

# **CITY OF HENDERSONVILLE, NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2016**



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2016**



Prepared By: Finance Department  
Lisa White, CPA, CGFO  
Finance Director



CITY OF HENDERSONVILLE, NORTH CAROLINA

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**INTRODUCTORY  
SECTION**



CITY COUNCIL:  
BARBARA G. VOLK  
Mayor  
STEVE CARAKER  
Mayor Pro Tem  
RON STEPHENS  
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 19, 2016

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, 2016.

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 Greene, Finney & Horton, LLP, 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, 2016, 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 unmodified opinion that the City of Hendersonville’s financial statements for the fiscal year ended June 30, 2016, 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.

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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 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. The City is recognized for its vibrant Historic Downtown which boasts quality dining, shopping, parks and a viable business district. A short walk from the heart of downtown is the revitalized Historic Seventh Avenue District. The City continues to see population growth as the most recent, final certified estimate of the July 1, 2015 permanent resident population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 13,824.

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, both inside and outside the City limits, 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 may be approved by the City Manager, however transfers between funds 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 strong economy with a solid residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, agriculture, health care, community college system, 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.

The Henderson County Partnership for Economic Development is a non-profit organization that serves as the professional economic development entity for the County and the five municipalities located within it, managing existing industry, marketing, product development and advocacy programs while positively impacting the employment and investment in the local economy. During the past fiscal year, the Partnership has announced the planned addition of or growth in jobs and or assessed value from the following companies in Henderson County: Demmel: 50 jobs and addition of \$4 million, Smart Products: 26 jobs and addition of \$3.2 million, Norafin: 46 jobs and addition of \$18.1 million, Elkamet: 26 jobs and addition of \$6.2 million, Warm Company: 10 jobs and addition of \$4.9 million, City Bakery, 15 jobs, American Quality Foods, 10 jobs, Bitwater: 6 jobs, Gaia Herbs: 25 jobs, Microtech Knives: 10 jobs.

During the fiscal year, the City collaborated with the County and the other municipalities that are part of the Henderson County Partnership for Economic Development to form The Economic Investment Fund of Henderson County. This newly established fund will lessen the burdens of government by protecting and advancing Henderson County's quality employment and tax base capacity through product and workforce development. It will improve Henderson County's competitive position for quality jobs, improving the lives of its citizens through poverty alleviation, stimulating activity in economically challenged areas, and providing opportunity for unemployed and under-employed persons. The fund will employ a product development strategy focused on identifying, optioning, and preserving real property, and improving the marketability of real property through due diligence, infrastructure improvements, and site development. The fund will support proactive engagement with schools and students, increasing awareness about careers in manufacturing, and encouraging workforce preparedness.

Several industrial parks are located within the County in addition to sites with quality infrastructure and access. An advanced manufacturing cluster has been cultivated and encouraged in Henderson County, driving significant employment and investment in the plastics, automotive, medical, outdoor recreation, food and beverage, advanced materials, and metals sectors. Local manufacturers in Henderson County produce globally-recognized products that add value to our local economy.

Henderson County has a labor force of approximately 50,000 persons, and one of the lowest unemployment rates in the state at 4.3% as of June 30, 2016, as compared to the national rate of 4.9%. Henderson County, being in a right-to-work state has virtually no unionization in the county. With employment of over 5,300 individuals working at 142 manufacturing businesses, payroll is in excess of \$272 million annually and an average annual wage of \$51,300.

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 18<sup>th</sup> 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, which ranks 7<sup>th</sup> in the US in apple production, has 5,660 acres in apple production spread across over 117 farms and produces 85% of the apples grown in North Carolina. 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. Tri-Hishtil, a grafted vegetable plant producer, held a ground breaking for its new operations in the County during the spring of 2015 which brought approximately 125 new jobs to Henderson County. The global nursery company is a neighbor to Van Wingerden International, a large grower of flowering plants in Mills River. 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 beautiful mountain area and is expected to grow as more tourists and outdoor enthusiasts discover its existence. The agricultural-related industrial 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 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.



### ***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 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.

The City Council has adopted an Investment and Cash Management Policy to provide parameters within which the City's funds should be managed to provide for sound, efficient and professional investments to achieve primary objectives, in order of importance, of safety of principal, liquidity for operations and return on investment.

The policy follows best practices of the Government Finance Officers Association and incorporates the NC State Statute G.S. 159-30 Investment of Idle Funds.

The City follows the purchasing procedures as required by NC state statutes and has additionally adopted a Purchasing Policy which, through competitive pricing, planning and efficient procurement, strives to secure the lowest, most responsible cost for the City in order to provide our citizens and customers with the quality services that they expect.

The City established an Unassigned Fund Balance policy with a goal for unassigned fund balance for the General Fund in the range of twenty-five to thirty-five percent (25%-35%) of budgeted expenditures and establishes a goal for the Water and Sewer Fund of between fifty to seventy-five percent (50%-75%) of budgeted expenditures. This range sets the goal at a minimum of approximately four months of the next fiscal year's annual budgeted expenditures. The City may adjust this goal as appropriate based upon the recommendation from the NC Local Government Commission and any change in the City's financial outlook. Total unassigned fund balance in the General Fund equaled 52 percent of total General Fund budgeted expenditures as of June 30, 2016.

### ***Major Initiatives***

The collaborative economic development project undertaken several years ago between the City and Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College continued into fiscal year 2016. This one of a kind partnership has resulted in a state of the art health sciences educational facility for the residents of Henderson County and the region. To continue the collaborative project, during fiscal year 2016 the City entered into an Inter-local agreement with Henderson County and began work on widening Oak St. to better serve traffic needs of the new facility. The 100,000 square foot, \$32 million facility held its grand opening in the fall of 2016.

Fiscal year 2016 saw the continuance of street maintenance as a major initiative for the City. City Council again committed one cent of the property tax to be allocated to the expenditure budget for street resurfacing in addition to the amounts received from the state for street repairs and maintenance.

The City continued its commitment to parking improvements in downtown Hendersonville. Following the recommendations of the parking study which began in fiscal year 2015, which included the successful introduction of parking Ambassadors, during the current year the City installed 7 automated parking kiosks in the City parking lots. These computerized, internet based kiosks allow customers to pay for parking using debit and credit cards and allow the City staff to electronically collect and monitor parking revenues.

Additionally, the City invested in parking computer system technology which provides efficiency's that allow the parking enforcement staff to spend less time doing paperwork and more time monitoring parking issues.

#### *Downtown Revitalization Project*

The NC General Assembly allocated \$96,107 to the City of Hendersonville for downtown revitalization efforts. The City utilized this grant-in-aid to undertake a project to modernize the form and function of two of our most active downtown public parking lots which provide public and leased parking for visitors and businesses in downtown Hendersonville. The improvements to the Azalea and Laughter lots were completed during fiscal year 2016.

#### *Mud Creek Dump Project*

During fiscal year 2015, the City began a project to conduct an environmental assessment of the Mud Creek Dump area which was a pre-1983 landfill. The City will be eligible for reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDENR. The planning phase of this project continued during fiscal year 2016.

#### *Oklawaha Greenway Project – Phase 3*

This Federal grant project, administered by the State of North Carolina Department of Transportation, began during the prior fiscal year and was substantially complete as of June 30, 2016. This project consisted of the construction of the 3<sup>rd</sup> phase of the Oklawaha Greenway along Mud Creek with 10 foot-wide, paved surface which extends approximately 9,000 linear feet from the south of N. Main Street, where Phase 2 of the Greenway ended, to Balfour Road. Phase 3 of the project connected Patton Park to Berkeley Park. The total project cost will be \$1,200,000 which includes both federal grant funding and matching funds provided by the NCDOT.

#### *Downtown Hotel Study*

During fiscal year 2016 the City of Hendersonville engaged Development Finance Initiative (“DFI”) to provide predevelopment services to research the possibility of a hotel in downtown Hendersonville. Development Finance Initiative (DFI) at the UNC School of Government partners with local and State government to attract private investment for transformative projects by providing specialized finance and development expertise. DFI conducted a market analysis, site analysis and a financial feasibility study. The process, which also included public input, identified a positive opportunity for a downtown boutique hotel with event space utilizing the City owned Historic Grey Hosiery Mill site. At this time City Council and staff are continuing to consider ways to limit the amount of public participation/investment and attract private development in this promising project which looks to have very rewarding results for the downtown area. City Council plans to engage DFI to solicit bids from developers in fiscal year 2017 to continue research of the options for this redevelopment project.

#### *Water & Sewer Capital Projects*

Several major construction projects were continued or completed during the fiscal year ended June 30, 2016 including the three large sewer interceptor projects, Jackson Park, Shepherd-Atkinson and Wolfpen which all began during fiscal year 2014 had some wrap up work completed during fiscal year 2016.

The City began work on several other water & sewer projects during fiscal year 2016 including the Northside Water System project which will increase the elevation of the pressure gradient and add more water storage

capacity in the northern portion of Henderson County. Another large project that began in fiscal year 2016 and will continue into fiscal year 2017, was the Eastside Transmission Main project. This project will provide a large water transmission main on the east side of U.S. Interstate 26 and will provide a higher pressure gradient and allow the removal of several hydropneumatic pump stations and a booster pump station. The City also began a 'Supervisory Control and Data Acquisition' or SCADA system upgrade project which will take several years to complete the installation of an upgraded system which will allow the water department to monitor and control the water and sewer infrastructure.

#### *Etowah Sewer System Acquisition*

In July 2016 the City of Hendersonville and the Etowah Sewer Company, Inc. filed an application with the State of North Carolina Utilities Commission seeking authority to transfer Etowah's sewer utility service to the City. The application contains a purchase agreement under which the City of Hendersonville has agreed to purchase the Etowah sewer system for \$1,026,000. The system provides sewer utility service to approximately 375 residential and 42 commercial customers in the unincorporated community of Etowah in Henderson County. Notice to the affected customers were distributed and pending approval by the Commission, the sale is expected to take place mid-year during fiscal year 2017.

#### **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, 2015. This was the twenty-sixth 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 Greene, Finney & Horton and the staff of the Hendersonville Finance 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,



Lisa A. White, CPA, CGFO  
Finance Director



**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF**  
**YEAR ENDED JUNE 30, 2016**

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Steve Caraker

Jeffery Lane Miller

Jerry A. Smith, Jr.

Ron Stephens

CITY STAFF

City Manager – John F. Connet

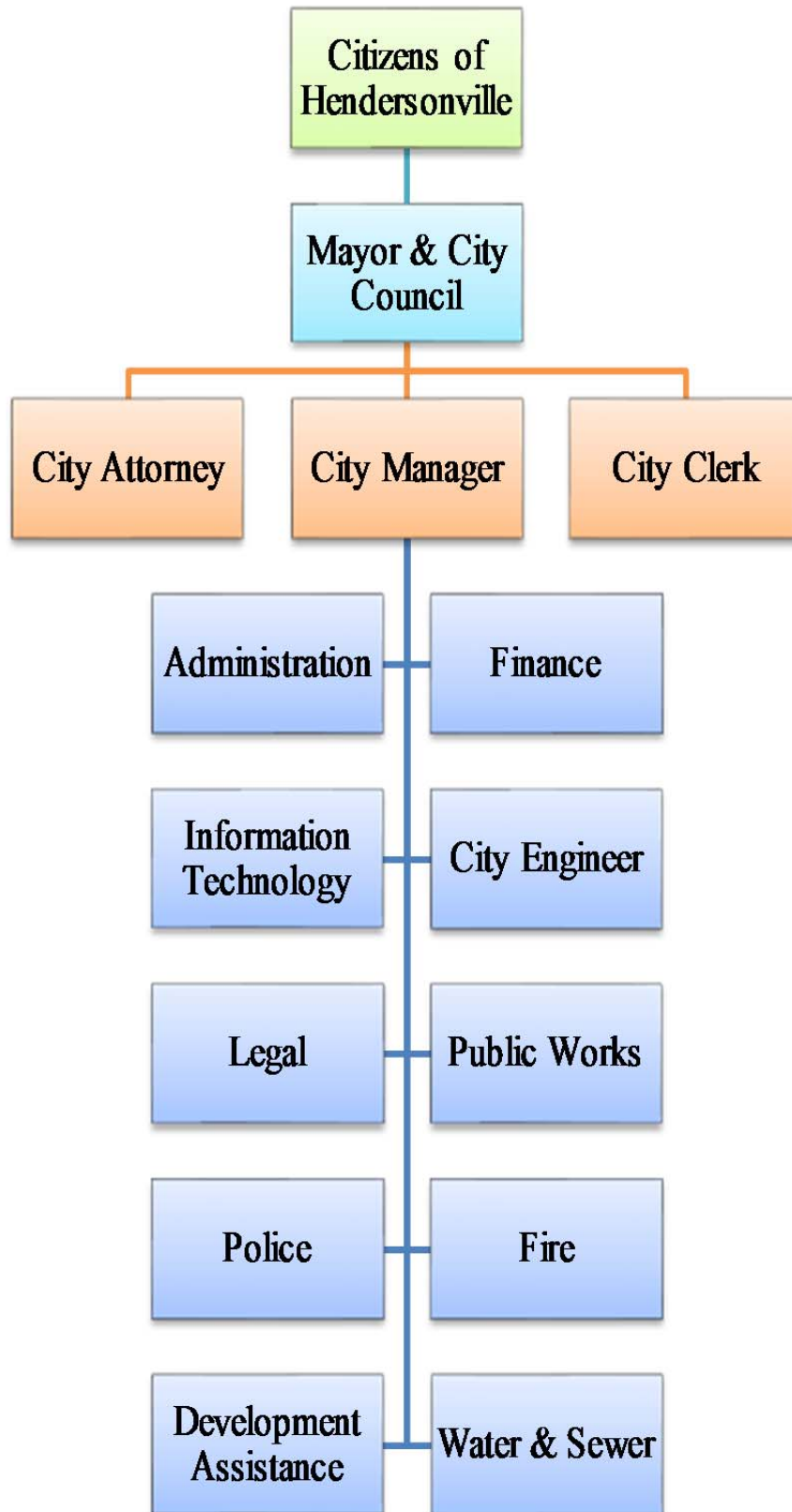
Assistant to the City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director – Lisa White

# CITY OF HENDERSONVILLE ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Hendersonville  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO







**FINANCIAL  
SECTION**





**Greene, Finney & Horton, LLP**  
 CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR’S REPORT**

To the Honorable Mayor and Members of City Council  
 City of 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 (the “City”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

*Management’s Responsibility for the Financial Statements*

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

*Auditor’s Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, City of Hendersonville Board of Alcoholic Control (“ABC Board”). Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board, is based solely on the report of another auditor. 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 from material misstatement. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

*Opinions*

In our opinion, based on our audit and the report of the other auditor, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Prior Period Adjustments***

As discussed in Note IV.H to the financial statements, in the year ended June 30, 2016 the City discovered that it had not correctly accounted for its capital assets and changed its accounting for sale and use tax revenues in its financial statements as of June 30, 2015. These matters were corrected when they were discovered. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the OPEB plan schedules, and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the supplementary information, the statistical section, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2016

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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As management of the City of Hendersonville (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2016 (“2016” or “FY 2016”) compared to the year ended June 30, 2015 (“2015” or “FY 2015”). The intent of this management’s discussion and analysis (“MD&A”) is to look at the City’s financial performance as a whole, with an emphasis on the Primary Government (which excludes the City’s discretely presented component unit – the ABC Board). We would encourage readers to not only consider the information presented here, but also the information provided in the letter of transmittal, the financial statements, and the notes to the financial statements to enhance their understanding the City’s overall financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$103,555,175 (total net position for the Primary Government).
- The City’s total net position increased by \$1,087,854 due in part to a reduction of liabilities.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9,831,885, an increase of \$611,592 or 6.2% percent in comparison with the prior year. The increase is due to the increase of assets related to governmental capital projects.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was \$4,717,660. The unassigned fund balance for the General Fund is \$5,091,043 which is 36% percent of total General Fund expenditures for the upcoming fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

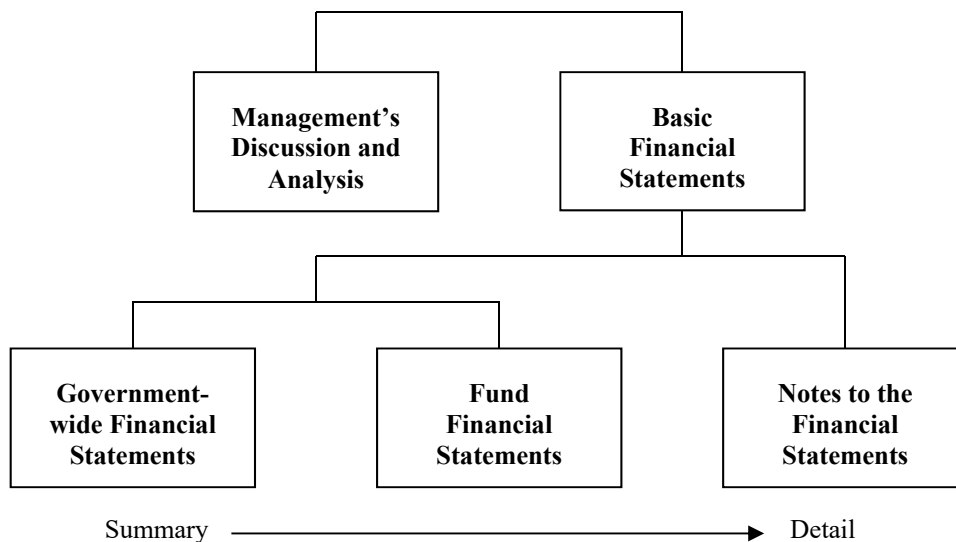
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, required supplementary information, and supplementary information), the Statistical Section, and the Compliance Section.

**Financial Statements**

This MD&A is intended to serve as an introduction to the City’s financial statements. The City’s 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 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.

**Required Components of Annual Financial Report**

**Figure 1**



# CITY OF HENDERSONVILLE, NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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### OVERVIEW OF THE FINANCIAL STATEMENTS

#### Financial Statements

The first two statements 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 set of statements are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statement, 3) the proprietary fund statements, and 4) the fiduciary 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, **required supplementary information** and **supplementary information** are provided to show details about the City's retirement plans, other postemployment benefit plans, and 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'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 the City'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, public works, 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 environmental service activities offered by the City. The final category is the component unit. Although legally separate from the City, the Hendersonville ABC Board ("ABC Board") is important to the City because the City exercises control over the ABC 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.

#### Fund Financial Statements

The fund financial statements 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect 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 City 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### Financial Statements

The City 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 Council; 2) the final budget as amended by the Council; 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 any differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities would be shown at the end of the budgetary statement.

**Proprietary Funds** – The City 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. The City uses enterprise funds to account for its water and sewer activity and for its environmental service 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*.

The City uses another type of proprietary fund known as an internal service fund. **Internal Service Funds** are an accounting device used to accumulate and allocate costs internally to the City'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 used 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* can be found as listed in the table of contents 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 and other postemployment benefits to its employees. Required Supplementary Information ("RSI") is mandated by the Governmental Accounting Standards Board ("GASB") and can be found as listed in the table of contents of this report.

