increase in the business-type activities net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,713,374, a decrease of \$3,877,436 or 28.5 percent in comparison with the prior year. The decrease is due to the expenditures out of the non-major governmental funds for the completion of the Main Street Infrastructure Improvement Project and construction of the new fire station.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was \$6,207,146. The entire unassigned amount is in the General Fund and is 45 percent of total general fund expenditures for the following fiscal year.
- During the fiscal year, Standard & Poor's upgraded the Cities bond rating from an AA- to AA.

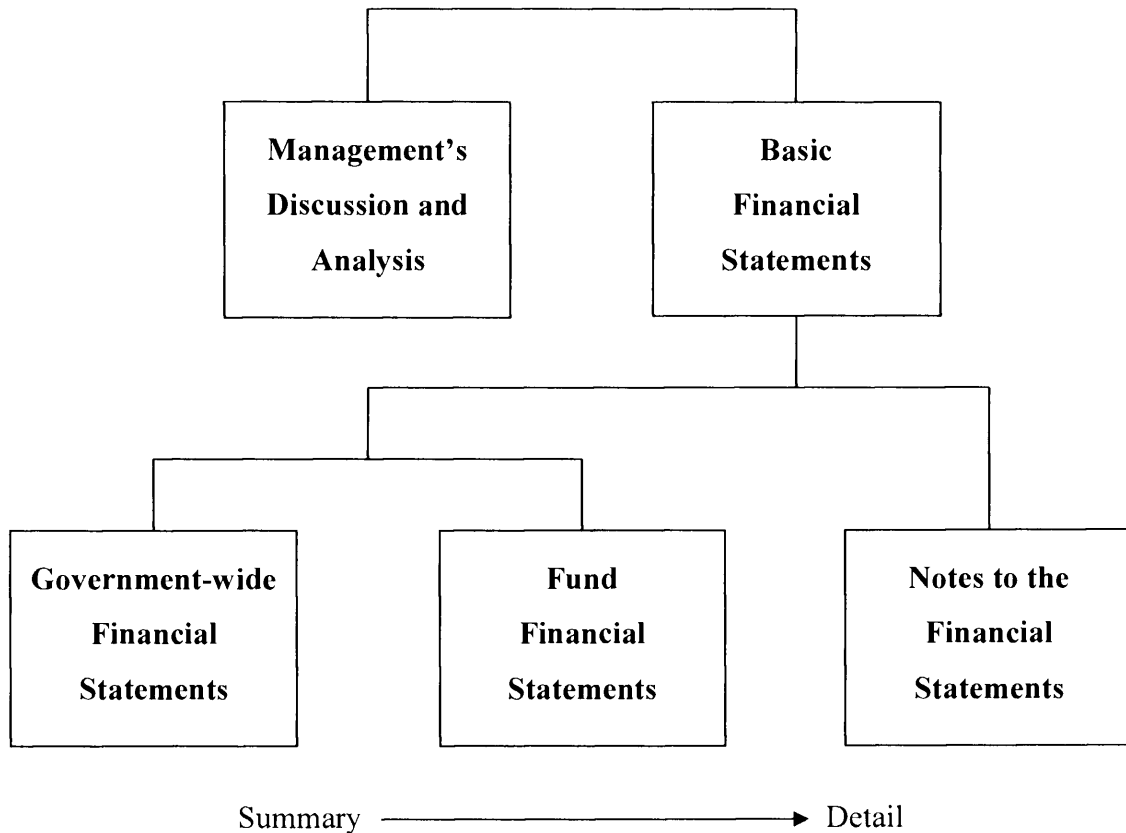
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Hendersonville's basic financial statements. Hendersonville's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Hendersonville.



Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City of Hendersonville's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge Hendersonville's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and sanitation services offered by the City. The final category is the component unit. Although legally separate from the City, the Hendersonville ABC Board is important to the City because the City exercises control over the Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute 50 percent of its profits to the City of Hendersonville. The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see *Figure 2*) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hendersonville, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of Hendersonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds 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. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the **Statement of Net Position** and the **Statement of Activities**) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

The City of Hendersonville adopts an annual budget for its General Fund, as required by the general statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for in the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The City of Hendersonville utilizes one type of proprietary fund known as an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Hendersonville uses enterprise funds to account for its water and sewer activity and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the *Statement of Net Position and the Statement of Activities*.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally the City of Hendersonville's various functions. The City uses an internal service fund to account for the management of its retained risks associated with a modified type of self-insurance fund for medical insurance that the City provides for its employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 statements because the resources of these funds are not available to support the City's own programs. Furthermore, fiduciary funds are properly used only for resources over which the government maintains some meaningful degree of ongoing responsibility. The accounting used for fiduciary funds is much like that use for proprietary funds.

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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate. The *Notes to the Financial Statements* are on pages 28-57 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information (RSI) is mandated by the Governmental Accounting Standards Board (GASB) and can be found beginning on page 57 of this report.

Government-Wide Financial Analysis

The City of Hendersonville's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 14,865,725	\$ 10,994,095	\$ 27,094,057	\$ 27,366,131	\$ 41,959,782	\$ 38,360,226
Capital assets	21,930,890	24,703,912	74,465,819	74,984,800	96,396,703	88,528,572
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 36,796,615</u>	<u>\$ 35,698,007</u>	<u>\$ 101,559,876</u>	<u>\$ 102,350,931</u>	<u>\$ 138,356,491</u>	<u>\$ 138,048,938</u>
Long-term liabilities outstanding	\$ 10,008,763	\$ 9,347,852	\$ 21,364,968	\$ 18,766,370	\$ 31,373,731	\$ 28,114,222
Other liabilities	1,651,867	1,722,951	3,703,412	5,049,694	5,355,279	6,772,645
Deferred inflows of resources	225,432	121,429	-	-	225,432	121,429
Total liabilities and deferred inflows of resources	<u>\$ 11,886,062</u>	<u>\$ 11,192,232</u>	<u>\$ 25,068,380</u>	<u>\$ 23,816,064</u>	<u>\$ 36,954,442</u>	<u>\$ 35,008,296</u>
Net position:						
Net investment in capital assets	\$ 17,077,486	\$ 17,860,656	\$ 51,168,791	\$ 54,082,358	\$ 68,246,277	\$ 71,943,014
Restricted	5,862,495	2,337,928			5,862,495	2,337,928
Unrestricted	1,970,572	4,307,191	25,322,705	24,452,509	27,293,277	28,759,700
Total net position	<u>\$ 24,910,553</u>	<u>\$ 24,505,775</u>	<u>\$ 76,491,496</u>	<u>\$ 78,534,867</u>	<u>\$ 101,402,049</u>	<u>\$ 103,040,642</u>

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Hendersonville exceeded liabilities by \$103,040,642 as of June 30, 2014. Hendersonville's net assets decreased for the fiscal year ended June 30, 2014 due to the expenditures for the completion of the new fire station. However, the largest portion of net assets (70%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$28,759,700 (28%) is unrestricted.

Several particular aspects of the City of Hendersonville's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a very high tax collection percentage of 98.5% collected within the fiscal 2014 /2013 tax levy year. General Fund Ad valorem Tax revenue increased by \$285,366 or 4% over the prior fiscal year.
- Franchise tax collections for the year were up by \$28,261 or 4.54% due to an increase in revenue from electricity and natural gas.
- Local Sales and Use tax increased by \$36,645 or 1.52% over the prior year.
- Parking Meter Revenue increased by \$20,000 or 48% over the prior year due to the downtown area meters not being covered during the holiday season.
- Miscellaneous revenues increased by \$215,090 over the prior year due to insurance settlements and the receipt of \$19,000 in rebates from its purchase card vendor.



City of Hendersonville's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 462,293	\$ 499,795	\$ 14,636,764	\$ 15,202,233	\$ 15,099,057	\$ 15,702,028
Operating grants & contributions	646,346	433,681	-	-	646,346	433,681
Capital grants and contributions	-	60,079	-	580,014	-	640,093
General revenues:						
Property taxes	6,988,246	7,289,030	-	-	6,988,246	7,289,030
Other taxes & fees	4,154,258	4,074,979	-	-	4,154,258	4,074,979
Grants & contributions not restricted to specific programs	140,670	379,744	-	-	140,670	379,744
Other revenue	51,724	85,109	219,540	192,501	271,264	277,610
Total revenues	<u>\$ 12,443,537</u>	<u>12,822,417</u>	<u>\$ 14,856,304</u>	<u>15,974,748</u>	<u>\$ 27,299,841</u>	<u>28,797,165</u>
Expenses:						
General government	\$ 2,359,071	2,374,428	\$ -	-	\$ 2,359,071	2,374,428
Public safety	6,281,514	6,604,475	-	-	6,281,514	6,604,475
Transportation	2,046,441	2,375,395	-	-	2,046,441	2,375,395
Parks & drainage	596,425	626,450	-	-	596,425	626,450
Economic development	311,086	455,811	-	-	311,086	455,811
Culture and recreation	200,928	215,403	-	-	200,928	215,403
Interest on long-term debt	231,074	346,513	-	-	231,074	346,513
Water and Sewer Fund	-	-	12,326,878	12,815,116	12,326,878	12,815,116
Environmental Services Fund	-	-	993,094	1,344,981	993,094	1,344,981
Total expenses	<u>\$ 12,026,539</u>	<u>12,998,475</u>	<u>\$ 13,319,972</u>	<u>14,160,097</u>	<u>\$ 25,346,511</u>	<u>27,158,572</u>
Increase in net position before transfers	\$ 416,998	(176,058)	\$ 1,536,332	1,814,651	\$ 1,953,330	1,638,593
Transfers	(370,820)	(228,720)	370,820	228,720	-	-
Increase in net position	46,178	(404,778)	1,907,152	2,043,371	1,953,330	1,638,593
Net position, July 1	<u>24,864,375</u>	<u>24,910,553</u>	<u>74,584,344</u>	<u>76,491,496</u>	<u>99,448,719</u>	<u>101,402,049</u>
Net position, June 30	<u>\$ 24,910,553</u>	<u>\$ 24,505,775</u>	<u>\$ 76,491,496</u>	<u>\$ 78,534,867</u>	<u>\$ 101,402,049</u>	<u>\$ 103,040,642</u>

Governmental Activities: Governmental activities decreased the City of Hendersonville's net position by \$404,778. Key elements of this decrease are as follows:

- Expenditures in non-major funds for the fire station increased Public Safety expenditures over the previous year

Business-type Activities: Business-type activities increased the City's net position by \$2,043,371 accounting for the total growth in the government's net position. Key elements of this increase are as follows:

- Charges for services under Business-type Activities increased by \$565,469 or 3.72%. The majority of the increase was due to an increase in revenue from water and sewer tap fees and system development charges.
- Increases in other revenue received from Capital Grants.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the Hendersonville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Hendersonville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,207,146 while total fund balance ended the year with \$8,395,233 a decrease of \$527,062 or 6.28% due to planned use of fund balance for capital projects. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45 percent of total General Fund expenditures.

At June 30, 2014, the governmental funds of the City of Hendersonville reported a combined fund balance of \$9,713,374 a 28.5 percent decrease over last year. The Capital Reserve Fund balance increased by \$525,943 due to a transfer in from the General fund in compliance with the Capital Reserve policy.

Unrestricted Governmental Revenues increased by \$58,650 or 1.60% in total. Contributing to this increase were Local option sales tax and utility franchise tax revenue which together increased by \$64,906; however, this was partially offset by a combined drop in revenues received from video programming fees and telecommunications sales tax of \$19,420.

Overall General Fund revenues were up when compared to last year by \$403,148 or 3.29 percent due to a 4% increase in property tax collections. Expenditures in the General Fund were up when compared to last fiscal year by 1,096,695 or 8.69% percent, mainly due to an increase in expenditures for street resurfacing and street projects. In addition, debt service payments increased by \$490,180 over the prior year due to the payments for the financing of the new fire station, fire truck and main street project.

Revenues in the Non-Major Funds was down by \$46,877 or 8.18 percent. Expenditures in the Non-Major Funds were increased by \$1,429,964 or 37.03% due to expenditures for the new fire station.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally speaking, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

During the year there was an increase in appropriations between the original and final amended budget totaling \$114,954. Following are the main components of the increase:

- \$12,872 in Governing Body to cover the unexpected cost of a run-off election.
- \$11,850 in the Administration Department to begin the process of purchasing the Wingate property for an economic development project.
- \$90,232 for Personnel costs to correct under-budgeting.

Revenues were more than the budgeted amounts due to actual property tax collections of \$451,870 higher than budget, an increase in Unrestricted Intergovernmental Revenues of \$316,037 and an increase in Miscellaneous Revenues of \$194,746.

Public Works Traffic department exceeded the department budget by \$8,174 due to higher than expected utility payments on street lights and Public Works Ground Maintenance department which exceeded the department budget by \$3,388 primarily due to workers compensation claim payments.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$24,203,158 which was a decrease from the prior year of \$1,119,547 or 4.63 %. This was due to expenditure for water and sewer line capital improvements. The Environmental Services Fund (ESF) total unrestricted net position was \$448,664 at June 30, 2014 compared to the prior year total of \$580,175. The \$131,511 decrease in the ESF was due to the purchase of capital assets. Other factors concerning the finances of these funds were addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Hendersonville's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled \$99,688,712 (net of accumulated depreciation). This was an increase of \$3,292,003 over the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- \$2,547,401 for construction of water and sewer lines
- \$208,722 for a Refuse Truck
- \$51,366 for a Kubota Tractor/Mower
- \$41,192 for an Excavator Tractor
- \$33,164 for a Motorcycle for the Police Motor Unit
- \$25,686 for an Emergency Generator replacement,
- Other Governmental Fund capital items included Racquetball Roof repairs, replacement of several police vehicles, water line improvements and SCADA panel replacements

Additional information on Hendersonville's capital assets can be found in *Note II-A* of the *Notes to the Financial Statements* on pages 41 and 42 for the Primary Government, and page 43 for the Alcohol Beverage Control Board which is classified as a Component Unit for the City of Hendersonville.

City of Hendersonville's Capital Assets

Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Land	\$ 2,862,946	\$ 2,882,721	\$ 1,617,651	\$ 1,776,580	\$ 4,480,597	\$ 4,659,301
Buildings and systems	5,199,629	4,511,594	32,315,513	30,903,002	37,515,142	35,414,596
Improvements other than buildings	1,480,968	1,342,093	27,297,386	26,705,070	28,778,354	28,047,163
Machinery, equipment & software	459,551	527,255	11,619,002	11,439,358	12,078,553	11,966,613
Infrastructure	10,179,164	10,478,202	-	-	10,179,164	10,478,202
Vehicles and motorized equipment	1,748,632	1,581,813	1,616,267	1,508,195	3,364,899	3,090,008
Construction in progress	-	3,380,234	-	2,652,595	-	6,032,829
Total	<u>\$ 21,930,890</u>	<u>\$ 24,703,912</u>	<u>\$ 74,465,819</u>	<u>\$ 74,984,800</u>	<u>\$ 96,396,709</u>	<u>\$ 99,688,712</u>

Note: Capital asset purchases are part of the City's Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council.

Long-term Debt. As of June 30, 2014, Hendersonville had total bonded debt outstanding of \$2,060,000. Of this total debt, the entire amount is backed by the full faith and credit of the City. The remainder of the City's debt represents loans secured solely by lien on the particular assets financed.

City of Hendersonville's Outstanding Debt General Obligation Bonds

Figure 5

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 2,060,000	\$ 2,250,000	\$ -	\$ -	\$ 2,060,000	\$ 2,250,000
Total	<u>\$ 2,060,000</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,060,000</u>	<u>\$ 2,250,000</u>

In September 2014 Standard and Poor's Corporation upgraded the Cities bond rating from an AA- to AA due to improving economic conditions, strong management oversight and healthy fund balance. The City maintained the Aa2 rating from Moody's Investor Service. These bond ratings are a clear indication of the sound financial condition of the City of Hendersonville. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Hendersonville is \$106,359,401.

Additional information regarding the City of Hendersonville's long-term debt can be found in *Note B: Liabilities* on pages 50-52 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The local economy continues to recover as demonstrated by the continuing improvement in the unemployment rate. The County's unemployment rate dropped to 4.9% compared to the prior year 6.6%. This ranks Henderson County 6th lowest in the state as of June 30, 2014.
- Hendersonville's per capita market value and projected per capita effective buying income is roughly \$113,000 and 89% of the national average.
- Commercial growth is increasing as the Asheville Metropolitan Area continues to grow and have a favorable impact on the City.
- The City of Hendersonville staff is continuing to work with the Henderson County Partnership for Economic Development and property owners to develop potential industrial and commercial sites to diversify our tax base.
- The unassigned fund balance of the General fund is 6,219,755 as of June 30, 2014. This healthy reserve provides cash flow flexibility and credit strength through strong liquidity.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The FY2015 budget totals \$31,999,895 for all City operating funds, capital improvements and debt service requirements. This is \$842,013 or 3% higher than the FY2014 budget. A complete copy of the fiscal year 2015 budget can be found following the link below:

<http://www.cityofhendersonville.org/Modules/ShowDocument.aspx?documentid=6550>

Governmental Activities:

The ad valorem real estate tax based increased slightly but this increase was offset partially by a decrease in personal property valuation estimates for the budget year. A three cent (\$0.03) tax increase was budgeted for the General Fund in Fiscal year 2015 which is expected to generate \$450,000 in additional revenue.

The fiscal year 2015 expenditure budget for the General fund totals \$13,906,346 or 8% more than the prior year budget. The increase is largely due to the budget of \$700,000 for purchase and preparation of the Wingate property. This purchase is part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College. This one of a kind partnership will provide a sustainable health sciences educational facility for the residents of Henderson County and the region. Additional increases in expenditures are due to a 3% increase in employee health insurance premiums, budgeted cost of living increases for employees of 1.5%, and merit increases of up to 1.5%. The budget also includes two additional part-time positions, a part-time Public Information Officer and a part-time Building and Grounds Maintenance worker.

The Budget for fiscal year 2015 established street maintenance as a major initiative for the fiscal year. One cent of the property tax increase was allocated to increase the expenditure budget for street resurfacing.

Business-type Activities:

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for 51.4 of total expenditures. The fiscal year 2015 budget for the Water and Sewer fund totals \$16,440,550 or 2% higher than the prior fiscal year. No rate increases were proposed for the fiscal year.

Total water and sewer appropriations will increase by 1.66% over the prior year with the majority of the increase being attributable additional funds budgeted for capital outlay.

A strong emphasis was put on reinvesting Water and Sewer Fund retained earnings back into the system in a way that benefits all of our customers. The FY2015 budget allocates \$800,000 for general water and sewer maintenance and repairs.

In an effort to make the Environmental Service Fund self-supporting the FY2015 budget implements a modification to the rate structure to provide sustainable revenue. The new simplified rate structure allows for the elimination of the transfer from the General Fund that had been needed to balance the fund in prior years.

Capital Improvement Plan

The City of Hendersonville's Capital Improvement Plan (CIP) represents a multiyear forecast of the City's capital needs. The City prepares this five year CIP to function as a planning tool. The current year schedule is adopted by City Council along with the annual operating budget.

Some of the major governmental capital improvement projects planned in next year's budget include \$533,280 for Street resurfacing, \$202,000 for the police vehicle replacement, \$85,000 for two dump truck replacements for public works, and \$50,000 for Sullivan Park improvements. Several governmental fund projects were delayed: The Whitmire Parking Lot resurfacing project was delayed to future years and the Berkeley Park Improvement project (\$300,000) was delayed until fiscal year 2016.

The Water and Sewer Fund capital plan includes the continuance and completion of the three major capital projects that were begun in fiscal year 2014 for Jackson Park Sewer Interceptor, Wolfpen Sewer Interceptor and the Shepherd Creek/Atkinson Sewer Interceptor, along with the Academy Road water line project. In addition, \$1,030,000 is allocated for relocation of lines for the NCDOT Highway 64 project.

Additional Information

This report is designed to provide an overview of the City's finances for those with an interest in this area.

Additional information may be found at the City website: www.cityofhendersonville.org

Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, 145 Fifth Avenue East, Hendersonville, North Carolina 28792.





**Basic
Financial
Statements**



CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit 1

	Primary Government			Component Unit ABC Board
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,343,508	\$ 15,373,330	\$ 20,716,838	\$ 352,232
Investments	2,955,235	8,597,667	11,552,902	
Receivables (net)				
Taxes	120,995		120,995	
Accrued interest on investments	4,555	13,252	17,807	
Accrued interest on taxes	17,551		17,551	
Accounts	111,815	1,650,389	1,762,204	526
Grants	22,257	492,514	514,771	
Shared taxes	680,840	1,864	682,704	
Refundable taxes	165,089	181,461	346,550	
Due from component unit	25,000		25,000	
Inventories		816,829	816,829	630,056
Prepaid items	8,054		8,054	29,614
Restricted cash	1,539,196	238,825	1,778,021	
Total current assets	\$ 10,994,095	\$ 27,366,131	\$ 38,360,226	\$ 1,012,428
Capital assets (Note 1):				
Land, non-depreciable improvements and construction in progress	\$ 6,262,955	\$ 4,429,175	\$ 10,692,130	\$ 640,091
Other capital assets, net of depreciation	18,440,957	70,555,625	88,996,582	930,734
Total capital assets	\$ 24,703,912	\$ 74,984,800	\$ 99,688,712	\$ 1,570,825
Total assets	\$ 35,698,007	\$ 102,350,931	\$ 138,048,938	\$ 2,583,253
Liabilities:				
Current liabilities:				
Accounts payable	\$ 450,240	\$ 1,698,203	\$ 2,148,443	\$ 262,693
Salaries payable	147,207	92,531	239,738	
Retainages payable	154,567	106,931	261,498	
Customer deposits		238,825	238,825	
Accrued interest payable	81,604	199,313	280,917	
Due to primary government				25,000
Current portion of long-term liabilities	889,333	2,713,891	3,603,224	25,348
Total current liabilities	\$ 1,722,951	\$ 5,049,694	\$ 6,772,645	\$ 313,041
Long-term liabilities due in more than one year	\$ 9,347,852	\$ 18,766,370	\$ 28,114,222	154,752
Total liabilities	\$ 11,070,803	\$ 23,816,064	\$ 34,886,867	\$ 467,793
Deferred inflows of resources				
Prepaid business licenses	\$ 118,482		\$ 118,482	
Prepaid taxes	1,828		1,828	
Unearned grant revenues	1,119		1,119	
Total deferred inflows of resources	\$ 121,429	\$ -	\$ 121,429	\$ -
Net position:				
Net investment in capital assets	\$ 17,860,656	\$ 54,082,358	\$ 71,943,014	\$ 1,399,808
Restricted for:				
Stabilization by State Statute	995,353		995,353	
Economic development	63,012		63,012	
Law enforcement	131,935		131,935	
Fire protection	189,615		189,615	
Transportation	958,013		958,013	
Capital improvements				30,629
Working capital				161,656
Unrestricted	4,307,191	24,452,509	28,759,700	523,367
Total net position	\$ 24,505,775	\$ 78,534,867	\$ 103,040,642	\$ 2,115,460

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 2

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 2,374,428			
Public safety	6,604,475	\$ 217,156	\$ 49,231	\$ 36,936
Transportation	2,375,395	98,555	381,650	23,143
Parks and drainage	626,450	16,000		
Economic and physical development	455,811		2,800	
Cultural and recreational	215,403	168,084		
Interest on long-term debt	346,513			
Total governmental activities (Note 1)	\$ 12,998,475	\$ 499,795	\$ 433,681	\$ 60,079
Business-type activities:				
Water and Sewer	\$ 12,815,116	\$ 14,137,450		\$ 475,014
Environmental Service Fund	1,344,981	1,064,783		105,000
Total business-type activities	\$ 14,160,097	\$ 15,202,233		\$ 580,014
Total primary government	\$ 27,158,572	\$ 15,702,028	\$ 433,681	\$ 640,093
Component Unit:				
ABC Board	\$ 4,139,533	\$ 4,203,052		
Total component unit	\$ 4,139,533	\$ 4,203,052		

General revenues:

Taxes:
Property taxes, levied for general purposes
Sales taxes
Franchise taxes
Privilege Licenses / gross receipts tax
Other taxes

Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Transfers

Change in net position

Net position - beginning, July 1

Net position - ending, June 30

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit ABC Board
\$ (2,374,428) (6,301,152) (1,872,047) (610,450) (453,011) (47,319) (346,513)		\$ (2,374,428) (6,301,152) (1,872,047) (610,450) (453,011) (47,319) (346,513)	
\$ (12,004,920)		\$ (12,004,920)	
	\$ 1,797,348 (175,198)	\$ 1,797,348 (175,198)	
	\$ 1,622,150	\$ 1,622,150	
\$ (12,004,920)	\$ 1,622,150	\$ (10,382,770)	
			\$ 63,519
			\$ 63,519
\$ 7,289,030 2,544,355 1,056,875 402,294 71,455 379,744 16,374 68,735 (228,720)	\$ 34,318 158,183 228,720	\$ 7,289,030 2,544,355 1,056,875 402,294 71,455 379,744 50,692 226,918 -	
\$ (404,778)	\$ 2,043,371	\$ 1,638,593	\$ 63,519
24,910,553	76,491,496	101,402,049	2,051,941
\$ 24,505,775	\$ 78,534,867	\$ 103,040,642	\$ 2,115,460

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit 3

	Major Fund			
	General Fund	Total Non-Major Funds	Total Governmental Funds	
Assets:				
Cash and cash equivalents	\$ 4,942,532	\$ 115,215	\$ 5,057,747	
Restricted cash and cash equivalents	139,841	1,399,355	1,539,196	
Investments	2,955,235		2,955,235	
Accrued interest on investments	4,555		4,555	
Prepaid items	8,054		8,054	
Receivables (net)				
Taxes	112,849	8,146	120,995	
Accounts	111,143	672	111,815	
Grants		22,257	22,257	
Shared taxes	680,840		680,840	
Refundable taxes	96,354	68,735	165,089	
Due from component unit	25,000		25,000	
	<u>\$ 9,076,403</u>	<u>\$ 1,614,380</u>	<u>\$ 10,690,783</u>	
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 302,688	\$ 130,523	\$ 433,211	
Salaries payable	145,323	1,884	147,207	
Retainages payable		154,567	154,567	
	<u>\$ 448,011</u>	<u>\$ 286,974</u>	<u>\$ 734,985</u>	
Deferred inflows of resources				
Prepaid business licenses	\$ 118,482		\$ 118,482	
Prepaid taxes	1,828		1,828	
Unearned grant revenues		\$ 1,119	1,119	
Property taxes receivable	112,849	8,146	120,995	
	<u>233,159</u>	<u>9,265</u>	<u>242,424</u>	
Fund balances:				
Restricted				
Stabilization by State Statute	\$ 925,946	\$ 69,407	\$ 995,353	
Economic development	7,906	55,106	63,012	
Law enforcement	131,935		131,935	
Fire protection		189,615	189,615	
Transportation		958,013	958,013	
Assigned				
Subsequent year's expenditures	1,122,300	46,000	1,168,300	
Unassigned	6,207,146		6,207,146	
	<u>\$ 8,395,233</u>	<u>\$ 1,318,141</u>	<u>\$ 9,713,374</u>	
	<u>\$ 9,076,403</u>	<u>\$ 1,614,380</u>	<u>\$ 10,690,783</u>	

The notes to the financial statements are an integral part of this statement.



CITY OF HENDERSONVILLE, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1 is different because:)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Gross capital assets at historical cost	\$ 40,254,590
Accumulated depreciation	<u>15,550,677</u>

Capital assets, net of depreciation		\$ 24,703,913
-------------------------------------	--	---------------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds		17,551
--	--	--------

Internal service funds are used by management to charge the costs of certain activities, such as administering employee health benefits. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		268,730
---	--	---------

Liabilities for earned revenues considered deferred inflows of resources in fund statements: Property taxes receivable		120,995
---	--	---------

Long-term and accrued liabilities are not reported in the funds, including:

Accrued interest payable	\$ (81,604)	
Bonds payable	(2,060,000)	
Notes payable	(6,750,000)	
Compensated absences payable	(552,596)	
Other post-employment benefits	(535,594)	
Net pension benefit-Special Separation Allowance	<u>(338,994)</u>	(10,318,788)

Total adjusting items		\$ 14,792,401
-----------------------	--	---------------

Total fund balance, governmental funds		<u>9,713,374</u>
--	--	------------------

Net position of governmental activities		<u>\$ 24,505,775</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 4

	Major Fund		
	General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 7,071,487	\$ 248,052	\$ 7,319,539
Other taxes and licenses	402,294		402,294
Unrestricted intergovernmental	3,659,037	103,100	3,762,137
Restricted intergovernmental	532,173	62,879	595,052
Permits and fees	48,088		48,088
Sales and services	283,889	130,184	414,073
Investment earnings	15,304	1,031	16,335
Miscellaneous	244,496	28,026	272,522
	<u>\$ 12,256,768</u>	<u>\$ 573,272</u>	<u>\$ 12,830,040</u>
Expenditures:			
General government	\$ 2,228,056		\$ 2,228,056
Public safety	6,381,161	\$ 2,974,259	9,355,420
Transportation	2,168,144	434,634	2,602,778
Parks and drainage	547,571		547,571
Economic and physical development		453,223	453,223
Cultural and recreational	215,403		215,403
Debt service:			
Principal	723,333		723,333
Interest and fees	352,972		352,972
	<u>\$ 12,616,640</u>	<u>\$ 3,862,116</u>	<u>\$ 16,478,756</u>
Revenues over (under) expenditures	<u>\$ (359,872)</u>	<u>\$ (3,288,844)</u>	<u>\$ (3,648,716)</u>
Other financing sources (uses):			
Transfers in (out) :			
Enterprise funds	(228,720)		(228,720)
General Fund / Special Revenue Fund	62,530	(62,530)	
Total other financing sources (uses)	<u>\$ (166,190)</u>	<u>\$ (62,530)</u>	<u>\$ (228,720)</u>
Net change in fund balances	\$ (526,062)	\$ (3,351,374)	\$ (3,877,436)
Fund balances:			
Beginning of year, July 1	8,921,295	4,669,515	13,590,810
End of year, June 30	<u>\$ 8,395,233</u>	<u>\$ 1,318,141</u>	<u>\$ 9,713,374</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 4

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures.	\$ 4,064,359	
However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives, and reported as depreciation expense	<u>(1,245,450)</u>	
The amount by which capital outlays exceeded depreciation in the current period was		\$ 2,818,909
 The net effect of various transactions involving capital assets (i.e. sales, trade-ins and disposals is to decrease net assets		 (45,888)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(30,506)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect		
Principal payments on long-term debt	723,333	
Decrease in accrued interest payable	<u>6,459</u>	
This amount is the net effect		729,792
 Consolidation adjustment for inclusion of Internal Service Fund		
Net revenue of Internal Service Fund		68,772
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (17,706)	
Change in other post-employment benefits	(67,627)	
Change in net pension obligation	<u>16,912</u>	<u>(68,421)</u>
Total adjusting items		\$ 3,472,658
 Net changes in fund balances - total governmental funds		 <u>(3,877,436)</u>
 Total changes in net position of governmental activities		 <u>\$ (404,778)</u>

The notes to the financial statements are an integral part of this statement.



CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 5

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,675,000	\$ 6,604,000	\$ 7,071,487	\$ 467,487
Other taxes and licenses	307,000	388,700	402,294	13,594
Unrestricted intergovernmental	3,348,000	3,343,000	3,659,037	316,037
Restricted intergovernmental	445,840	452,040	532,173	80,133
Permits and fees	25,850	39,700	48,088	8,388
Sales and services	213,500	209,950	283,889	73,939
Investment earnings	10,100	10,100	15,304	5,204
Miscellaneous	34,750	49,750	244,496	194,746
Total revenues	\$ 11,060,040	\$ 11,097,240	\$ 12,256,768	\$ 1,159,528
Expenditures:				
General government	\$ 2,223,355	\$ 2,263,496	\$ 2,228,056	\$ 35,440
Public safety	6,341,750	6,307,531	6,381,161	(73,630)
Transportation	1,784,235	2,190,598	2,168,144	22,454
Parks and drainage	536,110	550,957	547,571	3,386
Cultural and recreational	221,980	219,596	215,403	4,193
Debt service:				
Principal	723,350	723,350	723,333	17
Interest and fees	352,990	352,990	352,972	18
Total expenditures	\$ 12,183,770	\$ 12,608,518	\$ 12,616,640	\$ (8,122)
Revenues over (under) expenditures	\$ (1,123,730)	\$ (1,511,278)	\$ (359,872)	\$ 1,151,406
Other financing sources (uses):				
Transfers in (out) :				
Enterprise funds	(228,720)	(228,720)	(228,720)	
Nonmajor special revenue funds (net)	62,530	62,530	62,530	
Contingencies budgeted (expenditures)	(150,000)	(150,000)	-	\$ 150,000
Fund balance appropriated	1,439,920	1,827,468		(1,827,468)
Total other financing sources (uses)	\$ 1,123,730	\$ 1,511,278	\$ (166,190)	\$ (1,677,468)
Revenues and other financing sources over/ (under expenditures and other uses)	\$ -	\$ -	\$ (526,062)	\$ (526,062)
Fund balances:				
Beginning of year, July 1			8,921,295	
End of year, June 30			<u>\$ 8,395,233</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

Exhibit 6

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 246,498	\$ 15,126,822	\$ 15,373,320	\$ 285,761
Investments	162,896	8,434,781	8,597,677	
Accounts receivable (net)-billed	74,355	875,095	949,450	
Accounts receivable (net)-unbilled	51,715	649,224	700,939	
Grant receivable	17,500	475,014	492,514	
Sales taxes refundable	19,019	162,442	181,461	
Shared taxes receivable	1,864		1,864	
Accrued interest receivable	251	13,001	13,252	
Inventories		816,829	816,829	
Restricted cash and cash equivalents		238,825	238,825	
Total current assets	\$ 574,098	\$ 26,792,033	\$ 27,366,131	\$ 285,761
Noncurrent assets:				
Land and other non-depreciable assets		\$ 4,429,175	\$ 4,429,175	
Other capital assets, net of depreciation	\$ 777,053	69,778,572	70,555,625	
Capital assets (net)	\$ 777,053	\$ 74,207,747	\$ 74,984,800	\$ -
Total noncurrent assets	\$ 777,053	\$ 74,207,747	\$ 74,984,800	\$ -
Total Assets	\$ 1,351,151	\$ 100,999,780	\$ 102,350,931	\$ 285,761
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 28,131	\$ 1,670,072	\$ 1,698,203	\$ 17,031
Salaries payable	11,147	81,384	92,531	
Retainages payable		106,931	106,931	
Customer deposits		238,825	238,825	
Accrued bond and note interest		199,313	199,313	
Compensated absences-current	9,000	63,000	72,000	
Notes payable -current		2,641,891	2,641,891	
Total current liabilities	\$ 48,278	\$ 5,001,416	\$ 5,049,694	\$ 17,031
Noncurrent liabilities:				
Compensated absences	\$ 21,008	\$ 144,531	\$ 165,539	
Other postemployment benefits	56,148	284,132	340,280	
Notes payable		18,260,551	18,260,551	
Total noncurrent liabilities	\$ 77,156	\$ 18,689,214	\$ 18,766,370	\$ -
Total Liabilities	\$ 125,434	\$ 23,690,630	\$ 23,816,064	\$ 17,031
NET POSITION				
Net investment in capital assets	\$ 777,053	\$ 53,105,992	\$ 53,883,045	-
Unrestricted	448,664	24,203,158	24,651,822	\$ 268,730
Total Net Position	\$ 1,225,717	\$ 77,309,150	\$ 78,534,867	\$ 268,730

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 7

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Operating revenues:				
Charges for services	\$ 1,047,868	\$ 13,480,606	\$ 14,528,474	\$ 299,930
Other operating revenues	16,915	656,844	673,759	2,841
Total operating revenues	\$ 1,064,783	\$ 14,137,450	\$ 15,202,233	\$ 302,771
Operating expenses:				
Administration		\$ 925,034	\$ 925,034	
Business operations		1,048,326	1,048,326	
Water treatment and distribution		4,728,741	4,728,741	
Waste collection and treatment	\$ 1,237,354	2,350,056	3,587,410	
Risk management and employee benefits			-	\$ 234,038
Depreciation	107,627	3,137,392	3,245,019	
Total operating expenses	\$ 1,344,981	\$ 12,189,549	\$ 13,534,530	\$ 234,038
Operating income (loss)	\$ (280,198)	\$ 1,947,901	\$ 1,667,703	\$ 68,733
Non-operating revenues (expenses):				
Interest earned on investments	\$ 521	\$ 33,797	\$ 34,318	\$ 39
Other	16,420	141,763	158,183	
Grants	105,000	475,014	580,014	
Interest on long-term debt		(625,567)	(625,567)	
Total non-operating revenues (net)	\$ 121,941	\$ 25,007	\$ 146,948	\$ 39
Income (loss) before transfers	\$ (158,257)	\$ 1,972,908	\$ 1,814,651	\$ 68,772
Transfer from General Fund	127,840	100,880	228,720	
Change in net position	\$ (30,417)	\$ 2,073,788	\$ 2,043,371	\$ 68,772
Total net position - beginning, July 1	1,256,134	75,235,362	76,491,496	199,958
Total net position - ending, June 30	\$ 1,225,717	\$ 77,309,150	\$ 78,534,867	\$ 268,730

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 8

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Cash flows from operating activities:				
Cash received from customers	\$ 1,033,883	\$ 13,471,830	\$ 14,505,713	\$ 299,930
Cash paid for goods and services	(666,417)	(4,399,899)	(5,066,316)	(240,422)
Cash paid to employees for services	(568,298)	(4,003,270)	(4,571,568)	
Customer deposits received		120,300	120,300	
Customer deposits returned		(88,100)	(88,100)	
Other operating revenue	16,266	701,193	717,459	2,841
Net cash provided (used) by operating activities	\$ (184,566)	\$ 5,802,054	\$ 5,617,488	\$ 62,349
Cash flows from noncapital and financing related activity:				
Operating subsidy-General Fund	\$ 127,840	\$ 100,880	\$ 228,720	
Net cash provided by noncapital and related financing activity	\$ 127,840	\$ 100,880	\$ 228,720	\$ -
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (208,721)	\$ (2,175,091)	\$ (2,383,812)	
Sale of capital assets	16,420	97,416	113,836	
Principal paid on notes		(2,601,210)	(2,601,210)	
Interest on notes		(848,088)	(848,088)	
Net cash provided (used) by capital and related financing activities	\$ (192,301)	\$ (5,526,973)	\$ (5,719,274)	\$ -
Cash flows from investing activities:				
Capital contribution-State grant	\$ 87,500		\$ 87,500	
Purchase of investments	(169,896)	\$ (8,434,781)	(8,604,677)	
Interest on investments	270	20,796	21,066	\$ 141
Net cash provided by investing activities	\$ (82,126)	\$ (8,413,985)	\$ (8,496,111)	\$ 141
Net increase / (decrease) in cash and cash equivalents	\$ (331,153)	\$ (8,038,024)	\$ (8,369,177)	\$ 62,490
Cash and cash equivalents:				
Balances - beginning of year	570,651	23,403,671	23,974,322	223,271
Balances - end of year	\$ 239,498	\$ 15,365,647	\$ 15,605,145	\$ 285,761

The notes to the financial statements are an integral part of this statement.

CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 8

	Business Type Activities - Enterprise Funds			Governmental Activities
	Environmental Service Fund	Water and Sewer Fund	Totals	Internal Service Fund Health and Welfare Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (280,198)	\$ 1,947,901	\$ 1,667,703	\$ 68,733
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	\$ 107,627	\$ 3,137,392	\$ 3,245,019	
Increase (decrease) in allowance for uncollectible accounts	213	41,268	41,481	
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	3,283	(36,979)	(33,696)	
Refundable sales taxes	(16,435)	470,320	453,885	
Shared taxes receivable	(649)		(649)	
Grant receivable	(17,500)		(17,500)	
Inventory		(102,050)	(102,050)	
(Decrease) increase in liabilities:				
Accounts payable and accrued liabilities	3,297	245,763	249,060	\$ (6,384)
Salaries payable	3,422	31,319	34,741	
Customer deposits		32,200	32,200	
Compensated absences payable	5,413	3,095	8,508	
Other postemployment benefits	6,961	31,825	38,786	
Total adjustments	\$ 95,632	\$ 3,854,153	\$ 3,949,785	\$ (6,384)
Net cash provided (used) by operating activities	\$ (184,566)	\$ 5,802,054	\$ 5,617,488	\$ 62,349

The notes to the financial statements are an integral part of this statement.



CITY OF HENDERSONVILLE, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

Exhibit 9

June 30, 2014

ASSETS

Cash	<u>\$ 854</u>
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LIABILITIES

Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 854</u>
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The notes to the financial statements are an integral part of this statement.



**Notes to the
Financial
Statements**



CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Hendersonville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the government and its discretely presented component unit. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY - PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING:

The City of Hendersonville is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the city is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Hendersonville Board of Alcoholic Control:

The members of the ABC Board's governing body are appointed by the City. In addition, the ABC Board is required by State statute to distribute 50% of its surpluses to the General Fund of the City. The remainder is distributed to Henderson County and the Henderson County Board of Public Education. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Hendersonville Board of Alcoholic Control, 205 South Church Street, Hendersonville, N.C. 28792.

B. BASIS OF PRESENTATION -- FUND ACCOUNTING:

Government-wide statements:

The statement of net position and the statement of activities display information about the primary government and its component unit. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Fund Financial Statements:

The fund financial statements provide information about the City's funds, including the fiduciary fund. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and the maintenance of City properties. The General Fund pays interest and principal on long-term debt issued for governmental purposes.

The City maintains a separately budgeted **Capital Reserve Fund**, which was established to accumulate resources for future equipment purchases and capital improvements. For reporting purposes in the basic financial statements, in accordance with GASB 54, the Capital Reserve Fund is blended into the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The City reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City has five nonmajor Special Revenue Funds:

1. Downtown Tax District Fund was established to promote commerce and tourism in the Central Business District, and is funded by an additional tax levy. This fund adopts an annual budget.
2. Seventh Avenue Tax District Fund was established to promote commerce and rehabilitate the economy of the City's Historic Seventh Avenue District, and is funded by an additional tax levy. This fund adopts an annual budget.
3. Governor's Highway Safety Program-Bike Safe Hendersonville Program Grant Fund was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.
4. Oakdale Cemetery Historic Nomination Grant Fund was established to administer a state grant to provide funding to qualify the City's historic cemetery, with its statue that inspired Thomas Wolfe's "Look Homeward Angel" for designation on the Natural Registry of Historic Places. This fund adopts a multi-year project budget.
5. Oklawaha Greenways Phase 3 Grant Fund was established to administer a federal grant to construct an addition of approximately 9,000 feet to existing pedestrian walkways. This fund adopts a multi-year project budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Capital Projects Funds - Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City has three capital projects funds, all of which adopt multi-year project budgets:

1. Sidewalk Construction Project Fund was established to account for the use of the proceeds of general obligation bonds issued during the 2008-2009 year, for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks. During the current year, it transferred funds to the Main Street Infrastructure Improvement Project Fund, to pay for sidewalk construction costs incurred in that fund.
2. Main Street Infrastructure Improvement Project Fund was established to account for the substantial renovation of several blocks of Main Street, in the Central Business District. Construction was undertaken over a period of several years, one block at a time, during the tourist off-season, to avoid disruption of downtown commerce. This was its final year.
3. East Side Fire Station Construction Project Fund was established to account for the construction of a fire station on the east side of the City. The land was purchased in 2010, and construction began in 2012.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City of Hendersonville has two major Enterprise Funds: (1) the Environmental Service Fund and (2) the Water and Sewer Fund. Debt service and long-term obligations of these funds are recorded within the respective funds.

Internal Service Funds - Internal Service Funds are used to report on any activity that provides goods or services to other funds, departments, or agencies of the government, on a cost-reimbursement basis. The City has one internal service fund, the Health and Welfare Fund, which is used to administer payments for employee health claims. Expenditures of benefits to City staff, employed by the General Fund, the Downtown Tax District Fund, the Water and Sewer Fund and the Environmental Service Fund are not eliminated in the preparation of consolidating for financial statement purposes.

The City reports the following agency fund type:

Agency Fund - Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the City is required to remit to the Henderson County Board of Public Education.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary and Fiduciary Fund Financial Statements:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. Fiduciary agency funds have no measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise funds are charges to customers for sales and services related to garbage collection and water and sewer distribution and collection. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds 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.

Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 120 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 30, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Certain revenues susceptible to accrual are franchise taxes, special assessments, interest revenue, and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City also are recognized as revenue. Fines, permits, licenses and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. BUDGETARY DATA:

Budget:

The North Carolina Local Government Budget and Fiscal Control Act (General Statute 159, Article 3) requires the adoption of a balanced budget on an annual basis by July 1. A budget calendar is included in the general statutes which prescribe the last day on which certain steps of the budget process are to be performed. The City Council adopted the budget ordinance on June 16, 2013. Project ordinances are adopted for any new capital or grant projects and stay in effect for the life of the project(s). All annual appropriations lapse at fiscal year-end. Annual budgets are adopted for all funds, except capital projects funds and special revenue grant project funds. Capital projects funds and special revenue grant project funds adopt budgets which run the lengths of the projects. Enterprise capital project funds are consolidated with their respective operating funds for reporting purposes.

The annual budget is prepared on the modified accrual basis of accounting as required by General Statute 159-26(c), which is consistent with the accounting system used to record transactions. Budgetary control is maintained in all funds. Appropriations are made at the object level and may be amended as necessary by the governing board. The City Manager is authorized to transfer appropriations within a fund; however, any revisions altering salaries or total expenditures of any fund must be approved by the governing board.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The budget is amended throughout the year as the needs of the city require. Several supplementary appropriations were necessary during the year; however, the effect on total budgeted appropriations was not material. The budget amounts shown in the financial statements represent both the initially adopted budget, and the budget as amended at June 30, 2014, which includes all supplemental appropriations enacted during the year.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY:

Deposits and Investments:

All deposits of the City and the ABC Board are made in board-designated official depositories and are collateralized as required by G.S. 159-31. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-31) authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest, by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual current balance for interest-bearing deposits.

Cash and Cash Equivalents:

The City pools money from its several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and money market investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three month or less when purchased to be cash and cash equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Cash equivalents have an original maturity date of three months or less from the date of purchase.

The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

Restricted Assets:

In the general fund, Powell Bill funds are also classified as restricted cash, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4. At yearend, all current and prior year Powell Bill funds had been expended.

The unexpended proceeds of general obligation bonds held in the Sidewalk Construction Fund are classified as restricted assets for the capital project fund, because their use is completely restricted to the purpose for which the bonds were issued.

The unexpended proceeds of a bank note payable for the Fire Station Construction Fund are classified as restricted assets for these capital project funds, because their use is completely restricted to the purpose for which the note was issued.

In the special revenue funds, unspent public contributions restricted for a particular purpose and unspent grant revenues are shown as restricted, because they may only be used for the purpose of donation or the grant. Court-awarded amounts received from drug forfeitures are also shown as restricted cash, as their use is restricted to law enforcement purposes.

The City's restricted cash consists of the following:

Governmental Activities	
General Fund	
Public safety/law enforcement	\$ 131,935
Economic development	7,906
	<u>\$ 139,841</u>
Special Revenue Funds	
Public safety/law enforcement	\$ 1,119
Transportation	886
	<u>\$ 2,005</u>
Capital Project Funds	
Unexpended debt proceeds	
Transportation/sidewalks	\$ 958,013
Public safety/fire protection	439,337
	<u>\$ 1,397,350</u>
 Total Governmental Activities	 \$ 1,539,196
 Business-type Activities	
Water and Sewer Fund	
Customer Deposits	238,825
	<u>238,825</u>
 Total Restricted Cash	 <u>\$ 1,778,021</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Ad Valorem Taxes Receivable:

In accordance with North Carolina General Statutes 105-347 and 159-13(a), ad valorem taxes are levied on July 1, the beginning of the fiscal year and are due and payable on September 1; however, no penalties or interest are assessed until the following January 6. The City does not provide for discounts for taxes paid prior to the due date. The taxes are based on the assessed values as of January 1. A lien on the real property becomes enforceable January 1.