**Interdependence with Other Entities** – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury securities.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**City's Net Position**

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>
Current and Other Assets	\$ 10,001,774	11,197,195	28,050,443	27,830,117	38,052,217	\$ 39,027,312
Capital Assets	24,633,435	26,192,519	79,682,915	75,098,018	104,316,350	101,290,537
Restricted Net Pension Assets	418,163	-	349,983	-	768,146	-
Deferred Outflows of Resources	368,675	608,437	328,400	388,666	697,075	997,103
Total Assets and Deferred Outflows of Resources	<u>35,422,047</u>	<u>37,998,151</u>	<u>108,411,741</u>	<u>103,316,801</u>	<u>143,833,788</u>	<u>141,314,952</u>
Long-Term Liabilities Outstanding	8,845,044	8,468,665	24,707,792	21,871,347	33,552,836	30,340,012
Other Liabilities	1,533,973	2,297,773	4,403,950	4,678,166	5,937,923	6,975,939
Deferred Inflows of Resources	1,005,494	282,952	870,214	160,874	1,875,708	443,826
Total Liabilities and Deferred Inflows of Resources	<u>11,384,511</u>	<u>11,049,390</u>	<u>29,981,956</u>	<u>26,710,387</u>	<u>41,366,467</u>	<u>37,759,777</u>
Net Position:						
Net Investment in Capital Assets	17,342,281	18,615,092	52,399,169	50,835,364	69,741,450	69,450,456
Restricted	2,309,638	3,651,785	-	-	2,309,638	3,651,785
Unrestricted	4,385,617	4,681,884	26,030,616	25,771,050	30,416,233	30,452,934
Total Net Position	<u>\$ 24,037,536</u>	<u>26,948,761</u>	<u>78,429,785</u>	<u>76,606,414</u>	<u>102,467,321</u>	<u>\$ 103,555,175</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$103,555,175 as of June 30, 2016. The City's net position increased by \$1,087,854 for the fiscal year ended June 30, 2016 due to a reduction of liabilities. However, the largest portion of net position (67%) 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 net 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 position \$3,651,785 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$30,452,934 (29%) is unrestricted.



CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 439,126	715,345	15,858,705	16,690,122	16,297,831	\$ 17,405,467
Operating Grants & Contributions	680,540	722,754	-	-	680,540	722,754
Capital Grants and Contributions	53,783	1,073,002	1,177,512	46,537	1,231,295	1,119,539
General Revenues:						
Property Taxes	7,745,067	8,084,440	-	-	7,745,067	8,084,440
Other Taxes & Fees	4,642,868	4,750,851	-	-	4,642,868	4,750,851
Other Revenue	287,499	452,588	249,573	341,674	537,072	794,262
Total Revenues	<u>13,848,883</u>	<u>15,798,980</u>	<u>17,285,790</u>	<u>17,078,333</u>	<u>31,134,673</u>	<u>32,877,313</u>
<b>Expenses:</b>						
General Government	2,813,625	2,583,313	-	-	2,813,625	2,583,313
Public Safety	6,702,566	7,209,269	-	-	6,702,566	7,209,269
Transportation	2,795,044	2,653,172	-	-	2,795,044	2,653,172
Environmental Protection	484,528	21,508	-	-	484,528	21,508
Economic and Physical Development	428,450	520,035	-	-	428,450	520,035
Culture and Recreation	537,955	968,892	-	-	537,955	968,892
Interest on Long-Term Debt	318,140	295,850	-	-	318,140	295,850
Water and Sewer Fund	-	-	16,047,518	17,428,160	16,047,518	17,428,160
Environmental Services Fund	-	-	1,178,355	1,242,213	1,178,355	1,242,213
Total Expenses	<u>14,080,308</u>	<u>14,252,039</u>	<u>17,225,873</u>	<u>18,670,373</u>	<u>31,306,181</u>	<u>32,922,412</u>
Increase in Net Position Before Transfers	(231,425)	1,546,941	59,917	(1,592,040)	(171,508)	(45,099)
Transfers	-	138,947	-	(138,947)	-	-
Change in Net Position	<u>(231,425)</u>	<u>1,685,888</u>	<u>59,917</u>	<u>(1,730,987)</u>	<u>(171,508)</u>	<u>(45,099)</u>
Net Position, Beginning of Year, as Previously Reported	24,268,961	24,037,536	78,369,868	78,429,785	102,638,829	102,467,321
Prior Period Adjustments	-	1,225,337	-	(92,384)	-	1,132,953
Net Position, Beginning (Restated)	<u>24,268,961</u>	<u>25,262,873</u>	<u>78,369,868</u>	<u>78,337,401</u>	<u>102,638,829</u>	<u>103,600,274</u>
Net Position, End of Year	<u>\$ 24,037,536</u>	<u>26,948,761</u>	<u>78,429,785</u>	<u>76,606,414</u>	<u>102,467,321</u>	<u>\$ 103,555,175</u>

**Governmental Activities:** Governmental activities increased the City's net position by \$1,685,888. The key element of this increase is due to the increase in capital grant revenue to fund the Oklawaha Greenway project.

**Business-type Activities:** Business-type activities decreased the City's net position by \$1,730,987 due to the increase in capital project expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental Funds**

The focus of the City'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.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,091,043 with a total fund balance of \$7,381,399, a decrease of \$1,109,135 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at \$1,226,461 for fiscal year 2016 primarily to provide for the transfer of fund balance to establish the new Debt Service Fund, however the use of fund balance was lower due to the increases in revenues detailed below. In the upcoming fiscal year 2017 budget \$436,981 of fund balance is appropriated. 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 36% percent of total General Fund budgeted expenditures as of June 30, 2016.

At June 30, 2016, the governmental funds of the City reported a combined total fund balance of \$9,831,885 a 6.63% increase over last year.

Overall, the General Fund revenues of \$13,867,712 were \$734,969 or 5.6% higher than the fund's prior year revenues primarily due to the following:

- Ad Valorem Tax revenue increased \$414,194 or 5.58% over fiscal year 2015, due to a 2 cent increase in property tax rate along with growth and an increase in the assessed value of the tax base.
- Sales & Use tax collections were \$400,579 or 14.8% higher than the prior year. The State as a whole continues to benefit from increased consumer confidence.
- Utility Franchise Tax revenues were 7.3%, or \$64,253 higher than the prior year collections.
- Investment Earnings were \$62,875 or 1.20% higher than the previous year due to continued investment of idle cash.

Revenues in the non-major funds increased by \$1,270,317 over the prior year. Key components of this increase include the one-time funding of \$96,107 from the Office of State Budget and Management for parking lot revitalization in the Downtown MSD Fund. In addition, the fund recorded \$78,553 in proceeds of debt for the parking kiosk loan. Another non-major governmental fund that contributed to the increase of revenues over the prior year was the Oklawaha project which recorded \$976,653 in Grant Revenue received from the NC Department of Transportation. In addition, the City received a grant from the Governor's Highway Safety Program/NC Department of Transportation that was larger than prior year's funding for the Bike Safe Program.

**General Fund Budgetary Highlights**

During the fiscal year, the City revised the budget on several occasions. In general, 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 current fiscal year, there was an increase in appropriations between the original and final amended General Fund budget totaling \$1,388,697. The following are the components of the increase:

- August 2015 - \$115,000 increase to record the budgeted revenue to be provided by the new contract with the Hendersonville Housing Authority and to record the budgeted expenditures for the salaries, equipment and supplies for the two officers committed to the contract.
- August 2015 - \$9,191 increase to provide funding to complete the public works mezzanine project in the Operations Center.
- October 2015 - \$5,000 increase to record Billboard sign revenue and a corresponding transfer out of \$5,000 to the Seventh Avenue MSD fund.
- October 2015 - \$28,750 decrease to amend the budgeted revenue from the Hendersonville Housing Authority to 3/4 of a year because the contract began in October.
- October 2015 - \$17,683 to increase the Insurance Settlement revenue account to provide to damaged vehicles

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**General Fund Budgetary Highlights (Continued)**

- November 2015 - \$10,500 to increase the budget for Lease Revenue due to a new cell tower contract.
- November 2015 - \$23,980 to increase the budget for Parking Meter Revenue and a corresponding expenditure to budget for the purchase of parking enforcement software.
- January 2016 - \$67,500 to increase the Insurance Proceeds and corresponding expenditure lines to repair damage to two fire trucks.
- February 2016 - \$295,000 increase to Local Sales Tax Revenue.
- February 2016 - \$259,375 increase to Utility Sales Tax Revenue.
- February 2016 - \$80,080 increase to Powell Bill Revenue.
- February 2016 - \$120,000 decrease to State Reimbursement Revenue.
- February 2016 - \$66,735 decrease to Telecom Sales Tax Revenue.
- April 2016 - \$249,274 increase to provide for a transfer out of the General Fund to provide funding to the North Oak Street Improvements Project.
- April 2016 - \$20,000 increase to the Special Appropriations budgets to provide additional funding to Team ECCO as approved by City Council.
- May 2016 - \$20,000 increase to provide for the purchase of property.
- June 2016 - \$125,000 increase to Local Sales Tax Revenue.

Several positive factors contributed to the General Fund actual revenues of \$13,867,712 exceeding the budgeted revenues by 3.82%. These include:

- Property Tax collections were 1.38%, or \$106,735 higher than the amount budgeted, as the property tax was conservatively budgeted. The City continues to have a very good collection rate, as Tax collections for fiscal year 2016 are consistently 98 % collected at the close of each fiscal year.
- Local Option Sales Tax collections exceeded the amended budgeted amount by \$141,337, a 4.78% increase.
- Utility Tax came in \$46,144 or 5.13% over budget, as the City continues to evaluate its budget and conservatively budget this revenue source due to legislative changes made to this revenue source in the previous fiscal years.
- Investment Income received was 37.86% or \$31,657 over the budgeted amount due to additional amounts being invested according to the investment policy adopted in the prior year.
- Recreation Fees revenue exceeded the budget by \$58,773, 46% due in part to the increase in swimming pool gate fees, which came in \$31,478 over budget and 11% over the prior year's actual along with concession revenue which came in \$23,506 over the current year budget, a 23% increase over the prior year's collection. These pool revenues contributed to the overall increase in the Sales and Services Revenue line but were partially offset by Parking Meter Revenue coming in \$25,125 under budget due to the City staff continuing to work on budget and revenue estimates after the installation of new parking kiosks in the City parking lots. The Parking Meter Revenue for fiscal year 2016 increased \$45,459 or 77% over the prior year revenue due to an increase in rates and use of the new kiosks.

All General Fund departments stayed within the appropriated budgets. In total, the General Fund actual expenditures ended the year at \$13,457,926 or 3.57% under the \$13,980,609 budgeted for the fiscal year. Several areas contributed to the expenditures coming in under budget. The Public Works Building Maintenance department spent 87% of the department budget due to a reduction contracted services, capital outlay and overtime. The Public Works Street department came in nearly \$50,000 under budget due to a reduction in fuel costs and contracted services, the Fire Department came in \$91,000 under budget partly due to reduction in overtime wages.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)**

**Proprietary Funds**

The City's proprietary fund statements 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 totaled \$25,246,428 which was a 1.11% decrease over the prior year's \$25,531,004. The Environmental Services Fund ("ESF") total unrestricted net position increased 4.77% to \$524,622 at June 30, 2016 compared to the prior year total of \$499,612.

**Water & Sewer Fund:**

- Water Sales was \$563,923 or 6% over the prior year and was approximately 7% higher than budgeted. A significant reason for the increase was that the City began metering and allocating the revenue and expense for internal water usage on City owned properties. There were no changes in water or sewer rates for fiscal year 2016.
- Water Permits & Fee Revenue for fiscal year 2016 was \$83,428 or 21% lower than the amount collected in the prior year due to the construction of apartment buildings in the Fletcher area during the prior fiscal year.
- Investment Income is \$115,985 higher than the amount earned in the prior year due to the finance department investing idle cash according to the investment policy adopted during the prior year.

**Environmental Services Fund:**

- Revenues were \$295,850 higher than the previous year due primarily to Capital Financing Proceeds of \$223,467 to provide for the purchase of a new Garbage Truck.
- Net position decreased by \$4,564 or 5% for a total unrestricted net position of \$524,622.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$101,290,537 (net of accumulated depreciation). This was a decrease of \$3,025,813 from 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:

- The completion of Phase 3 of the Oklawaha Greenway Capital Project.
- Improvements to the Azalea Parking Lot.
- The purchase of 7 parking system Kiosks and the addition of a parking ticket module and interface.
- A City wide telephone system and software upgrade.
- Tennis Court and Basketball Court resurfacing.
- Vehicle replacements including several police vehicles, police motor cycles, public works utility trucks.
- The right of way and Oak Street widening project continued the City's contribution to the collaboration for the Joint Health Sciences project.
- Water system capital included the completion of several large sewer interceptor projects and water line improvements.
- The Environmental Service Fund capital included the addition of a new rear loader garbage truck.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

City's Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 3,618,211	4,158,275	1,837,360	2,139,194	5,455,571	\$ 6,297,469
Buildings	4,338,405	8,274,089	910,411	847,388	5,248,816	9,121,477
Other Improvements	985,445	808,851	109,668	84,965	1,095,113	893,816
Machinery and Equipment	2,130,397	2,143,919	9,526,697	6,233,670	11,657,094	8,377,589
Infrastructure	9,868,452	9,377,070	55,010,122	65,348,330	64,878,574	74,725,400
Other (Intangibles)	42,416	50,561	-	-	42,416	50,561
Construction in Progress	3,650,109	1,379,754	12,288,657	444,471	15,938,766	1,824,225
Total	\$ 24,633,435	26,192,519	79,682,915	75,098,018	104,316,350	\$ 101,290,537

The chart above reflects the City's capital assets net of accumulated depreciation.

Capital asset purchases are part of the City's Five Year Capital Improvement Program which is reviewed and revised each year and formally adopted by the City Council. Additional information on the City's capital assets can be found in *Note III.D* in the *Notes to the Financial Statements* for the Primary Government and for the ABC Board which is classified as a Component Unit for the City.

Long-Term Debt

As of June 30, 2016, the City had total bonded debt outstanding of \$1,680,000. 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's Outstanding Debt

General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
General Obligation Bonds	\$ 1,870,000	1,680,000	-	-	1,870,000	\$ 1,680,000
Total	\$ 1,870,000	1,680,000	-	-	1,870,000	\$ 1,680,000

The City maintained the Aa2 rating from Moody's Investor Service and the AA rating from Standard Poor's Corporation due to improving economic conditions, strong management oversight and a healthy fund balance. These bond ratings are a clear indication of the sound financial condition of the City. 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 is \$107,140,872.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt (Continued)**

Additional information regarding the City's long-term debt can be found in *Note III.E* in the *Notes to the Financial Statements*.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Economic Factors**

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

- Areas such as Hendersonville, which are seeing growths in local construction activity, distribution of building permits, and tourism activity, are projected to continue to have higher increases in Sales & Use Tax collection than the state averages.
- The County's unemployment rate continues to be one of the lowest in the state as of June 30, 2016.
- Commercial growth is increasing as the Asheville Metropolitan Area continues to grow and have a favorable impact on the City.
- City 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 \$5,091,043 as of June 30, 2016. This healthy reserve provides cash flow flexibility and credit strength through strong liquidity.

**Budget Highlights for the Fiscal Year Ending June 30, 2017**

The City continues to build and revise its strategic plan. This process includes the development of vision and mission statements along with setting priorities focusing on six main areas, including economic vitality, strong partnerships, sound infrastructure, numerous amenities, great public services, and financial sustainability.

The fiscal year ended June 30, 2017 ("2017" or "FY2017") operating budget totals \$33,626,415 for the City's five major operating funds after inter-fund transfers. This is \$1,170,374 or 4% higher than the \$32,456,041 original FY2016 budget, due in part to several economic development initiatives undertaken.

***Governmental Activities***

The 2017 budget includes no tax rate increase for ad valorem real estate taxes however the General Fund contains a very conservative increase in budgeted Property Tax Revenues due to a slight expected growth in the tax base and continued strong collection rate. The Fiscal Year 2017 includes a conservative 3.5% increase in budgeted sales tax revenues over the previous fiscal year as a result of the robust 15% increase in collections for that revenue source from fiscal year 2015 to fiscal year 2016.

The fiscal year 2017 adopted expenditure budget for the General Fund totals \$14,105,954, including transfers, which is \$852,776 under the final 2016 fiscal year amended total budgeted expenditures of \$14,958,730, which includes \$13,980,609 plus the \$978,121 transfer to establish the new Debt Service Fund. The decrease is affected in part by the reduction of debt service payments in the General Fund due to those payments being made in the future by the newly established Debt Service Fund which was established with a transfer from fund balance during fiscal year 2016. This decrease in budgeted expenditures is offset by the budgeted normal growth of personnel increases of approximately 3.70% which include a 9% increase in employee health care premiums. The 2017 budget includes the planned use of \$436,981 of fund balance. The General Fund budget for fiscal year 2017 continues City Council's commitment to street maintenance as a major initiative for the fiscal year. One cent of the property tax levy was again allocated to add to the Powell bill expenditure budget for street resurfacing.

In the upcoming budget for fiscal year 2017 the City Council committed \$50,000 to be contributed to a newly established Economic Investment Fund of Henderson County.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2016**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)**

***Business-Type Activities***

The Water and Sewer Fund is the largest part of the City's operating budget, accounting for approximately 55% of total expenditures. The fiscal year 2017 operating budget for the Water and Sewer Fund totals \$19,579,249 and is 12% lower than the prior fiscal year due to the decrease in transfers needed to fund major capital projects as seen in the prior fiscal year. The Water and Sewer Fund revenue budget for the upcoming year reflects a rate increase which is part of a gradual plan to unify the rate structure between internal and external customers and to enhance the priority of environmental conservation.

The Water and Sewer Fund has \$2,472,873 fund balance appropriated in next year's budget. In addition to the continuance of several major project initiatives, a strong emphasis remains on reinvesting Water and Sewer Fund retained earnings back into the system in a way that benefits all of our customers inside the City as well as outside of the City limits. The FY2017 budget allocates additional funding for water and sewer maintenance and repairs to the lines and infrastructure.

The Environmental Service Fund budgeted operating expenditures decreased by \$110,803 or 7.0% in next year's budget. The decrease is primarily due to reduction of capital outlay in the upcoming fiscal year compared to the prior year which had included the purchase of a garbage truck.

***Capital Improvement Plan***

The City'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 the annual street resurfacing, several sidewalk projects, including those for Blythe Street, North Main Street and Highway 64, the purchase of a fire engine, police and fire vehicle replacements, along with the purchase of mowers, tractors, salt spreaders and snow blades. In addition, the City will partner with Henderson County Travel and Tourism, Historic Seventh Avenue and the Downtown Advisory Committee on a Wayfinding project which will provide the fabrication and installation of signs to help visitors and residents find specific locations.

Several new Water & Sewer projects will begin or continue during fiscal year 2017 including the Eastside Transmission Main project, Waste Water Treatment Plant Gravity Filter Replacement project, Northside Water System Improvements, SCADA System Upgrades, Water Treatment Plant High Service Pump Station, Etowah Water System Improvement project, and the Glenbrook gravity sewer project.

The City received an award for Distinguished Budget Presentation by the Government Finance Officers Association ("GFOA") for its annual budget for Fiscal Year 2016. In order to receive this award, a governmental unit must publish a budget document that meets specific program criteria as a policy document, an operations guide, a financial plan, and a communications device. A complete copy of the fiscal year 2017 budget can be found on the City's website at: <http://www.hendersonvillenc.gov/budget>.

**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: <http://www.hendersonvillenc.gov>.

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







# **Basic Financial Statements**

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2016

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Totals	ABC Board
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 2,499,172	5,041,973	7,541,145	\$ 640,065
Pooled Cash and Cash Equivalents, Restricted	1,633,442	-	1,633,442	-
Pooled Investments	4,948,966	19,795,864	24,744,830	-
Receivables, Net:				
Interest	27,341	66,939	94,280	-
Property Taxes	205,114	-	205,114	-
Accounts	5,870	1,879,544	1,885,414	613
Grants	357,900	133,787	491,687	-
Shared Taxes	1,285,661	2,193	1,287,854	-
Refundable Taxes	120,181	137,855	258,036	-
Due From Component Unit	50,000	-	50,000	-
Prepays and Inventories	63,548	771,962	835,510	646,372
Capital Assets:				
Non-Depreciable	5,538,029	2,583,665	8,121,694	640,091
Depreciable, Net	20,654,490	72,514,353	93,168,843	864,722
<b>TOTAL ASSETS</b>	<b>37,389,714</b>	<b>102,928,135</b>	<b>140,317,849</b>	<b>2,791,863</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	608,437	388,666	997,103	46,977
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>608,437</b>	<b>388,666</b>	<b>997,103</b>	<b>46,977</b>
<b>LIABILITIES</b>				
Accounts Payable	852,813	765,506	1,618,319	146,755
Accrued Interest Payable	70,043	179,655	249,698	-
Accrued Salaries and Benefits	230,632	169,328	399,960	-
Customer Deposits	1,800	236,290	238,090	-
Other Accrued Liabilities	-	-	-	143,180
Due to Primary Government	-	-	-	50,000
Non-Current Liabilities:				
Due Within One Year	1,142,485	3,327,387	4,469,872	-
Due in More Than One Year	8,468,665	21,871,347	30,340,012	31,119
<b>TOTAL LIABILITIES</b>	<b>10,766,438</b>	<b>26,549,513</b>	<b>37,315,951</b>	<b>371,054</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	251,840	160,874	412,714	11,454
Prepaid Taxes	2,362	-	2,362	-
Prepaid Billings	28,750	-	28,750	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>282,952</b>	<b>160,874</b>	<b>443,826</b>	<b>11,454</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	18,615,092	50,835,364	69,450,456	1,504,813
Restricted For:				
Stabilization by State Statute	2,177,469	-	2,177,469	-
General Government	16,522	-	16,522	-
Economic Development	135,627	-	135,627	-
Public Safety	160,068	-	160,068	-
Transportation	1,162,099	-	1,162,099	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	186,251
Unrestricted	4,681,884	25,771,050	30,452,934	734,639
<b>TOTAL NET POSITION</b>	<b>\$ 26,948,761</b>	<b>76,606,414</b>	<b>103,555,175</b>	<b>\$ 2,456,332</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government			Component Unit ABC Board
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 2,583,313	85,995	-	-	(2,497,318)	-	(2,497,318)	\$ -
Public Safety	7,209,269	217,039	182,927	74,841	(6,734,462)	-	(6,734,462)	-
Transportation	2,653,172	-	386,360	976,653	(1,290,159)	-	(1,290,159)	-
Environmental Protection	21,508	-	-	21,508	-	-	-	-
Economic and Physical Development	520,035	-	151,467	-	(368,568)	-	(368,568)	-
Culture and Recreational	968,892	412,311	2,000	-	(554,581)	-	(554,581)	-
Interest on Long-Term Obligations	295,850	-	-	-	(295,850)	-	(295,850)	-
<b>Total Governmental Activities</b>	<b>14,252,039</b>	<b>715,345</b>	<b>722,754</b>	<b>1,073,002</b>	<b>(11,740,938)</b>	<b>-</b>	<b>(11,740,938)</b>	<b>-</b>
<b>Business-Type Activities:</b>								
Water and Sewer	17,428,160	15,485,428	-	38,537	-	(1,904,195)	(1,904,195)	-
Environmental Services	1,242,213	1,204,694	-	8,000	-	(29,519)	(29,519)	-
<b>Total Business-Type Activities</b>	<b>18,670,373</b>	<b>16,690,122</b>	<b>-</b>	<b>46,537</b>	<b>-</b>	<b>(1,933,714)</b>	<b>(1,933,714)</b>	<b>-</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 32,922,412</b>	<b>17,405,467</b>	<b>722,754</b>	<b>1,119,539</b>	<b>(11,740,938)</b>	<b>(1,933,714)</b>	<b>(13,674,652)</b>	<b>-</b>
<b>COMPONENT UNIT:</b>								
ABC Board	\$ 6,086,113	6,300,628	-	-	-	-	-	214,515
<b>TOTAL - COMPONENT UNIT</b>	<b>\$ 6,086,113</b>	<b>6,300,628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214,515</b>
<b>General Revenues and Transfers:</b>								
General Revenues:								
Taxes:								
Property Taxes					8,084,440	-	8,084,440	-
Sales Taxes					3,180,632	-	3,180,632	-
Franchise Taxes					1,294,801	-	1,294,801	-
Gross Receipts Tax					13,528	-	13,528	-
Other Taxes					261,890	-	261,890	-
Investment Income					117,250	277,173	394,423	-
Miscellaneous					333,213	60,157	393,370	-
Gain on Sale of Assets					2,125	4,344	6,469	-
Transfers In (Out)					138,947	(138,947)	-	-
<b>Total General Revenues and Transfers</b>					<b>13,426,826</b>	<b>202,727</b>	<b>13,629,553</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>1,685,888</b>	<b>(1,730,987)</b>	<b>(45,099)</b>	<b>214,515</b>
NET POSITION, Beginning of Year - As Previously Reported					24,037,536	78,429,785	102,467,321	2,241,817
Prior Period Adjustments					1,225,337	(92,384)	1,132,953	-
NET POSITION, Beginning of Year - As Restated					<b>25,262,873</b>	<b>78,337,401</b>	<b>103,600,274</b>	<b>2,241,817</b>
<b>NET POSITION, END OF YEAR</b>					<b>26,948,761</b>	<b>76,606,414</b>	<b>103,555,175</b>	<b>\$ 2,456,332</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents	\$ 1,303,722	1,137,935	\$ 2,441,657
Pooled Cash and Cash Equivalents, Restricted	-	1,633,442	1,633,442
Pooled Investments	4,948,966	-	4,948,966
Receivables, Net:			
Interest	27,341	-	27,341
Taxes	191,490	13,624	205,114
Accounts	44,370	10,000	54,370
Grants	-	357,900	357,900
Shared Taxes	1,284,725	936	1,285,661
Refundable Taxes	100,612	18,315	118,927
Due From Other Funds	333,270	-	333,270
Prepaid Items	63,057	491	63,548
<b>TOTAL ASSETS</b>	<b>\$ 8,297,553</b>	<b>3,172,643</b>	<b>\$ 11,470,196</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 464,935	371,448	\$ 836,383
Accrued Salaries and Benefits	226,817	3,815	230,632
Customer Deposits	1,800	-	1,800
Due To Other Funds	-	333,270	333,270
<b>TOTAL LIABILITIES</b>	<b>693,552</b>	<b>708,533</b>	<b>1,402,085</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	191,490	13,624	205,114
Prepaid Taxes	2,362	-	2,362
Prepaid Billings	28,750	-	28,750
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>222,602</b>	<b>13,624</b>	<b>236,226</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Items	63,057	491	63,548
Restricted For:			
Stabilization by State Statute	1,790,318	387,151	2,177,469
General Government	-	1,428	1,428
Economic Development	-	135,136	135,136
Public Safety	-	110,261	110,261
Transportation	-	1,132,835	1,132,835
Assigned For:			
Subsequent Year's Expenditures	436,981	548,148	985,129
Debt Service	-	508,419	508,419
Unassigned	5,091,043	(373,383)	4,717,660
<b>TOTAL FUND BALANCES</b>	<b>7,381,399</b>	<b>2,450,486</b>	<b>9,831,885</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,297,553</b>	<b>3,172,643</b>	<b>\$ 11,470,196</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 9,831,885**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$44,694,863 and the accumulated depreciation was \$18,502,344.	26,192,519
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	205,114
An internal service funds is used by management to charge the costs of health insurance costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	43,839
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.	(70,043)
The City's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.	356,597
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-Term Debt	(7,577,427)
Net Pension Liability - LGERS Pension Plan	(484,533)
Net Pension Obligation - LEO Separation Allowance	(361,548)
Net OPEB Obligation - Health Care Plan	(566,939)
Compensated Absences	(620,703)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 26,948,761**

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 7,842,342	254,158	\$ 8,096,500
Other Taxes and Licenses	13,528	-	13,528
Unrestricted Intergovernmental Revenue	4,582,225	202,759	4,784,984
Restricted Intergovernmental Revenue	608,471	1,149,041	1,757,512
Permits and Fees	103,712	-	103,712
Sales and Services	415,012	151,467	566,479
Investment Earnings	115,277	1,973	117,250
Miscellaneous	187,145	85,422	272,567
<b>TOTAL REVENUES</b>	<b>13,867,712</b>	<b>1,844,820</b>	<b>15,712,532</b>
<b>EXPENDITURES</b>			
Current:			
General Government	2,441,963	-	2,441,963
Public Safety	6,722,188	58,680	6,780,868
Transportation	1,993,075	19,577	2,012,652
Environmental Protection	-	21,508	21,508
Economic and Physical Development	-	510,737	510,737
Culture and Recreational	767,833	35,600	803,433
Capital Outlay	414,094	1,579,340	1,993,434
Debt Service:			
Principal Retirement	818,909	11,364	830,273
Interest and Bank Fees	299,864	1,074	300,938
<b>TOTAL EXPENDITURES</b>	<b>13,457,926</b>	<b>2,237,880</b>	<b>15,695,806</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>409,786</b>	<b>(393,060)</b>	<b>16,726</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment Purchase Obligations Issued	-	78,533	78,533
Insurance Proceeds	96,383	-	96,383
Sale of Capital Assets	2,125	-	2,125
Transfers In	264,960	1,542,899	1,807,859
Transfers Out	(1,639,648)	(29,264)	(1,668,912)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,276,180)</b>	<b>1,592,168</b>	<b>315,988</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(866,394)</b>	<b>1,199,108</b>	<b>332,714</b>
FUND BALANCES, Beginning of Year, as Previously Reported	8,103,727	1,116,566	9,220,293
Prior Period Adjustment	278,878	-	278,878
Reclassification of Fund Balances	(134,812)	134,812	-
FUND BALANCE, Beginning of Year, Restated	8,247,793	1,251,378	9,499,171
<b>FUND BALANCES, End of Year</b>	<b>\$ 7,381,399</b>	<b>2,450,486</b>	<b>\$ 9,831,885</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 332,714**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	(12,060)
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(78,533)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	830,273
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	5,088
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Local Governmental Employees' Retirement System for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	87,168
Changes in the City's Law Enforcement Officers Special Separation Allowance net pension obligation is not reported in the governmental funds but is reported in the Statement of Activities.	(22,554)
Changes in the City's net other post-employment benefit obligation (retiree health care plan) is not reported in the governmental funds but is reported in the Statement of Activities.	(31,345)
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 the governmental funds.	36,723
An internal service fund is used by management to charge the costs of health and dental insurance costs to individual funds. The change in net position for this fund is included in the Statement of Activities.	(74,211)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$2,031,608 exceeded depreciation expense of \$1,418,983 in the current period.	612,625

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 1,685,888**

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

BUDGETARY COMPARISON STATEMENT - GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 7,735,607	7,735,607	7,842,342	\$ 106,735
Other taxes and licenses	14,980	14,980	13,528	(1,452)
Unrestricted Intergovernmental Revenue	3,748,563	4,362,179	4,582,225	220,046
Restricted Intergovernmental Revenue	507,119	553,449	608,471	55,022
Permits and Fees	94,087	94,087	103,712	9,625
Sales And Services	329,450	368,930	415,012	46,082
Investment Earnings	83,620	83,620	115,277	31,657
Miscellaneous Revenues	145,250	144,274	187,145	42,871
<b>TOTAL REVENUES</b>	<b>12,658,676</b>	<b>13,357,126</b>	<b>13,867,712</b>	<b>510,586</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,405,447	2,518,715	2,441,963	76,752
Public Safety	6,639,631	6,965,979	6,722,188	243,791
Transportation	2,071,731	2,101,019	1,993,075	107,944
Culture and Recreation	716,896	761,906	767,833	(5,927)
Capital Outlay	362,794	514,199	414,094	100,105
Debt Service:				
Principal	818,926	818,926	818,909	17
Interest and Bank Fees	299,865	299,865	299,864	1
<b>TOTAL EXPENDITURES</b>	<b>13,315,290</b>	<b>13,980,609</b>	<b>13,457,926</b>	<b>522,683</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(656,614)</b>	<b>(623,483)</b>	<b>409,786</b>	<b>1,033,269</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Proceeds	15,000	100,183	96,383	(3,800)
Sale of Capital Assets	10,000	10,000	2,125	(7,875)
Transfers In	264,960	264,960	264,960	-
Transfers Out	(254,743)	(1,639,648)	(1,639,648)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>35,217</b>	<b>(1,264,505)</b>	<b>(1,276,180)</b>	<b>(11,675)</b>
Fund Balance Appropriated	621,397	1,887,988	-	(1,887,988)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ -</b>	<b>-</b>	<b>(866,394)</b>	<b>\$ (866,394)</b>
FUND BALANCES, Beginning of Year, as Previously Reported			8,103,727	
Prior Period Adjustment			278,878	
Reclassification of Fund Balance to Special Revenue			(134,812)	
FUND BALANCES, Beginning of Year, Restated			8,247,793	
<b>FUND BALANCES, End of Year</b>			<b>\$ 7,381,399</b>	

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.



CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS

JUNE 30, 2016

	<u>MAJOR</u>	<u>NONMAJOR</u>		<u>INTERNAL</u>
	<u>WATER AND</u>	<u>ENVIRONMENTAL</u>	<u>TOTAL</u>	<u>SERVICE FUND</u>
	<u>SEWER</u>	<u>SERVICE</u>	<u>ENTERPRISE</u>	<u>HEALTH AND</u>
	<u>FUND</u>	<u>FUND</u>	<u>FUNDS</u>	<u>WELFARE</u>
				<u>FUND</u>
<b>ASSETS</b>				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 4,795,702	246,271	5,041,973	\$ 57,515
Pooled Investments	19,548,416	247,448	19,795,864	-
Receivable, Net				
Accounts Receivable	1,718,508	161,036	1,879,544	1,500
Grants	125,787	8,000	133,787	-
Shared Taxes	-	2,193	2,193	-
Refundable Taxes	128,106	9,749	137,855	1,254
Accrued Interest	65,053	1,886	66,939	-
Prepaid and Inventories	771,962	-	771,962	-
Total Current Assets	<u>27,153,534</u>	<u>676,583</u>	<u>27,830,117</u>	<u>60,269</u>
Non-Current Assets:				
Capital Assets:				
Non-Depreciable	2,583,665	-	2,583,665	-
Depreciable, Net	71,686,349	828,004	72,514,353	-
Total Non-Current Assets	<u>74,270,014</u>	<u>828,004</u>	<u>75,098,018</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>101,423,548</u></b>	<b><u>1,504,587</u></b>	<b><u>102,928,135</u></b>	<b><u>60,269</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Charges	341,446	47,220	388,666	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	729,474	36,032	765,506	16,430
Accrued Interest Payable	179,351	304	179,655	-
Accrued Salaries and Benefits	148,995	20,333	169,328	-
Customer Deposits	236,290	-	236,290	-
Current Portion of Compensated Absences	107,989	14,115	122,104	-
Current Portion of Debt	3,175,148	30,135	3,205,283	-
Total Current Liabilities	<u>4,577,247</u>	<u>100,919</u>	<u>4,678,166</u>	<u>16,430</u>
Non-Current Liabilities:				
Net Pension Liability	271,914	37,604	309,518	-
Other Post Employment Benefits	325,221	57,133	382,354	-
Compensated Absences, Less Current Portion	107,989	14,115	122,104	-
Debt, Less Current Portion	20,894,763	162,608	21,057,371	-
Total Long-Term Liabilities	<u>21,599,887</u>	<u>271,460</u>	<u>21,871,347</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>26,177,134</u></b>	<b><u>372,379</u></b>	<b><u>26,549,513</u></b>	<b><u>16,430</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Credits	141,329	19,545	160,874	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	50,200,103	635,261	50,835,364	-
Unrestricted	25,246,428	524,622	25,771,050	43,839
<b>TOTAL NET POSITION</b>	<b><u>\$ 75,446,531</u></b>	<b><u>1,159,883</u></b>	<b><u>76,606,414</u></b>	<b><u>\$ 43,839</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	<u>MAJOR</u> <u>WATER AND</u> <u>SEWER</u> <u>FUND</u>	<u>NONMAJOR</u> <u>ENVIRONMENTAL</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u>	<u>INTERNAL</u> <u>SERVICE FUND</u> <u>HEALTH AND</u> <u>WELFARE</u> <u>FUND</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 14,577,000	1,204,694	15,781,694	\$ 257,215
Water and Sewer Taps	320,590	-	320,590	-
System Development Charges	492,135	-	492,135	-
Other Operating Revenues	95,703	-	95,703	15,406
<b>TOTAL OPERATING REVENUES</b>	<b>15,485,428</b>	<b>1,204,694</b>	<b>16,690,122</b>	<b>272,621</b>
<b>OPERATING EXPENSES</b>				
Administrative	1,382,395	-	1,382,395	-
Business Operations	910,398	-	910,398	-
Water Treatment and Distribution	5,843,683	-	5,843,683	-
Waste Collection and Treatment	2,299,161	1,126,155	3,425,316	-
Risk Management and Employee Benefits	-	-	-	346,832
Depreciation	6,363,631	112,852	6,476,483	-
<b>TOTAL OPERATING EXPENSES</b>	<b>16,799,268</b>	<b>1,239,007</b>	<b>18,038,275</b>	<b>346,832</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,313,840)</b>	<b>(34,313)</b>	<b>(1,348,153)</b>	<b>(74,211)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Grant Revenue	38,537	8,000	46,537	-
Interest Earned on Investments	269,097	8,076	277,173	-
Interest on Long-Term Obligations	(628,892)	(3,206)	(632,098)	-
Gain (Loss) on Sale of Capital Assets	4,344	-	4,344	-
Other	43,278	16,879	60,157	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(273,636)</b>	<b>29,749</b>	<b>(243,887)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(1,587,476)</b>	<b>(4,564)</b>	<b>(1,592,040)</b>	<b>(74,211)</b>
Transfers Out	(138,947)	-	(138,947)	-
<b>CHANGE IN NET POSITION</b>	<b>(1,726,423)</b>	<b>(4,564)</b>	<b>(1,730,987)</b>	<b>(74,211)</b>
NET POSITION, Beginning of Year - As Previously Reported	77,265,338	1,164,447	78,429,785	118,050
Prior Period Adjustment	(92,384)	-	(92,384)	-
NET POSITION, Beginning of Year - As Restated	77,172,954	1,164,447	78,337,401	118,050
<b>NET POSITION, End of Year</b>	<b>\$ 75,446,531</b>	<b>1,159,883</b>	<b>76,606,414</b>	<b>\$ 43,839</b>

The notes to the financial statements are an integral part of this statement.  
 See accompanying independent auditor's report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	<u>MAJOR</u> <u>WATER AND</u> <u>SEWER</u> <u>FUND</u>	<u>NONMAJOR</u> <u>ENVIRONMENTAL</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTAL</u>	<u>INTERNAL</u> <u>SERVICE FUND</u> <u>HEALTH AND</u> <u>WELFARE</u> <u>FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 15,273,578	1,190,213	16,463,791	\$ 271,077
Payments to Suppliers for Goods and Services	(6,283,933)	(691,461)	(6,975,394)	(332,048)
Payments for Personal Services	(3,983,546)	(500,921)	(4,484,467)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>5,006,099</u>	<u>(2,169)</u>	<u>5,003,930</u>	<u>(60,971)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
State and Federal Grants	4,110,497	-	4,110,497	-
Transfers to Other Funds	(138,947)	-	(138,947)	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>3,971,550</u>	<u>-</u>	<u>3,971,550</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(1,707,949)	(276,021)	(1,983,970)	-
Proceeds on Sale of Capital Assets	4,344	-	4,344	-
Bond and Note Proceeds	(82,634)	223,467	140,833	-
Bond and Revolving Fund Loan Principal Payments	(3,131,201)	(30,725)	(3,161,926)	-
Bond and Revolving Fund Loan Interest Payments	(624,208)	(2,901)	(627,109)	-
Other Receipts (Payments)	43,278	16,879	60,157	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,498,370)</u>	<u>(69,301)</u>	<u>(5,567,671)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Earnings	232,363	6,858	239,221	-
Short Term Investments, Net	(4,770,429)	180,899	(4,589,530)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(4,538,066)</u>	<u>187,757</u>	<u>(4,350,309)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(1,058,787)</b>	<b>116,287</b>	<b>(942,500)</b>	<b>(60,971)</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	5,854,489	129,984	5,984,473	118,486
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 4,795,702</b>	<b>246,271</b>	<b>5,041,973</b>	<b>\$ 57,515</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Loss	\$ (1,313,840)	(34,313)	(1,348,153)	\$ (74,211)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:				
Depreciation Expense	6,363,631	112,852	6,476,483	-
Change in Accounts Representing Operating Activities:				
Accounts Receivable	(301,362)	(9,229)	(310,591)	(1,500)
Shared Taxes Receivable	-	(198)	(198)	-
Refundable Taxes Receivable	105,409	(5,054)	100,355	(44)
Prepays and Inventory	51,693	89	51,782	193
Accounts Payable	180,451	(53,345)	127,106	14,591
Accrued Salaries and Benefits	52,901	6,963	59,864	-
Customer Deposits	(15,897)	-	(15,897)	-
Other Post Employment Benefits	41,089	985	42,074	-
Compensated Absences	(61,440)	(7,350)	(68,790)	-
Net Pension Asset	317,751	32,232	349,983	-
Net Pension Liability	271,914	37,604	309,518	-
Deferred Pension Charges	(53,252)	(7,014)	(60,266)	-
Deferred Pension Credits	(632,949)	(76,391)	(709,340)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 5,006,099</u>	<u>(2,169)</u>	<u>5,003,930</u>	<u>\$ (60,971)</u>
Noncash Items				
Depreciation Expense	\$ 6,363,631	112,852	6,476,483	\$ -

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

# CITY OF HENDERSONVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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The City of Hendersonville (“City”) was originally incorporated January 7, 1847 and operated under a Council-Mayor form of government. With the election of 1993, the City changed to a Council-Manager form of government. City Council (“Council”) consists of the Mayor and four other members who are elected by qualified voters of the City. The Mayor and Council, elected for four-year staggered terms, are vested with the legislative and policymaking powers of the City. The Council appoints a City Manager who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), as applied to governmental units. 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.