Allowances for Doubtful Accounts:

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the amount of receivables, as compared to the original levy, written off in prior years, on a running ten- year average.

Inventories:

Inventories are maintained for all Enterprise Fund materials, fuel and supplies. All inventories are valued at cost, using the first-in/first-out (FIFO) method of valuation. Purchases of inventory-type items are charged to the inventory account during the year. Reductions are recorded when consumed and the balance is adjusted at year-end, if needed, to reflect actual quantities on hand. The City uses the consumption method to report inventories.

Inventories of the ABC Board are valued at cost, using the first-in/ first-out (FIFO) method of valuation. The inventory consists of expendable supplies and alcoholic beverages for sale and is recorded as an expense when consumed.

Capital Assets:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the road, sidewalk, bridge and curb, gutter, and drain systems that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost, using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

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

	<u>Useful Life</u>
Computer Equipment	5 years
Computer Software	5 years
Maintenance and Construction Equipment	10 years
Trucks and Autos	10 years
Buildings	30 years
Water and Sewer Lines	50 years
Infrastructure - Roads, Sidewalks, Gutters	25 years
Infrastructure - Bridges	50 years

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Property and equipment of the ABC Board are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	40 years
Real Estate Improvements	5-10 years
Furniture and Equipment	5-10 years
Vehicles	3 years
Computers	5 years

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no item that meets this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has four items that meet the criterion for this category – prepaid business licenses, prepaid property taxes, unearned grant revenues and property taxes receivable.

Long-Term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, government 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 issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The vacation policy of the City generally provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. The ABC Board's policy allows for thirty (30) days. For the City's government-wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first out method of using accumulated compensated time. The current portion of that time which is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. Liquidation of the liability for vacation pay is carried as an expenditure in the fund by which the employee is paid. During the current year, as in prior years, governmental function employees are compensated by the General Fund and the Downtown Tax District Fund. Enterprise Fund employees are compensated by either the Water and Sewer Fund or the Environmental Service Fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Both the City and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Upon retirement, employees can convert unused sick leave into additional service time, for benefits under the State's pension plan. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances:

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The City has none of these.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Economic Development - Fund balance that is restricted by enabling legislation to being used in special tax districts for which an additional property tax is levied.

Restricted for Law Enforcement – Portion of fund balance restricted by revenue source for use in law enforcement, due to the source being from federal and state drug forfeitures and controlled substance tax.

Restricted for Fire Protection – Portion of fund balance restricted by commercial lender for use in construction of new Fire Station.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. At yearend there was no balance.

Restricted for Transportation – Unspent bond proceeds which must be spent on sidewalk construction.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Hendersonville's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Assigned fund balance – portion of fund balance that City of Hendersonville intends to use for specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Hendersonville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS:

Deposits:

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two options. Under the Dedicated Option, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agent in the City's name. Under the Pooling Option, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by their agents in their names.

The amount of pledged collateral is based on an approved averaging method for non interest-bearing deposits and the actual balance for interest-bearing deposits. Depositories using the Pooling Option report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows; however, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Both the City and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. The City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

At June 30, 2014, the City's deposits had a carrying amount of \$20,421,723 and a bank balance of 20,460,014. At June 30, 2014 the City's petty cash fund totaled \$8,476. The fines and forfeitures fund accounted for \$854 of the deposits' carrying amount.

Of the bank balance at June 30, 2014, \$514,000 was covered by federal depository insurance, \$0.00 was covered by collateral held by the pledging bank's agent in the City's name under the Dedicated Option method of collateralization; and \$19,946,014 was covered by collateral held by an authorized escrow agency in the State Treasurer's name under the Pooling Option collateralization method. All bank balances of deposits maintained by financial institutions utilizing the Pooling Option at June 30, 2014, were entirely insured or collateralized with securities held by the state or its agent in the state's name.

At June 30, 2014, the ABC Board's deposits had a carrying amount of \$345,232 and a bank balance of \$342,389. Federal Depository Insurance covered \$250,000 of the bank balance. The remainder is collateralized under the Pooling Method.

Investments:

At June 30, 2014, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
NC Capital Management Trust – Cash Portfolio (carried as cash equivalent)	<u>\$ 2,065,504</u>	N/A	AAAm
Federal Home Loan Bank	\$ 4,669,159	April 30, 2019	AAA
Federal Home Loan Bank	3,995,241	June 10, 2019 (1)	AAA
Federal Home Loan Mtge Corp	1,316,407	Nov. 14, 2017 (2)	AAA
Federal Nat'l Mtge Assoc	1,501,605	Sept. 17, 2017 (3)	AAA
NC Capital Management Trust – Term Portfolio	<u>70,500</u>	1.3 years	Unrated
Total (carried as investments)	<u><u>\$ 11,552,912</u></u>		

(1) Callable September 10, 2014

(2) Callable August 14, 2014

(3) Callable June 27, 2014

Investments are carried as belonging to the General Fund, Environmental Services Fund and the Water and Sewer Fund, and the income is allocated accordingly, on a proportional basis.

Interest Rate Risk: The City has a formal investment policy that prioritizes the goals of investment activities, within compliance of NC General Statutes, in the order of (1) safety, (2) liquidity and (3) return. The Finance Director is the designated investment officer.

Depository Policy: The City's formal investment policy also deals with the collateralization of deposits, and requires compliance with NC General Statutes. All balances maintained with financial institutions were either entirely insured or collateralized utilizing the Pooling Option, with securities held by the state or its agent in the state's name.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

Receivables--Allowances for Doubtful Accounts:

The amounts shown in Exhibit 1 for receivables are net of the following allowances for doubtful accounts:

General Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 113,599
Downtown Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 3,367
Seventh Avenue Tax District Fund: Allowance for Uncollectible Property Taxes Receivable	\$ 112
Governmental Funds: Allowance for Uncollectible Accrued Interest on Property Taxes	\$ 17,197
Enterprise Funds: Water and Sewer Fund: Allowance for Uncollectible Utility Receivables	\$ 54,245
Environmental Service Fund: Allowance for Uncollectible Accounts Receivable	\$ 1,601

Deferred / Unearned Revenues:

The balance in deferred inflows of resources at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General Fund)	\$ 112,849	
Prepaid property taxes (General Fund)		\$ 1,828
Prepaid privilege licenses (General Fund)		118,482
Taxes receivable (Special Revenue Funds)	8,146	
Unspent grants (Special Revenue Funds)	.	1,119
Totals	<u>\$ 120,995</u>	<u>\$ 121,429</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

Governmental activities:	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 2,862,946	\$ 19,775		\$ 2,882,721
Construction	436,228	2,944,006		3,380,234
Total	<u>\$ 3,299,174</u>	<u>\$2,963,781</u>	<u>\$ -</u>	<u>\$ 6,262,955</u>
Capital assets being depreciated:				
Buildings	\$ 7,945,700			\$ 7,945,700
Other improvements	3,926,277		\$ 5,000	3,921,277
Equipment	1,318,252	\$ 193,547	164,847	1,346,952
Software	107,961			107,961
Vehicles	4,391,762	160,132	72,688	4,479,206
Infrastructure	15,443,638	746,899		16,190,538
Totals	<u>\$ 33,133,590</u>	<u>\$ 1,100,578</u>	<u>\$ 242,535</u>	<u>\$ 33,991,634</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 3,182,299	\$ 251,807		\$ 3,434,106
Other improvements	2,445,309	138,875	\$ 5,000	2,579,184
Equipment	896,925	95,763	156,359	836,329
Software	69,737	21,592		91,329
Vehicles	2,643,130	289,551	35,288	2,897,393
Infrastructure	5,264,474	447,862		5,712,336
Totals	<u>\$ 14,501,874</u>	<u>\$ 1,245,450</u>	<u>\$ 196,647</u>	<u>\$ 15,550,677</u>
Assets being depreciated, net	<u>\$ 18,631,716</u>	<u>\$ (144,872)</u>	<u>\$ 45,888</u>	<u>\$ 18,440,957</u>
Governmental-type capital assets, net	<u>\$ 21,930,890</u>			<u>\$ 24,703,912</u>
General Government		\$ 149,721		
Public Safety		368,395		
Transportation		586,609		
Parks		140,725		
Total depreciation expense		<u>\$ 1,245,450</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities:	Balance			Balance
	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>
Environmental Service Fund:				
Capital assets being depreciated:				
Equipment	\$ 25,550			\$ 25,550
Vehicles	1,302,931	\$ 208,721	\$ 144,752	1,366,900
Totals	<u>\$ 1,328,481</u>	<u>\$ 208,721</u>	<u>\$ 144,752</u>	<u>\$ 1,392,450</u>
Less accumulated depreciation for:				
Equipment	\$ 7,239	\$ 2,555		\$ 9,794
Vehicles	548,580	201,775	\$ 144,752	605,603
Totals	<u>\$ 555,819</u>	<u>\$ 204,330</u>	<u>\$ 144,752</u>	<u>\$ 615,397</u>
Solid Waste Fund:				
Capital assets, net	<u>\$ 772,662</u>	<u>\$ 4,391</u>	<u>\$ -</u>	<u>\$ 777,053</u>
Water & Sewer Fund:				
Land	\$ 1,512,457	\$ 264,123		\$ 1,776,580
Construction	105,194	2,547,401		2,652,595
Total	<u>\$ 1,617,651</u>	<u>\$ 2,811,524</u>	<u>\$ -</u>	<u>\$ 4,429,175</u>
Capital assets being depreciated:				
Buildings	\$ 1,652,739			\$ 1,652,739
Treatment facilities	42,998,361			42,998,361
Lines and related equipment	36,935,233	\$ 288,492		37,223,725
Equipment	13,088,853	455,265	\$ 7,528	13,536,590
Vehicles	1,926,097		213,731	1,712,366
Tanks and reservoirs	4,540,944			4,540,944
Totals	<u>\$ 101,142,227</u>	<u>\$ 743,757</u>	<u>\$ 221,259</u>	<u>\$ 101,664,725</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 645,739	\$ 55,091		\$ 700,830
Treatment facilities	11,689,848	1,357,420		13,047,268
Lines and related equipment	12,733,076	748,668		13,481,744
Equipment	1,409,052	711,464	\$ 7,528	2,112,988
Vehicles	1,046,588	132,610	213,731	965,468
Tanks and reservoirs	1,445,715	132,140		1,577,855
Totals	<u>\$ 28,970,018</u>	<u>\$ 3,137,393</u>	<u>\$ 221,259</u>	<u>\$ 31,886,153</u>
Assets being depreciated, net	<u>\$ 72,172,209</u>	<u>\$ (2,393,636)</u>	<u>\$ -</u>	<u>\$ 69,778,572</u>
Water & Sewer Fund capital assets, net	<u>\$ 73,789,860</u>			<u>\$ 74,207,747</u>
Business-type capital assets, net	<u>\$ 74,562,522</u>			<u>\$ 74,984,800</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Capital asset activity for the ABC Board for the year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 640,091			\$ 640,091
Capital assets being depreciated:				
Buildings	\$ 1,053,192			\$ 1,053,192
Real estate improvements	227,899			227,899
Furniture and equipment	238,270		\$ 7,000	231,270
Vehicles	26,646			26,646
Computer equipment & software	86,350			86,350
Totals	<u>\$ 1,632,357</u>	<u>\$ -</u>	<u>\$ 7,000</u>	<u>\$ 1,625,357</u>
Less accumulated depreciation for:				
Capital assets being depreciated:				
Buildings	\$ 344,644	\$ 26,953		\$ 371,597
Real estate improvements	84,720	6,729		91,449
Furniture and equipment	136,433	19,986	\$ 4,317	152,102
Vehicles	26,646			26,646
Computer equipment & software	35,679	17,150		52,829
Totals	<u>\$ 628,122</u>	<u>\$ 70,818</u>	<u>\$ 4,317</u>	<u>\$ 694,623</u>
Assets being depreciated, net	<u>\$ 1,004,235</u>	<u>\$ (70,818)</u>	<u>\$ 2,683</u>	<u>\$ 930,734</u>
ABC Board capital assets, net	<u>\$ 1,644,326</u>			<u>\$ 1,570,825</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
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 JUNE 30, 2014

B. LIABILITIES:

Pension Plan and Postemployment Obligations:

Local Governmental Employees' Retirement System

Plan Description:

The City of Hendersonville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, or by calling (919) 981-5454.

Funding Policy:

Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City the current rate for employees not engaged in law enforcement is 7.07% and for law enforcement officers is 7.28% of annual covered payroll. For the ABC Board, the current rate for employees is 7.07% of annual covered payroll. The ABC Board pays for both the employee required contribution, and the employer portion. The contribution requirements of members and of the City of Hendersonville and the ABC Board are established and may be amended by the North Carolina General Assembly. The contributions made by the City and the ABC Board equaled the required contributions for each year, which were:

	2014	2013	2012
City	\$652,374	\$595,305	\$630,758
ABC Board (both portions)	\$ 55,054	\$ 49,421	\$ 47,115

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description:

The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

An annual financial report is prepared by Prudential, custodian of the plan assets, for the Department of State Treasurer, which includes the amounts in its annual report. Prudential may be contacted at 30 Scranton Office Park, Scranton, PA 18507. The Department of State Treasurer may be contacted at 325 North Salisbury Street, Raleigh, NC 27603.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Funding Policy:

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other City employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$205,684 which consisted of \$85,274 from the City and \$120,410 from the employees.

Law Enforcement Officers Special Separation Allowance

Plan Description:

The City of Hendersonville administers a public employee retirement plan, (the "Separation Allowance"), a single-employer defined benefit pension plan which provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the system. At December 31, 2013, the system's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>39</u>
Total	<u>44</u>

Summary of Significant Accounting Policies:

Basis of Accounting:

The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No stand-alone financial statements are prepared by the plan, and no additional data is included in the financial statements of any other entity.

Method Used to Value Investments:

No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions:

The City is required by Article 12D of General Statutes Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
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Annual Pension Cost and Net Pension Obligation:

The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 75,945
Interest on net pension obligation	17,795
Adjustment to annual required contribution	<u>(28,997)</u>
Annual pension cost	\$ 64,743
Contributions made	<u>(81,655)</u>
(Decrease) in net pension obligation	\$ (16,912)
Net pension obligation beginning of year	<u>355,906</u>
Net pension obligation end of year	<u><u>\$ 338,994</u></u>

Summary

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 82,143	74.66%	\$ 352,497
6/30/2013	\$ 81,011	95.79%	\$ 355,906
6/30/2014	\$ 64,743	126.12%	\$ 338,994

Actuarial Information

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% to 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Funded Status and Funding Progress:

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$658,739. The covered payroll (annual payroll of active employees covered by the plan) was \$1,768,596 and the ratio of the UAAL to the covered payroll was 37.25 percent. The funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Firemen's and Rescue Squad Workers Pension Plan

Plan Description:

The State of North Carolina contributes, on behalf of the City of Hendersonville, to the Firemen's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27609-1410, or by calling (919) 981-5454.

Funding Policy:

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. During the current year, the City recognized revenue and expenditure of \$6,081 for the State's contribution to the Fund on behalf of the seventeen firemen who were participating.

Other Post-Employment Benefits

HealthCare and Death Benefit Plan

Plan Description:

On June 1, 1988, the City of Hendersonville Board of Commissioners unanimously approved an ordinance to provide post-retirement health benefits to those retirees who participate in the North Carolina Local Governmental Employees' Retirement System and have at least thirty (30) years of creditable service with the City. The City pays the full cost of coverage for these benefits until the retiree becomes eligible for Medicare at the age of 65. A separate report is not issued by the plan.

On August 8, 1985, the City of Hendersonville City Council unanimously approved a resolution to provide a \$5,000 life insurance benefit for all retirees since January 1, 1985, with twenty (20) or more years of service. The benefits will be provided by the City on a pay-as-you-go basis.

As of year end, there are fifty (50) employees eligible for the death benefit with the total liability equal to \$250,000. The City paid out \$15,000 in fiscal year 2013-2014. The actuarial information presented below covers both the healthcare and the death benefit liability.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
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Membership of the HealthCare Benefit Plan (HCB) consisted of the following at December 31, 2013, the date of the latest actuarial valuation.

	<u>General Employees</u>	<u>Law Enforcement</u>
Retirees and dependents receiving benefits	45	5
Active plan members	<u>171</u>	<u>38</u>
Totals	<u>216</u>	<u>43</u>

Funding Policy:

The City pays the full cost of coverage (\$636 per month) for the healthcare benefits paid to qualified retirees. The City's retirees pay \$571 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis, in the City's Internal Service Fund.

The current ARC rate is 2.46% of annual covered payroll. For the current year, the City contributed \$143,834 or 1.63% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund-Health and Welfare Fund, up to a limit of \$4,900 per individual, with the excess being covered by a private insurer, MedCost. The City's required contributions, under the City resolution, for employees not engaged in law enforcement and for law enforcement officers represented 2.05 and 2.17% of covered payroll, respectively. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies:

Postemployment expenditures are made from the General Fund, the Water & Sewer Fund and the Solid Waste Fund, depending on which fund had employed the retired employee, and reported on the modified accrual basis. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits.

CITY OF HENDERSONVILLE, NORTH CAROLINA
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Annual required contribution	\$	248,872
Valuation discount rate		4.00%
Interest on OPEB obligation		30,778
Amortization factor		26.1695
Adjustment to annual required contribution		(29,403)
Annual OPEB cost	\$	250,247
Contributions made		143,834
Increase in net OPEB obligation	\$	106,413
Net OPEB obligation beginning of year		769,460
Net OPEB obligation end of year	\$	875,873

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years were as follows:

Fiscal Year Ended	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
6/30/2012	\$ 271,722	62.40%	\$ 700,353
6/30/2013	\$ 241,623	71.39%	\$ 769,460
6/30/2014	\$ 250,247	57.50%	\$ 875,873

Funding Status and Funding Progress:

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus, the unfunded actuarial accrued liability (UAAL) was \$2,839,860. The covered payroll (annual payroll of active employees covered by the plan) was \$8,830,095, and the ratio of the UAAL to the covered payroll was 32.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information 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 liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Actuarial Information:

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Medical cost trend rate	7.75% to 5%
Year of Ultimate trend rate	2019
Includes inflation at	3.00%

Long-Term Debt:

General Obligation Indebtedness

The City's general obligation bonds for governmental purposes are serviced by the General Fund. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2014, are comprised of the following individual issues:

General Obligation Bonds

Serviced by the General Fund:

1998 Sidewalk Construction Bonds:	\$ 360,000
Interest due each May 1 and November 1 at rates from 4.75% to 5.0%	
\$90,000 principal due each May 1	
2008 Sidewalk Construction Bonds:	1,700,000
Interest due each March 1 and September 1 at rates from 3.5% to 4.3%	
Varying amounts of principal due each March 1,	_____
Total General Obligation Bonds	<u><u>\$2,060,000</u></u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Notes Payable

The City is liable on notes payable for money borrowed to renovate City Hall, to construct infrastructure improvements on Main Street, to purchase a new fire truck and to construct and new fire station, and for water and sewer line extensions, and expansion projects at the water and the sewer plants, which were financed with the proceeds of borrowings from commercial banks and the State of North Carolina. The debt service payments for the City Hall renovation, Main Street infrastructure improvements, fire truck purchase and construction of the new fire station are provided by the General Fund; the water and sewer line extensions and plant expansions are paid by the Water and Sewer Fund.

Governmental Debt

Serviced by the General Fund

Bank of America City Hall Renovation loan	\$ 1,050,000
Principal payment of \$116,667 and interest at 4.1% due each April 14 and October 14	
BB&T Loan for Main Street infrastructure improvements, purchase of fire truck and construction of fire station	5,700,000
Principal payment of \$116,667 and interest at 4.1% due each April 14 and October 14	

Enterprise Debt

Serviced by the Water & Sewer Fund

BB & T Highway Water Plant Expansion Loan	3,946,566
Fixed payment of \$608,680 due each March 19 and September 19 including principal and interest at 3.9%	
J P Morgan Chase Bank Automated Meter Project	10,867,222
Interest due each January 1 and July 1 at 2.583% Principal of \$776,230 due each July 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds	302,640
Interest due each May 1 and November 1 at 3.43% Principal of \$100,880 due each May 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds	486,014
Brightwater Water System Project Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	
State of North Carolina Revolving Loan Fund Clean Water Bonds	5,300,000
Wastewater Treatment Plant Expansion Interest due each May 1 and November 1 at 2.91% Principal of \$662,500 due each May 1	

Total Notes Payable	<u>\$ 27,652,442</u>
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CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Principal and interest requirements for long-term obligations are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 723,333	\$ 324,071	\$ 2,641,891	\$ 567,338
2016	723,334	295,784	2,684,173	483,302
2017	723,333	267,248	2,728,120	397,602
2018	723,333	238,710	2,064,298	310,170
2019	2,366,667	876,604	1,467,319	260,236
2020-2024	2,050,000	460,862	6,011,595	746,057
2025-2029	1,500,000	143,963	3,247,867	164,170
Thereafter			57,179	2,127
Totals	<u>\$ 8,810,000</u>	<u>\$ 2,607,242</u>	<u>\$ 20,902,442</u>	<u>\$ 2,931,002</u>

Changes in long-term liabilities:

	Balances			Balances June 30, 2014	Due Within One Year
	June 30, 2013	Additions	Reductions		
Governmental activities:					
General obligation bonds	\$ 2,250,000		\$ 190,000	\$ 2,060,000	\$ 190,000
Notes payable	7,283,334		533,334	6,750,000	533,333
Compensated absences	534,889	332,947	315,240	552,596	166,000
Other post-employment benefits	467,967	67,627		535,594	-
Net pension obligation	355,906		16,912	338,994	-
Governmental activity long-term liabilities	<u>\$ 10,892,096</u>	<u>\$ 400,574</u>	<u>\$ 1,055,486</u>	<u>\$ 10,237,184</u>	<u>\$ 889,333</u>
Business-type activities:					
Notes payable	\$ 23,503,653		\$ 2,601,211	\$ 20,902,442	\$ 2,641,891
Compensated absences	229,032	\$ 164,002	155,495	237,539	72,000
Other post-employment benefits	301,494	38,786		340,280	
Business-type activities long-term liabilities	<u>\$ 24,034,179</u>	<u>\$ 202,788</u>	<u>\$ 2,756,706</u>	<u>\$ 21,480,261</u>	<u>\$ 2,713,891</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Liabilities related to governmental activities are serviced by the General Fund. Bond and note liabilities related to business-type activities are serviced by the Water & Sewer Fund. Employee-related liabilities are serviced by either or Water & Sewer Fund or the Environmental Service Fund, depending on the assignment of the employee.

Capital Leases

The City is not a party to any capital leases.

ABC Board Debt:

The ABC Board has no long-term obligations, such as bonds, notes payable or capitalized leases.

Legal Debt Margin:

The legal debt margin of the City at June 30, 2014, was \$106,359,401. This represents the maximum amount of long-term debt allowed by law. This is computed as 8% of the total tax base minus certain debt items.

C. FUND BALANCE

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 8,395,233
Less:	
Stabilization by State Statute	913,337
Restricted for law enforcement	131,935
Restricted for economic development	7,906
Appropriated fund balance- 2014 budget	<u>1,122,300</u>
Remaining fund balance	<u>\$ 6,219,755</u>

The following schedule provides information concerning the consolidation of the operating General Fund with a separately budgeted governmental Capital Reserve Fund. The Capital Reserve Fund does not meet the GASBS 54 definition of a special revenue fund, and is shown in the Basic Financial Statements as being consolidated with the General Fund.

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Consolidated</u>
Fund balance July 1, 2013	<u>\$ 8,511,131</u>	<u>\$ 410,164</u>	<u>\$ 8,921,295</u>
Net change in fund balances, excluding			
Excluding Intrafund transfers for			
the year ended June 30, 2014	\$ (526,265)	\$ 203	\$ (526,062)
Intrafund transfers year ended June 30, 2014	<u>(525,740)</u>	<u>525,740</u>	<u>-</u>
Net change in fund balances, adjusted	<u>\$ (1,052,005)</u>	<u>\$ 525,943</u>	<u>\$ (526,062)</u>
Fund balance June 30, 2014	<u>\$ 7,459,126</u>	<u>\$ 936,107</u>	<u>\$ 8,395,233</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

D. ON-BEHALF PAYMENTS:

For the fiscal year ended June 30, 2014, the City of Hendersonville has recognized on-behalf payments for pension contributions made by the State, as a revenue and an expenditure for seventeen participating employed firemen in the amount of \$6,081.