As required by GAAP, the financial statements present the City’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity’s governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity’s resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has one discretely presented component unit.

#### *Component Unit – City of Hendersonville Board of Alcoholic Control (“ABC Board”)*

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<sup>th</sup> year end, is presented as a business-type activity (discrete presented component unit) in the City’s government-wide financial statements. Complete financial statements of the ABC Board may be obtained from its administrative offices at City of Hendersonville Board of Alcoholic Control, 205 South Church Street, Hendersonville, NC 28792.

#### *Related Organizations*

The seven member Board of Commissioners (“Board”) of the Hendersonville Housing Authority (“Authority”) is appointed by the Mayor of the City. The City is accountable for the Authority because it appoints the governing board; however, the City is not financially accountable. Complete financial statements for the Housing Authority can be obtained from the Authority’s offices at 203 North Justice Street, Hendersonville, NC 28739.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

*Major Operations*

The City's major operations consist of general government, public safety (police and fire), transportation, environmental protection, economic and physical development, culture and recreation, water and sewer, and environmental services.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary and Fiduciary Funds (agency funds do not have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are generally collected within 60 days after year-end.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the City are recognized as revenue when received/collected by the State. Sales taxes are considered a shared revenue for the City because the tax is levied by Henderson County and then remitted to and distributed by the State.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. Separate financial statements for each fund category are presented – governmental, proprietary, and fiduciary funds are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

**Governmental Fund Types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's governmental fund types and major and non-major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The City maintains a separately budgeted Capital Reserve Fund which was established to accumulate resources for future equipment acquisitions and capital improvements. For reporting purposes in the basic financial statements, in accordance with GAAP, the Capital Reserve Fund is consolidated into the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

The **Special Revenue Funds, non-major funds**, are used to account for the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following Special Revenue Funds:

The **Downtown Tax District Fund, non-major 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.

The **Seventh Avenue Tax District Fund, non-major 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Oklawaha Greenways Phase 3 Grant Fund, a non-major 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.

The *Motor Unit Donations – Police Fund, a non-major fund*, was established to administer motor unit donations for Police. This fund adopts an annual budget.

The *Historic Preservation Commission Fund, a non-major fund*, was established to administer the City’s activities related to historic conservation efforts. This fund adopts an annual budget.

The *Rape Aggression Defense Fund, a non-major fund*, was established to administer restricted funds for the prevention, physical defense, and developing self-reliance, all targeted specifically toward empowering female participants. This fund adopts an annual budget.

The *Needy Persons Fund, a non-major fund*, was established to administer restricted funds for programs targeted for needy persons. This fund adopts an annual budget.

The *Drug Addiction Resistance Education Fund, a non-major fund*, was established to administer restricted funds for educational programs on drug addiction. This fund adopts an annual budget.

The *Youth Explorers Fund, a non-major fund*, was established to administer restricted funds for programs exposing youth who are interested in law enforcement careers. This fund adopts an annual budget.

The *Kennel Fund, a non-major fund*, was established to administer funds received that are restricted for the care of police dogs. This fund adopts an annual budget.

The *Fire Department Community Fund, a non-major fund*, was established to administer funds received that are restricted for fire department community activities. This fund adopts an annual budget.

The *Fire Department Car Seat Fund, a non-major fund*, was established to administer funds received that are restricted for fire department car seat education activities. This fund adopts an annual budget.

The *Drug Forfeiture Fund, a non-major fund*, was established to administer activities related to drug forfeited cash and proceeds of the sale of forfeited properties. This fund adopts an annual budget.

The *Governor’s Crime Commission Grant Fund, a non-major fund*, was established to administer federal grants allocated from the State for crime prevention programs. This fund adopts an annual budget.

The *Bikeped Grant Fund, a non-major fund*, was established to administer grants encouraging municipalities to develop comprehensive bicycle and pedestrian plans. This fund adopts an annual budget.

The *Governor’s Highway Safety Program-Bike Safe Grant 14-15 Fund, a non-major fund*, was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

The *Governor’s Highway Safety Program-Bike Safe Grant 15-16 Fund, a non-major fund*, was established to administer a federal grant to promote safe motorcycling. This fund adopts a multi-year project budget.

The *Berkeley Mills Ballpark Historic Nomination Grant Fund, a non-major fund*, was established to administer grants related to the historic Berkeley Mills Park. This fund adopts a multi-year project budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Capital Project Funds, non-major funds*, are used to account for and report funds that are restricted, committed, or assigned for future capital improvements. The City has the following Capital Project Funds:

The *Sidewalk Construction Project Fund, a non-major 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. This fund adopts a multi-year project budget.

The *Highway 64 Sidewalk Improvement Project Fund, a non-major fund*, was established to account for the purpose of repairing, constructing and replacing a major portion of the City's sidewalks along Highway 64. This fund adopts a multi-year project budget.

The *East Side Fire Station Construction Project Fund, a non-major 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. This fund adopts a multi-year project budget.

The *Mud Creek Dump Project Fund, a non-major fund*, was established to account for the costs of an engineering study to determine the future use of a former landfill. This fund adopts a multi-year project budget.

The *Old Tracey Grove Road Project Fund, a non-major fund*, was established to account for the costs associated with replacing a dilapidated bridge on Tracey Grove Road. The City is working with the State of North Carolina – as this project is part of the State's Transportation Improvement Program and the State will provide a 80% refund for the cost of the replacement. This fund adopts a multi-year project budget.

The *North Oak Street Widening Project Fund, a non-major fund*, was established to account for the widening road costs associated with North Oak Street. This fund adopts a multi-year project budget.

The *Debt Service Fund, a non-major fund*, is used to account for the accumulation of financial resources that are restricted, committed, or assigned for the payment of long-term debt principal, interest, and related costs. This fund adopts an annual budget.

*Proprietary Fund Types* are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds are made up of two fund types: Enterprise Funds and Internal Service 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 be 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.



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

The City has the following Enterprise Funds:

The *Water and Sewer Fund, a major fund*, is used to account for the City's water and sewer operations. This is a budgeted fund.

The *Environmental Service Fund, a non-major fund*, is used to account for the City's sanitation and recycling operations. This is a budgeted fund.

*Internal Service Funds* are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The City has the following Internal Service Fund:

The *Health and Welfare Fund* 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 the fund financial statements but are eliminated and included with governmental activities in the government-wide financial statements.

*Fiduciary Fund Types* are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds are made up of four fund types: pension/employee benefit trust funds, investment trust funds, private-purpose trust funds and agency funds. The City utilizes only one fund type – Agency Funds:

*Agency Funds* are used to account for assets a government holds on behalf of others. Agency Funds are purely custodial in nature and do not involve the measurement of operating results.

The *Fines and Forfeitures Fund* is used to account for various legal fines and forfeitures that the City is required to remit to the Henderson County Board of Public Education.

***Change in Accounting Principle***

The City implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" ("GASB #72" or "Statement") for the year ended June 30, 2016. The primary objective of this Statement was to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of this Statement had no impact on the City's financial statements but did result in expanded note disclosures. See Note I.C.14 and Note III.A for more information regarding the City's fair value disclosures.

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity**

***1. Cash and Cash Equivalents***

The City pools money from several funds to facilitate disbursements and investments and to maximize investment income. The City and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**2. Deposits and Investments**

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The City and the ABC Board may designate, as an official depository, 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. 159-30(c)) 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 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.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**3. Receivables and Payables**

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including but not limited to, taxes, intergovernmental revenue, permits and fees, sales and services, water and sewer, sanitation/recycling, and other fees and charges.

**4. Inventories and Prepaid Items**

Inventories of materials and supplies are valued at cost (first-in, first-out) which approximates market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids and inventories of the City and ABC Board are accounted for using the consumption method (expensed when consumed).

**5. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

5. Capital Assets (Continued)

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded and an estimated useful life in excess of five years). Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation. Public domain (“infrastructure”) general capital assets acquired prior to July 1, 2003, consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets 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’ lives are not capitalized.

Interest costs related to Proprietary Fund construction is capitalized as part of the capitalized value of the asset constructed (if material). Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

The City’s capital assets are depreciated on the straight-line method using the following estimated useful lives:

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

The ABC Board’s capital assets are depreciated on the straight-line method using the following estimated useful lives:

Vehicles	3 years
Computers	5 years
Furniture and Equipment	5-10 years
Real Estate Improvements	5-10 years
Buildings	40 years

6. Restricted Assets

In the General Fund, any unspent Powell Bill funds are classified as restricted cash and cash equivalents, 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.

The unexpended proceeds of general obligation bonds held in the Sidewalk Construction Fund are classified as restricted assets, because their use is completely restricted to the purpose for which the bonds were 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 the donation or the grant. Court-awarded amounts received from drug forfeitures are also shown as restricted cash and cash equivalents, as their use is restricted to law enforcement purposes.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**7. *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. For the City's Government-Wide and Proprietary Funds, 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 portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. 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.

**8. *Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

**9. *Deferred Outflows/Inflows of Resources***

As defined by GASB Concept Statement No. 4 "*Elements of Financial Statements*", deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has only one type of deferred outflows of resources - *deferred pension charges*. *Deferred pension charges* are recorded in the City's Statements of Net Position in connection with the City's participation in the State's Local Governmental Employees' Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

9. *Deferred Outflows/Inflows of Resources (Continued)*

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports *unavailable revenue –property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The City also reports deferred items for prepaid revenues in the governmental funds Balance Sheet and in the government-wide Statement of Net Position; it is deferred and recognized as an inflow of resources in the period for which is intended to finance. (3) The City also reports *deferred pension credits* in its Statements of Net Position in connection with the City’s participation in the State’s Local Governmental Employees’ Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

10. *Fund Balance*

In accordance with GAAP, the City classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the City consists of:

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

**Restricted for General Government** – portion of fund balance restricted for general government activities.

**Restricted for Economic Development** – portion of fund balance restricted for economic development.

**Restricted for Public Safety** – Portion of fund balance that is restricted by revenue sources for use in public safety activities, due to the sources being primarily from federal and state drug forfeitures and controlled substance tax and amounts donated/received by the City for specific purposes.

**Restricted for Transportation** – portion of Powell Bill unexpended funds, unspent bond proceeds, and other fund balances that are restricted by revenue source for street construction and maintenance expenditures.

**Committed** – is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City Council (highest level of decision-making authority). Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

10. Fund Balance (Continued)

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council reserves the right to assign fund balance.

**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.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City 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.

The City adopted a minimum available fund balance policy goal of (a) 25% to 35% of budgeted expenditures for the General Fund and (b) 50 – 75% of budgeted expenditures for the Water and Sewer Fund.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

12. Pensions

In government-wide and Proprietary Fund financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability (asset) for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**12. Pensions (Continued)**

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

**13. Other Postemployment Benefits**

Other postemployment benefits (“OPEB”) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is generally equal to the annual required contributions to the OPEB Plan plus adjustments calculated in accordance with GAAP.

**14. Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**14. Fair Value (Continued)**

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**15. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by all funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

**16. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent amounts at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**17. Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for all funds, except for Capital Projects Funds and grant project Special Revenue Funds. Project ordinances are adopted for Capital Projects Funds and grant project Special Revenue Funds. The capital project Enterprise Funds are consolidated with their respective operating fund for reporting purposes.

The City follows the following procedures in establishing its annual budgets:

1. Around the middle of February each year (legally required to be completed before April 30<sup>th</sup>), all departments/activities of the City submit requests for appropriation to the Budget Officer so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In March/April of each year, management reviews the budget compiled by the Budget Officer for the next year for propriety. In May of each year, the proposed budget is presented to City Council for review (legally required to be submitted by June 1<sup>st</sup>). The City adopts the budget ordinance by July 1<sup>st</sup> of each year.



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

3. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by City Council and City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted. 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 City Council. Budgeted expenditure appropriations lapse at year-end. The budgets at the end of the year for these funds represent the budgets as adopted and amended by the City Council.
4. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year end lapse and are generally re-appropriated in the succeeding year's budget.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the City's or the ABC Board's agent in these unit's names. Under the Pooling Method, 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 the City's and the ABC Board's agents in their names. The amount of the 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 Method 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under collateralization. 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. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are property secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the City's deposits had a carrying amount of approximately \$8,248,000 and a bank balance of approximately \$8,385,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

At June 30, 2016, the ABC Board's deposits had a carrying amount of approximately \$633,000 and a bank balance of approximately \$621,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

*Investments*

As of June 30, 2016, the City had the following investments:

Investment Type	Fair Value Level <sup>(1)</sup>	Credit Rating <sup>^</sup>	Fair Value	Investment Maturities in Years			
				< 1 yr	1 - 3 yrs	3 - 5 yrs	> 5 yrs
US Securities	Level 1	AA+/Aaa	\$ 1,006,700	-	1,006,700	-	\$ -
Agency Securities	Level 2	AA+/Aaa	15,737,933	3,280,531	7,224,819	5,232,583	-
NC Local Governments	Level 2	AAA/Aa2	4,694,293	252,285	523,810	3,918,198	-
NC Public Institutions	Level 2	AA	2,306,829	25,362	969,699	721,887	589,881
Commercial Paper	Level 2	A+	999,069	999,069	-	-	-
NCCMT - Cash Portfolio	N/A	AAAm	926,285	926,285	-	-	-
<b>Total</b>			<b>\$ 25,671,109</b>	<b>5,483,532</b>	<b>9,725,028</b>	<b>9,872,668</b>	<b>\$ 589,881</b>

<sup>^</sup> If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

<sup>(1)</sup> See Note I.C.14 for details of the City's fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

**Custodial Credit Risk:** For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk, but management procedures are that the City shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the City's name.

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

**Credit Risk:** The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

**Concentration of Credit Risk:** The City's Council places no limit on the amount that the City may invest in any one issuer. The City had debt securities that were more than 5% of the City's total investments in the Federal Home Loan Bank (17.1%), Federal Farm Credit Bank (7.9%), Federal Home Loan Mortgage (7.4%), Federal National Mortgage Association (28.9%) and with Gaston County (10.5%).

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2016 are noted in Note I.C.6 and Note I.C.10 and generally are those imposed by the revenue or financing source (i.e. tax districts, grants, unspent debt proceeds, etc.).

During 2016, the City inadvertently invested some of its pooled funds in revenue bonds of certain North Carolina local governments. Per Article 3 of Chapter 159, revenue bonds are not an authorized investment in the state of North Carolina, and as such the City was notified by the State of this violation. The City is in the process of correcting this oversight and plans to liquidate these investments (revenue bonds) before the end of fiscal year 2017.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

*Reconciliation to the Financial Statements*

A reconciliation of cash and investments for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 8,248,308
Fair Value of Investments	25,671,109
Total Deposits and Investments	<u>\$ 33,919,417</u>
Statement of Net Position:	
Pooled Cash and Cash Equivalents	\$ 7,541,145
Pooled Cash and Cash Equivalents, Restricted	1,633,442
Pooled Investments	24,744,830
Total Cash and Investments	<u>\$ 33,919,417</u>

B. Receivables and Unavailable, Deferred, and Unearned Revenues

*Property Taxes*

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1<sup>st</sup>. The City does not provide for discounts for taxes paid prior to the due date.

Gross property taxes receivable of approximately \$367,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$162,000. All net property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

The City's fiscal year 2016 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2015, were levied in July 2015 based on a rate of .460 (increase of .02 over the prior year), .280 (same as prior year), and .120 (same as prior year) for the General Fund operating rate, Downtown Tax District rate, and Seventh Avenue District rate, respectively. The City's assessed value of real and personal property for tax year 2015 was approximately \$1.7 billion, \$84.8 million, and \$16.4 million for the City's General Operating rate, Downtown Tax District rate, and Seventh Avenue District rate, respectively.

Effective as of September 1, 2013, 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 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources (when applicable).

*Intergovernmental and Other Receivables*

The City has other significant intergovernmental and other receivables related to (a) charges for services primarily for its water/sewer and environmental service activities, (b) federal, state, and local grants, and (c) shared and refundable taxes (i.e. sales and use tax, alcoholic beverage, utilities tax, etc.) for revenues primarily collected by the State and remitted to the City.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

*Unavailable, Deferred, and Unearned Revenues*

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue). As of June 30, 2016, the City had the following unavailable, deferred, and unearned revenues in its governmental funds:

Description	Fund(s)	Deferred Inflows of Resources		Liabilities	Total
		Unavailable	Deferred	Unearned	
Unavailable Revenues - Property Taxes	General	\$ 205,114	-	-	\$ 205,114
Prepaid - Taxes	General/Special Revenue	-	2,362	-	2,362
Prepaid - Billings	General	-	28,750	-	28,750
Total		<u>\$ 205,114</u>	<u>31,112</u>	<u>-</u>	<u>\$ 236,226</u>

C. Interfund Balances and Transfers

The City pools its cash and investments (“Pool”) across funds to maximize its investment performance. Interfund balances at June 30, 2016 consist of individual funds which had a negative equity in the Pool (and thus must reflect this negative equity in the Pool as an interfund payable). Interfund balances at June 30, 2016, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<b>Major Governmental Funds:</b>		
General Fund	\$ 333,270	\$ -
<b>Non-Major Governmental Funds:</b>		
Special Revenue Funds	-	332,539
Capital Projects Funds	-	731
Totals	<u>\$ 333,270</u>	<u>\$ 333,270</u>

For the year ended June 30, 2016, the City had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
<b>Major Governmental Fund:</b>		
General Fund	\$ 264,960	\$ 1,639,648
<b>Non-Major Governmental Funds:</b>		
Special Revenue Funds	14,000	-
Capital Project Funds	567,485	29,264
Debt Service Fund	961,414	-
<b>Major Enterprise Fund:</b>		
Water & Sewer Fund	-	138,947
Totals	<u>\$ 1,807,859</u>	<u>\$ 1,807,859</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Balances and Transfers (Continued)

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2016 was as follows:

	Beginning Balance *	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 4,076,874	81,401	-	-	\$ 4,158,275
Construction In Progress	3,650,109	1,358,152	-	(3,628,507)	1,379,754
Total Capital Assets, Non-Depreciable	<u>7,726,983</u>	<u>1,439,553</u>	<u>-</u>	<u>(3,628,507)</u>	<u>5,538,029</u>
Capital Assets, Depreciable:					
Buildings and Improvements	8,882,984	60,547	-	3,628,507	12,572,038
Other Improvements	3,801,024	76,363	107,419	-	3,769,968
Machinery and Equipment	6,061,476	427,138	-	(56,647)	6,431,967
Software	311,411	28,007	-	-	339,418
Infrastructure	16,043,443	-	-	-	16,043,443
Total Capital Assets, Depreciable	<u>35,100,338</u>	<u>592,055</u>	<u>107,419</u>	<u>3,571,860</u>	<u>39,156,834</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,048,814	249,135	-	-	4,297,949
Other Improvements	2,815,579	252,957	107,419	-	2,961,117
Machinery and Equipment	3,939,048	405,647	-	(56,647)	4,288,048
Software	268,995	19,862	-	-	288,857
Infrastructure	6,174,991	491,382	-	-	6,666,373
Total Accumulated Depreciation	<u>17,247,427</u>	<u>1,418,983</u>	<u>107,419</u>	<u>(56,647)</u>	<u>18,502,344</u>
Total Capital Assets, Depreciable, Net	<u>17,852,911</u>	<u>(826,928)</u>	<u>-</u>	<u>3,628,507</u>	<u>20,654,490</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,579,894</u>	<u>612,625</u>	<u>-</u>	<u>-</u>	<u>\$ 26,192,519</u>

\* Certain amounts have been restated due to a prior period adjustment. See Note IV.H for more details.