Also, the City has recognized as a revenue and an expenditure \$43,150 of on-behalf payments for fringe benefits, pension and other benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund, during the year ended June 30, 2014. Under State law, the local board of trustees for the fund receives an amount each year, which the board may use at its own discretion for eligible firemen or their department.

E. INTERFUND/ INTER-ENTITY RECEIVABLES, PAYABLES AND TRANSFERS:

Interfund Transfers:

Interfund transfers of the City of Hendersonville for the year ended June 30, 2014 consist of the following:

Transfers to Enterprise Funds:

General Fund to Environmental Service Fund	\$ 127,840
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This transfer was to help offset the operating costs of providing residential waste collection services to City residents.

General Fund to Water and Sewer Fund	\$ 100,880
--------------------------------------	------------

This transfer was to reimburse the Water and Sewer Fund for the principal and interest payments on money borrowed from the State of North Carolina Revolving Loan Fund Clean Water Bonds, to extend sewer lines into areas annexed into the City.

Transfers to Governmental Funds:

Downtown Tax District Fund to General Fund	\$ 100,000
--	------------

This transfer from the Downtown Tax District Fund to the General Fund was to recoup some transfers in earlier years for improvements in the Downtown Tax District.

General Fund to Seventh Avenue Tax District Fund	\$ 37,470
--	-----------

This transfer was to assist the Seventh Avenue Tax District Fund with funds to be used for current operating expenses.

Sidewalk Construction Capital Project Fund to Main Street Infrastructure Improvements Capital Project Fund	\$ 189,046
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This transfer was to provide funds for the replacement of sidewalks on Main Street in the City's Central Business District.

CITY OF HENDERSONVILLE, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

Inter-entity Receivable/ Payables

The composition of inter-entity balances as of June 30, 2014, is as follows:

Receivable Entity	Payable Entity	
Primary Government -	Component Unit	
General Fund	Hendersonville ABC Board	<u>\$ 25,000</u>

This balance exists because the Hendersonville ABC Board made its required final distribution of operating profits to the City of Hendersonville after June 30, 2014.

III. COMMITMENTS AND CONTINGENCIES:

A. COMMITMENTS:

Purchase orders issued by the City give rise to encumbrances. The City's purchase orders, and hence, the encumbrances, lapse at June 30, 2014.

The City has a commitment to provide law enforcement services to the ABC Board, for \$40,000 per year, receivable in quarterly installments.

Construction projects in progress:

At June 30, 2014, the City had a number of construction projects underway.

Project	Contracted Amount	Remaining at June 30, 2014
East Side Fire Station Construction Project	\$ 3,072,198	\$ 129,949
Academy Road Waterline Project	1,076,838	606,850
Wolfpen Sewer Interceptor Project	2,949,947	2,760,034
Jackson Park Sewer Interceptor Project	5,192,417	3,245,259
Shepherd Creek Sewerline Project	<u>2,474,921</u>	<u>2,236,570</u>
Totals	<u>\$ 14,766,321</u>	<u>\$ 8,978,662</u>

B. FUTURE BORROWINGS:

During the current year, the City applied for and was approved to borrow \$9,023,195 from the State Revolving Loan Fund for three water and sewer projects. At year end, no of the funds had been advanced. Accordingly, these amounts are not included in outstanding notes payable at June 30, 2014.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

C. FEDERAL AND STATE ASSISTED PROGRAMS:

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial; thus, no provision has been made for the refund of grant monies.

D. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has property and casualty insurance administered by the Interlocal Risk Financing Fund of North Carolina. Through this company the City has general liability and auto liability coverage of \$1 million per occurrence; property coverage up to \$73 million blanket coverage; and, Law Enforcement and Public Officials Liability Insurance of \$1 million and \$3 million, respectively. The City also carries worker's compensation coverage of up to statutory limits. The City carries commercial insurance coverage for all other risks of loss. There is coverage of \$150,000 for employee dishonesty which covers the finance officer, the tax collector and other employees. The finance officer and the tax collector (two different officials) are also each individually bonded for \$75,000. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City has no facilities within the City limits which are located in a floodplain. The water treatment and wastewater treatment facilities are located outside the City limits. The County does not currently participate in the National Flood Insurance Program, but is being mapped, as a preliminary step to participation. It is not known whether the water and wastewater treatment facilities are located in floodplain areas.

This provides health insurance coverage for employees and their families through a self-insurance plan, administered by MedCost Benefit Services. The plan provides for monthly payment of claims by the City, subject to certain deductible and co-payments, and a maximum annual claims exposure to the City of \$4,900 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General Fund, Downtown Tax District Fund, the Environmental Services Fund, and the Water and Sewer Fund, according to the function of the employees and retirees. Payments of claim expenses up to the annual limit are accounted for in the Internal Service Fund – Health and Welfare Fund, and are then reimbursed by the funds, and reported as expenditures in the funds.

The City of Hendersonville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

E. RELATED ORGANIZATION:

The three member board of the City of Hendersonville Housing Authority is appointed by the City of Hendersonville Board of Commissioners. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Hendersonville is also disclosed as a related organization in the notes to the financial statements for the City of Hendersonville Housing Authority.

CITY OF HENDERSONVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

F. LAWSUITS:

The City is currently a defendant in two lawsuits. They involve the determination of value of pieces of property acquired through eminent domain. The City does not expect the outcomes to adversely affect the City's financial condition.

F. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 3, 2014, which is the date the financial statements were available to be issued.



**Required
Supplementary
Information**

CITY OF HENDERSONVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS

Exhibit A-1

Actuarial Valuation Date Dec. 31,	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
		Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)			
2004	0	\$ 486,524	\$ 486,524	0	\$ 1,353,075	35.96%
2005	0	\$ 471,245	\$ 471,245	0	\$ 1,475,522	31.94%
2006	0	\$ 490,571	\$ 490,571	0	\$ 1,542,417	31.81%
2007	0	\$ 574,165	\$ 574,165	0	\$ 1,611,635	35.63%
2008	0	\$ 621,469	\$ 621,469	0	\$ 1,688,411	36.81%
2009	0	\$ 782,709	\$ 782,709	0	\$ 1,851,891	42.27%
2010	0	\$ 799,934	\$ 799,934	0	\$ 1,834,359	43.61%
2011	0	\$ 791,329	\$ 791,329	0	\$ 1,831,773	43.20%
2012	0	\$ 672,377	\$ 672,377	0	\$ 1,708,834	39.36%
2013	0	\$ 658,739	\$ 658,739	0	\$ 1,768,596	37.25%

CITY OF HENDERSONVILLE, NORTH CAROLINA Exhibit A-2
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 45,507	28.12%
2006	\$ 55,000	23.27%
2007	\$ 51,555	24.82%
2008	\$ 55,102	71.59%
2009	\$ 58,845	89.29%
2010	\$ 63,168	87.85%
2011	\$ 80,269	69.13%
2012	\$ 85,322	77.57%
2013	\$ 85,322	90.95%
2014	\$ 75,945	107.52%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value

Actuarial assumptions :

Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

**CITY OF HENDERSONVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS**

Exhibit A-3

Actuarial Valuation Date <u>Dec. 31,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued		Funded Ratio <u>(a / b)</u>	Covered Payroll <u>(c)</u>	UAAL as a % of Covered Payroll <u>((b - a) / c)</u>
		Liability (AAL) Projected Unit Credit <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>			
2005	0	\$ 2,956,534	\$ 2,956,534	0	\$ 6,499,084	45.49%
2007	0	\$ 4,559,164	\$ 4,559,164	0	\$ 7,446,974	61.22%
2009	0	\$ 3,641,577	\$ 3,641,577	0	\$ 8,593,288	42.38%
2011	0	\$ 3,187,086	\$ 3,187,086	0	\$ 8,846,414	36.03%
2013	0	\$ 2,839,860	\$ 2,839,860	0	\$ 8,830,095	32.16%

**CITY OF HENDERSONVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Exhibit A-4

<u>Fiscal Year June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 336,444	41.15%
2010	\$ 350,149	34.57%
2011	\$ 261,457	61.80%
2012	\$ 268,826	36.79%
2013	\$ 239,520	71.40%
2014	\$ 216,730	66.37%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years (open ended)
Amortization factor	26.1695
Asset valuation method	Market value
Actuarial assumptions :	
Investment rate of return	4.00%
Medical cost trend rate	7.75 % to 5.00 %
Year of ultimate trend rate	2019
Includes inflation at	3.00 %



General Fund

The General Fund is the chief operating fund of local government.

Generally accepted accounting principles (GAAP) dictate that the General Fund be used to account for resources traditionally associated with government which are not required legally to be accounted for in another fund. GAAP prescribe that a government report only one general fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 6,640,000	\$ 6,575,000	\$ 7,026,870	\$ 451,870	\$ 6,739,874
Penalties and interest	40,000	29,000	44,617	15,617	19,654
Refunds	(5,000)			-	26,592
Total	<u>\$ 6,675,000</u>	<u>\$ 6,604,000</u>	<u>\$ 7,071,487</u>	<u>\$ 467,487</u>	<u>\$ 6,786,120</u>
Other taxes and licenses:					
Beer and wine	\$ 2,000	\$ 2,000	\$ 2,535	\$ 535	\$ 2,480
Local vehicle rental tax	5,000	9,000	13,386	4,386	9,825
Gross receipts tax	300,000	377,700	386,373	8,673	519,295
Total	<u>\$ 307,000</u>	<u>\$ 388,700</u>	<u>\$ 402,294</u>	<u>\$ 13,594</u>	<u>\$ 531,600</u>
Unrestricted intergovernmental:					
Local option sales taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,441,255	\$ 141,255	\$ 2,404,610
Payments in lieu of taxes	13,000	13,000	13,303	303	13,303
Utility franchise tax	550,000	550,000	651,063	101,063	622,803
Telecommunications sales tax	250,000	250,000	289,965	39,965	307,441
Video programming fee	100,000	100,000	115,847	15,847	117,791
Beer and wine tax	50,000	50,000	58,152	8,152	53,610
ABC profit distribution	80,000	75,000	82,500	7,500	75,000
Court fees	5,000	5,000	6,952	1,952	5,829
Total	<u>\$ 3,348,000</u>	<u>\$ 3,343,000</u>	<u>\$ 3,659,037</u>	<u>\$ 316,037</u>	<u>\$ 3,600,387</u>
Restricted intergovernmental:					
Powell Bill allocation	\$ 360,000	\$ 366,200	\$ 381,650	\$ 15,450	\$ 377,115
Drug forfeitures	5,000	5,000	19,194	14,194	21,828
ABC law enforcement services	40,000	40,000	40,000		40,000
Other			4,260	4,260	
On-behalf-of payments:					
Firemen's Relief			49,231	49,231	47,605
School Resource Officer	40,840	40,840	37,838	(3,002)	37,838
Total	<u>\$ 445,840</u>	<u>\$ 452,040</u>	<u>\$ 532,173</u>	<u>\$ 80,133</u>	<u>\$ 524,386</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Permits and fees:					
Building permits and inspection fees	\$ 7,350	\$ 14,200	\$ 14,057	\$ (143)	\$ 16,096
Vendor permits	9,000	16,000	15,125	(875)	16,385
Special project fees	8,500	8,500	18,057	9,557	15,082
Stormwater permits	1,000	1,000	849	(151)	2,067
Total	<u>\$ 25,850</u>	<u>\$ 39,700</u>	<u>\$ 48,088</u>	<u>\$ 8,388</u>	<u>\$ 49,630</u>
Sales and services:					
Recreation department fees	\$ 40,000	\$ 39,000	\$ 58,573	\$ 19,573	\$ 54,015
Patton Pool revenues	86,000	86,000	109,511	23,511	108,578
Parking revenues	75,000	74,000	98,555	24,555	75,042
Cemetery lots	10,000	9,000	16,000	7,000	2,225
Alarm fees	2,500	1,950	1,250	(700)	5,500
Total	<u>\$ 213,500</u>	<u>\$ 209,950</u>	<u>\$ 283,889</u>	<u>\$ 73,939</u>	<u>\$ 245,360</u>
Investment earnings	<u>\$ 9,100</u>	<u>\$ 9,100</u>	<u>\$ 15,083</u>	<u>\$ 5,983</u>	<u>\$ 10,188</u>
Miscellaneous:					
Insurance proceeds		\$ 15,000	\$ 38,897	\$ 23,897	\$ 16,668
Parking violations	\$ 31,000	31,000	59,574	28,574	61,808
Sales of property	500	500	19,054	18,554	15,540
Other	3,250	3,250	126,971	123,721	11,212
Total	<u>\$ 34,750</u>	<u>\$ 49,750</u>	<u>\$ 244,496</u>	<u>\$ 194,746</u>	<u>\$ 105,228</u>
Total revenues	<u><u>\$ 11,059,040</u></u>	<u><u>\$ 11,096,240</u></u>	<u><u>\$ 12,256,547</u></u>	<u><u>\$ 1,160,307</u></u>	<u><u>\$ 11,852,899</u></u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-1
Page 3 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Expenditures:					
General government:					
Governing body:					
Salaries and employee benefits	\$ 49,350	\$ 48,411	\$ 46,157	\$ 2,254	\$ 45,554
Operating expenses	48,350	66,845	62,798	4,047	34,020
Dues and appropriations	168,500	182,000	196,020	(14,020)	327,801
Reimbursement-enterprise fund	(26,500)	(26,500)	(24,106)	(2,394)	(23,983)
Total	<u>\$ 239,700</u>	<u>\$ 270,756</u>	<u>\$ 280,869</u>	<u>\$ (10,113)</u>	<u>\$ 383,392</u>
Administration:					
Salaries and employee benefits	\$ 315,520	\$ 328,457	\$ 315,983	\$ 12,474	\$ 307,253
Operating expenses	65,400	75,550	81,878	(6,328)	77,337
Capital outlay		11,850	16,825	(4,975)	
Reimbursement-enterprise fund	(157,260)	(157,260)	(156,089)	(1,171)	(165,895)
Total	<u>\$ 223,660</u>	<u>\$ 258,597</u>	<u>\$ 258,597</u>	<u>\$ -</u>	<u>\$ 218,695</u>
Finance:					
Salaries and employee benefits	\$ 751,110	\$ 755,604	\$ 737,989	\$ 17,615	\$ 713,425
Operating expenses	112,400	106,360	113,207	(6,847)	65,245
Reimbursement-enterprise fund	(487,200)	(487,200)	(474,931)	(12,269)	(458,300)
Total	<u>\$ 376,310</u>	<u>\$ 374,764</u>	<u>\$ 376,265</u>	<u>\$ (1,501)</u>	<u>\$ 320,370</u>
City engineer:					
Salaries and employee benefits	\$ 423,820	\$ 406,451	\$ 401,398	\$ 5,053	\$ 356,363
Operating expenses	22,400	22,252	19,605	2,647	15,311
Reimbursement-enterprise fund	(231,880)	(231,880)	(231,880)		(176,243)
Total	<u>\$ 214,340</u>	<u>\$ 196,823</u>	<u>\$ 189,123</u>	<u>\$ 7,700</u>	<u>\$ 195,431</u>
Information technology:					
Salaries and employee benefits	\$ 108,560	\$ 109,480	\$ 105,154	\$ 4,326	\$ 102,385
Operating expenses	272,500	278,717	279,886	(1,169)	306,774
Capital outlay	26,000				24,820
Reimbursement-enterprise fund	(125,880)	(125,880)	(122,724)	(3,156)	(81,054)
Total	<u>\$ 281,180</u>	<u>\$ 262,317</u>	<u>\$ 262,316</u>	<u>\$ 1</u>	<u>\$ 352,925</u>
Legal department:					
Salaries and employee benefits	\$ 176,270	\$ 182,405	\$ 181,288	\$ 1,117	\$ 175,708
Operating expenses	31,240	31,340	24,200	7,140	26,053
Reimbursement-enterprise fund	(88,200)	(88,200)	(90,667)	2,467	(87,267)
Total	<u>\$ 119,310</u>	<u>\$ 125,545</u>	<u>\$ 114,821</u>	<u>\$ 10,724</u>	<u>\$ 114,494</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit B-1
Page 4 of 6

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Fleet maintenance:					
Salaries and employee benefits	\$ 312,050	\$ 311,349	\$ 314,180	\$ (2,831)	\$ 295,883
Operating expenses	135,000	144,518	125,471	19,047	121,405
Capital outlay					24,619
Reimbursement-other departments	(60,000)	(66,000)	(73,164)	7,164	(82,176)
Reimbursement-enterprise fund	(40,000)	(43,612)	(47,880)	4,268	(50,597)
Total	<u>\$ 347,050</u>	<u>\$ 346,255</u>	<u>\$ 318,607</u>	<u>\$ 27,648</u>	<u>\$ 309,134</u>
Public buildings:					
Salaries and employee benefits	\$ 173,980	\$ 180,688	\$ 175,375	\$ 5,313	\$ 166,645
Operating expenses	234,825	246,751	252,065	(5,314)	210,315
Capital outlay	12,000				102,828
Total	<u>\$ 420,805</u>	<u>\$ 427,439</u>	<u>\$ 427,440</u>	<u>\$ (1)</u>	<u>\$ 479,788</u>
Total general government	<u>\$ 2,222,355</u>	<u>\$ 2,262,496</u>	<u>\$ 2,228,038</u>	<u>\$ 34,458</u>	<u>\$ 2,374,229</u>
Public safety:					
Police:					
Salaries and employee benefits	\$ 3,116,160	\$ 3,201,891	\$ 3,213,456	\$ (11,565)	\$ 3,063,071
Operating expenses	649,850	627,333	652,507	(25,174)	602,275
Capital outlay	104,000	130,768	131,968	(1,200)	100,918
Total	<u>\$ 3,870,010</u>	<u>\$ 3,959,992</u>	<u>\$ 3,997,931</u>	<u>\$ (37,939)</u>	<u>\$ 3,766,264</u>
Fire:					
Salaries and employee benefits	\$ 1,687,000	\$ 1,591,780	\$ 1,589,437	\$ 2,343	\$ 1,224,635
Operating expenses	350,500	356,399	350,991	5,408	332,928
Capital outlay	50,000	44,567	52,319	(7,752)	583,171
On-behalf payments:					
Firemen's Relief fund			49,231	(49,231)	47,605
Contract coverage-Vol. departments					64,000
Total	<u>\$ 2,087,500</u>	<u>\$ 1,992,746</u>	<u>\$ 2,041,978</u>	<u>\$ (49,232)</u>	<u>\$ 2,252,339</u>
Zoning:					
Salaries and employee benefits	\$ 131,800	\$ 131,713	\$ 133,882	\$ (2,169)	\$ 128,142
Operating expenses	43,900	43,773	29,899	13,874	29,975
Total	<u>\$ 175,700</u>	<u>\$ 175,486</u>	<u>\$ 163,781</u>	<u>\$ 11,705</u>	<u>\$ 158,117</u>
Planning:					
Salaries and employee benefits	\$ 179,090	\$ 149,959	\$ 149,478	\$ 481	\$ 142,851
Operating expenses	29,450	29,348	27,993	1,355	21,797
Total	<u>\$ 208,540</u>	<u>\$ 179,307</u>	<u>\$ 177,471</u>	<u>\$ 1,836</u>	<u>\$ 164,648</u>
Total public safety	<u>\$ 6,341,750</u>	<u>\$ 6,307,531</u>	<u>\$ 6,381,161</u>	<u>\$ (73,630)</u>	<u>\$ 6,341,368</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND

Exhibit B-1
Page 5 of 6

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Transportation:					
Administration:					
Salaries and employee benefits	\$ 251,265	\$ 250,855	\$ 252,203	\$ (1,348)	\$ 240,163
Operating expenses	79,520	83,970	72,697	11,273	66,915
Capital outlay					26,759
Total	<u>\$ 330,785</u>	<u>\$ 334,825</u>	<u>\$ 324,900</u>	<u>\$ 9,925</u>	<u>\$ 333,837</u>
Streets and highways:					
Salaries and employee benefits	\$ 405,560	\$ 407,560	\$ 394,130	\$ 13,430	\$ 381,084
Operating expenses	420,085	515,288	498,246	17,042	266,097
Capital outlay	68,000	55,000	71,566	(16,566)	
Reimbursement-enterprise fund	(143,300)	(151,019)	(157,815)	6,796	(182,149)
Total	<u>\$ 750,345</u>	<u>\$ 826,829</u>	<u>\$ 806,127</u>	<u>\$ 20,702</u>	<u>\$ 465,032</u>
State Street Aid allocation:					
Operating expenses	\$ 360,000	\$ 679,129	\$ 358,185	\$ 320,944	\$ 349,978
Capital outlay			320,943	(320,943)	
Total	<u>\$ 360,000</u>	<u>\$ 679,129</u>	<u>\$ 679,128</u>	<u>\$ 1</u>	<u>\$ 349,978</u>
Traffic engineering:					
Salaries and employee benefits	\$ 123,250	\$ 128,613	\$ 122,695	\$ 128,613	\$ 117,215
Operating expenses	219,855	221,202	235,294	(14,092)	263,920
Total	<u>\$ 343,105</u>	<u>\$ 349,815</u>	<u>\$ 357,989</u>	<u>\$ (8,174)</u>	<u>\$ 381,135</u>
Total transportation	<u>\$ 1,784,235</u>	<u>\$ 2,190,598</u>	<u>\$ 2,168,144</u>	<u>\$ 22,454</u>	<u>\$ 1,529,982</u>
Park maintenance, drainage and lot clearing:					
Salaries and employee benefits	\$ 402,360	\$ 417,207	\$ 417,938	\$ (731)	\$ 387,751
Operating expenses	64,750	64,750	64,014	736	65,818
Capital outlay	69,000	69,000	65,619	3,381	10,320
Total park maintenance, drainage, and lot clearing	<u>\$ 536,110</u>	<u>\$ 550,957</u>	<u>\$ 547,571</u>	<u>\$ 3,386</u>	<u>\$ 463,889</u>
Cultural and recreational:					
Patton Park Pool:					
Salaries and employee benefits	\$ 124,480	\$ 123,896	\$ 118,942	\$ 4,954	\$ 115,671
Operating expenses	97,500	95,700	96,461	(761)	85,257
Total cultural and recreational	<u>\$ 221,980</u>	<u>\$ 219,596</u>	<u>\$ 215,403</u>	<u>\$ 4,193</u>	<u>\$ 200,928</u>

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Debt service:					
Principal	\$ 723,350	\$ 723,350	\$ 723,333	\$ 17	\$ 423,333
Interest and fees	352,990	352,990	352,972	18	185,869
Total debt service	\$ 1,076,340	\$ 1,076,340	\$ 1,076,305	\$ 35	\$ 609,202
Total expenditures	\$ 12,182,770	\$ 12,607,518	\$ 12,616,622	\$ (9,104)	\$ 11,519,598
Revenues over (under) expenditures	\$ (1,123,730)	\$ (1,511,278)	\$ (360,075)	\$ 1,151,203	\$ 333,301
Other financing sources / (uses)					
Issuance of debt					\$ 600,000
Transfers from (to) other funds:					
Enterprise funds:					
Environmental Service Fund	\$ (127,840)	\$ (127,840)	\$ (127,840)		(269,940)
Water and Sewer Fund	(100,880)	(100,880)	(100,880)		(100,880)
Downtown Tax District Fund	100,000	100,000	100,000		100,000
Seventh Avenue Tax District Fund	(37,470)	(37,470)	(37,470)		(38,080)
Capital Reserve Fund	284,260	284,260	284,260		293,970
Capital Reserve Fund		(810,000)	(810,000)		
Fire Station Capital Projects Fund					(27,600)
Improvement Project Fund					(45,000)
Contingencies budgeted	(150,000)	(150,000)		\$ 150,000	
Fund balance appropriated	1,155,660	2,353,208		(2,353,208)	
Total other financing sources (uses)	\$ 1,123,730	\$ 1,511,278	\$ (691,930)	\$ (2,203,208)	\$ (87,530)
Revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ -	\$ (1,052,005)	\$ (1,052,005)	\$ 245,771
Fund balances:					
Beginning of year, July 1			8,511,131		7,665,360
End of year, June 30			\$ 7,459,126		\$ 7,911,131



Capital Reserve Fund

The Capital Reserve Fund is a fund with a separately adopted budget which receives transfers from the General Fund and transfers to the General Fund and other governmental funds to facilitate major capital expenditures.



CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-2

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013 Actual
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
Revenues:					
Investment earnings	\$ 1,000	\$ 1,000	\$ 221	\$ (779)	\$ 721
Total revenues	\$ 1,000	\$ 1,000	\$ 221	\$ (779)	\$ 721
Expenditures:					
General government:					
Investment fees	\$ 1,000	\$ 1,000	\$ 18	\$ 982	\$ 347
Total expenditures	\$ 1,000	\$ 1,000	\$ 18	\$ 982	\$ 347
Revenues over (under) expenditures	\$ -	\$ -	\$ 203	\$ 203	\$ 374
Other financing sources (uses):					
Transfer from General Fund		\$ 810,000	\$ 810,000		
Transfer(to)General Fund	\$ (284,260)	(284,260)	(284,260)		\$ (293,970)
Appropriated fund balance (increase)	284,260	(525,740)	-	\$ 525,740	
Total other financing sources (use)	\$ -	\$ -	\$ 525,740	\$ 525,740	\$ (293,970)
Revenues and other financing sources over (under) expenditures and other uses	\$ -	\$ -	\$ 525,943	\$ 525,943	\$ (293,596)
Fund balance:					
Beginning of year, July 1			410,164		703,760
End of year, June 30			\$ 936,107		\$ 410,164



Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit C-1

SPECIAL REVENUE FUNDS

	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Grant Fund	Oklawaha Greenways Phase 3 Grant Fund	Total
Assets					
Cash and cash equivalents	\$ 108,945	\$ 6,270			\$ 115,215
Restricted cash and cash equivalents			\$ 1,119	\$ 886	2,005
Receivables:					
Taxes (net)	7,516	630			8,146
Accounts	539	133			672
Grants				22,257	22,257
Refundable taxes	3,158	179			3,337
Total Assets	\$ 120,158	\$ 7,212	\$ 1,119	\$ 23,143	\$ 151,632
Liabilities:					
Accounts payable	\$ 12,033	\$ 192		\$ 23,143	\$ 35,368
Salaries payable	1,884				1,884
Retainages payable					-
Total Liabilities	\$ 13,917	\$ 192	\$ -	\$ 23,143	\$ 37,252
Deferred inflows of resources:					
Unearned grant revenues			\$ 1,119		\$ 1,119
Property taxes receivable	\$ 7,516	\$ 630			8,146
Total deferred inflows of resources	\$ 7,516	\$ 630	\$ 1,119	\$ -	\$ 9,265
Fund balances:					
Restricted					
Stabilization by state Statute	\$ 3,697	\$ 312			\$ 4,009
Economic development	49,028	6,078			55,106
Public safety					-
Transportation					-
Assigned					
Subsequent year's expenditures	46,000				46,000
Total fund balances	\$ 98,725	\$ 6,390	\$ -	\$ -	\$ 105,115
Total Liabilities, deferred inflows of resources and fund balances	\$ 120,158	\$ 7,212	\$ 1,119	\$ 23,143	\$ 151,632

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit C-1

CAPITAL PROJECT FUNDS

<u>Sidewalk Construction Project Fund</u>	<u>East Side Fire Station Construction Project Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 958,013	\$ 439,337	\$ 1,397,350	\$ 115,215 1,399,355
			8,146 672 22,257 68,735
\$ 958,013	\$ 504,735	\$ 1,462,748	\$ 1,614,380
	\$ 95,155	\$ 95,155	\$ 130,523 1,884 154,567
	\$ 249,722	\$ 249,722	\$ 286,974
			1,119 8,146
\$ -	\$ -	\$ -	\$ 9,265
	\$ 65,398	\$ 65,398	\$ 69,407 55,106 189,615 958,013
\$ 958,013	\$ 189,615	\$ 958,013	\$ 46,000
\$ 958,013	\$ 255,013	\$ 1,213,026	\$ 1,318,141
\$ 958,013	\$ 504,735	\$ 1,462,748	\$ 1,614,380

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-2

SPECIAL REVENUE FUNDS						
	Downtown Tax District Fund	Seventh Avenue Tax District Fund	Gov Hwy Safety Bike Safe H'ville Grant Fund	Oakdale Cemetery Historic Nomination Project Grant Fund	Oklawaha Greenway Phase 3 Grant Fund	Totals
Revenues:						
Ad valorem taxes	\$ 235,910	\$ 12,142				248,052
Unrestricted intergovernmental	100,600	2,500				103,100
Restricted intergovernmental			\$ 36,936	\$ 2,800	\$ 23,143	62,879
Special events income	130,184					130,184
Local contributions						-
Miscellaneous income	1,778	3,603				5,381
Investment earnings	146	8				154
Total Revenues	\$ 468,618	\$ 18,253	\$ 36,936	\$ 2,800	\$ 23,143	\$ 549,750
Expenditures:						
Public safety			\$ 36,936			\$ 36,936
Transportation					\$ 23,143	23,143
Economic and physical development	\$ 381,530	\$ 67,193		\$ 4,500		453,223
Total Expenditures	\$ 381,530	\$ 67,193	\$ 36,936	\$ 4,500	\$ 23,143	\$ 513,302
Revenues over (under) expenditures	\$ 87,088	\$ (48,940)	\$ -	\$ (1,700)	\$ -	\$ 36,448
Other financing sources / (uses):						
Transfers - Capital Project Funds						
Transfer in - General Fund		\$ 37,470				\$ 37,470
Transfer out - General Fund	\$ (100,000)					(100,000)
Total other financing sources / (uses)	\$ (100,000)	\$ 37,470	\$ -	\$ -	\$ -	\$ (62,530)
Revenues and other financing sources over (under) expenditures and other (uses):	\$ (12,912)	\$ (11,470)	\$ -	\$ (1,700)	\$ -	\$ (26,082)
Fund balances:						
Beginning of year, July 1	111,637	17,860		1,700		131,197
End of year, June 30	<u>\$ 98,725</u>	<u>\$ 6,390</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,115</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-2

CAPITAL PROJECT FUNDS

<u>Sidewalk Construction Project Fund</u>	<u>Main Street Infrastructure Improvement Project Fund</u>	<u>East Side Fire Station Construction Project Fund</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
				\$ 248,052
				103,100
				62,879
				130,184
	\$ 22,645		\$ 22,645	22,645
				5,381
\$ 112	134	\$ 631	877	1,031
\$ 112	\$ 22,779	\$ 631	\$ 23,522	\$ 573,272
		\$ 2,937,323	\$ 2,937,323	\$ 2,974,259
	\$ 411,491		411,491	434,634
				453,223
\$ -	\$ 411,491	\$ 2,937,323	\$ 3,348,814	\$ 3,862,116
\$ 112	\$ (388,712)	\$ (2,936,692)	\$ (3,325,292)	\$ (3,288,844)
\$ (189,046)	\$ 189,046			\$ 37,470
				(100,000)
\$ (189,046)	\$ 189,046	\$ -	\$ -	\$ (62,530)
\$ (188,934)	\$ (199,666)	\$ (2,936,692)	\$ (3,325,292)	\$ (3,351,374)
1,146,947	199,666	3,191,705	4,538,318	4,669,515
\$ 958,013	\$ -	\$ 255,013	\$ 1,213,026	\$ 1,318,141



Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purchases.



CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit C-3

DOWNTOWN TAX DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE -- BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Actual	Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts				
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 224,950	\$ 229,150	\$ 233,421	\$ 4,271	\$ 242,977
Penalties and interest	600	1,330	2,489	1,159	2,063
Refunds	(100)	(100)	-	100	
Total	\$ 225,450	\$ 230,380	\$ 235,910	\$ 5,530	\$ 245,040
Sales and use taxes	\$ 100,600	\$ 100,600	\$ 100,600		\$ 100,600
Special events income		120,525	130,184	\$ 9,659	14,117
Miscellaneous income		700	1,778	1,078	
Investment earnings	50	50	146	96	17
Total revenues	\$ 326,100	\$ 452,255	\$ 468,618	\$ 16,363	\$ 359,774
Expenditures:					
Economic and physical development:					
Salaries and employee benefits	\$ 84,290	\$ 84,290	\$ 76,393	\$ 7,897	\$ 60,642
Operating expenses	226,650	226,650	193,749	32,901	
Special events costs		126,155	111,388	14,767	193,955
Total expenditures	\$ 310,940	\$ 437,095	\$ 381,530	\$ 55,565	\$ 254,597
Revenues over (under) expenditures	\$ 15,160	\$ 15,160	\$ 87,088	\$ 71,928	\$ 105,177
Other financing sources / (uses)					
Transfer (to) General Fund	\$ (100,000)	\$ (100,000)	\$ (100,000)		\$ (100,000)
Fund balance appropriated	84,840	84,840	-	\$ (84,840)	
Total other financing sources / (uses)	\$ (15,160)	\$ (15,160)	\$ (100,000)	\$ (84,840)	\$ (100,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ (12,912)	\$ (12,912)	\$ 5,177
Fund balances:					
Beginning of year, July 1			111,637		106,460
End of year, June 30			\$ 98,725		\$ 111,637

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C-4

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
Ad valorem taxes:					
Taxes	\$ 11,700	\$ 11,610	\$ 11,639	\$ 29	\$ 12,548
Penalties and interest	100	140	503	363	
Refunds	(50)	-		-	243
Total	\$ 11,750	\$ 11,750	\$ 12,142	\$ 392	\$ 12,791
Sales and use taxes	\$ 2,500	\$ 2,500	\$ 2,500		\$ 2,500
Miscellaneous		3,471	3,603	\$ 132	168
Investment earnings			8	8	2
Total revenues	\$ 14,250	\$ 17,721	\$ 18,253	\$ 532	\$ 15,461
Expenditures:					
Economic and physical development:					
Operating expenses	\$ 51,720	\$ 69,191	\$ 67,193	\$ 1,998	\$ 43,101
Capital outlay				-	10,962
Total expenditures	\$ 51,720	\$ 69,191	\$ 67,193	\$ 1,998	\$ 54,063
Revenues over (under) expenditures	\$ (37,470)	\$ (51,470)	\$ (48,940)	\$ 2,530	\$ (38,602)
Other financing sources					
Transfer from General Fund	\$ 37,470	\$ 37,470	\$ 37,470		\$ 38,080
Fund balance appropriated		14,000		\$ (14,000)	
Total other financing sources	\$ 37,470	\$ 51,470	\$ 37,470	\$ (14,000)	\$ 38,080
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ (11,470)	\$ (11,470)	\$ (522)
Fund balances:					
Beginning of year, July 1			17,860		18,382
End of year, June 30			\$ 6,390		\$ 17,860

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit C-5

SPECIAL REVENUE FUND

GOVERNOR'S HIGHWAY SAFETY PROGRAM

BIKE SAFE HENDERSONVILLE PROGRAM GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 163,319	\$ 65,907	\$ 36,936	\$ 102,843	\$ (60,476)
Total revenues	\$ 163,319	\$ 65,907	\$ 36,936	\$ 102,843	\$ (60,476)
Expenditures :					
Public safety					
Police department					
Operating expense	\$ 30,554	\$ 11,467	\$ 3,772	\$ 15,239	\$ 15,315
Capital outlay	132,765	54,440	33,164	87,604	45,161
Total expenditures	\$ 163,319	\$ 65,907	\$ 36,936	\$ 102,843	\$ 60,476
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			\$ -		
End of year, June 30			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit C-6

SPECIAL REVENUE FUND

OAKDALE CEMETERY HISTORIC NOMINATION PROJECT GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 2,800		\$ 2,800	\$ 2,800	\$ -
Local contributions	<u>3,200</u>	\$ 3,200	<u>-</u>	<u>3,200</u>	
Total revenues	\$ <u>6,000</u>	\$ <u>3,200</u>	\$ <u>2,800</u>	\$ <u>6,000</u>	\$ -
Expenditures :					
Economic development					
Operating expenditures	\$ 6,000	<u>1,500</u>	\$ <u>4,500</u>	\$ <u>6,000</u>	\$ -
Total expenditures	\$ <u>6,000</u>	\$ <u>1,500</u>	\$ <u>4,500</u>	\$ <u>6,000</u>	\$ -
Revenues over (under) expenditures	\$ -	\$ <u>1,700</u>	\$ (1,700)	\$ <u>(2,800)</u>	\$ -
Fund balance:					
Beginning of year, July 1			<u>1,700</u>		
End of year, June 30			\$ <u>-</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit C-7

SPECIAL REVENUE FUND

OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant revenue	\$ 1,200,000		\$ 23,143	\$ 23,143	\$(1,176,857)
Total revenues	\$ 1,200,000	\$ -	\$ 23,143	\$ 23,143	\$(1,176,857)
Expenditures:					
Transportation:					
Professional services	\$ 75,865		\$ 10,828	\$ 10,828	\$ 65,037
Engineering services	24,355		12,315	12,315	12,040
Capital outlay - other improvements	999,800			-	999,800
Contingencies	99,980				99,980
Total expenditures	\$ 1,200,000	\$ -	\$ 23,143	\$ 23,143	\$ 1,176,857
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		



Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit D-1

CAPITAL PROJECTS FUND

SIDEWALK CONSTRUCTION PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
State grant	\$ 105,000	\$ 105,000		\$ 105,000	
Federal grant	325,000	325,000		325,000	
Local contributions	52,260	52,260		52,260	
Investment earnings	1,900	32,231	\$ 112	32,343	\$ 30,443
Total revenues	\$ 484,160	\$ 514,491	\$ 112	\$ 514,603	\$ 30,443
Expenditures :					
Transportation:					
Capital outlay- sidewalk construction	\$ 2,345,850	\$ 1,467,544	\$ -	\$ 1,467,544	\$ 878,306
Total expenditures	\$ 2,345,850	\$ 1,467,544	\$ -	\$ 1,467,544	\$ 878,306
Revenues over (under) expenditures	\$ (1,861,690)	\$ (953,053)	\$ 112	\$ (952,941)	\$ 908,749
Other financing sources (uses):					
General obligation bonds issued	\$ 2,100,000	\$ 2,100,000		\$ 2,100,000	
Transfer to Hwy 64 Sidewalk Fund	(29,264)				\$ 29,264
Transfer to Main Street Cap Project	(209,046)		\$ (189,046)	(189,046)	20,000
Total other financing sources (uses):	\$ 1,861,690	\$ 2,100,000	\$ (189,046)	\$ 1,910,954	\$ 49,264
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,146,947	\$ (188,934)	\$ 958,013	\$ 958,013
Fund balance:					
Beginning of year, July 1			1,146,947		
End of year, June 30			\$ 958,013		

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND

Exhibit D-2

MAIN STREET INFRASTRUCTURE IMPROVEMENT PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES--BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Local contributions	\$ 65,263	\$ 65,263	\$ 22,645	\$ 87,908	
Investment earnings	100	167	134	301	\$ 201
Total revenues	<u>\$ 65,363</u>	<u>\$ 65,430</u>	<u>\$ 22,779</u>	<u>\$ 88,209</u>	<u>\$ 201</u>
Expenditures :					
Transportation:					
Capital outlay- street and sidewalk construction	\$ 3,584,330	\$ 2,951,029	\$ 411,491	\$ 3,362,520	\$ 221,810
Total expenditures	<u>\$ 3,584,330</u>	<u>\$ 2,951,029</u>	<u>\$ 411,491</u>	<u>\$ 3,362,520</u>	<u>\$ 221,810</u>
Revenues over (under) expenditures	<u>\$ (3,518,967)</u>	<u>\$ (2,885,599)</u>	<u>\$ (388,712)</u>	<u>\$ (3,274,311)</u>	<u>\$ 222,011</u>
Other financing sources :					
Transfer from General Fund	\$ 111,412	\$ 111,412	\$ -	\$ 111,412	
Transfer from Capital Reserve Fund	1,173,853	1,173,853		1,173,853	
Transfer from Sidewalk Capital Project Fund	209,046		189,046	189,046	(20,000)
Transfer from Water & Sewer Fund	224,654		-	-	(224,654)
Proceeds of bank debt	1,800,002	1,800,000	-	1,800,000	\$ (2)
Total other financing sources	<u>\$ 3,518,967</u>	<u>\$ 3,085,265</u>	<u>\$ 189,046</u>	<u>\$ 3,274,311</u>	<u>\$ (244,656)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 199,666</u>	<u>\$ (199,666)</u>	<u>\$ -</u>	<u>\$ (22,645)</u>
Fund balance:					
Beginning of year, July 1			199,666		
End of year, June 30			<u>\$ -</u>		

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL PROJECTS FUND

Exhibit D-3

EAST SIDE FIRE STATION CONSTRUCTION PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ 1,100	\$ 333	\$ 631	\$ 964	\$ (136)
Total revenues	\$ 1,100	\$ 333	\$ 631	\$ 964	\$ (136)
Expenditures :					
Public safety					
Fire Department					
Capital outlay-					
East Side Fire Station Construction	\$ 4,313,700	\$ 1,121,228	\$ 2,937,323	\$ 4,058,551	\$ 255,149
Total expenditures	\$ 4,313,700	\$ 1,121,228	\$ 2,937,323	\$ 4,058,551	\$ 255,149
Revenues over (under) expenditures	\$ (4,312,600)	\$ (1,121,228)	\$ (2,936,692)	\$ (4,057,587)	\$ 255,013
Other financing sources :					
Proceeds of bank debt	\$ 3,600,000	\$ 3,600,000		\$ 3,600,000	
Transfer-Capital Reserve Fund	175,171	175,171		175,171	
Transfer-General Fund	537,429	537,429		537,429	
Total other financing sources	\$ 4,312,600	\$ 4,312,600	\$ -	\$ 4,312,600	\$ -
Revenues and other financing sources over expenditures	\$ -	\$ 3,191,372	\$ (2,936,692)	\$ 255,013	\$ 255,013
Fund balance:					
Beginning of year, July 1			3,191,705		
End of year, June 30			\$ 255,013		

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit E-1

ENVIRONMENTAL SERVICE FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Waste collection:					
Base charge (all users)	\$ 60,000	\$ 60,000	\$ 80,770	\$ 20,770	\$ 78,368
Residential	763,400	763,400	808,276	44,876	698,616
Commercial	148,600	148,600	152,882	4,282	147,980
Total operating revenues	\$ 972,000	\$ 972,000	\$ 1,041,928	\$ 69,928	\$ 924,964
Non-operating revenues:					
Investment earnings	\$ 10	\$ 10	\$ 521	\$ 511	\$ 10
State Solid Waste Tax	8,500	8,500	8,122	(378)	7,479
Federal grants	135,000	135,000	105,000	(30,000)	
Miscellaneous			25,214	25,214	
Transfer from General Fund	127,840	127,840	127,840		269,940
Total non-operating revenues	\$ 271,350	\$ 271,350	\$ 266,697	\$ (4,653)	\$ 277,429
Total revenues	\$ 1,243,350	\$ 1,243,350	\$ 1,308,625	\$ 65,275	\$ 1,202,393
Expenditures:					
Waste collection and treatment:					
Salaries and employee benefits	\$ 532,740	\$ 544,340	\$ 571,720	\$ (27,380)	\$ 485,738
Landfill tipping fees	200,000	200,000	208,407	(8,407)	187,681
Other departmental expenses	525,060	508,839	400,593	108,246	180,221
Contracted services	45,500	45,500	44,260	1,240	35,000
Total	\$ 1,303,300	\$ 1,298,679	\$ 1,224,980	\$ 73,699	\$ 888,640
Budgetary appropriations:					
Capital outlay	\$ 190,000	\$ 208,721	\$ 208,721	\$ -	\$ 114,502
Total	\$ 190,000	\$ 208,721	\$ 208,721	\$ -	\$ 114,502
Total expenditures	\$ 1,493,300	\$ 1,507,400	\$ 1,433,701	\$ 73,699	\$ 1,003,142
Revenues over (under) expenditures	\$ (249,950)	\$ (264,050)	\$ (125,076)	\$ 138,974	\$ 199,251
Other financing sources:					
Fund balance appropriated	249,950	264,050		(264,050)	
Revenues and other sources over expenditures	\$ -	\$ -	\$ (125,076)	\$ (125,076)	\$ 199,251
Reconciliation of modified accrual basis to full accrual basis:					
Capital outlay			208,721		114,502
Increase / (decrease) in accrued revenues			6,152		(3,470)
(Increase) / decrease in allowance for uncollectible account			(213)		(679)
Depreciation			(107,627)		(96,703)
(Increase) in compensated absences			(5,413)		(3,332)
(Increase) in other postemployment benefits			(6,961)		(4,418)
Change in net position			\$ (30,417)		\$ 205,151

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND**

Exhibit E-2
Page 1 of 3

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Revenues:					
Operating revenues:					
Charges for services:					
Water sales	\$ 8,903,500	\$ 8,903,500	\$ 8,830,274	\$ (73,226)	\$ 8,601,995
Sewer charges	4,393,000	4,393,000	4,415,377	22,377	4,274,668
Water and sewer taps	110,000	110,000	263,159	153,159	270,523
Other operating revenues:					
System development charges	202,000	202,000	477,364	275,364	502,198
Federal grant					
Other	143,500	143,500	179,480	35,980	176,078
Total operating revenues	<u>\$ 13,752,000</u>	<u>\$ 13,752,000</u>	<u>\$ 14,165,654</u>	<u>\$ 413,654</u>	<u>\$ 13,825,462</u>
Non-operating revenues:					
Investment earnings	\$ 11,000	\$ 11,000	\$ 33,797	\$ 22,797	\$ 11,261
Transfer from General Fund	100,880	100,880	100,880		100,880
Sale of fixed assets	16,000	16,000	97,416	81,416	24,344
Insurance settlements			1,778	1,778	118,933
Other non-operating revenues	5,000	5,000	42,569	37,569	9,625
Total non-operating revenues	<u>\$ 132,880</u>	<u>\$ 132,880</u>	<u>\$ 276,440</u>	<u>\$ 143,560</u>	<u>\$ 265,043</u>
Total revenues	<u><u>\$ 13,884,880</u></u>	<u><u>\$ 13,884,880</u></u>	<u><u>\$ 14,442,094</u></u>	<u><u>\$ 557,214</u></u>	<u><u>\$ 14,090,505</u></u>
Expenditures:					
Administration:					
Salaries and employee benefits	\$ 187,000	\$ 191,088	\$ 199,785	\$ (8,697)	\$ 262,088
Contracted services	62,000	131,189	74,754	56,435	75,112
Engineering department expense	210,180	210,180	231,880	(21,700)	176,243
Supplies	10,900	10,189	8,724	1,465	9,507
Other departmental expenses	411,090	408,012	411,158	(3,146)	317,890
Total	<u>\$ 881,170</u>	<u>\$ 950,658</u>	<u>\$ 926,301</u>	<u>\$ 24,357</u>	<u>\$ 840,840</u>
Business operations:					
Salaries and employee benefits	\$ 488,890	\$ 488,890	\$ 481,021	\$ 7,869	\$ 458,300
Supplies	112,000	105,000	62,610	42,390	56,800
Other departmental expenses	466,280	523,280	504,695	18,585	462,072
Total	<u>\$ 1,067,170</u>	<u>\$ 1,117,170</u>	<u>\$ 1,048,326</u>	<u>\$ 68,844</u>	<u>\$ 977,172</u>
Operations and maintenance:					
Salaries and employee benefits	\$ 417,800	\$ 432,898	\$ 406,191	\$ 26,707	\$ 389,873
Utilities	220,000	250,000	250,460	(460)	235,905
Supplies	34,000	62,178	60,326	1,852	41,904
Other departmental expenses	543,800	599,622	320,707	278,915	162,811
Total	<u>\$ 1,215,600</u>	<u>\$ 1,344,698</u>	<u>\$ 1,037,684</u>	<u>\$ 307,014</u>	<u>\$ 830,493</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND

Exhibit E-2

Page 2 of 3

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			Variance with Final Budget Positive (Negative)	2013 Actual
	Budgeted Amounts		Actual		
	Original	Final			
Water treatment plant:					
Salaries and employee benefits	\$ 594,100	\$ 614,827	\$ 584,381	\$ 30,446	\$ 591,456
Contracted services	67,000	61,000	50,324	10,676	63,614
Utilities	345,000	315,980	291,071	24,909	315,860
Chemicals	400,000	440,000	440,619	(619)	406,616
Supplies	78,700	83,420	51,040	32,380	61,424
Other departmental expenses	134,500	124,800	105,068	19,732	111,625
Total	<u>\$ 1,619,300</u>	<u>\$ 1,640,027</u>	<u>\$ 1,522,503</u>	<u>\$ 117,524</u>	<u>\$ 1,550,595</u>
Field operations:					
Salaries and employee benefits	\$ 633,800	\$ 657,654	\$ 592,730	\$ 64,924	\$ 692,471
Supplies	19,500	20,258	14,257	6,001	19,093
Other departmental expenses	171,400	170,292	83,570	86,722	120,720
Total	<u>\$ 824,700</u>	<u>\$ 848,204</u>	<u>\$ 690,557</u>	<u>\$ 157,647</u>	<u>\$ 832,284</u>
Water line maintenance:					
Salaries and employee benefits	\$ 684,300	\$ 738,392	\$ 665,738	\$ 72,654	\$ 606,365
Contracted services	36,500	36,500	34,149	2,351	21,157
Issues from inventory	350,000	294,459	218,978	75,481	441,323
Supplies	141,300	182,229	152,135	30,094	114,620
Other departmental expenses	192,700	400,739	382,511	18,228	142,626
Total	<u>\$ 1,404,800</u>	<u>\$ 1,652,319</u>	<u>\$ 1,453,511</u>	<u>\$ 198,808</u>	<u>\$ 1,326,091</u>
Waste treatment plant:					
Salaries and employee benefits	\$ 574,400	\$ 597,510	\$ 606,446	\$ (8,936)	\$ 577,253
Contracted services	21,500	21,500	15,405	6,095	18,968
Sludge management	300,000	280,000	303,190	(23,190)	309,866
Utilities	300,000	327,111	335,440	(8,329)	295,090
Supplies	62,100	60,779	38,056	22,723	49,400
Other departmental expenses	164,500	158,710	104,405	54,305	150,621
Total	<u>\$ 1,422,500</u>	<u>\$ 1,445,610</u>	<u>\$ 1,402,942</u>	<u>\$ 42,668</u>	<u>\$ 1,401,198</u>
Sewer line maintenance:					
Salaries and employee benefits	\$ 485,500	\$ 509,917	\$ 498,297	\$ 11,620	\$ 424,626
Contracted services	72,500	115,073	83,374	31,699	65,849
Issues from inventory	30,000	16,000	24,985	(8,985)	33,734
Supplies	80,400	128,303	121,213	7,090	81,040
Other departmental expenses	181,900	250,865	207,545	43,320	123,944
Total	<u>\$ 850,300</u>	<u>\$ 1,020,158</u>	<u>\$ 935,414</u>	<u>\$ 84,744</u>	<u>\$ 729,193</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER FUND

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	2013 Actual
	Original	Final			
Budgetary appropriations:					
Interest	\$ 847,690	\$ 847,690	\$ 848,088	\$ (398)	\$ 446,928
Debt principal	2,601,220	2,601,220	2,601,211	9	1,785,842
Capital outlay:				-	
Equipment	615,400	612,607	248,405	364,202	548,502
Land and rights of way			53,650		
Water lines	709,000	320,727	505,598	(184,871)	351,824
Sewer lines	96,000		2,385	(2,385)	217,205
Total	\$ 4,869,310	\$ 4,382,244	\$ 4,259,337	\$ 176,557	\$ 3,350,301
Total expenditures	\$ 14,154,850	\$ 14,401,088	\$ 13,276,575	\$ 1,178,163	\$ 11,838,167
Revenues over (under) expenditures	\$ (269,970)	\$ (516,208)	\$ 1,165,519	\$ 1,735,377	\$ 2,252,338
Other financing sources (uses):					
Transfer from (to) Capital Projects Funds		\$ (1,276,765)	\$ (970,507)	\$ 306,258	\$ 75,996
Issuance of debt					
Fund balance appropriated	269,970	\$ 1,792,973	-	(1,792,973)	-
Total other financing sources (uses)	\$ 269,970	\$ 516,208	\$ (970,507)	\$ (1,486,715)	\$ 75,996
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	\$ 195,012	<u>\$ 248,662</u>	\$ 2,328,334
Reconciliation of modified accrual basis to full accrual basis:					
Increase / (decrease) in accrued revenues			13,065		(109,479)
(Increase) / decrease in allowance for doubtful accounts			(41,268)		(7,515)
Income in capital project funds			475,014		55,368
Payment of debt principal			2,601,211		1,785,842
Capital outlay			810,038		1,117,531
Book value of disposed equipment					(13,025)
Transfers to / (from) capital projects funds			970,507		(75,996)
(Increase) / decrease in bond and note interest accrued			222,521		(259,984)
Depreciation			(3,137,392)		(3,088,145)
(Increase) in compensated absences			(3,095)		(8,270)
(Increase) in other postemployment benefits liability			(31,825)		(22,660)
Change in net position			<u>\$ 2,073,788</u>		<u>\$ 1,702,001</u>



Water and Sewer Capital Project Funds

These funds account for the accumulation of resources and the subsequent disbursement of such resources in renovating major fixed assets in the water and sewerage systems.

**CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
BRITTON CREEK WATERSHED PROJECT**

Exhibit E-3

**SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Grant income	\$ 121,528		\$ 5,026	\$ 5,026	\$ (116,502)
Public contributions	64,770			-	(64,770)
Total revenues	\$ 186,298	\$ -	\$ 5,026	\$ 5,026	\$ (181,272)
Expenditures:					
Britton Creek Waterline Project					
Professional services	\$ 39,679		\$ 5,026	\$ 5,026	\$ 34,653
Engineering services	290,105			-	290,105
Capital outlay - other improvements	52,066			-	52,066
Total expenditures	\$ 381,850	\$ -	\$ 5,026	\$ 5,026	\$ 376,824
Revenues over (under) expenditures	\$ (195,552)	\$ -	\$ -	\$ -	\$ 195,552
Other financing sources:					
Transfer from General Fund	\$ 23,152				\$ (23,152)
Transfer from Water & Sewer Fund	172,400				(172,400)
Total other financing sources	\$ 195,552	\$ -	\$ -	\$ -	\$ (195,552)
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
ACADEMY ROAD WATERLINE PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Federal grant	\$ 1,040,500		\$ 469,988	\$ 469,988	\$ (570,512)
Total revenues	\$ 1,040,500	\$ -	\$ 469,988	\$ 469,988	\$ (570,512)
Professional services	\$ 174,500		\$ 86,455	\$ 86,455	\$ 88,045
Engineering services	87,400		87,400	87,400	-
Capital outlay - other improvements	747,438		296,133	296,133	451,305
Contingencies	67,500			-	67,500
Total expenditures	\$ 1,076,838	\$ -	\$ 469,988	\$ 469,988	\$ 606,850
Revenues over (under) expenditures	\$ (36,338)	\$ -	\$ -	\$ -	\$ 36,338
Other financing sources:					
Transfer from Water & Sewer Fund	36,338		36,338	36,338	
Total other financing sources / (uses)	\$ 36,338	\$ -	\$ 36,338	\$ 36,338	\$ -
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 36,338	\$ 36,338	\$ 36,338

CITY OF HENDERSONVILLE, NORTH CAROLINA

Exhibit E-5

WATER AND SEWER CAPITAL PROJECTS FUND

WOLFPEN SEWER LINE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Wolfpen Sewer Line:					
Professional services	\$ 82,352		\$ 57,352	\$ 57,352	\$ 25,000
Engineering services	-		5,475	5,475	(5,475)
Capital outlay - other improvements	2,731,043		127,086	127,086	2,603,957
Contingencies	136,552				136,552
Total expenditures	<u>\$ 2,949,947</u>	<u>\$ -</u>	<u>\$ 189,913</u>	<u>\$ 189,913</u>	<u>\$ 2,760,034</u>
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 2,867,595				\$(2,867,595)
Transfer from Water & Sewer Fund	82,352		\$ 82,352	\$ 82,352	-
Total other financing sources / (uses)	<u>\$ 2,949,947</u>	<u>\$ -</u>	<u>\$ 82,352</u>	<u>\$ 82,352</u>	<u>\$(2,867,595)</u>
Other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (107,561)</u>	<u>\$ (107,561)</u>	<u>\$ (107,561)</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 WATER AND SEWER CAPITAL PROJECTS FUND
 JACKSON PARK SEWER INTERCEPTOR PROJECT
 SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Jackson Park Sewer Interceptor:					
Professional services	\$ 70,532		\$ 45,531	\$ 45,531	\$ 25,001
Engineering services	300,000	\$ 1,069	15,251	16,320	283,680
Capital outlay - land	150,000		106,891	106,891	43,109
Capital outlay - other improvements	4,402,958	97,909	1,593,695	1,691,604	2,711,354
Loan expense	86,812		86,812	86,812	-
Contingencies	182,115				182,115
Total expenditures	\$ 5,192,417	\$ 98,978	\$ 1,848,180	\$ 1,947,158	\$ 3,245,259
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 4,340,600				\$(4,340,600)
Transfer from Water & Sewer Fund	851,817		\$ 851,817	\$ 851,817	-
Total other financing sources / (uses)	\$ 5,192,417	\$ -	\$ 851,817	\$ 851,817	\$(4,340,600)
Other financing sources (under) expenditures	\$ -	\$ (98,978)	\$ (996,363)	\$(1,095,341)	\$(1,095,341)

CITY OF HENDERSONVILLE, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECTS FUND
SHEPHERD CREEK / ATKINSON ELEMENTARY SEWER LINE PROJECT
SCHEDULE OF REVENUES AND EXPENDITURES -- BUDGET AND ACTUAL (NON-GAAP)
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Contribution - Henderson County	\$ 600,000				\$ (600,000)
Total revenues	\$ 600,000	\$ -	\$ -	\$ -	\$ (600,000)
Expenditures:					
Shepherd Creek / Atkinson Elementary Sewer Line:					
Professional services	\$ 40,000		\$ 4,860	\$ 4,860	\$ 35,140
Engineering services	240,000		72,973	72,973	167,027
Capital outlay - land			35,107	35,107	(35,107)
Capital outlay - other improvements	2,055,829	6,218	82,893	89,111	1,966,718
Loan expense	36,300		36,300	36,300	-
Contingencies	102,792				102,792
Total expenditures	\$ 2,474,921	\$ 6,218	\$ 232,133	\$ 238,351	\$ 2,236,570
Revenues over (under) expenditures	\$ (1,874,921)	\$ (6,218)	\$ (232,133)	\$ (238,351)	\$ 1,636,570
Other financing sources:					
Proceeds of debt-State Revolving Loan Fund	\$ 1,815,000				\$(1,815,000)
Transfer from Water & Sewer Fund	59,921				(59,921)
Total other financing sources	\$ 1,874,921	\$ -	\$ -	\$ -	\$(1,874,921)
Revenues and other financing sources over / (under) expenditures	\$ -	\$ (6,218)	\$ (232,133)	\$ (238,351)	\$ (238,351)

Internal Service Funds

Internal Service Funds are specifically designed for goods or services that are provided on a cost-reimbursement basis. The goal of an Internal Service Fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges.



CITY OF HENDERSONVILLE, NORTH CAROLINA
INTERNAL SERVICE FUND - HEALTH AND WELFARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE -- FINANCIAL PLAN AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit F-1

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance with Financial Plan Positive (Negative)	2013 Actual
	Financial Plan	Actual		
Revenues:				
Charges for services:	\$ 299,930	\$ 299,930		\$ 291,180
Miscellaneous		2,841	\$ 2,841	22,001
Total	\$ 299,930	\$ 302,771	\$ 2,841	\$ 313,181
Investment earnings	\$ 100	\$ 39	\$ (61)	\$ 141
Total revenues	\$ 300,030	\$ 302,810	\$ 2,780	\$ 313,322
Expenditures:				
Employee benefits:	\$ 300,030	\$ 234,038	\$ 65,992	\$ 280,296
Total expenditures	\$ 300,030	\$ 234,038	\$ 65,992	\$ 280,296
Revenues over (under) expenditures	\$ -	\$ 68,772	\$ 68,772	\$ 33,026
Fund balances:				
Beginning of year, July 1		199,958		166,932
End of year, June 30		\$ 268,730		\$ 199,958



**Capital Assets
Used in the
Operation of
Governmental
Funds**



CITY OF HENDERSONVILLE, NORTH CAROLINA Exhibit G-1
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2014 AND JUNE 30, 2013

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2013</u>
Governmental Capital Assets:		
Land	\$ 2,882,721	\$ 2,862,946
Buildings and Construction	11,325,934	8,381,928
Improvements other than buildings	3,921,277	3,926,277
Machinery, vehicles, software and equipment	5,934,121	5,817,975
Infrastructure	<u>16,190,536</u>	<u>15,443,638</u>
Totals	<u>\$ 40,254,589</u>	<u>\$ 36,432,764</u>
Investment in Governmental Capital Assets by source:		
General Fund	\$ 28,472,985	\$ 28,016,678
Special Revenue Funds	2,552,857	2,519,693
Capital Projects Funds	8,612,147	5,279,793
Donations	<u>616,600</u>	<u>616,600</u>
Totals	<u>\$ 40,254,589</u>	<u>\$ 36,432,764</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2014

Exhibit G-2

Function and Activity	Land	Buildings and Construction	Improvements Other than Buildings	Machinery, Software, Vehicles, Equipment	Infrastructure	Total
General government:						
Administration	\$ 74,866	\$ 1,202,795				\$ 1,277,661
Finance		1,282,047				1,282,047
City engineer				\$ 51,894		51,894
Information technology				208,900		208,900
Centralservices		294,385	\$ 50,380	94,609		439,374
Public buildings			67,797	169,410		237,207
Total general government	\$ 74,866	\$ 2,779,227	\$ 118,177	\$ 524,813	\$ -	\$ 3,497,083
Public safety:						
Police		\$ 2,136,747		\$ 1,620,317		\$ 3,757,064
Fire	\$ 685,000	4,652,962		2,249,182		7,587,144
Zoning				37,195		37,195
Total public safety	\$ 685,000	\$ 6,789,709	\$ -	\$ 3,906,694	\$ -	\$ 11,381,403
Transportation:						
Administration	\$ 62,392	\$ 1,109,500	\$ 127,102	\$ 44,676		\$ 1,343,670
Streets and highways	807,454	83,783	589,315	994,965	\$ 16,190,536	18,666,053
Traffic engineering				73,829		73,829
Total transportation	\$ 869,846	\$ 1,193,283	\$ 716,417	\$ 1,113,470	\$ 16,190,536	\$ 20,083,552
Park maintenance, drainage and lot clearing:						
	\$ 1,253,009	\$ 563,715	\$ 3,086,683	\$ 389,144	\$ -	\$ 5,292,551
Totals	\$ 2,882,721	\$ 11,325,934	\$ 3,921,277	\$ 5,934,121	\$ 16,190,536	\$ 40,254,589

CITY OF HENDERSONVILLE, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit G-3

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Disposals	Transfers	Governmental Funds Capital Assets June 30, 2014
General government:					
Administration	\$ 1,260,836	\$ 16,825	\$ -	\$ -	\$ 1,277,661
Finance	1,282,047	-	-	-	1,282,047
City engineer	51,894	-	-	-	51,894
Information technology	208,900	-	-	-	208,900
Central services	439,374	-	-	-	439,374
Public buildings	237,207	-	-	-	237,207
Total general government	\$ 3,480,258	\$ 16,825	\$ -	\$ -	\$ 3,497,083
Public safety:					
Police	\$ 3,664,620	\$ 165,132	\$ 72,688	\$ -	\$ 3,757,064
Fire	4,615,065	2,989,641	17,562	-	7,587,144
Zoning	37,195	-	-	-	37,195
Total public safety	\$ 8,316,880	\$ 3,154,773	\$ 90,250	\$ -	\$ 11,381,403
Transportation:					
Administration	\$ 1,343,670	\$ -	\$ -	\$ -	\$ 1,343,670
Streets and highways	2,562,633	803,999	144,214	-	3,222,418
Bridge systems	3,919,735	-	-	-	3,919,735
Curb, gutter, drain systems	1,195,378	-	-	-	1,195,378
Sidewalk systems	4,220,512	-	-	-	4,220,512
Street systems	6,108,010	-	-	-	6,108,010
Traffic engineering	73,829	-	-	-	73,829
Total transportation	\$ 19,423,767	\$ 803,999	\$ 144,214	\$ -	\$ 20,083,552
Park maintenance, drainage and lot clearing	\$ 5,211,859	\$ 88,762	\$ 8,070	\$ -	\$ 5,292,551
Totals	\$ 36,432,764	\$ 4,064,359	\$ 242,534	\$ -	\$ 40,254,589



Agency Funds

Agency Funds are used to account for assets that are held by the government as an agent for individuals, private organizations, other governments, and/or funds.



CITY OF HENDERSONVILLE, NORTH CAROLINA
FINES AND FORFEITURES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit H-1

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and investments	<u>\$ 306</u>	<u>\$ 6,989</u>	<u>\$ 6,441</u>	<u>\$ 854</u>
LIABILITIES				
Intergovernmental payable - Henderson County Board of Public Education	<u>\$ 306</u>	<u>\$ 6,989</u>	<u>\$ 6,441</u>	<u>\$ 854</u>





**SCHEDULES
SECTION**





**Property
Taxes**

CITY OF HENDERSONVILLE, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Exhibit I-1

Fiscal year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014		6,973,680	\$ 6,879,634	\$ 94,046
2012-2013	139,538		114,522	25,016
2011-2012	\$ 50,420		29,119	21,301
2010-2011	19,057		8,532	10,525
2009-2010	10,346		522	9,824
2008-2009	17,642		460	17,182
2007-2008	19,343		110	19,233
2006-2007	13,098		62	13,036
2005-2006	9,092		23	9,069
2004-2005	7,230		15	7,215
2003-2004	4,474		4,474	-
	\$ 290,240	\$ 6,973,680	\$ 7,037,473	\$ 226,447
Less allowance for uncollectible ad valorem taxes receivable				113,599
Ad valorem taxes receivable, net				\$ 112,848
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 7,071,486
Penalties collected on ad valorem taxes - Agency Fund				6,176
Reconciling items:				
Interest collected				(44,663)
Taxes written off after 10 years				4,474
Total collections and credits				\$ 7,037,473

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit I-2

	<u>City-wide Levy</u>			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>		
Original Levy:					
Property at current year's rate	\$1,699,762,183	\$ 0.41	\$6,962,847	\$6,414,271	\$ 548,576
Penalties			5,967	5,967	
Total	<u>\$1,699,762,183</u>		<u>\$6,968,814</u>	<u>\$6,420,238</u>	<u>\$ 548,576</u>
Discoveries:					
Current year taxes	\$ 3,075,854		\$ 12,611	\$ 12,611	
Prior year taxes					
Penalties			209	209	
Abatements:	<u>\$ (1,940,000)</u>		<u>\$ (7,954)</u>	<u>\$ (7,954)</u>	
Total property valuation	<u><u>\$1,700,898,037</u></u>				
Net levy			\$6,973,680	\$6,425,104	\$ 548,576
Uncollected taxes at June 30, 2014			94,046	94,046	-
Current year's taxes collected			<u>\$6,879,634</u>	<u>\$6,331,058</u>	<u>\$ 548,576</u>
Current levy collection percentage			<u>98.65%</u>	<u>98.54%</u>	<u>100.00%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit I-2a

Secondary Market Disclosures

Assessed Valuation:	
Assessment Ratio (1)	100%
Real Property	\$ 1,543,485,959
Personal Property	133,799,024
Public Service Companies (2)	<u>23,613,054</u>
Total Assessed Valuation	<u><u>\$ 1,700,898,037</u></u>
Tax Rate per \$100	<u>\$ 0.41</u>
Levy (includes discoveries, releases, abatements)	<u><u>\$ 6,973,680</u></u>

(1) Percentage of appraised value has been established by statute.

(2) Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission

Exhibit I-2b

CITY OF HENDERSONVILLE, NORTH CAROLINA
CITY-WIDE LEVY
PRINCIPAL TAXPAYERS
JUNE 30, 2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u>
Ingles Markets, Inc.	Grocery Chain	\$ 33,809,520	1.99%
Triangle Real Estate	Real Estate Rental	23,598,700	1.39%
Wal-Mart Stores, Inc.	Retail Sales	19,442,480	1.14%
Highland Investors, LLC	Nursing Homes	16,231,000	0.95%
Boyd L. Hyder	Entrepreneur	16,169,300	0.95%
H C R I N C Properties	Real Estate Rental	15,958,000	0.94%
Henderson Crossing Shopping Center	Retail Sales	11,588,400	0.68%
First Citizens Bank	Bank	11,264,868	0.66%
Duke Energy	Electric Utility	10,581,377	0.62%
Lake Pointe Landing	Nursing Homes	<u>10,329,200</u>	<u>0.61%</u>
	Total	<u><u>\$168,972,845</u></u>	<u><u>9.93%</u></u>

NOTE: Total assessed value is based on the General Fund levy.

CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Exhibit I-3

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014		\$ 232,908	\$ 228,601	\$ 4,307
2012-2013	\$ 5,213	1,006	4,937	1,282
2011-2012	1,825		677	1,148
2010-2011	61			61
2009-2010	1,049			1,049
2008-2009	701			701
2007-2008	959			959
2006-2007	734			734
2005-2006	246			246
2004-2005	396			396
2003-2004	33		33	-
	\$ 11,217	\$ 233,914	\$ 234,248	\$ 10,883
Less allowance for uncollectible ad valorem taxes receivable				3,367
Ad valorem taxes receivable - net				\$ 7,516
Reconciliation with revenues:				
Ad valorem taxes - Downtown Tax District Fund				\$ 235,910
Penalties collected on ad valorem taxes - Agency Fund				794
Reconciling items:				
Interest collected				(2,489)
Taxes written off after 10 years				33
Total collections and credits				\$ 234,248

**CITY OF HENDERSONVILLE, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit I-4

	Downtown Tax District			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property valuation	Rate	Amount of Levy		
Original Levy:					
Property at current year's rate	\$ 82,382,534	\$ 0.28	\$ 230,671	\$ 229,093	\$ 1,578
Penalties			474	474	
Total	\$ 82,382,534		\$ 231,145	\$ 229,567	\$ 1,578
Discoveries:					
Current year taxes	\$ 526,786		\$ 1,475	\$ 1,475	
Prior year taxes					
Penalties			320	320	
Abatements:	\$ (11,429)		\$ (32)	\$ (32)	
Total property valuation	\$ 82,897,892				
Net levy			\$ 232,908	\$ 231,330	\$ 1,578
Uncollected taxes at June 30, 2014			4,307	4,307	-
Current year's taxes collected			\$ 228,601	\$ 227,023	\$ 1,578
Current levy collection percentage			98.15%	98.14%	100.00%

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2014

Exhibit I-5

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014		\$ 11,511	\$ 11,168	343
2012-2013	\$ 382	11	337	56
2011-2012	153		153	-
2010-2011				-
2009-2010	9			9
2008-2009	145			145
2007-2008	109			109
2006-2007	44			44
2005-2006	10			10
2004-2005	26			26
2003-2004	123		123	-
	\$ 1,001	\$ 11,522	\$ 11,781	\$ 742
Less allowance for uncollectible ad valorem taxes receivable				112
Ad valorem taxes receivable - net				\$ 630
Reconcilement with revenues:				
Ad valorem taxes - Seventh Avenue Tax District Fund				\$ 12,142
Penalties collected on ad valorem taxes - Agency Fund				19
Reconciling items:				
Interest collected				(503)
Taxes written off after 10 years				123
Total collections and credits				\$ 11,781

CITY OF HENDERSONVILLE, NORTH CAROLINA
SEVENTH AVENUE TAX DISTRICT FUND
ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit I-6

	<u>Seventh Avenue Tax District</u>			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	<u>Property valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>		
Original Levy:					
Property at current year's rate	\$ 9,550,816	\$ 0.12	\$ 11,461	\$ 10,927	\$ 534
Penalties			19	19	
Total	<u>\$ 9,550,816</u>		<u>\$ 11,480</u>	<u>\$ 10,946</u>	<u>\$ 534</u>
Discoveries:					
Current year taxes	30,000		36	36	
Prior year taxes					
Penalties					
Abatements:	<u>(4,167)</u>		<u>(5)</u>	<u>(5)</u>	
Total property valuation	<u><u>\$ 9,576,650</u></u>				
Net levy			\$ 11,511	\$ 10,977	\$ 534
Uncollected taxes at June 30, 2014			<u>343</u>	<u>343</u>	
Current year's taxes collected			<u><u>\$ 11,168</u></u>	<u><u>\$ 10,634</u></u>	<u><u>\$ 534</u></u>
Current levy collection percentage			<u><u>97.02%</u></u>	<u><u>96.88%</u></u>	<u><u>100.00%</u></u>





Transfers



CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit I-7

	FROM	TO
Transfers From/To Other Funds:		
General Fund	\$ 1,075,830	
Enterprise Funds:		
Environmental Service Fund		\$ 127,480
Water & Sewer Fund		100,880
Governmental Funds:		
Capital Reserve Fund		810,000
Seventh Avenue Tax District Fund		37,470
Capital Reserve Fund	284,260	
General Fund		284,260
Downtown Tax District Fund	100,000	
General Fund		100,000
Sidewalk Construction Capital Project Fund	189,046	
Main Street Infrastructure Improvement Capital Project Fund		189,046
	<u>\$ 1,649,136</u>	<u>\$ 1,649,136</u>
Total		

Transfers From/To Other Units:

Component unit:		
City of Hendersonville ABC Board:		
Profit distributions	\$ 82,500	
Law enforcement services	40,000	
General Fund		<u>\$ 122,500</u>
Total - component units	<u>\$ 122,500</u>	<u>\$ 122,500</u>



STATISTICAL SECTION

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 supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	104
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	116
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	123
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	129
Operation Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	131

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NET POSITION BY COMPONENT

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 11,311,106	\$ 12,114,182	\$ 12,837,442	\$ 15,175,066
Restricted	448,609	319,781	56,300	202,518
Unrestricted	9,624,355	10,440,777	10,672,865	9,878,504
Total Governmental Activities Net Position	<u><u>\$ 21,384,070</u></u>	<u><u>\$ 22,874,740</u></u>	<u><u>\$ 23,566,607</u></u>	<u><u>\$ 25,256,088</u></u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 30,438,942	\$ 31,851,856	\$ 33,214,994	\$ 28,069,938
Unrestricted	19,622,250	23,287,979	27,258,221	36,038,335
Total Business-Type Activities Net Position	<u><u>\$ 50,061,192</u></u>	<u><u>\$ 55,139,835</u></u>	<u><u>\$ 60,473,215</u></u>	<u><u>\$ 64,108,273</u></u>
Primary Government				
Net Position in Capital Assets	\$ 41,750,048	\$ 43,966,038	\$ 46,052,436	\$ 43,245,004
Restricted	448,609	319,781	56,300	202,518
Unrestricted	29,246,605	33,728,756	37,931,086	45,916,839
Total Primary Government Net Position	<u><u>\$ 71,445,262</u></u>	<u><u>\$ 78,014,575</u></u>	<u><u>\$ 84,039,822</u></u>	<u><u>\$ 89,364,361</u></u>

GASB #44 Statistical Schedules Template - City13

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 13,737,365	\$ 16,738,488	\$ 16,829,139	\$ 17,530,422	\$ 17,077,486	\$ 17,860,656
277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928
11,249,729	8,059,282	5,212,143	4,376,180	1,970,572	4,307,191
<u>\$ 25,264,303</u>	<u>\$ 24,969,668</u>	<u>\$ 25,088,847</u>	<u>\$ 24,864,375</u>	<u>\$ 24,910,553</u>	<u>\$ 24,505,775</u>
\$ 43,280,673	\$ 48,628,499	\$ 50,127,849	\$ 51,057,598	\$ 51,168,791	\$ 54,082,358
22,481,842	20,179,419	21,453,888	23,526,746	25,322,705	24,452,509
<u>\$ 65,762,515</u>	<u>\$ 68,807,918</u>	<u>\$ 71,581,737</u>	<u>\$ 74,584,344</u>	<u>\$ 76,491,496</u>	<u>\$ 78,534,867</u>
\$ 57,018,038	\$ 65,366,987	\$ 66,956,988	\$ 68,588,020	\$ 68,246,277	\$ 71,943,014
277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928
33,731,571	28,238,701	26,666,031	27,902,926	27,293,277	28,759,700
<u>\$ 91,026,818</u>	<u>\$ 93,777,586</u>	<u>\$ 96,670,584</u>	<u>\$ 99,448,719</u>	<u>\$ 101,402,049</u>	<u>\$ 103,040,642</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental Activities:				
General Government	\$ 1,598,443	\$ 1,590,212	\$ 1,768,990	\$ 2,047,039
Public Safety	4,876,373	4,960,503	5,248,972	5,904,878
Environmental Protection	5,000	5,000	-	-
Economic and Physical Development	192,117	180,915	365,940	239,525
Transportation	1,438,031	1,191,132	1,583,224	1,582,437
Parks and Drainage	251,391	488,727	464,033	515,024
Cultural and Recreation	429,747	133,574	161,687	220,864
Interest on Long-Term Obligations	230,441	215,476	211,358	186,416
Total Governmental Activities	<u>9,021,543</u>	<u>8,765,539</u>	<u>9,804,204</u>	<u>10,696,183</u>
Business-Type Activities:				
Water and Sewer Fund	8,803,851	8,925,895	9,349,299	10,498,295
Environmental Services Fund	867,522	989,812	948,235	965,119
Total Business-Type Activities	<u>9,671,373</u>	<u>9,915,707</u>	<u>10,297,534</u>	<u>11,463,414</u>
Total Expenses	<u>\$ 18,692,916</u>	<u>\$ 18,681,246</u>	<u>\$ 20,101,738</u>	<u>\$ 22,159,597</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ -	\$ -	\$ -	\$ -
Public Safety	142,305	161,804	133,358	159,579
Transportation	43,707	59,204	73,357	70,791
Parks and Drainage	18,850	21,030	21,350	23,450
Cultural and Recreational	49,818	84,178	101,780	119,147
Other Activities	-	-	-	-
Operating Grants and Contributions	673,487	509,555	410,529	497,857
Capital Grants and Contributions	1,653,745	726,529	162,159	178,328
Total Governmental Activities	<u>2,581,912</u>	<u>1,562,300</u>	<u>902,533</u>	<u>1,049,152</u>
Business-Type Activities:				
Charges for Services:				
Water and Sewer Fund	11,471,824	12,586,225	13,112,540	12,846,457
Other Activities	347,044	507,746	530,470	543,892
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	648,545	660,761	-	-
Total Business-Type Activities	<u>12,467,413</u>	<u>13,754,732</u>	<u>13,643,010</u>	<u>13,390,349</u>
Total Program Revenues	<u>\$ 15,049,325</u>	<u>\$ 15,317,032</u>	<u>\$ 14,545,543</u>	<u>\$ 14,439,501</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2,043,475	\$ 2,181,689	\$ 2,152,324	\$ 2,301,254	\$ 2,359,071	\$ 2,374,428
6,046,707	6,230,577	6,256,423	6,910,168	6,281,514	6,604,475
-	-	-	-	-	-
342,472	453,538	262,751	405,416	311,086	455,811
1,928,695	1,869,352	2,155,725	2,116,715	2,046,441	2,375,395
799,405	223,094	642,849	589,902	596,425	626,450
197,333	588,305	200,772	237,833	200,928	215,403
232,634	229,642	215,749	197,996	231,074	346,513
<u>11,590,721</u>	<u>11,776,197</u>	<u>11,886,593</u>	<u>12,759,284</u>	<u>12,026,539</u>	<u>12,998,475</u>
11,243,016	10,278,199	10,784,165	11,291,143	12,326,878	12,815,116
1,016,654	1,011,039	1,014,552	1,064,379	993,094	1,344,981
<u>12,259,670</u>	<u>11,289,238</u>	<u>11,798,717</u>	<u>12,355,522</u>	<u>13,319,972</u>	<u>14,160,097</u>
<u>\$ 23,850,391</u>	<u>\$ 23,065,435</u>	<u>\$ 23,685,310</u>	<u>\$ 25,114,806</u>	<u>\$ 25,346,511</u>	<u>\$ 27,158,572</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
154,633	153,171	163,982	156,625	219,158	217,156
72,426	69,058	73,432	83,540	75,042	98,555
17,850	15,000	11,850	23,500	5,500	16,000
145,221	154,555	164,349	160,737	162,593	168,084
-	-	-	-	-	-
511,908	627,018	823,010	925,970	646,346	433,681
214,998	400,000	75,000	390,000	-	60,079
<u>1,117,036</u>	<u>1,418,802</u>	<u>1,311,623</u>	<u>1,740,372</u>	<u>1,108,639</u>	<u>993,555</u>
12,040,335	12,892,729	13,386,511	14,031,234	13,708,469	14,137,450
671,189	695,814	837,913	868,123	928,295	1,064,783
-	-	-	-	-	-
292,577	216,558	285,014	122,019	-	580,014
<u>13,004,101</u>	<u>13,805,101</u>	<u>14,509,438</u>	<u>15,021,376</u>	<u>14,636,764</u>	<u>15,782,247</u>
<u>\$ 14,121,137</u>	<u>\$ 15,223,903</u>	<u>\$ 15,821,061</u>	<u>\$ 16,761,748</u>	<u>\$ 15,745,403</u>	<u>\$ 16,775,802</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION (CONTINUED)

**LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (6,439,631)	\$ (7,203,239)	\$ (8,901,671)	\$ (9,647,031)
Business-Type Activities	2,796,040	3,839,025	3,345,476	1,926,935
Total Net Expense	<u>\$ (3,643,591)</u>	<u>\$ (3,364,214)</u>	<u>\$ (5,556,195)</u>	<u>\$ (7,720,096)</u>
General Revenues				
Governmental Activities:				
Property Taxes	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670
Sales & Use Tax	2,407,414	2,551,264	2,757,165	2,586,493
Other Taxes	76,151	79,707	76,478	80,352
Unrestricted Intergovernmental Revenue	874,925	912,419	981,492	1,157,165
Restricted Intergovernmental Revenue	2,390,042	1,320,271	658,093	699,273
Permits and Fees	67,867	169,562	143,643	35,510
Sales and Services	117,725	170,312	200,012	217,213
Investment Earnings	268,504	620,041	1,080,909	881,739
Transfers				
Miscellaneous	273,129	389,192	66,171	141,330
Total Governmental Activities	<u>11,815,032</u>	<u>11,709,130</u>	<u>11,767,279</u>	<u>12,490,745</u>
Business-Type activities:				
Investment Earnings	295,222	511,490	699,364	867,850
Transfers	100,880	100,880	875,880	100,880
FEMA Settlement	66,312	-	-	-
Sale of Fixed Assets	821,550	4,150	100	-
Miscellaneous	19,427	16,220	5,678	4,680
Total Business-Type Activities	<u>1,303,391</u>	<u>632,740</u>	<u>1,581,022</u>	<u>973,410</u>
Total Primary Government	<u>13,118,423</u>	<u>12,341,870</u>	<u>13,348,301</u>	<u>13,464,155</u>
Change in Net Position:				
Governmental Activities	5,375,401	4,505,891	2,865,608	2,843,714
Business-Type Activities	4,099,431	4,471,765	4,926,498	2,900,345
Total Change in Net Position	<u>\$ 9,474,832</u>	<u>\$ 8,977,656</u>	<u>\$ 7,792,106</u>	<u>\$ 5,744,059</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (10,473,685)	\$ (10,357,395)	\$ (10,574,970)	\$ (11,018,912)	\$ (10,917,900)	\$ (12,004,920)
744,431	2,515,863	2,710,721	2,665,854	1,316,792	1,622,150
<u>\$ (9,729,254)</u>	<u>\$ (7,841,532)</u>	<u>\$ (7,864,249)</u>	<u>\$ (8,353,058)</u>	<u>\$ (9,601,108)</u>	<u>\$ (10,382,770)</u>
\$ 6,674,560	\$ 6,909,539	\$ 6,937,950	\$ 7,020,873	\$ 7,043,951	\$ 7,289,030
2,258,827	2,101,938	2,134,526	2,257,061	2,404,610	2,544,355
88,077	158,441	88,077	546,179	531,600	402,294
1,321,124	1,283,006	1,703,333	1,277,026	1,298,877	1,056,875
744,405	1,113,434	975,848	1,393,807	746,012	379,744
18,252	21,647	25,573	21,893	49,630	71,455
237,772	241,313	251,706	269,352	245,360	
259,049	43,068	24,430	15,046	11,245	16,374
290,705	156,538	211,301	135,760	122,713	(228,720)
<u>11,892,771</u>	<u>12,028,924</u>	<u>12,352,744</u>	<u>12,936,997</u>	<u>12,453,998</u>	<u>11,600,142</u>
451,425	31,163	22,068	18,426	15,033	34,318
100,880	100,880	100,880	100,880	100,880	228,720
-	-	-	-	-	-
-	-	-	-	-	-
29,639	9,884	12,455	17,332	9,625	158,183
<u>581,944</u>	<u>141,927</u>	<u>135,403</u>	<u>136,638</u>	<u>125,538</u>	<u>421,221</u>
<u>12,474,715</u>	<u>12,170,851</u>	<u>12,488,147</u>	<u>13,073,635</u>	<u>12,579,536</u>	<u>12,021,363</u>
1,419,086	1,671,529	1,777,774	1,918,085	1,536,098	(404,778)
1,326,375	2,657,790	2,846,124	2,802,492	1,442,330	2,043,371
<u>\$ 2,745,461</u>	<u>\$ 4,329,319</u>	<u>\$ 4,623,898</u>	<u>\$ 4,720,577</u>	<u>\$ 2,978,428</u>	<u>\$ 1,638,593</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Restricted for Stabilization by State Statute	\$ 1,333,552	\$ 1,049,970	\$ 819,243	\$ 848,265
Restricted for Law Enforcement	78,547	81,371	86,815	115,110
Restricted for Streets	448,609	319,781	56,300	202,518
Restricted for economic development				
Assigned - Subsequent Year's Expenditures	880,450	784,600	916,940	867,860
Unassigned	7,528,389	8,818,706	9,225,343	8,177,929
Total General Fund	<u>\$ 10,269,547</u>	<u>\$ 11,054,428</u>	<u>\$ 11,104,641</u>	<u>\$ 10,211,682</u>
All Non-Major Funds				
Restricted for Stabilization by State Statute	-	-	-	-
Restricted for Economic Development	-	-	59,272	358,502
Restricted for Public Safety	-	-	-	-
Restricted for Recreation	-	-	-	-
Restricted for Transportation	278,462	273,319	269,116	207,018
Assigned - Subsequent Year's Expenditures	-	-	-	-
Unassigned	-	-	-	-
Total All Non-Major Funds	<u>\$ 278,462</u>	<u>\$ 273,319</u>	<u>\$ 328,388</u>	<u>\$ 565,520</u>
Total All Governmental Funds	<u>\$ 10,548,009</u>	<u>\$ 11,327,747</u>	<u>\$ 11,433,029</u>	<u>\$ 10,777,202</u>

Note: Schedule has been updated for implementation of GASB 54.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 737,031	\$ 756,414	\$ 922,385	\$ 1,288,518	\$ 805,835	\$ 925,946
70,951	78,158	106,326	114,910	97,471	131,935
277,209	171,898	221,653	262,335	289,674	-
					7,906
1,009,920	929,690	929,710	881,240	1,318,210	1,122,300
7,812,850	7,169,323	7,022,022	5,822,117	6,410,105	6,207,146
<u>\$ 9,907,961</u>	<u>\$ 9,105,483</u>	<u>\$ 9,202,096</u>	<u>\$ 8,369,120</u>	<u>\$ 8,921,295</u>	<u>\$ 8,395,233</u>
-	-	\$ 1,000	\$ 253,900	\$ 11,254	\$ 69,407
230,703	83,380	57,964	66,650	42,765	55,106
-	-	-	-	3,191,465	189,615
-	-	3,005	-	-	-
2,022,107	1,766,967	1,735,232	971,460	1,339,191	958,013
-	-	57,900	57,000	84,840	46,000
-	-	(95,431)	(278,172)	-	-
<u>\$ 2,252,810</u>	<u>\$ 1,850,347</u>	<u>\$ 1,759,670</u>	<u>\$ 1,070,838</u>	<u>\$ 4,669,515</u>	<u>\$ 1,318,141</u>
<u>\$ 12,160,771</u>	<u>\$ 10,955,830</u>	<u>\$ 10,961,766</u>	<u>\$ 9,439,958</u>	<u>\$ 13,590,810</u>	<u>\$ 9,713,374</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Property Tax	\$ 5,339,275	\$ 5,496,362	\$ 5,803,316	\$ 6,691,670
Other Taxes	76,151	79,707	76,478	80,352
Unrestricted Intergovernmental	3,282,339	3,463,683	3,738,657	3,743,658
Restricted Intergovernmental	2,390,042	1,320,271	658,093	699,273
Permits and Fees	67,867	169,562	143,643	35,510
Sales and Services	117,725	170,312	200,012	217,213
Investment Earnings	268,504	620,041	1,080,909	881,739
Miscellaneous	273,129	389,192	66,171	141,330
 Total Revenues	 <u>\$ 11,815,032</u>	 <u>\$ 11,709,130</u>	 <u>\$ 11,767,279</u>	 <u>\$ 12,490,745</u>
Expenditures				
Current:				
General Government	3,759,810	1,659,478	1,695,560	2,048,160
Public Safety	5,360,838	4,676,287	5,449,495	5,667,741
Transportation	2,386,618	2,277,258	1,800,734	2,059,788
Park Maintenance & Drainage	490,495	567,525	469,048	1,083,802
Economic & Physical Development	197,117	300,194	365,940	901,266
Cultural and Recreation	429,747	133,574	161,687	259,368
<i>Capital Outlay -- See Capital Asset Expenditures on Next Page</i>				
Debt Service:				
Principal	471,026	475,296	323,333	323,333
Interest and Fees	234,207	218,542	214,108	189,739
 Total Expenditures	 <u>\$ 13,329,858</u>	 <u>\$ 10,308,154</u>	 <u>\$ 10,479,905</u>	 <u>\$ 12,533,197</u>
 Excess of Revenues Over (Under) Expenditures	 <u>\$ (1,514,826)</u>	 <u>\$ 1,400,976</u>	 <u>\$ 1,287,374</u>	 <u>\$ (42,452)</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 6,674,560	\$ 6,909,539	\$ 6,937,950	\$ 7,020,873	\$ 7,043,951	\$ 7,319,539
88,077	158,441	487,152	546,179	531,600	402,294
3,579,951	3,384,944	3,438,784	3,534,087	3,703,487	3,762,137
744,405	1,113,434	975,848	1,393,807	746,012	595,052
18,252	21,647	25,573	21,893	49,630	48,088
237,772	241,313	251,706	269,352	245,360	414,073
259,049	43,068	24,430	15,046	11,966	16,335
290,705	156,538	211,301	135,760	141,763	272,522
<u>\$ 11,892,771</u>	<u>\$ 12,028,924</u>	<u>\$ 12,352,744</u>	<u>\$ 12,936,997</u>	<u>\$ 12,473,769</u>	<u>\$ 12,830,040</u>
1,946,835	2,103,217	2,052,333	2,153,295	2,374,576	2,228,056
5,919,723	6,472,416	6,018,523	6,322,638	6,999,222	9,355,420
1,830,773	2,001,261	2,233,485	3,752,372	2,994,120	2,602,778
649,406	527,228	557,500	495,238	463,889	547,571
390,748	453,538	262,751	405,416	310,160	453,223
903,431	588,305	200,772	237,833	200,928	215,403
323,333	373,333	373,333	423,333	423,333	723,333
207,856	232,928	219,650	200,890	185,869	352,972
<u>\$ 12,172,105</u>	<u>\$ 12,752,226</u>	<u>\$ 11,918,347</u>	<u>\$ 13,991,015</u>	<u>\$ 13,952,097</u>	<u>\$ 16,478,756</u>
<u>\$ (279,334)</u>	<u>\$ (723,302)</u>	<u>\$ 434,397</u>	<u>\$ (1,054,018)</u>	<u>\$ (1,478,328)</u>	<u>\$ (3,648,716)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	2005	2006	2007	2008
Other Financing Sources (Uses):				
Proceeds of Debt - GO Bonds	\$ -	\$ -	\$ -	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-
Operating Transfers From (To) Other Funds:				
Enterprise Fund:				
Environmental Services Fund	(576,710)	(613,380)	(412,660)	(540,790)
Water and Sewer Fund	(100,880)	(100,880)	(875,880)	(100,880)
Water and Sewer Fund	529,050	-	-	-
Health & Welfare Fund	-	-	-	-
Capital Projects Fund - City Hall Renovation	(328,200)	243,651	-	-
Capital Projects Fund - Miscellaneous Projects	1,341,600	542,630	1,527,160	865,000
Capital Reserve Fund - General Fund Contribution	(742,675)	-	(743,516)	(870,323)
Capital Projects Fund - Wash Creek Project	-	-	-	-
Capital Projects Fund - Skate Park Project	-	-	-	(175,000)
Capital Projects Fund - Fire Station	(72,000)	-	-	-
Greenways Phase II Grant Fund	-	-	-	(202,000)
Downtown Tax District - General Fund Reimbursement	-	-	-	-
Downtown Tax District	-	-	-	-
Downtown Tax District - Main Street Project	-	-	-	(494,805)
Seventh Avenue Tax District - General Fund Contribution	-	(5,300)	-	-
Rails-to-Trails Project Grant Fund	-	-	-	-
Britton Creek Stormwater Master Plan Project	-	-	-	-
Fund Balance Appropriated	-	(542,558)	(686,800)	877,128
	<u>50,185</u>	<u>(475,837)</u>	<u>(1,191,696)</u>	<u>(641,670)</u>
Net Change in Fund Balances	<u>(1,464,641)</u>	<u>925,139</u>	<u>95,678</u>	<u>(684,122)</u>
Capital Asset Expenditures	<u>4,654,349</u>	<u>\$ 1,264,009</u>	<u>\$ 1,361,822</u>	<u>\$ 2,534,977</u>
Debt Service as a Percentage of Noncapital Expenditures (1)	<u>8.1%</u>	<u>7.7%</u>	<u>5.9%</u>	<u>5.1%</u>

(1) Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net assets and capitalized assets within the functional expenditure categories. This percentage equals total debt service divided by the noncapital expenditures. Debt service expenditures were included as part of noncapitalized expenditures.

GASB #44 Statistical Schedules Template - City13

Note: Operating Transfers from ABC Board were reclassified to Restricted and Unrestricted Intergovernmental Revenue in FY 2004.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2,100,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	6,000,000	-
(292,058)	(387,600)	(249,790)	(285,270)	(269,940)	(127,840)
(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)
-	-	-	-	-	-
-	-	-	(81,640)	-	-
-	-	-	-	-	-
552,760	870,899	313,360	303,840	293,970	-
-	-	(245,472)	(1,100,266)	-	-
(45,084)	-	-	-	-	-
(114,297)	-	-	-	-	-
-	-	-	-	(27,600)	-
-	-	-	-	-	-
75,000	100,000	100,000	100,000	100,000	100,000
-	-	(27,350)	-	-	-
(110,677)	-	(66,412)	-	(45,000)	189,046
(64,500)	(52,800)	(24,690)	(23,390)	(38,080)	(37,470)
-	-	-	(16,785)	-	-
-	-	(5,556)	-	-	-
(293,201)	(918,099)	-	-	-	-
<u>1,707,063</u>	<u>(488,480)</u>	<u>(306,790)</u>	<u>(1,204,391)</u>	<u>5,912,470</u>	<u>22,856</u>
<u>1,427,729</u>	<u>(1,211,782)</u>	<u>127,607</u>	<u>(2,258,409)</u>	<u>4,434,142</u>	<u>(3,625,860)</u>
<u>\$ 1,563,982</u>	<u>\$ 2,021,203</u>	<u>\$ 847,347</u>	<u>\$ 2,348,420</u>	<u>\$ 2,815,434</u>	<u>\$ 4,064,359</u>
<u>5.0%</u>	<u>5.6%</u>	<u>5.4%</u>	<u>5.4%</u>	<u>5.5%</u>	<u>8.7%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property	
	Commercial Property	Residential Property	Motor Vehicles	Other
2005	\$ 145,568,126	\$ 856,918,775	\$ 69,166,976	\$ 108,786,181
2006	202,055,495	861,531,281	75,950,930	102,949,041
2007	434,373,653	670,997,832	93,097,907	115,982,605
2008	741,201,027	740,981,778	93,606,259	131,903,467
2009	771,675,117	754,677,553	84,719,211	123,978,975
2010	816,126,664	727,265,443	75,788,947	128,456,653
2011	825,118,067	735,001,163	77,596,316	132,738,061
2012	757,796,620	677,032,408	76,152,188	139,388,978
2013	750,214,548	681,531,593	79,490,976	133,819,795
2014	867,439,562	601,013,269	133,799,024	111,836,701

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2011. Tax rates are per \$100 of assessed value.