Ongoing construction in progress in the City’s governmental activities primarily relates to the Oklawaha Greenway Phase 3 project and the North Oak Street widening project. The City had remaining commitments on these two projects in the amount of approximately \$310,000 as of June 30, 2016.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 187,998	\$ 215,508
Public Safety	289,699	391,665
Transportation	1,364,301	637,218
Economic and Physical Development	148,640	10,095
Culture and Recreation	40,970	164,497
Total - Governmental Activities	<u>\$ 2,031,608</u>	<u>\$ 1,418,983</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2016, was as follows:

	Beginning Balance *	Increases	Decreases	Transfers/ Other Changes	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 1,971,322	167,872	-	-	\$ 2,139,194
Construction In Progress	12,090,815	815,440	-	(12,461,784)	444,471
Total Capital Assets, Non-Depreciable	<u>14,062,137</u>	<u>983,312</u>	<u>-</u>	<u>(12,461,784)</u>	<u>2,583,665</u>
Capital Assets, Depreciable:					
Buildings	1,447,575	22,979	-	-	1,470,554
Plant and Distributions Systems	85,349,207	280,353	-	12,461,784	98,091,344
Machinery and Equipment	17,199,771	697,326	-	56,647	17,953,744
Other Improvements	139,640	-	-	-	139,640
Total Capital Assets, Depreciable	<u>104,136,193</u>	<u>1,000,658</u>	<u>-</u>	<u>12,518,431</u>	<u>117,655,282</u>
Less: Accumulated Depreciation for:					
Buildings	573,637	49,529	-	-	623,166
Plant and Distributions Systems	30,339,085	2,403,929	-	-	32,743,014
Machinery and Equipment	7,665,105	3,998,322	-	56,647	11,720,074
Other Improvements	29,972	24,703	-	-	54,675
Total Accumulated Depreciation	<u>38,607,799</u>	<u>6,476,483</u>	<u>-</u>	<u>56,647</u>	<u>45,140,929</u>
Total Capital Assets, Depreciable, Net	<u>65,528,394</u>	<u>(5,475,825)</u>	<u>-</u>	<u>12,461,784</u>	<u>72,514,353</u>
Business-Type Activities Capital Assets, Net	<u>\$ 79,590,531</u>	<u>(4,492,513)</u>	<u>-</u>	<u>-</u>	<u>\$ 75,098,018</u>

\* Certain amounts have been restated due to a prior period adjustment. See Note IV.H for more details.

Ongoing construction in progress in the City's business-type activities represents costs related primarily to water and sewer projects. The City had remaining commitments on these projects in the amount of approximately \$370,000 as of June 30, 2016.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset additions and depreciation expense for business-type activities were charged to programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water and Sewer	\$ 1,707,949	\$ 6,363,631
Environmental Services	276,021	112,852
Total - Business-Type Activities	<u>\$ 1,983,970</u>	<u>\$ 6,476,483</u>

Capital asset activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>ABC Board (Component Unit)</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 640,091	-	-	\$ 640,091
Capital Assets, Depreciable:				
Buildings	1,053,192	-	-	1,053,192
Real Estate Improvements	227,899	-	-	227,899
Furniture and Equipment	244,870	4,716	-	249,586
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	86,350	38,836	-	125,186
Total Capital Assets, Depreciable	<u>1,638,957</u>	<u>43,552</u>	<u>-</u>	<u>1,682,509</u>
Less: Accumulated Depreciation for:				
Buildings	393,944	21,588	-	415,532
Real Estate Improvements	98,122	6,508	-	104,630
Furniture and Equipment	169,519	18,018	-	187,537
Vehicles	26,646	-	-	26,646
Computer Equipment and Software	67,828	15,614	-	83,442
Total Accumulated Depreciation	<u>756,059</u>	<u>61,728</u>	<u>-</u>	<u>817,787</u>
Total Capital Assets, Depreciable, Net	<u>882,898</u>	<u>(18,176)</u>	<u>-</u>	<u>864,722</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,522,989</u>	<u>(18,176)</u>	<u>-</u>	<u>\$ 1,504,813</u>

Capital asset additions and depreciation expense for the ABC Board were as follows:

Capital Asset Additions	Depreciation Expense
<u>\$ 43,552</u>	<u>\$ 61,728</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations

The City issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. State Revolving Loans (“SRL”) are loans from the State Clean Water Bond Loan Program for costs associated with water/sewer systems improvements. The Installment Purchase Contracts (“IPC”) are collateralized by the assets being financed and are not secured by the taxing power of the City.

Details on the City’s outstanding debt issues as of June 30, 2016 are as follows:

	<u>Balance at June 30, 2016</u>
<b><i>General Obligation Bonds</i></b>	
\$1,800,000 Sidewalk Improvement Bonds (general obligation bonds) issued in May 1998 (“GOB – May 1998”), due in annual installments of \$90,000 beginning on May 1, 1999 through May 1, 2018, plus interest from 4.75% to 5.00% due semi-annually. The proceeds from this issue were primarily used for sidewalk improvements.	\$ 180,000
\$2,100,000 General Obligation Sidewalk Bonds (general obligation bonds) issued in March 2008 (“GOB – March 2008”), due in annual installments of \$50,000 to \$150,000 beginning on March 1, 2010 through March 1, 2027, plus interest from 3.50% to 4.30% due semi-annually. The proceeds from this issue were primarily used for sidewalk improvements.	1,500,000
<b><i>State Revolving Loans</i></b>	
\$2,017,600 State Revolving Loan finalized in March 1996 (“SRL – March 1996”), due in annual installments of \$100,880 beginning on May 1, 1998 through May 1, 2017, plus interest currently at 3.43% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	100,880
\$13,250,000 State Revolving Loan finalized in November 2001 (“SRL – November 2001”), due in annual installments of \$662,500 beginning on May 1, 2003 through May 1, 2022, plus interest at 2.91% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	3,975,000
\$571,781 State Revolving Loan finalized in May 2011 (“SRL – May 2011”), due in annual installments of \$28,589 beginning on May 1, 2012 through May 1, 2031, plus interest at 2.48% due semi-annually. The proceeds of this issue were used for water/sewer system improvements and equipment.	428,836
\$1,815,000 State Revolving Loan finalized in June 2015 (“SRL – June 2015”), due in annual installments of \$90,750 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek sewer project.	1,724,250
\$4,340,600 State Revolving Loan finalized in July 2015 (“SRL – July 2015”), due in annual installments of \$217,030 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Jackson Park sewer project.	4,123,570
\$3,000,000 State Revolving Loan finalized in March 2016 (“SRL – March 2016”), due in annual installments of \$139,248 beginning on May 1, 2016 through May 1, 2035, plus interest at 2.00% due semi-annually. The proceeds of this issue were used for Shepard Creek water/sewer system improvements.	\$2,645,713



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

	<u>Balance at June 30, 2016</u>
<i>Installment Purchase Contracts</i>	
\$3,500,000 Installment Purchase Contract with Bank of America issued in August 2003 (“IPC – August 2003”), due in semi-annual installments of \$116,667 beginning on April 14, 2004 through October 14, 2018, plus interest at 4.10% due semi-annually. The proceeds of this issue were used to renovate City Hall.	\$ 583,334
\$10,000,000 Installment Purchase Contract with BB&T issued in September 2007 (“IPC – September 2007”), due in semi-annual installments of \$413,620 to \$596,979 beginning on March 19, 2008 through September 19, 2017, plus interest at 3.90% due semi-annually. The proceeds of this issue were used to renovate the City’s water treatment plant.	1,756,901
\$11,643,452 Installment Purchase Contract with JPMorgan Chase Bank dated in April 2012 (“MLPA – April 2012”), due in semi-annual installments of \$776,230 beginning on July 1, 2013 through July 1, 2027, plus interest at 2.3583% due semi-annually. The proceeds of this issue were used for the automated water meter project.	9,314,762
\$6,000,000 Installment Purchase Contract with BB&T issued in April 2013 (“IPC – April 2013”), due in semi-annual installments of \$150,000 beginning on October 5, 2013 through April 5, 2033, plus interest at 3.49% due semi-annually. The proceeds of this issue were used for Main Street infrastructure improvements.	5,100,000
\$242,500 Installment Purchase Contract with BB&T issued in September 2014 (“IPC – September 2014”), due in semi-annual installments of \$47,189 to \$49,271 beginning July 1, 2015 through July 1, 2017, plus interest at 1.219% due semi-annually. The proceeds of this issue were used to purchase two dump trucks, a zoning vehicle, and other equipment.	146,924
\$302,000 Installment Purchase Contract with Entegra (formerly Macon Bank) issued in September 2015 (“IPC – September 2015”), due in semi-annual installments of \$20,340 to \$22,815 beginning December 1, 2015 through June 1, 2022, plus interest at 1.89% due semi-annually. The proceeds of this issue were used to purchase of a vehicle and parking meters. Approximately 27% and 73% of this IPC is reflected in the City’s governmental and business-type activities, respectively.	\$ 259,911

Interest paid on the certain debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not believe it has an arbitrage liability at June 30, 2016.

The City implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension” in 2009. This statement established standards for the measurement, recognition and display of Other Post-Employment Benefits (“OPEB”) costs and related liabilities (assets), note disclosures, and required supplementary information in financial reports. For more information on the City’s single-employer defined benefit OPEB plan and its related net OPEB obligation (which is shown in the long-term obligation rollforward), see “Note IV.C Post-Employment Benefits Other Than Pensions” for more details.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

The City implemented GASB Statement No. 27 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension” in 1998. This statement established standards for the measurement, recognition and display of pension costs related liabilities (assets), and note disclosures in financial reports. For more information on the City’s Law Enforcement Officers Special Separation Allowance (“LEOSA”), a single-employer defined benefit pension plan, which provides retirement benefits to the City’s qualified sworn law enforcement officers and its net pension obligation (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Law Enforcement Officers Separation Allowance” for more details.

The City implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” (“GASB #68”) in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s participation in the statewide Local Governmental Employees’ Retirement System (“LGERS”), a cost-sharing multiple-employer defined benefit pension plan, administered by the State of North Carolina and its related net pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Local Governmental Employees’ Retirement System” for more details.

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2016:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
General Obligation Bonds:					
GOB - May 1998	\$ 270,000	-	90,000	180,000	\$ 90,000
GOB – March 2008	1,600,000	-	100,000	1,500,000	100,000
Total General Obligation Bonds	1,870,000	-	190,000	1,680,000	190,000
Installment Purchase Contracts:					
IPC - August 2003	816,667	-	233,333	583,334	233,333
IPC - April 2013	5,400,000	-	300,000	5,100,000	300,000
IPC - September 2014	242,500	-	95,576	146,924	97,654
IPC - September 2015	-	78,533	11,364	67,169	11,146
Total Installment Purchase Contracts	6,459,167	78,533	640,273	5,897,427	642,133
Total Debt	8,329,167	78,533	830,273	7,577,427	832,133
Compensated Absences	657,426	369,327	406,050	620,703	310,352
Net OPEB Obligation	535,594	121,752	90,407	566,939	-
Net Pension Liability - LGERS	-	484,533	-	484,533	-
Net Pension Obligation - LEOSA	338,994	77,086	54,532	361,548	-
Total Governmental Activities	\$ 9,861,181	1,131,231	1,381,262	9,611,150	\$ 1,142,485

Resources from the General Fund and Downtown Tax District Fund have generally been used to liquidate the City’s governmental activities long-term obligations.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended June 30, 2016:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
State Revolving Loans:					
SRF - March 1996	\$ 201,760	-	100,880	100,880	\$ 100,880
SRF - November 2001	4,637,500	-	662,500	3,975,000	662,500
SRF - May 2011	457,425	-	28,589	428,836	28,589
SRF - June 2015	1,815,000	-	90,750	1,724,250	90,750
SRF - July 2015	4,340,600	-	217,030	4,123,570	217,030
SRF - March 2016	2,867,595	(82,634)	139,248	2,645,713	139,248
Total Special Obligation Bonds	<u>14,319,880</u>	<u>(82,634)</u>	<u>1,238,997</u>	<u>12,998,249</u>	<u>1,238,997</u>
Installment Purchase Contracts:					
IPC - September 2007	2,872,875	-	1,115,974	1,756,901	1,159,921
IPC - April 2012	10,090,992	-	776,230	9,314,762	776,230
IPC - September 2015	-	223,467	30,725	192,742	30,135
Total Installment Purchase Contracts	<u>12,963,867</u>	<u>223,467</u>	<u>1,922,929</u>	<u>11,264,405</u>	<u>1,966,286</u>
Total Debt	27,283,747	140,833	3,161,926	24,262,654	3,205,283
Compensated Absences	312,998	180,562	249,352	244,208	122,104
Net OPEB Obligation	340,280	103,046	60,972	382,354	-
Net Pension Liability - LGERS	-	309,518	-	309,518	-
Total Business-Type Activities	<u>\$ 27,937,025</u>	<u>733,959</u>	<u>3,472,250</u>	<u>25,198,734</u>	<u>\$ 3,327,387</u>

Resources from the Water and Sewer Fund and the Environmental Service Fund have generally been used to liquidate the City's business-type activities long-term obligations.

Following is a summary of debt service requirements to maturity by year for the City's governmental and business-type activities as of June 30, 2016:

Year Ended June 30,	General Obligation Bonds		Installment Purchase Contracts		Total
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2017	\$ 190,000	70,350	642,133	199,979	\$ 1,102,462
2018	190,000	61,850	593,964	178,409	1,024,223
2019	150,000	53,350	428,246	157,722	789,318
2020	150,000	47,350	311,801	144,600	653,751
2021	150,000	41,350	312,029	133,901	637,280
2022-2026	750,000	115,550	1,509,254	510,651	2,885,455
2027-2031	100,000	4,300	1,500,000	248,665	1,852,965
2032-2033	-	-	600,000	26,176	626,176
Totals	<u>\$ 1,680,000</u>	<u>394,100</u>	<u>5,897,427</u>	<u>1,600,103</u>	<u>\$ 9,571,630</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Year Ended June 30,	State Revolving Loans		Installment Purchase Contracts		Total
	Principal	Interest	Principal	Interest	
<b>Business-Type Activities</b>					
2017	\$ 1,238,997	299,638	1,966,286	271,327	\$ 3,776,248
2018	1,138,117	267,250	1,403,924	206,763	3,016,054
2019	1,138,117	238,322	807,537	176,225	2,360,201
2020	1,138,117	209,393	808,135	157,320	2,312,965
2021	1,138,117	180,465	808,754	138,396	2,265,732
2022-2026	3,040,586	584,073	3,917,309	412,509	7,954,477
2027-2031	2,378,086	323,555	1,552,460	36,611	4,290,712
2032-2035	1,788,112	89,406	-	-	1,877,518
Totals	\$ 12,998,249	2,192,102	11,264,405	1,399,151	\$ 27,853,907

IV. OTHER INFORMATION

A. 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 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. 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 are also each individually bonded for \$75,000.

After updates to the GIS system floodplain mapping, several City facilities are now shown as being located in floodplain areas. Both the City and Henderson County participate in the National Flood Insurance Program and City management is currently studying the facilities and flood mapping to consider what types of coverages are necessary.

The City 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 \$10,000 per employee. Payments of premiums for benefits above the annual maximum are treated as expenditures in the General 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement/Pension Plans**

*Local Governmental Employees' Retirement System*

*Plan Description*

The City is a participating employer in 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 membership is comprised of general employees and local law enforcement officers ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)*

*Contributions*

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.75% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City and by employees were approximately \$691,000 and \$607,000 for the year ended June 30, 2016, respectively.

*Refunds of Contributions*

City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

*Pension Liabilities, Pension Expense, and Deferred Outflows/ Inflows of Resources Related to Pensions*

At June 30, 2016, the City reported a liability of approximately \$794,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.17693%, which was an increase of 0.04668% from its proportion of 0.13025% measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of approximately \$494,000. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 186,649
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	226,065
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	305,854	-
City Contributions Subsequent to the Measurement Date	691,249	-
	<u>\$ 997,103</u>	<u>\$ 412,714</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/ Inflows of Resources Related to Pensions (Continued)*

Approximately \$691,000 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be increase (decrease) pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ (182,369)
2018	(182,369)
2019	(182,128)
2020	440,006
Total	<u>\$ (106,860)</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc cost of living adjustments ("COLA") amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Local Governmental Employees' Retirement System (Continued)*

*Actuarial Assumptions (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 (measurement date) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,537,028	794,051	\$ (3,201,802)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.



CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Law Enforcement Officers Special Separation Allowance*

*Plan Description*

The City administers the Law Enforcement Officers Special Separation Allowance (“Separation Allowance” or “LEOSA”), 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 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the date of the most recent actuarial valuation, the system's membership consisted of:

Retirees Receiving Benefits	3
Active Plan Members	40
Total	<u>43</u>

A separate report was not issued for the plan.

*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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements #67 and #68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

*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

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Law Enforcement Officers Special Separation Allowance (Continued)*

*Actuarial Assumptions*

The annual required contribution for December 31, 2015, the date of the most recent actuarial valuation, was determined using the entry age normal actuarial cost method with a level dollar closed amortization method (15 years remaining amortization period), with market value being used as the asset valuation method. The actuarial assumptions included (a) 3.57% investment rate of return, net of administrative expenses, and (b) projected salary increases of 3.50%-7.35% per year. Both (a) and (b) include an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

*Annual Pension Costs and Rollforward of Net Pension Obligation*

The annual pension expense and the progression of the net pension obligation for the Separation Allowance for the current year were as follows:

1. Net Pension Obligation (Asset), Beginning of the Plan Year	\$ 338,994
2. One Year's Interest on the Net Pension Obligation	16,950
3. ARC (Normal Cost Plus Any Amortization Payments)	89,926
4. Adjustment to Annual Required Contribution	(29,790)
5. Annual Pension Cost: (2)+(3)+(4)	77,086
6. Contributions Made for the Plan Year	(54,532)
7. Increase (Decrease) in Net Pension Obligation (Asset): (5)+(6)	22,554
8. Net Pension Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ 361,548</u>

*Schedule of Employer Contributions*

The City did not make any contributions in the current year for the Separation Allowance to pre-fund benefits but did make pay-as-you-go basis payments of approximately \$55,000 for covered participants' benefits.

Annual Pension cost, annual Pension cost contributed, percentage of annual Pension cost contributed to the Pension Plan and the net Pension obligation (asset) were as follows:

<b>Schedule of Employer Contributions</b>					
Fiscal Year Ended	Annual Pension Cost	Annual Pension Cost Contributed	Pension Cost Contributed	Percentage	Net Pension Obligation (Asset)
June 30, 2014	\$ 64,743	\$ 81,655	126.12%		\$ 338,994
June 30, 2015	65,275	65,275	100.00%		338,994
June 30, 2016	\$ 77,086	\$ 54,532	70.74%		\$ 361,548

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

*Law Enforcement Officers Special Separation Allowance (Continued)*

*Schedule of Funding Progress*

This schedule will provide trend information about whether the actuarial values of Separation Allowance assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the Separation Allowance is as follows:

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
December 31, 2012	\$ -	672,377	\$ 672,377	0.00%	\$ 1,708,834	39.35%
December 31, 2013	-	658,739	658,739	0.00%	1,768,596	37.25%
December 31, 2015	\$ -	869,979	\$ 869,979	0.00%	\$ 2,069,581	42.04%

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 are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

*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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the CAFR for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*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 may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$141,000 which consisted of \$102,000 from the City and \$39,000 from the law enforcement officers.

*Firefighter’s and Rescue Squad Worker’s Pension Plan*

*Plan Description*

The State of North Carolina contributes, on behalf of the City, to the Firefighters’ and Rescue Squad Workers’ Pension Fund (“FRSWPF”), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement/Pension Plans (Continued)**

*Firefighter's and Rescue Squad Worker's Pension Plan (Continued)*

*Plan Description (Continued)*

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided*

FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions and Refunds of Contributions*

Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The City's proportionate share of the State's contribution was approximately \$6,000. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The above information was to provide a brief summary of the FRSWPF plan for interested parties. The pension liabilities, pension expense, and deferred outflows/inflows of resources related to this plan are not significant and thus these amounts have not been recorded in the City's financial statements.

**C. Post-Employment Benefits Other Than Pensions**

*HealthCare Benefit Plan*

*Plan Description*

Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan ("HCB Plan" or "OPEB"). As of June 1, 1988, the HCB Plan provides post-employment health care benefits to retirees of the City, provided they 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 employees' benefits through private insurers. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the HCB Plan.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*HealthCare Benefit Plan (Continued)*

*Plan Description (Continued)*

On August 8, 1985, the 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 December 31, 2015, the date of the most recent actuarial valuation, there are fifty (50) employees eligible for the death benefit with the total liability equal to \$250,000. The City paid out \$10,000 for the year ended June 30, 2016. The actuarial information presented below covers both the healthcare and the death benefit liability.

Membership of the HCB Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation.

	General Employees	Law Enforcement	Total
Retirees and Dependents Receiving Benefits	50	3	53
Active Plan Members	175	41	216
Totals	225	44	269

*Funding Policy*

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees (\$774 per month). The City's retirees pay \$694 per month for one dependent or \$1,468 per month for family coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution ("ARC") rate is 2.21% of annual covered payroll. For the current year, the City contributed approximately \$151,000 or 1.57% of annual covered payroll. The City provides healthcare coverage through its Internal Service Fund – Health and Welfare Fund, up to a limit of \$10,000 per individual, with the excess being covered by a private insurer. The City's obligation to contribute to the HCB Plan is established and may be amended by City Council.

*Summary of Significant Accounting Policies*

Post-employment expenditures/expenses are made from the General Fund, the Water and Sewer Fund, and the Environmental Service Fund, which are maintained on the modified accrual or accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*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

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*HealthCare Benefit Plan (Continued)*

*Actuarial Methods and Assumptions (Continued)*

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was thirty (30) years.

*Annual OPEB Costs and Rollforward of Net OPEB Obligation*

The City’s annual OPEB cost (expense) is calculated based on the 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 annual OPEB expense and the progression of the net OPEB obligation for the HCB Plan for the current year were as follows:

1. Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ 875,874
2. One Year's Interest on the Net OPEB Obligation	35,035
3. ARC (Normal Cost Plus Any Amortization Payments)	223,232
4. Adjustment to Annual Required Contribution	(33,469)
5. Annual OPEB Cost: (2)+(3)+(4)	224,798
6. Contributions Made for the Plan Year	(151,379)
7. Increase (Decrease) in Net OPEB Obligation (Asset): (5)+(6)	73,419
8. Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ 949,293</u>

*Schedule of Employer Contributions*

The City did not make any contributions in the current year for the Separation Allowance to pre-fund benefits but did make pay-as-you-go basis payments of approximately \$151,000 of covered premiums and participants’ benefits.

Annual Pension cost, annual Pension cost contributed, percentage of annual Pension cost contributed to the Pension Plan and the net Pension obligation (asset) were as follows:

<b>Schedule of Employer Contributions</b>						
Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)		
June 30, 2014	\$ 250,247	\$ 143,834	57.48%	\$ 875,874		
June 30, 2015	147,607	147,607	100.00%	875,874		
June 30, 2016	\$ 224,798	\$ 151,379	67.34%	\$ 949,293		

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Post-Employment Benefits Other Than Pensions (Continued)

*HealthCare Benefit Plan (Continued)*

*Schedule of Funding Progress*

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.

This schedule will provide trend information about whether the actuarial values of Separation Allowance assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the Separation Allowance is as follows:

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
December 31, 2011	\$ -	3,187,086	\$ 3,187,086	0.00%	\$ 8,846,414	36.03%
December 31, 2013	-	2,839,860	2,839,860	0.00%	8,830,095	32.16%
December 31, 2015	\$ -	2,560,561	\$ 2,560,561	0.00%	\$ 9,149,934	27.98%

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 are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

*Death Benefit Plan*

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan" or "System"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000.

Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

D. Contingent Liabilities and Commitments

*Litigation*

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Contingent Liabilities and Commitments (Continued)**

*Grants*

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City’s applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2016.

**E. On-Behalf Payments**

The City has recognized as revenue and expenditure, on-behalf payments for pension contributions made by the State, for participating employed firefighters in the amount of approximately \$6,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of approximately \$49,000 for the salary supplement and stipend benefits paid to eligible firefighters by the local board of trustees of the Firefighter’s Relief Fund during the year ended June 30, 2016. 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 firefighters or their department.

**F. 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	\$ 7,381,399
Less:	
Prepaid Items	(63,057)
Stabilization by State Statute	(1,790,318)
Appropriated Fund Balance for 2017 Budget	(436,981)
Remaining Fund Balance - General Fund	<u>\$ 5,091,043</u>

The City has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least 25 percent to 35 percent of budgeted expenditures.

The following table provides information concerning the consolidation of the City’s General Fund with a separately budgeted governmental Capital Reserve Fund. The Capital Reserve Fund does not meet GAAP’s definition of a special revenue fund, and thus is shown in the basic financial statements consolidated with the General Fund.

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total</u>
Beginning Fund Balance, Restated	\$ 7,586,266	661,527	\$ 8,247,793
Net Change in Fund Balances Before Transfers	(866,394)	-	(866,394)
Interfund Transfers	661,527	(661,527)	-
Ending Fund Balance	<u>\$ 7,381,399</u>	<u>-</u>	<u>\$ 7,381,399</u>



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

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**IV. OTHER INFORMATION (CONTINUED)**

**G. Joint Activities**

The City acquired and developed real property in the past couple of years as part of a collaborative economic development project undertaken with Henderson County, Pardee Memorial Hospital, Wingate University, and Blue Ridge Community College. These joint activities will provide a sustainable health sciences educational facility for the residents of Hendersonville, Henderson County, and the region.

**H. Prior Period Adjustments**

In reviewing its capital asset listing, the City discovered that it had misstated its capital asset balances in prior years for its governmental and business-type activities. This misstatement was due to a number of capital assets not being recorded in the City's capital asset system and others that had been disposed of which had never been removed from the City's capital asset system. In order to correct this, the City recorded a prior period adjustment of (a) approximately \$946,000 to increase the governmental activities capital assets in its June 30, 2016 government-wide financial statements and (b) approximately \$92,000 to decrease the Water and Sewer Fund (business-type activities) capital assets in its June 30, 2016 financial statements.

In addition, during the 2016 audit, the City elected to change its methodology for recording the sales and use tax payments from the State. In order to implement this new methodology, the City recorded a prior period adjustment to record this change of approximately \$279,000 in its June 30, 2016 government-wide/governmental fund financial statements.

**I. Reclassification of Fund Balances**

Effective July 1, 2015, the City elected to setup a number of new special revenue funds for programs that had previously been reported in the General Fund. Due to this change, the prior year ending fund balances for the General Fund and the related special revenue funds of approximately \$135,000 have been reclassified.

**J. Subsequent Events**

In July 2016, the City awarded a bid for approximately \$347,000 to Tarheel Paving for the 2016 resurfacing project.

In December 2016, the City awarded a bid for approximately \$234,000 to Patton Construction Group, Inc. for the US Highway 64 Sidewalk Improvements Project.





**Required  
Supplementary  
Information**



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS**

**YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
12/31/2005	\$ -	2,956,534	\$ 2,956,534	0%	\$ 6,499,084	45.49%
12/31/2007	-	4,559,164	4,559,164	0%	7,446,974	61.22%
12/31/2009	-	3,641,577	3,641,577	0%	8,593,288	42.38%
12/31/2011	-	3,187,086	3,187,086	0%	8,846,414	36.03%
12/31/2013	-	2,839,860	2,839,860	0%	8,830,095	32.16%
12/31/2015	\$ -	2,560,561	\$ 2,560,561	0%	\$ 9,149,934	27.98%

Note: The AAL was calculated based on the Projected Unit Credit Cost Method.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**YEAR ENDED JUNE 30, 2016**

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<u>Year Ended June 30th</u>	<u>Annual Required Contributions</u>	<u>Annual Contributed</u>	<u>Percentage Contributed</u>
2009	\$ 336,444	\$ 138,448	41.15%
2010	350,149	121,047	34.57%
2011	261,457	161,580	61.80%
2012	268,826	98,901	36.79%
2013	239,520	171,017	71.40%
2014	248,872	143,844	57.80%
2015	147,607	147,607	100.00%
2016	\$ 223,232	\$ 151,379	67.81%

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF FUNDING PROGRESS**

**YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
12/31/2004	\$ -	486,524	\$ 486,524	0%	\$ 1,353,075	35.96%
12/31/2005	-	471,245	471,245	0%	1,475,522	31.94%
12/31/2006	-	490,571	490,571	0%	1,542,417	31.81%
12/31/2007	-	574,165	574,165	0%	1,611,635	35.63%
12/31/2008	-	621,469	621,469	0%	1,688,411	36.81%
12/31/2009	-	782,709	782,709	0%	1,851,891	42.27%
12/31/2010	-	799,934	799,934	0%	1,834,359	43.61%
12/31/2011	-	791,329	791,329	0%	1,831,773	43.20%
12/31/2012	-	672,377	672,377	0%	1,708,834	39.35%
12/31/2013	-	658,739	658,739	0%	1,768,596	37.25%
12/31/2015	\$ -	869,979	\$ 869,979	0%	\$ 2,069,581	42.04%

Note: The AAL was calculated based on the Projected Unit Credit Cost Method.

Note: The City elected to move to biennial actuarial valuations after December 31, 2013.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**YEAR ENDED JUNE 30, 2016**

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<u>Year Ended June 30th</u>	<u>Annual Required Contributions</u>	<u>Annual Contributed</u>	<u>Percentage Contributed</u>
2005	\$ 45,507	\$ 12,797	28.12%
2006	55,000	12,799	23.27%
2007	51,555	12,796	24.82%
2008	55,102	39,448	71.59%
2009	58,845	52,543	89.29%
2010	63,168	55,493	87.85%
2011	80,269	55,490	69.13%
2012	85,322	66,184	77.57%
2013	85,322	77,600	90.95%
2014	75,945	81,656	107.52%
2015	65,275	75,945	116.35%
2016	\$ 89,926	\$ 54,532	60.64%



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

**LAST THREE FISCAL YEARS**

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	Year Ended June 30,		
	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.176930%	0.130250%	0.129000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 794,051	(768,146)	\$ 1,554,945
City's Covered-Employee Payroll	\$ 9,515,789	8,378,808	\$ 7,471,416
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	8.34%	-9.17%	20.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.09%	102.64%	94.35%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S CONTRIBUTIONS  
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

**LAST THREE FISCAL YEARS**

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	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 691,249	679,268	\$ 598,874
Contributions in Relation to the Contractually Required Contribution:	691,249	679,268	598,874
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 10,120,748	9,515,789	\$ 8,378,808
Contributions as a Percentage of Covered-Employee Payroll:	6.83%	7.14%	7.15%

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

# General Fund

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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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 7,708,322	7,809,973	\$ 101,651
Penalties and Interest	27,285	32,369	5,084
Total	<u>7,735,607</u>	<u>7,842,342</u>	<u>106,735</u>
Other taxes and licenses:			
Beer and Wine	2,180	2,170	(10)
Local Vehicle Rental Tax	12,800	11,358	(1,442)
Total	<u>14,980</u>	<u>13,528</u>	<u>(1,452)</u>
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	2,957,900	3,099,237	141,337
Payment in Lieu of Taxes (External Sources)	14,276	14,276	-
Utility Sales Tax	900,000	946,144	46,144
Telecommunications Sales Tax	219,673	234,552	14,879
Video Franchise Fee	117,650	114,105	(3,545)
Beer and Wine Tax	58,880	60,103	1,223
ABC Profit Distribution	75,000	97,500	22,500
Court Fees	5,800	5,737	(63)
Police 911 Secondary Share	13,000	10,571	(2,429)
Total	<u>4,362,179</u>	<u>4,582,225</u>	<u>220,046</u>
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	386,360	386,360	-
ABC Revenue for Law Enforcement	40,000	40,000	-
On-Behalf-Of-Payments - Fire and Rescue	-	55,575	55,575
School Resource Officer	37,839	37,838	(1)
HHA Officer Reimbursement	86,250	86,250	-
Other Revenue	3,000	2,448	(552)
Total	<u>553,449</u>	<u>608,471</u>	<u>55,022</u>
Permits and Fees:			
Building Permits and Inspection Fees	14,192	17,717	3,525
Business Registration Fee	65,045	58,802	(6,243)
Special Project Fees	13,700	23,193	9,493
Stormwater Permits	1,150	4,000	2,850
Total	<u>\$ 94,087</u>	<u>103,712</u>	<u>\$ 9,625</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES (CONTINUED)</b>			
Sales And Services:			
Facility Rent	\$ 55,500	55,329	\$ (171)
Recreation Fees	127,500	186,273	58,773
Parking Fees	170,480	152,831	(17,649)
Cemetery Fees	13,500	17,879	4,379
Alarm Fees	1,950	2,700	750
Total	<u>368,930</u>	<u>415,012</u>	<u>46,082</u>
Investment Earnings	<u>83,620</u>	<u>115,277</u>	<u>31,657</u>
Miscellaneous Revenues:			
Parking Violations and Penalties	77,000	101,983	24,983
Miscellaneous	67,274	85,162	17,888
Total	<u>144,274</u>	<u>187,145</u>	<u>42,871</u>
<b>TOTAL REVENUES</b>	<b><u>13,357,126</u></b>	<b><u>13,867,712</u></b>	<b><u>510,586</u></b>
<b>EXPENDITURES</b>			
General Government:			
Governing Body:			
Salaries and Employee Benefits	26,457	26,889	(432)
Operating Expenditures	66,818	55,968	10,850
Special Appropriations	119,380	119,380	-
Total	<u>212,655</u>	<u>202,237</u>	<u>10,418</u>
Administration:			
Salaries and Employee Benefits	245,453	241,215	4,238
Operating Expenditures	216,671	239,968	(23,297)
Capital Outlay	120,083	81,400	38,683
Total	<u>582,207</u>	<u>562,583</u>	<u>19,624</u>
Finance:			
Salaries and Employee Benefits	264,827	254,322	10,505
Operating Expenditures	134,838	142,276	(7,438)
Capital Outlay	37,851	28,644	9,207
Total	<u>437,516</u>	<u>425,242</u>	<u>12,274</u>
City Engineer			
Salaries and Employee Benefits	151,949	154,079	(2,130)
Operating Expenditures	42,773	37,586	5,187
Total	<u>\$ 194,722</u>	<u>\$ 191,665</u>	<u>\$ 3,057</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>EXPENDITURES (CONTINUED)</b>			
Information Technology:			
Operating Expenditures	\$ 336,168	325,541	\$ 10,627
Capital Outlay	41,863	22,980	18,883
Total	<u>378,031</u>	<u>348,521</u>	<u>29,510</u>
Legal Department:			
Salaries and Employee Benefits	97,544	95,049	2,495
Operating Expenditures	22,014	14,601	7,413
Total	<u>119,558</u>	<u>109,650</u>	<u>9,908</u>
Fleet Maintenance:			
Salaries and Employee Benefits	215,030	220,589	(5,559)
Operating Expenditures	66,538	60,860	5,678
Capital Outlay	23,000	16,800	6,200
Total	<u>304,568</u>	<u>298,249</u>	<u>6,319</u>
Public Buildings:			
Salaries and Employee Benefits	206,166	193,916	12,250
Operating Expenditures	306,089	259,724	46,365
Capital Outlay	8,000	-	8,000
Total	<u>520,255</u>	<u>453,640</u>	<u>66,615</u>
Total General Government	<u>2,749,512</u>	<u>2,591,787</u>	<u>157,725</u>
Public Safety:			
Police			
Salaries and Employee Benefits	3,628,927	3,595,709	33,218
Operating Expenditures	590,081	570,962	19,119
Capital Outlay	125,236	122,768	2,468
Total	<u>4,344,244</u>	<u>4,289,439</u>	<u>54,805</u>
Fire			
Salaries and Employee Benefits	1,712,284	1,612,264	100,020
Operating Expenditures	494,016	447,103	46,913
On-behalf Payments - Firefighter's Relief Fund	-	55,575	(55,575)
Total	<u>\$ 2,206,300</u>	<u>2,114,942</u>	<u>\$ 91,358</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Development Assistance:			
Salaries and Employee Benefits	\$ 376,373	369,518	\$ 6,855
Operating Expenditures	115,050	71,057	43,993
Capital Outlay	49,248	28,377	20,871
Total	<u>540,671</u>	<u>468,952</u>	<u>71,719</u>
Total Public Safety	<u>7,091,215</u>	<u>6,873,333</u>	<u>217,882</u>
Transportation			
Administration:			
Salaries and Employee Benefits	265,853	260,005	5,848
Operating Expenditures	64,164	44,044	20,120
Capital Outlay	23,950	23,947	3
Total	<u>353,967</u>	<u>327,996</u>	<u>25,971</u>
Streets and Highways:			
Salaries and Employee Benefits	390,516	385,162	5,354
Operating Expenditures	440,190	399,421	40,769
Capital Outlay	24,000	21,023	2,977
Total	<u>854,706</u>	<u>805,606</u>	<u>49,100</u>
State Street Aid Allocation:			
Operating Expenditures	<u>476,280</u>	<u>475,874</u>	<u>406</u>
Traffic Engineering:			
Salaries and Employee Benefits	146,931	140,755	6,176
Operating Expenditures	317,085	287,814	29,271
Capital Outlay	27,391	27,185	206
Total	<u>491,407</u>	<u>455,754</u>	<u>35,653</u>
Total Transportation	<u>2,176,360</u>	<u>2,065,230</u>	<u>111,130</u>
Culture and Recreation:			
Park Maintenance, Drainage, and Lot Clearing:			
Salaries and Employee Benefits	411,191	403,522	7,669
Operating Expenditures	95,282	110,870	(15,588)
Capital Outlay	62,425	20,578	41,847
Total	<u>\$ 568,898</u>	<u>534,970</u>	<u>\$ 33,928</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES (CONTINUED)</b>			
Patton Park Pool:			
Salaries and Employee Benefits	\$ 132,520	146,032	\$ (13,512)
Operating Expenditures	122,913	107,409	15,504
Capital Outlay	20,400	20,392	8
Total	<u>275,833</u>	<u>273,833</u>	<u>2,000</u>
Total Culture and Recreation	<u>844,731</u>	<u>808,803</u>	<u>35,928</u>
Debt Service:			
Principal	818,926	818,909	17
Interest and Bank Fees	299,865	299,864	1
Total Debt Service	<u>1,118,791</u>	<u>1,118,773</u>	<u>18</u>
<b>TOTAL EXPENDITURES</b>	<b><u>13,980,609</u></b>	<b><u>13,457,926</u></b>	<b><u>522,683</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(623,483)</u></b>	<b><u>409,786</u></b>	<b><u>1,033,269</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance Proceeds	100,183	96,383	(3,800)
Sale of Capital Assets	10,000	2,125	(7,875)
Transfers In	264,960	264,960	-
Transfers Out	(978,121)	(978,121)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(602,978)</u></b>	<b><u>(614,653)</u></b>	<b><u>(11,675)</u></b>
Fund Balance Appropriated	<u>1,226,461</u>		<u>(1,226,461)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ -</u></b>	<b><u>(204,867)</u></b>	<b><u>\$ (204,867)</u></b>
FUND BALANCE, Beginning of Year, as Previously Reported		7,442,200	
Prior Period Adjustment		278,878	
Reclassification of Fund Balance to Special Revenue		<u>(134,812)</u>	
FUND BALANCE, Beginning of Year, Restated		<u>7,586,266</u>	
<b>FUND BALANCE, End of Year</b>		<b><u>\$ 7,381,399</u></b>	



## **Capital Reserve Fund**

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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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
FINAL BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2016

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	\$ (661,527)	(661,527)	\$ -
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(661,527)</u>	<u>(661,527)</u>	<u>-</u>
Fund Balance Appropriated	<u>661,527</u>		<u>(661,527)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(661,527)</u>	<u>\$ (661,527)</u>
FUND BALANCE, Beginning of Year		<u>661,527</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ -</u>	

# **Non-Major Governmental Funds**

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## **Special Revenue Funds**

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

## **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.

## **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of financial resources used for the payment of long-term debt principal, interest, and related costs.



CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 176,521	-	961,414	\$ 1,137,935
Pooled Cash and Cash Equivalents, Restricted	172,174	1,461,268	-	1,633,442
Receivables, Net				
Taxes	13,624	-	-	13,624
Accounts	10,000	-	-	10,000
Grants	357,900	-	-	357,900
Shared Taxes	936	-	-	936
Refundable Taxes	16,192	2,123	-	18,315
Prepays and Inventories	491	-	-	491
<b>TOTAL ASSETS</b>	<b>\$ 747,838</b>	<b>1,463,391</b>	<b>961,414</b>	<b>\$ 3,172,643</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 70,887	300,561	-	\$ 371,448
Accrued Salaries and Benefits	3,815	-	-	3,815
Due to Other Funds	332,539	731	-	333,270
<b>TOTAL LIABILITIES</b>	<b>407,241</b>	<b>301,292</b>	<b>-</b>	<b>708,533</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	13,624	-	-	13,624
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid and Inventories	491	-	-	491
Restricted For:				
Stabilization by State Statute	385,028	2,123	-	387,151
General Government	1,428	-	-	1,428
Economic Development	135,136	-	-	135,136
Public Safety	110,261	-	-	110,261
Transportation	-	1,132,835	-	1,132,835
Assigned For:				
Subsequent Year's Expenditures	65,889	29,264	452,995	548,148
Debt Service	-	-	508,419	508,419
Unassigned	(371,260)	(2,123)	-	(373,383)
<b>TOTAL FUND BALANCES</b>	<b>326,973</b>	<b>1,162,099</b>	<b>961,414</b>	<b>2,450,486</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 747,838</b>	<b>1,463,391</b>	<b>961,414</b>	<b>\$ 3,172,643</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	DOWNTOWN TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	OKLAWAHA GREENWAYS PHASE 3 GRANT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	DRUG ADDICTION RESISTANCE EDUCATION FUND
<b>ASSETS</b>								
Pooled Cash and Cash Equivalents	\$ 123,178	53,343	-	-	-	-	-	-
Pooled Cash and Cash Equivalents, Restricted	-	-	-	784	16,522	2,130	10,468	3,218
Receivables, Net								
Taxes	11,982	1,642	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-	-
Grants	-	-	331,967	-	-	-	-	-
Shared Taxes	660	276	-	-	-	-	-	-
Refundable Taxes	12,185	30	101	107	-	1	764	39
Prepays and Inventories	491	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 148,496</b>	<b>55,291</b>	<b>\$ 332,068</b>	<b>\$ 891</b>	<b>16,522</b>	<b>2,131</b>	<b>11,232</b>	<b>3,257</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 33,617	3,953	21,541	70	-	30	-	40
Accrued Salaries and Benefits	3,815	-	-	-	-	-	-	-
Due to Other Funds	-	-	310,527	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>37,432</b>	<b>3,953</b>	<b>332,068</b>	<b>70</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>40</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue - Property Taxes	11,982	1,642	-	-	-	-	-	-
<b>FUND BALANCES</b>								
Nonspendable:								
Prepaid and Inventories	491	-	-	-	-	-	-	-
Restricted For:								
Stabilization by State Statute	12,845	306	332,068	107	-	1	764	39
General Government	-	-	-	-	1,428	-	-	-
Economic Development	85,746	49,390	-	-	-	-	-	-
Public Safety	-	-	-	-	-	141	-	-
Assigned For:								
Subsequent Year's Expenditures	-	-	-	821	15,094	1,959	11,232	3,217
Unassigned	-	-	(332,068)	(107)	-	-	(764)	(39)
<b>TOTAL FUND BALANCES</b>	<b>99,082</b>	<b>49,696</b>	<b>-</b>	<b>821</b>	<b>16,522</b>	<b>2,101</b>	<b>11,232</b>	<b>3,217</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 148,496</b>	<b>55,291</b>	<b>\$ 332,068</b>	<b>\$ 891</b>	<b>16,522</b>	<b>2,131</b>	<b>11,232</b>	<b>3,257</b>

YOUTH EXPLORERS FUND	KENNEL FUND	FIRE DEPT COMMUNITY FUND	FIRE DEPT CAR SEAT FUND	DRUG FORFEITURE FUND	GOVERNOR'S CRIME COMMISSION GRANT FUND	BIKEPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY BIKE SAFE GRANT 14-15 FUND	GOVERNOR'S HIGHWAY SAFETY BIKE SAFE GRANT 15-16 FUND	BERKELEY MILLS BALLPARK HISTORIC NOMINATION GRANT FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	\$ 176,521
4,048	7,721	550	2,962	122,548	-	-	-	1,223	-	172,174
-	-	-	-	-	-	-	-	-	-	13,624
-	-	-	-	-	-	10,000	-	-	-	10,000
-	-	-	-	-	1,010	20,720	-	2,203	2,000	357,900
-	-	-	-	-	-	-	-	-	-	936
78	439	-	-	177	993	-	27	1,251	-	16,192
-	-	-	-	-	-	-	-	-	-	491
<b>4,126</b>	<b>8,160</b>	<b>550</b>	<b>2,962</b>	<b>122,725</b>	<b>2,003</b>	<b>30,720</b>	<b>27</b>	<b>4,677</b>	<b>2,000</b>	<b>\$ 747,838</b>
-	272	-	13	56	68	6,550	-	4,677	-	\$ 70,887
-	-	-	-	-	-	-	-	-	-	3,815
-	-	-	-	-	1,935	18,050	27	-	2,000	332,539
-	<b>272</b>	-	<b>13</b>	<b>56</b>	<b>2,003</b>	<b>24,600</b>	<b>27</b>	<b>4,677</b>	<b>2,000</b>	<b>407,241</b>
-	-	-	-	-	-	-	-	-	-	13,624
-	-	-	-	-	-	-	-	-	-	491
78	439	-	-	177	2,003	30,720	27	3,454	2,000	385,028
-	-	-	-	-	-	-	-	-	-	1,428
-	-	-	-	-	-	-	-	-	-	135,136
-	4,316	350	699	98,635	-	6,120	-	-	-	110,261
4,126	3,133	200	2,250	23,857	-	-	-	-	-	65,889
(78)	-	-	-	-	(2,003)	(30,720)	(27)	(3,454)	(2,000)	(371,260)
<b>4,126</b>	<b>7,888</b>	<b>550</b>	<b>2,949</b>	<b>122,669</b>	<b>-</b>	<b>6,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,973</b>
<b>4,126</b>	<b>8,160</b>	<b>550</b>	<b>2,962</b>	<b>122,725</b>	<b>2,003</b>	<b>30,720</b>	<b>27</b>	<b>4,677</b>	<b>2,000</b>	<b>\$ 747,838</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2016

	SIDEWALK CONSTRUCTION PROJECT FUND	HIGHWAY 64 SIDEWALK IMPROVEMENT PROJECT FUND	EAST SIDE FIRE STATION CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	NORTH OAK STREET WIDENING PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>ASSETS</b>							
Pooled Cash and Cash Equivalents, Restricted	\$ 919,191	28,001	-	-	150,000	364,076	\$ 1,461,268
Receivables, Net							
Refundable Taxes	-	-	2,123	-	-	-	2,123
<b>TOTAL ASSETS</b>	<b>\$ 919,191</b>	<b>28,001</b>	<b>2,123</b>	<b>-</b>	<b>150,000</b>	<b>364,076</b>	<b>\$ 1,463,391</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 3,164	-	1,392	-	-	296,005	\$ 300,561
Due to Other Funds	-	-	731	-	-	-	731
<b>TOTAL LIABILITIES</b>	<b>3,164</b>	<b>-</b>	<b>2,123</b>	<b>-</b>	<b>-</b>	<b>296,005</b>	<b>301,292</b>
<b>FUND BALANCES</b>							
Restricted For:							
Stabilization by State Statute	-	-	2,123	-	-	-	2,123
Transportation	886,763	28,001	-	-	150,000	68,071	1,132,835
Assigned For:							
Subsequent Year's Expenditures	29,264	-	-	-	-	-	29,264
Unassigned	-	-	(2,123)	-	-	-	(2,123)
<b>TOTAL FUND BALANCES</b>	<b>916,027</b>	<b>28,001</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>68,071</b>	<b>1,162,099</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 919,191</b>	<b>28,001</b>	<b>2,123</b>	<b>-</b>	<b>150,000</b>	<b>364,076</b>	<b>\$ 1,463,391</b>



CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	NONMAJOR DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 254,158	-	-	\$ 254,158
Unrestricted Intergovernmental	202,759	-	-	202,759
Restricted Intergovernmental	38,612	-	-	38,612
Grant Revenue	1,088,921	21,508	-	1,110,429
Special Events Income	151,467	-	-	151,467
Investment Earnings	(58)	2,031	-	1,973
Miscellaneous	85,422	-	-	85,422
<b>TOTAL REVENUES</b>	<b>1,821,281</b>	<b>23,539</b>	<b>-</b>	<b>1,844,820</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	58,680	-	-	58,680
Transportation	19,577	-	-	19,577
Environmental Protection	-	21,508	-	21,508
Economic and Physical Development	510,737	-	-	510,737
Cultural and Recreational	35,600	-	-	35,600
Capital Outlay	1,169,366	409,974	-	1,579,340
Debt Service:				
Principal	11,364	-	-	11,364
Interest	1,074	-	-	1,074
<b>TOTAL EXPENDITURES</b>	<b>1,806,398</b>	<b>431,482</b>	<b>-</b>	<b>2,237,880</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>14,883</b>	<b>(407,943)</b>	<b>-</b>	<b>(393,060)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Installment Purchase Obligations Issued	78,533	-	-	78,533
Transfers In	14,000	567,485	961,414	1,542,899
Transfers Out	-	(29,264)	-	(29,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>92,533</b>	<b>538,221</b>	<b>961,414</b>	<b>1,592,168</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>107,416</b>	<b>130,278</b>	<b>961,414</b>	<b>1,199,108</b>
FUND BALANCES, Beginning of Year, as Previously Reported	84,745	1,031,821	-	1,116,566
Reclassification from General Fund	134,812	-	-	134,812
FUND BALANCES, Beginning of Year, Restated	219,557	1,031,821	-	1,251,378
<b>FUND BALANCES, End of Year</b>	<b>\$ 326,973</b>	<b>1,162,099</b>	<b>961,414</b>	<b>\$ 2,450,486</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2016

	DOWNTOWN TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	OKLAWAHA GREENWAYS PHASE 3 GRANT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND	DRUG ADDICTION RESISTANCE EDUCATION FUND
<b>REVENUES</b>								
Ad Valorem Taxes	\$ 235,751	18,407	-	-	-	-	-	-
Unrestricted Intergovernmental	196,107	6,652	-	-	-	-	-	-
Restricted Intergovernmental	-	-	-	-	-	-	-	-
Grant Revenue	-	-	976,653	-	-	-	-	-
Special Events Income	151,467	-	-	-	-	-	-	-
Investment Earnings	(58)	-	-	-	-	-	-	-
Miscellaneous	12,137	31,852	-	3,170	79	170	12,175	227
<b>TOTAL REVENUES</b>	<b>595,404</b>	<b>56,911</b>	<b>976,653</b>	<b>3,170</b>	<b>79</b>	<b>170</b>	<b>12,175</b>	<b>227</b>
<b>EXPENDITURES</b>								
Current:								
Public Safety	-	-	-	3,745	-	29	16,028	574
Transportation	-	-	19,577	-	-	-	-	-
Economic and Physical Development	495,477	15,260	-	-	-	-	-	-
Cultural and Recreational	-	-	-	-	-	-	-	-
Capital Outlay	148,640	-	957,076	-	-	-	-	-
Debt Service:								
Principal	11,364	-	-	-	-	-	-	-
Interest	1,074	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>656,555</b>	<b>15,260</b>	<b>976,653</b>	<b>3,745</b>	<b>-</b>	<b>29</b>	<b>16,028</b>	<b>574</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(61,151)</b>	<b>41,651</b>	<b>-</b>	<b>(575)</b>	<b>79</b>	<b>141</b>	<b>(3,853)</b>	<b>(347)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Installment Purchase Obligations Issued	78,533	-	-	-	-	-	-	-
Transfers In	-	5,000	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>78,533</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,382</b>	<b>46,651</b>	<b>-</b>	<b>(575)</b>	<b>79</b>	<b>141</b>	<b>(3,853)</b>	<b>(347)</b>
FUND BALANCES, Beginning of Year, as Previously Reported	81,700	3,045	-	-	-	-	-	-
Reclassification from General Fund	-	-	-	1,396	16,443	1,960	15,085	3,564
FUND BALANCES, Beginning of Year, Restated	81,700	3,045	-	1,396	16,443	1,960	15,085	3,564
<b>FUND BALANCES, End of Year</b>	<b>\$ 99,082</b>	<b>49,696</b>	<b>-</b>	<b>821</b>	<b>16,522</b>	<b>2,101</b>	<b>11,232</b>	<b>3,217</b>

YOUTH EXPLORERS FUND	KENNEL FUND	FIRE DEPT COMMUNITY FUND	FIRE DEPT CAR SEAT FUND	DRUG FORFEITURE FUND	GOVERNOR'S CRIME COMMISSION GRANT FUND	BIKPED GRANT FUND	GOVERNOR'S HIGHWAY SAFETY BIKE 14-15 FUND	GOVERNOR'S HIGHWAY SAFETY BIKE 15-16 FUND	BERKELEY MILLS BALLPARK HISTORIC NOMINATION GRANT FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	\$ 254,158
-	-	-	-	-	-	-	-	-	-	202,759
-	-	-	-	38,612	-	-	-	-	-	38,612
-	-	-	-	-	14,707	20,720	2,399	72,442	2,000	1,088,921
-	-	-	-	-	-	-	-	-	-	151,467
-	-	-	-	-	-	-	-	-	-	(58)
-	12,338	325	2,949	-	-	10,000	-	-	-	85,422
-	<b>12,338</b>	<b>325</b>	<b>2,949</b>	<b>38,612</b>	<b>14,707</b>	<b>30,720</b>	<b>2,399</b>	<b>72,442</b>	<b>2,000</b>	<b>1,821,281</b>
1,159	7,584	-	-	3,663	14,707	-	2,399	8,792	-	58,680
-	-	-	-	-	-	-	-	-	-	19,577
-	-	-	-	-	-	-	-	-	-	510,737
-	-	-	-	-	-	29,600	-	-	6,000	35,600
-	-	-	-	-	-	-	-	63,650	-	1,169,366
-	-	-	-	-	-	-	-	-	-	11,364
-	-	-	-	-	-	-	-	-	-	1,074
<b>1,159</b>	<b>7,584</b>	<b>-</b>	<b>-</b>	<b>3,663</b>	<b>14,707</b>	<b>29,600</b>	<b>2,399</b>	<b>72,442</b>	<b>6,000</b>	<b>1,806,398</b>
<b>(1,159)</b>	<b>4,754</b>	<b>325</b>	<b>2,949</b>	<b>34,949</b>	<b>-</b>	<b>1,120</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>14,883</b>
-	-	-	-	-	-	-	-	-	-	78,533
-	-	-	-	-	-	5,000	-	-	4,000	14,000
-	-	-	-	-	-	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>92,533</b>
<b>(1,159)</b>	<b>4,754</b>	<b>325</b>	<b>2,949</b>	<b>34,949</b>	<b>-</b>	<b>6,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,416</b>
-	-	-	-	-	-	-	-	-	-	84,745
5,285	3,134	225	-	87,720	-	-	-	-	-	134,812
5,285	3,134	225	-	87,720	-	-	-	-	-	219,557
<b>4,126</b>	<b>7,888</b>	<b>550</b>	<b>2,949</b>	<b>122,669</b>	<b>-</b>	<b>6,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 326,973</b>

## CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2016

	SIDEWALK CONSTRUCTION PROJECT FUND	HIGHWAY 64 SIDEWALK IMPROVEMENT PROJECT FUND	EAST SIDE FIRE STATION CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	NORTH OAK STREET WIDENING PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
<b>REVENUES</b>							
Grant Revenue	\$ -	-	-	21,508	-	-	\$ 21,508
Investment Earnings	2,031	-	-	-	-	-	2,031
<b>TOTAL REVENUES</b>	<b>2,031</b>	<b>-</b>	<b>-</b>	<b>21,508</b>	<b>-</b>	<b>-</b>	<b>23,539</b>
<b>EXPENDITURES</b>							
Current:							
Environmental Protection	-	-	-	21,508	-	-	21,508
Capital Outlay	14,920	-	74,904	-	-	320,150	409,974
<b>TOTAL EXPENDITURES</b>	<b>14,920</b>	<b>-</b>	<b>74,904</b>	<b>21,508</b>	<b>-</b>	<b>320,150</b>	<b>431,482</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(12,889)</b>	<b>-</b>	<b>(74,904)</b>	<b>-</b>	<b>-</b>	<b>(320,150)</b>	<b>(407,943)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	29,264	-	-	150,000	388,221	567,485
Transfers Out	(29,264)	-	-	-	-	-	(29,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(29,264)</b>	<b>29,264</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>388,221</b>	<b>538,221</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(42,153)</b>	<b>29,264</b>	<b>(74,904)</b>	<b>-</b>	<b>150,000</b>	<b>68,071</b>	<b>130,278</b>
FUND BALANCES, Beginning of Year	958,180	(1,263)	74,904	-	-	-	1,031,821
<b>FUND BALANCES, End of Year</b>	<b>\$ 916,027</b>	<b>28,001</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>68,071</b>	<b>\$ 1,162,099</b>