<u>Less: Tax-Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Tax Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
\$ 6,795,958	\$ 1,173,644,100	\$ 0.83	\$ 1,357,441,707	86.5%
7,050,933	1,235,435,814	0.83	1,565,824,859	78.9%
6,303,625	1,308,148,372	0.83	1,730,354,989	75.6%
8,099,431	1,699,593,100	0.71	1,713,299,496	99.2%
10,925,656	1,724,125,200	0.71	1,734,539,856	99.4%
12,559,607	1,735,078,100	0.71	1,737,705,121	99.8%
14,801,507	1,755,652,100	0.71	1,757,636,949	99.9%
13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%
13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%
13,190,519	1,700,898,037	0.81	1,700,916,367	100.0%

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Direct Rates:					
General Fund Rate	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.430	\$ 0.380
Downtown Tax District	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.300	\$ 0.250
Seventh Avenue District	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.100	\$ 0.080
Total Direct Rate	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.830	\$ 0.710
County Rates:					
Henderson County	0.475	0.475	0.515	0.565	0.462
Town of Fletcher	0.250	0.270	0.270	0.270	0.270
Town of Laurel Park	0.300	0.310	0.310	0.335	0.270
Town of Saluda	0.500	0.500	0.500	0.540	0.605
Town of Mills River	0.070	0.075	0.075	0.075	0.075
Village of Flat Rock	-	-	0.085	0.085	0.075
Fire (14) District Rates:					
From Lowest	0.060	0.065	0.065	0.065	0.060
To Highest	0.120	0.115	0.115	0.115	0.115
Special Purpose District Rates:					
Downtown Tax District	0.300	0.300	0.300	0.300	0.250
Seventh Avenue Tax District	0.100	0.100	0.100	0.100	0.080

Source: Henderson County Tax Assessors Office

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 0.380	\$ 0.380	\$ 0.380	\$ 0.410	\$ 0.410	\$ 0.410
\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.280	\$ 0.280	\$ 0.280
\$ 0.080	\$ 0.080	\$ 0.080	\$ 0.120	\$ 0.120	\$ 0.120
<u>\$ 0.710</u>	<u>\$ 0.710</u>	<u>\$ 0.710</u>	<u>\$ 0.810</u>	<u>\$ 0.810</u>	<u>\$ 0.810</u>
0.462	0.462	0.462	0.5136	0.5136	0.5136
0.270	0.270	0.320	0.3250	0.3250	0.3250
0.270	0.270	0.310	0.3600	0.3600	0.0360
0.605	0.515	0.515	0.6250	0.6050	0.6050
0.075	0.075	0.075	0.0874	0.0974	0.0974
0.075	0.075	0.075	0.0840	0.0840	0.0840
0.060	0.060	0.060	0.0650	0.0650	0.0700
0.115	0.115	0.115	0.1250	0.1250	0.1250
0.250	0.250	0.250	0.2800	0.2800	0.2800
0.080	0.080	0.080	0.1200	0.1200	0.1200



CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2014

UNAUDITED

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc.	\$ 33,809,520	1	1.99%	\$ 21,794,528	1	1.86%
Triangle Real Estate, Inc.	23,598,700	2	1.39%	9,489,100	10	0.95%
Wal-Mart, Inc.	19,442,480	3	1.14%	17,978,970	2	1.53%
Highland Investors, LLC	16,231,000	4	0.95%	-		
Boyd L. Hyder	16,169,300	5	0.95%	9,577,456	9	0.81%
HCRINC Properties	15,958,000	6	0.94%	12,877,400	3	1.10%
Henderson Crossing Shopping Center	11,588,400	7	0.68%	-		
First Citizens Bank	11,264,868	8	0.66%	9,916,573	7	0.84%
Duke Energy	10,581,377	9	0.62%	-		
Lake Point Landing	10,329,200	10	0.61%	-		
BellSouth	10,324,603	11	0.61%	9,933,907	6	0.85%
Home Depot	10,209,400	12	0.60%	11,583,425	5	0.99%
Blue Ridge Mall, LTD	9,530,000	13	0.56%	9,861,200	8	0.84%
Morris Broadband, LLC	9,043,507	14	0.53%	-		
Lowe's of Hendersonville	2,390,187	15	0.14%	11,798,913	4	1.01%
Totals	<u>\$ 210,470,542</u>		<u>12.37%</u>	<u>\$ 124,811,472</u>		<u>10.78%</u>

Source: Henderson County Tax Assessor's Office.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Original Tax Levy for Fiscal Year	Adjustments to Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy	
				Amount	Percentage of Levy
2005	\$ 4,933,800	\$ 118,923	\$ 5,052,723	\$ 4,944,870	97.87%
2006	5,153,119	161,133	5,314,252	5,198,489	97.82%
2007	5,420,260	209,399	5,629,659	5,503,740	97.76%
2008	5,952,337	490,571	6,442,908	6,314,694	98.01%
2009	6,071,297	488,524	6,559,821	6,335,116	96.57%
2010	6,181,286	415,320	6,596,718	6,405,344	97.10%
2011	6,252,523	428,397	6,680,920	6,471,376	96.86%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%
2014	6,968,814	4,866	6,973,680	6,879,634	98.65%

Source: City Tax Collector

(1) Includes Motor Vehicle Valuation.

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 95,007	\$ 5,039,877	99.75%
96,535	5,295,024	99.64%
103,894	5,607,634	99.61%
103,990	6,418,684	99.62%
207,856	6,542,972	99.74%
180,849	6,586,193	99.84%
195,190	6,666,566	99.79%
168,441	6,695,088	99.68%
122,129	6,675,674	99.74%
40,864	6,920,498	99.24%

CITY OF HENDERSONVILLE, NORTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable
2005	\$ 1,170,000	\$ -	\$ 3,301,962	\$ 1,645,000	\$ -	\$ 13,453,812
2006	1,080,000	-	2,916,667	1,355,000	-	12,293,306
2007	990,000	-	2,683,333	1,070,000	-	11,120,362
2008	900,000	-	2,450,000	790,000	-	19,791,377
2009	2,910,000	-	2,216,667	520,000	-	18,154,326
2010	2,770,000	-	1,983,334	255,000	-	16,505,815
2011	2,630,000	-	1,750,000	-	-	14,822,447
2012	2,440,000	-	1,516,667	-	-	25,289,495
2013	2,250,000	-	7,283,333	-	-	23,503,653
2014	2,060,000	-	6,750,000	-	-	20,902,442

Note: Details regarding the City of Hendersonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.

* Information not available.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 19,570,774	621.3%	\$ 1,617
17,644,973	520.1%	1,442
15,863,695	431.8%	1,269
23,931,377	625.6%	1,877
23,800,993	619.5%	1,831
21,514,149	571.2%	1,638
19,202,447	489.6%	1,456
29,246,162	713.6%	2,203
33,036,986	*	2,485
29,712,442	*	2,205

CITY OF HENDERSONVILLE, NORTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2005	\$ 1,170,000	-	\$ 1,170,000	0.09%	\$ 97
2006	1,080,000	-	1,080,000	0.07%	88
2007	990,000	-	990,000	0.06%	79
2008	900,000	-	900,000	0.05%	71
2009	2,910,000	-	2,910,000	0.17%	224
2010	2,770,000	-	2,770,000	0.16%	211
2011	2,630,000	-	2,630,000	0.15%	200
2012	2,440,000	-	2,440,000	0.15%	185
2013	2,250,000	-	2,250,000	0.14%	169
2014	2,060,000	-	2,060,000	0.12%	155

Note: Details regarding the City of Hendersonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. See the Schedule of Demographic and Economic Statistics for population data.

CITY OF HENDERSONVILLE, NORTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Henderson County	\$ 111,797,930	12.37%	\$ 13,829,404
Subtotal, Overlapping Debt			<u>13,829,404</u>
City of Hendersonville Direct			<u>9,533,333</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,362,737</u></u>

Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding provided by the applicable government.

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City of Hendersonville's taxable assessed value that is within the government's boundaries and dividing it by the City of Hendersonville's total taxable assessed value.

Note 2: Overlapping rates are those of county and local governments that apply to property owners within the City of Hendersonville. Not all overlapping rates apply to all of the City of Hendersonville's property owners (i.e., the rates for fire/special purpose districts apply only to the proportion of the City of Hendersonville's property owners whose property is located within the geographic boundaries of the fire/special purpose district).

CITY OF HENDERSONVILLE, NORTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 94,435,205	\$ 99,398,940	\$ 105,156,160	\$ 135,967,448
Total Net Debt Applicable to Debt Limit	18,967,255	18,003,776	15,518,820	23,741,378
Legal Debt Margin	<u>\$ 75,467,950</u>	<u>\$ 81,395,164</u>	<u>\$ 89,637,340</u>	<u>\$ 112,226,070</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>20.1%</u>	<u>18.1%</u>	<u>14.8%</u>	<u>17.5%</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 137,930,016	\$ 139,016,410	\$ 140,452,168	\$ 130,930,200	\$ 130,499,448	\$ 136,071,843
23,293,992	21,412,148	19,012,447	29,246,161	33,036,986	29,712,442
<u>\$ 114,636,024</u>	<u>\$ 117,604,262</u>	<u>\$ 121,439,721</u>	<u>\$ 101,684,039</u>	<u>\$ 97,462,462</u>	<u>\$ 106,359,401</u>
<u>16.9%</u>	<u>15.4%</u>	<u>13.5%</u>	<u>22.3%</u>	<u>25.3%</u>	<u>21.8%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,700,898,037
Debt Limit (8% of Total Assessed Value)	136,071,843
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	27,652,442
Total Bonded Debt	2,060,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>29,712,442</u>
Legal Debt Margin	<u>\$ 106,359,401</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	City Population	County Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rate		
						County	State	U.S.
2005	12,106	97,584	\$3,150,141	32,281	12,292	4.5%	5.3%	5.0%
2006	12,237	100,056	3,392,869	33,910	12,578	3.4%	4.6%	4.8%
2007	12,499	102,270	3,673,726	35,922	13,134	3.9%	4.9%	4.5%
2008	12,747	104,289	3,825,564	36,682	13,322	4.7%	6.2%	5.7%
2009	12,997	105,813	3,841,838	36,308	13,310	9.4%	11.0%	9.5%
2010	13,135	106,965	3,766,289	35,215	13,325	8.2%	10.0%	9.5%
2011	13,189	107,141	3,921,941	36,461	13,491	7.3%	9.9%	9.2%
2012	13,278	108,340	4,098,466	37,856	13,508	7.3%	9.4%	8.2%
2013	13,294	108,448	*	*	13,517	6.6%	8.8%	7.6%
2014	13,473	109,540	*	*	13,491	4.9%	6.5%	5.9%

Data Sources:

- (1) North Carolina State Planning Office.
- (2) North Carolina State Planning Office.
- (3) US Dept. of Commerce - Bureau of Economic Analysis
- (4) US Dept. of Commerce - Bureau of Economic Analysis
- (5) Henderson County Public Schools
- (6) Employment Security Commission
- (7) Employment Security Commission
- (8) Employment Security Commission

* Information not yet available.

CITY OF HENDERSONVILLE, NORTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Henderson County Schools	1,700	1	13.60%	1,450	1	11.53%
Pardee Hospital	1,194	2	9.55%	1,080	3	9.44%
Park Ridge Hospital	1,100	3	8.80%	500	9	4.72%
Eaton Corporation	932	4	7.46%	1,100	2	4.56%
Ingles	750	5	6.00%	-		
Henderson County Government	700	6	5.60%	-		5.77%
Arvin-Meritor	581	7	4.65%	750	4	5.77%
Wilsonart International	560	8	4.48%	-		7.86%
General Electric Lighting	510	9	4.08%	550	7	11.53%
Kyocera Engineering	500	10	4.00%			
Wal-Mart	356	11	2.85%	650	6	
Continental Automotive Systems	346	12	2.77%	435	10	
Steelcase, Incorporated		Closed		680	5	7.13%
Totals	<u>9,229</u>		<u>73.84%</u>	<u>7,195</u>		<u>68.31%</u>

Source: Hendersonville Chamber of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2005	2006	2007	2008
Governmental Activities				
General Government:				
Administration	3	3	3	3
Finance	12	12	12	12
Support Services	10	10	10	10
Public Safety:				
Police	45	45	50	50
Fire	17	17	17	17
Public Works:				
Fleet Maintenance	6	6	6	6
Building Maintenance	3	3	3	3
Administration	3	3	3	3
Streets & Highways	7	7	7	9
Traffic Engineer	2	2	2	2
Grounds Maintenance	8	8	8	8
Subtotal	29	29	29	31
Business-Type Activities				
Water and Sewer Fund	61	61	62	62
Environmental Services Fund	10	10	10	10
Total	<u>187</u>	<u>187</u>	<u>193</u>	<u>195</u>

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
3	3	3	3	3	3
12	12	12	12	12	12
11	11	11	12	14	14
50	50	50	50	50	51
20	20	20	27	27	27
6	6	6	6	6	6
3	3	3	3	3	3
3	3	3	3	3	3
9	9	9	9	9	9
2	2	2	2	2	2
8	8	8	8	8	8
31	31	31	31	31	31
63	63	63	64	65	65
10	10	10	12	14	14
<u>200</u>	<u>200</u>	<u>200</u>	<u>211</u>	<u>216</u>	<u>217</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	2005	2006	2007	2008
General Government				
Building Permits Issued:				
Residential	244	235	163	92
Commercial	111	99	80	50
Public Safety - Police				
Physical Arrests	2,173	2,177	2,736	2,735
Traffic Violations	2,628	2,685	3,631	3,624
Parking Violations	2,353	2,313	2,353	2,358
Public Safety - Fire				
Number of Fire Calls Answered	1,629	1,617	1,703	1,899
Inspections Conducted	601	620	548	534
Water				
Number of Service Connections	23,105	23,650	24,300	25,301
Average Daily Production in Gallons	6,484,315	6,889,471	6,872,304	7,246,825
Sewer				
Number of Service Connections	7,608	7,700	8,000	8,051
Average Daily Treatment in Gallons	3,038,647	2,631,710	2,789,438	2,399,544
Solid Waste				
Refuse Collected (Tons per Year)	4,774	4,605	4,501	4,324
Recycling Collections (Tons per Year)	603	708	1,354	1,021
Scrap Metal (Tons per Year)	-	-	-	-

Sources: Various City of Hendersonville Deaprtments

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
106	103	95	125	305	307
76	226	252	147	112	90
2,175	2,120	1,667	1,539	1,646	1,544
3,815	2,997	2,720	2,482	2,631	2,664
2,317	1,865	1,980	1,806	2,762	2,317
1,871	1,842	1,779	2,111	3,270	3,401
1,066	1,997	883	502	478	370
25,471	25,645	25,618	25,552	25,514	26,446
6,915,665	7,476,633	6,779,146	6,312,833	7,014,181	6,869,342
8,118	8,173	8,146	8,274	8,503	8,751
2,426,373	2,937,317	2,233,945	2,349,814	2,966,896	3,215,077
4,152	3,885	3,550	3,325	3,293	3,353
1,083	2,195	1,040	645	744	848
-	17	13	1	3	3

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	2005	2006	2007	2008
Hendersonville				
Public Facilities/Buildings	3	3	3	3
Public Safety - Police				
Number of Police Stations	1	1	1	1
Number of Patrol Units	30	30	34	34
Public Safety - Fire				
Number of Fire Stations	1	1	1	1
Number of Fire Trucks	6	6	6	6
Public Service				
Streets (in Miles)	60.51	62.95	65.04	65.03
Street Lights (Leased)	1,386	1,391	1,398	1,398
Street Lights (Owned)	189	189	189	189
Parks and Recreation				
Parks Acreage	99	99	99	158
Tennis & Racquet Ball Courts	8	8	8	8
Parks	7	7	7	12
Shuffle Board Courts	27	27	27	27
Swimming Pools	1	1	1	1
Community Development				
Community Centers	3	3	3	3
Water				
Water Mains (Miles)	567	569	571	575
Fire Hydrants	2,120	2,135	2,140	2,233
Sewer				
Sanitary Sewers (Miles)	153	154	154	160
Storm Sewers (Miles)	27	27	27	27
Solid Waste				
Collection/Refuse Trucks	3	3	3	3

Sources: Various City of Hendersonville departments.

Note: A New Fire Station was built in 2000 and Police Department moved into City Hall in 2005.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
3	3	3	4	5	5
1	1	1	1	1	1
38	38	38	38	38	39
1	1	1	1	1	2
6	6	6	6	6	6
65.04	65.36	65.36	65.67	68.20	68.20
1,428	1,433	1,428	1,428	1,479	1,501
189	189	189	189	189	189
158	158	158	158	158	158
8	8	8	8	8	8
12	12	12	12	12	12
27	27	27	27	27	27
1	1	1	1	1	1
3	3	3	3	3	3
578	581	640	620	634	637
2,359	2,446	2,539	2,552	2,585	2,598
165	167	175	176	177	178
27	27	30	30	30	30
3	3	3	3	3	4





**COMPLIANCE
SECTION**



CARLAND & ANDERSEN, INC.
CERTIFIED PUBLIC ACCOUNTANTS

307 NORTH CHURCH STREET ▪ HENDERSONVILLE, NC 28792

MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Terry B. Andersen, CPA

F.T. Carland, CPA
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George B. Lee, CPA
Harold C. Reid, CPA

**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***

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hendersonville, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hendersonville, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the City of Hendersonville's basic financial statements, and have issued our report thereon dated December 3, 2014. The financial statements of the City of Hendersonville Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

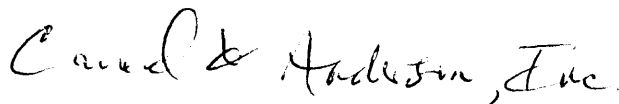
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

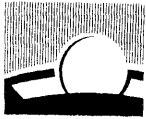
As part of obtaining reasonable assurance about whether the City of Hendersonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Purpose of this Report

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



Hendersonville, North Carolina
December 3, 2014



CARLAND & ANDERSEN, INC.
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**Report On Compliance For Each Major Federal Program and Report on Internal
Control Over Compliance In Accordance With OMB Circular A-133;
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hendersonville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, 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, 2014. The City of Hendersonville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

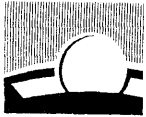
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any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

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

Carroll & Anderson, Inc.

Hendersonville, North Carolina

December 3, 2014



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**Report On Compliance For Each Major State Program and Report on Internal
Control Over Compliance In Accordance With OMB Circular A-133;
and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Hendersonville, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Hendersonville, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014. The City of Hendersonville's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hendersonville's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act 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 State program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for the City's major state program. However, our audit does not provide a legal determination of the City of Hendersonville's compliance.

Opinion on Each Major State Program

In our opinion, the City of Hendersonville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Hendersonville, North Carolina
December 3, 2014

**CITY OF HENDERSONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. Summary of Auditor's Results

- A. An unmodified opinion was issued on the financial statements of the City of Hendersonville.
- B. Our audit of the basic financial statements disclosed no material weaknesses over financial reporting or significant deficiencies in internal control.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the City major programs disclosed no material weaknesses and no significant deficiency in internal control over major programs.
- E. An unmodified opinion was issued on the City of Hendersonville compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unmodified opinion was issued on the City of Hendersonville compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which relate to federal and State awards that are required to be reported in accordance with Section 510 (a) of Circular A-133.
- H. Major federal programs for the City of Hendersonville for the fiscal year ended June 30, 2014 are:

<u>Name of Program</u>	<u>CFDA</u>
Capitalization Grants for Clean Water State Revolving Funds Jackson Park Sewer Project	66.458
Capitalization Grants for Clean Water State Revolving Funds Shepherd Creek	66.458
Capitalization Grants for Clean Water State Revolving Funds Wolfpen	66.458

**CITY OF HENDERSONVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

- I. Major State programs for the City of Hendersonville for the fiscal year ended June 30, 2014 are:

Name of Program

Powell Bill Program

- J. The threshold for determining Type A programs for the City of Hendersonville is \$300,000.
- K. City of Hendersonville qualified as a low risk auditee under Section .530 of Circular A-133.

II. Findings Related to the Audit of the Basic Financial Statements of the City of Hendersonville

The City of Hendersonville had no findings or questioned costs related to the audit of the Basic Financial Statements for the fiscal year ended June 30, 2014.

III. Findings and Questioned Costs related to the Audit of Federal and State Awards

The City of Hendersonville had no findings had no findings or questioned costs related to the audit of federal and State awards for the fiscal year ended June 30, 2014.

**CITY OF HENDERSONVILLE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014**

A Corrective Action Plan has already been implemented by the City of Hendersonville for all prior year findings.

**CITY OF HENDERSONVILLE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

The City of Hendersonville had no findings or questioned costs related to the audit of federal and State awards for the previous three fiscal years.

CITY OF HENDERSONVILLE, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit J-1

<u>Grantor/Passthrough</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State /</u> <u>Passthrough</u> <u>Grantor's No.</u>	<u>Federal/ Direct</u> <u>and Passthrough</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
Federal Grants:				
Cash Programs:				
<u>U.S. Dept of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant, State's Program				
and Non-Entitlement Grants in Hawaii				
	14.228		\$ 179.660	
 <u>U. S. Department of Transportation</u>				
Passed-through N. C. Department				
of Transportation:				
Highway Planning and Construction				
	20.205		18.514	\$ 4.629
Governor's Highway Safety Program				
	20.600	52014.3.2	37.202	
Governor's Highway Safety Program				
	20.600	52013.15.8	853	
 <u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department				
of Environment and Natural Resources				
EPS Section 319(h) Grant Nonpoint Source				
Implementation Grant				
	66.460		5.026	
 Noncash Programs:				
<u>U.S. Environmental Protection Agency</u>				
Passed-through N.C. Department				
of Environment and Natural Resources				
Capitalization Grants for Clean Water State				
Revolving Funds Jackson Park Sewer Project (note 2)				
	66.458		1,848.181	
Capitalization Grants for Clean Water State				
Revolving Funds Shepherd Creek (note 2)				
	66.458		185.706	46.427
Capitalization Grants for Clean Water State				
Revolving Funds Wolfpen (note 2)				
	66.458		151.930	37.983
Total assistance - federal programs			2,427.072	89.039
 State Grants:				
Cash Programs:				
N.C. Rural Center/Department of Commerce				
		2013-236-40101-112		290.329
 <u>N.C Department of Environmental and Natural Resources:</u>				
Solid Waste Management Trust Fund				
		5506		30.000
Solid Waste Management Trust Fund				
		5507		75.000
 <u>N. C. Department of Transportation:</u>				
Powell Bill Program				
		32570		671.345
Total assistance - State programs			-	1,066.674
Total assistance			\$ 2,427.072	\$ 1,155.713

**CITY OF HENDERSONVILLE, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit J-1

Note to the Schedule of Expenditures of Federal and State Awards

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Hendersonville and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note to the Schedule of Expenditures of Federal and State Awards

2. Loans Outstanding

City of Hendersonville had the following loan balances outstanding at June 30, 2014. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for State Revolving Funds-Jackson Park Sewer Project	66.458		None
Capitalization Grants for State Revolving Funds-Shepherd Creek	66.458		None
Capitalization Grants for State Revolving Funds-WolfPen	66.458		None