## **Special Revenue Funds**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - DOWNTOWN TAX DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 247,864	235,015	\$ (12,849)
Penalties and Interest	1,700	736	(964)
Sales and Use Taxes	196,000	196,107	107
Special Events Income	140,936	151,467	10,531
Investment Earnings	50	(58)	(108)
Miscellaneous	2,300	12,137	9,837
<b>TOTAL REVENUES</b>	<b>588,850</b>	<b>595,404</b>	<b>6,554</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	116,679	117,314	(635)
Operating Expenditures	203,721	232,544	(28,823)
Special Event Costs	160,149	145,619	14,530
Capital Outlay	182,057	148,640	33,417
Debt Service:			
Principal	11,745	11,364	381
Interest	1,030	1,074	(44)
<b>TOTAL EXPENDITURES</b>	<b>675,381</b>	<b>656,555</b>	<b>18,826</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(86,531)</b>	<b>(61,151)</b>	<b>25,380</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Installment Purchase Obligation Issued	79,000	78,533	(467)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>79,000</b>	<b>78,533</b>	<b>(467)</b>
Fund Balance Appropriated	7,531		(7,531)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>17,382</b>	<b>\$ 17,382</b>
FUND BALANCE, Beginning of Year		81,700	
<b>FUND BALANCE, End of Year</b>		<b>\$ 99,082</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - SEVENTH AVENUE TAX DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 16,904	18,376	\$ 1,472
Penalties and Interest	110	31	(79)
Sales and Use Taxes	6,650	6,652	2
Investment Earnings	25	-	(25)
Miscellaneous	31,976	31,852	(124)
<b>TOTAL REVENUES</b>	<b>55,665</b>	<b>56,911</b>	<b>1,246</b>
<b>EXPENDITURES</b>			
Current:			
Economic and Physical Development			
Operating Expenditures	60,665	15,260	45,405
<b>TOTAL EXPENDITURES</b>	<b>60,665</b>	<b>15,260</b>	<b>45,405</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,000)</b>	<b>41,651</b>	<b>46,651</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	5,000	5,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>46,651</b>	<b>\$ 46,651</b>
FUND BALANCE, Beginning of Year		3,045	
<b>FUND BALANCE, End of Year</b>		<b>\$ 49,696</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - OKLAWAHA GREENWAYS PHASE 3 PROJECT GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 1,200,000	70,575	976,653	1,047,228	\$ (152,772)
<b>TOTAL REVENUES</b>	<b>1,200,000</b>	<b>70,575</b>	<b>976,653</b>	<b>1,047,228</b>	<b>(152,772)</b>
<b>EXPENDITURES</b>					
Current:					
Transportation					
Professional Services	75,865	55,540	1,760	57,300	18,565
Engineering Services	24,355	15,035	17,817	32,852	(8,497)
Capital Outlay	999,800	-	957,076	957,076	42,724
Contingencies	99,980	-	-	-	99,980
<b>TOTAL EXPENDITURES</b>	<b>1,200,000</b>	<b>70,575</b>	<b>976,653</b>	<b>1,047,228</b>	<b>152,772</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - MOTOR UNIT DONATIONS - POLICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 3,170	3,170	\$ -
<b>TOTAL REVENUES</b>	<u>3,170</u>	<u>3,170</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	4,566	3,745	821
<b>TOTAL EXPENDITURES</b>	<u>4,566</u>	<u>3,745</u>	<u>821</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,396)</u>	<u>(575)</u>	<u>\$ 821</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		1,396	
FUND BALANCE, Beginning of Year, Restated		<u>1,396</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 821</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - HISTORIC PRESERVATION COMMISSION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 79	79	\$ -
<b>TOTAL REVENUES</b>	<u>79</u>	<u>79</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Operating Expenditures	16,522	-	16,522
<b>TOTAL EXPENDITURES</b>	<u>16,522</u>	<u>-</u>	<u>16,522</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (16,443)</u>	<u>79</u>	<u>\$ 16,522</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		16,443	
FUND BALANCE, Beginning of Year, Restated		<u>16,443</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 16,522</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - RAPE AGGRESSION DEFENSE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 75	170	\$ 95
<b>TOTAL REVENUES</b>	<u>75</u>	<u>170</u>	<u>95</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	2,035	29	2,006
<b>TOTAL EXPENDITURES</b>	<u>2,035</u>	<u>29</u>	<u>2,006</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,960)</u>	<u>141</u>	<u>\$ 2,101</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		1,960	
FUND BALANCE, Beginning of Year, Restated		<u>1,960</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 2,101</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - NEEDY PERSONS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 11,975	12,175	\$ 200
<b>TOTAL REVENUES</b>	<b>11,975</b>	<b>12,175</b>	<b>200</b>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	27,060	16,028	11,032
<b>TOTAL EXPENDITURES</b>	<b>27,060</b>	<b>16,028</b>	<b>11,032</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (15,085)</b>	<b>(3,853)</b>	<b>\$ 11,232</b>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		15,085	
FUND BALANCE, Beginning of Year, Restated		15,085	
<b>FUND BALANCE, End of Year</b>		<b>\$ 11,232</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - DRUG ADDICTION RESISTANCE EDUCATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 227	227	\$ -
<b>TOTAL REVENUES</b>	<u>227</u>	<u>227</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	3,791	574	3,217
<b>TOTAL EXPENDITURES</b>	<u>3,791</u>	<u>574</u>	<u>3,217</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (3,564)</u>	<u>(347)</u>	<u>\$ 3,217</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		3,564	
FUND BALANCE, Beginning of Year, Restated		<u>3,564</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 3,217</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - YOUTH EXPLORERS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	5,285	1,159	4,126
<b>TOTAL EXPENDITURES</b>	<u>5,285</u>	<u>1,159</u>	<u>4,126</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (5,285)</u>	<u>(1,159)</u>	<u>\$ 4,126</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		5,285	
FUND BALANCE, Beginning of Year, Restated		<u>5,285</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 4,126</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - KENNEL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 6,605	12,338	\$ 5,733
<b>TOTAL REVENUES</b>	<b>6,605</b>	<b>12,338</b>	<b>5,733</b>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	9,739	7,584	2,155
<b>TOTAL EXPENDITURES</b>	<b>9,739</b>	<b>7,584</b>	<b>2,155</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (3,134)</b>	<b>4,754</b>	<b>\$ 7,888</b>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		3,134	
FUND BALANCE, Beginning of Year, Restated		3,134	
<b>FUND BALANCE, End of Year</b>		<b>\$ 7,888</b>	

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - FIRE DEPARTMENT COMMUNITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
FINAL BUDGET AND ACTUAL (NON-GAAP)**

**YEAR ENDED JUNE 30, 2016**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>			
Miscellaneous	\$ -	325	\$ 325
<b>TOTAL REVENUES</b>	<u>-</u>	<u>325</u>	<u>325</u>
<b>EXPENDITURES</b>			
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>325</u>	<u>\$ 325</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		<u>225</u>	
FUND BALANCE, Beginning of Year, Restated		<u>225</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 550</u>	



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - FIRE DEPARTMENT CAR SEAT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Miscellaneous	\$ 2,748	2,949	\$ 201
<b>TOTAL REVENUES</b>	<u>2,748</u>	<u>2,949</u>	<u>201</u>
<b>EXPENDITURES</b>			
Current:			
Fire Department:			
Operating Expenditures	2,748	-	2,748
<b>TOTAL EXPENDITURES</b>	<u>2,748</u>	<u>-</u>	<u>2,748</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>2,949</u>	<u>\$ 2,949</u>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		-	
FUND BALANCE, Beginning of Year, Restated		-	
<b>FUND BALANCE, End of Year</b>		<u>\$ 2,949</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - DRUG FORFEITURE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
Restricted Intergovernmental	\$ 17,268	38,612	\$ 21,344
<b>TOTAL REVENUES</b>	<b>17,268</b>	<b>38,612</b>	<b>21,344</b>
<b>EXPENDITURES</b>			
Current:			
Police Department:			
Operating Expenditures	104,988	3,663	101,325
<b>TOTAL EXPENDITURES</b>	<b>104,988</b>	<b>3,663</b>	<b>101,325</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (87,720)</b>	<b>34,949</b>	<b>\$ 122,669</b>
FUND BALANCE, Beginning of Year, as Previously Reported		-	
Reclassification from General Fund		87,720	
FUND BALANCE, Beginning of Year, Restated		87,720	
<b>FUND BALANCE, End of Year</b>		<b>\$ 122,669</b>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - GOVERNOR'S CRIME COMMISSION GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - DOJ	\$ 14,720	-	14,707	14,707	\$ (13)
<b>TOTAL REVENUES</b>	<b>14,720</b>	<b>-</b>	<b>14,707</b>	<b>14,707</b>	<b>(13)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department Operating Expenditures	14,720	-	14,707	14,707	13
<b>TOTAL EXPENDITURES</b>	<b>14,720</b>	<b>-</b>	<b>14,707</b>	<b>14,707</b>	<b>13</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND - BIKEPED GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 35,000	-	20,720	20,720	\$ (14,280)
Miscellaneous	10,000	-	10,000	10,000	-
<b>TOTAL REVENUES</b>	<b>45,000</b>	<b>-</b>	<b>30,720</b>	<b>30,720</b>	<b>(14,280)</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational Operating Expenditures	50,000	-	29,600	29,600	20,400
<b>TOTAL EXPENDITURES</b>	<b>50,000</b>	<b>-</b>	<b>29,600</b>	<b>29,600</b>	<b>20,400</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,000)</b>	<b>-</b>	<b>1,120</b>	<b>1,120</b>	<b>6,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	5,000	-	5,000	5,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>6,120</b>	<b>6,120</b>	<b>\$ 6,120</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ 6,120</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - GOVERNOR'S HIGHWAY SAFETY PROGRAM - BIKE SAFE PROGRAM GRANT 14-15 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 10,000	4,137	2,399	6,536	\$ (3,464)
<b>TOTAL REVENUES</b>	<b>10,000</b>	<b>4,137</b>	<b>2,399</b>	<b>6,536</b>	<b>(3,464)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department					
Operating Expenditures	10,000	4,137	2,399	6,536	3,464
<b>TOTAL EXPENDITURES</b>	<b>10,000</b>	<b>4,137</b>	<b>2,399</b>	<b>6,536</b>	<b>3,464</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - GOVERNOR'S HIGHWAY SAFETY PROGRAM - BIKE SAFE PROGRAM GRANT 15-16 FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 85,500	-	72,442	72,442	\$ (13,058)
<b>TOTAL REVENUES</b>	<b>85,500</b>	<b>-</b>	<b>72,442</b>	<b>72,442</b>	<b>(13,058)</b>
<b>EXPENDITURES</b>					
Current:					
Police Department					
Operating Expenditures	16,650	-	8,792	8,792	7,858
Capital Outlay	68,850		63,650	63,650	5,200
<b>TOTAL EXPENDITURES</b>	<b>85,500</b>	<b>-</b>	<b>72,442</b>	<b>72,442</b>	<b>13,058</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND - BERKELEY MILLS BALLPARK HISTORIC NOMINATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Grant Revenue - DOINPS	\$ -	-	2,000	2,000	\$ 2,000
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>EXPENDITURES</b>					
Current:					
Cultural and Recreational Professional Services	-	-	6,000	6,000	(6,000)
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>6,000</b>	<b>(6,000)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	4,000	4,000	4,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			<b>\$ -</b>		





## **Capital Projects Funds**

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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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - SIDEWALK CONSTRUCTION GRANT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 430,000	430,000	-	430,000	\$ -
Local Contributions	52,260	52,260	-	52,260	-
Investment Earnings	32,510	32,510	2,031	34,541	2,031
<b>TOTAL REVENUES</b>	<b>514,770</b>	<b>514,770</b>	<b>2,031</b>	<b>516,801</b>	<b>2,031</b>
<b>EXPENDITURES</b>					
Capital Outlay	2,396,459	1,467,544	14,920	1,482,464	913,995
<b>TOTAL EXPENDITURES</b>	<b>2,396,459</b>	<b>1,467,544</b>	<b>14,920</b>	<b>1,482,464</b>	<b>913,995</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,881,689)</b>	<b>(952,774)</b>	<b>(12,889)</b>	<b>(965,663)</b>	<b>916,026</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
General Obligation Bonds Issued	2,100,000	2,100,000	-	2,100,000	-
Transfers Out	(218,311)	(189,046)	(29,264)	(218,310)	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,881,689</b>	<b>1,910,954</b>	<b>(29,264)</b>	<b>1,881,690</b>	<b>1</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>958,180</b>	<b>(42,153)</b>	<b>916,027</b>	<b>\$ 916,027</b>
FUND BALANCE, Beginning of Year			958,180		
<b>FUND BALANCE, End of Year</b>			<b>\$ 916,027</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - HIGHWAY 64 SIDEWALK GRANT PROJECT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - FTA	\$ 234,116	-	-	-	\$ (234,116)
<b>TOTAL REVENUES</b>	<b>234,116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(234,116)</b>
<b>EXPENDITURES</b>					
Capital Outlay	239,709	1,263	-	1,263	238,446
Contingencies	23,671	-	-	-	23,671
<b>TOTAL EXPENDITURES</b>	<b>263,380</b>	<b>1,263</b>	<b>-</b>	<b>1,263</b>	<b>262,117</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(29,264)</b>	<b>(1,263)</b>	<b>-</b>	<b>(1,263)</b>	<b>28,001</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	29,264	-	29,264	29,264	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>29,264</b>	<b>-</b>	<b>29,264</b>	<b>29,264</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>(1,263)</b>	<b>29,264</b>	<b>28,001</b>	<b>\$ 28,001</b>
FUND BALANCE, Beginning of Year			(1,263)		
<b>FUND BALANCE, End of Year</b>			<b>\$ 28,001</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - EAST SIDE FIRE STATION CONSTRUCTION PROJECT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Investment Earnings	\$ 1,100	979	-	979	\$ (121)
<b>TOTAL REVENUES</b>	<b>1,100</b>	<b>979</b>	<b>-</b>	<b>979</b>	<b>(121)</b>
<b>EXPENDITURES</b>					
Capital Outlay	4,313,700	4,238,675	74,904	4,313,579	121
<b>TOTAL EXPENDITURES</b>	<b>4,313,700</b>	<b>4,238,675</b>	<b>74,904</b>	<b>4,313,579</b>	<b>121</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,312,600)</b>	<b>(4,237,696)</b>	<b>(74,904)</b>	<b>(4,312,600)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Installment Purchase Obligation Issued	3,600,000	3,600,000	-	3,600,000	-
Transfers In	712,600	712,600	-	712,600	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,312,600</b>	<b>4,312,600</b>	<b>-</b>	<b>4,312,600</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>74,904</b>	<b>(74,904)</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			74,904		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - MUD CREEK DUMP PROJECT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDENR	\$ 81,168	9,107	21,508	30,615	\$ (50,553)
<b>TOTAL REVENUES</b>	<b>81,168</b>	<b>9,107</b>	<b>21,508</b>	<b>30,615</b>	<b>(50,553)</b>
<b>EXPENDITURES</b>					
Current:					
Environmental Protection					
Professional Services	77,168	9,107	21,508	30,615	46,553
Contingencies	4,000	-	-	-	4,000
<b>TOTAL EXPENDITURES</b>	<b>81,168</b>	<b>9,107</b>	<b>21,508</b>	<b>30,615</b>	<b>50,553</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ -</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - OLD TRACEY GROVE ROAD PROJECT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - NCDOT	\$ 832,000	-	-	-	\$ (832,000)
<b>TOTAL REVENUES</b>	<b>832,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(832,000)</b>
<b>EXPENDITURES</b>					
Current:					
Transportation					
Engineering Services	150,000	-	-	-	150,000
Capital Outlay	890,000	-	-	-	890,000
<b>TOTAL EXPENDITURES</b>	<b>1,040,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,040,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(208,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208,000</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	208,000	-	150,000	150,000	(58,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>208,000</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>	<b>(58,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>	<b>\$ 150,000</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ 150,000</b>		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 CAPITAL PROJECTS FUND - NORTH OAK STREET WIDENING PROJECT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Capital Outlay	388,221	-	320,150	320,150	68,071
<b>TOTAL EXPENDITURES</b>	<b>388,221</b>	<b>-</b>	<b>320,150</b>	<b>320,150</b>	<b>68,071</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(388,221)</b>	<b>-</b>	<b>(320,150)</b>	<b>(320,150)</b>	<b>68,071</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	388,221	-	388,221	388,221	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>388,221</b>	<b>-</b>	<b>388,221</b>	<b>388,221</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>-</b>	<b>68,071</b>	<b>68,071</b>	<b>\$ 68,071</b>
FUND BALANCE, Beginning of Year			-		
<b>FUND BALANCE, End of Year</b>			<b>\$ 68,071</b>		





## **Debt Service Fund**

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The Debt Service Fund is used to account for the accumulation of financial resources used for the payment of long-term debt principal, interest, and related costs.

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
FINAL BUDGET AND ACTUAL (NON-GAAP)

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>			
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	961,414	-	961,414
<b>TOTAL EXPENDITURES</b>	<u>961,414</u>	<u>-</u>	<u>961,414</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(961,414)</u>	<u>-</u>	<u>961,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	961,414	961,414	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>961,414</u>	<u>961,414</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>961,414</u>	<u>\$ 961,414</u>
FUND BALANCE, Beginning of Year		<u>-</u>	
<b>FUND BALANCE, End of Year</b>		<u>\$ 961,414</u>	

## **Enterprise Funds**

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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

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Water Sales	\$ 9,068,000	9,755,252	\$ 687,252
Sewer Charges	4,426,850	4,821,748	394,898
Water and Sewer Taps	197,000	320,590	123,590
System Development Charges	371,910	492,135	120,225
Grant Revenue	-	38,537	38,537
Miscellaneous Revenue	118,500	95,703	(22,797)
<b>Total Operating Revenues</b>	<b>14,182,260</b>	<b>15,523,965</b>	<b>1,341,705</b>
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	190,000	269,097	79,097
Other Non-Operating Revenue	74,200	43,278	(30,922)
<b>Total Nonoperating Revenues</b>	<b>264,200</b>	<b>312,375</b>	<b>48,175</b>
<b>TOTAL REVENUES</b>	<b>14,446,460</b>	<b>15,836,340</b>	<b>1,389,880</b>
<b>EXPENDITURES</b>			
Administrative:			
Salaries and Employee Benefits	675,477	651,426	24,051
Contracted Services	284,996	254,658	30,338
Engineering Department Expense	30,000	36,873	(6,873)
Supplies	19,559	22,400	(2,841)
Repairs and Maintenance	3,450	155	3,295
Other Departmental Expense	356,091	444,403	(88,312)
<b>Total</b>	<b>1,369,573</b>	<b>1,409,915</b>	<b>(40,342)</b>
Business Operations:			
Salaries and Employee Benefits	512,536	505,499	7,037
Contracted Services	134,825	126,656	8,169
Supplies	51,279	43,614	7,665
Repairs and Maintenance	1,000	996	4
Other Departmental Expense	290,083	242,495	47,588
<b>Total</b>	<b>989,723</b>	<b>919,260</b>	<b>70,463</b>
Operations and Maintenance:			
Salaries and Employee Benefits	890,162	862,854	27,308
Contracted Services	100,900	87,924	12,976
Issues from Inventory	94,800	59,641	35,159
Utilities	245,900	229,837	16,063
Supplies	41,300	36,220	5,080
Repairs and Maintenance	175,425	66,544	108,881
Other Departmental Expense	63,493	38,564	24,929
<b>Total</b>	<b>\$ 1,611,980</b>	<b>1,381,584</b>	<b>\$ 230,396</b>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
Water Treatment Plant:			
Salaries and Employee Benefits	\$ 660,406	662,890	\$ (2,484)
Contracted Services	47,100	39,036	8,064
Utilities	341,665	351,324	(9,659)
Chemicals	440,000	436,733	3,267
Supplies	50,925	51,947	(1,022)
Repairs and Maintenance	107,400	87,813	19,587
Other Departmental Expense	165,235	104,097	61,138
Total	1,812,731	1,733,840	78,891
Field Operations:			
Salaries and Employee Benefits	639,614	625,951	13,663
Contracted Services	122,600	117,894	4,706
Supplies	34,080	32,791	1,289
Repairs and Maintenance	12,600	7,870	4,730
Other Departmental Expense	70,441	64,240	6,201
Total	879,335	848,746	30,589
Water Line Maintenance:			
Salaries and Employee Benefits	775,960	785,566	(9,606)
Contracted Services	182,600	89,905	92,695
Issues from Inventory	204,600	197,287	7,313
Supplies	323,648	193,764	129,884
Repairs and Maintenance	570,058	579,724	(9,666)
Other Departmental Expense	112,471	80,384	32,087
Total	2,169,337	1,926,630	242,707
Waste Treatment Plant:			
Salaries and Employee Benefits	634,553	646,008	(11,455)
Contracted Services	24,700	16,190	8,510
Sludge Management	221,350	277,704	(56,354)
Utilities	358,600	282,513	76,087
Supplies	31,300	21,183	10,117
Repairs and Maintenance	124,000	117,409	6,591
Other Departmental Expense	68,012	67,160	852
Total	1,462,515	1,428,167	34,348
Sewer Line Maintenance:			
Salaries and Employee Benefits	576,774	565,531	11,243
Contracted Services	34,100	29,246	4,854
Issues from Inventory	30,000	16,316	13,684
Supplies	76,000	64,359	11,641
Repairs and Maintenance	490,692	98,874	391,818
Other Departmental Expense	211,695	134,521	77,174
Total	\$ 1,419,261	908,847	\$ 510,414

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
Debt Service:			
Principal Retirement	\$ 3,135,333	3,131,201	\$ 4,132
Interest and Other Charges	724,345	624,208	100,137
Total Debt Service	<u>3,859,678</u>	<u>3,755,409</u>	<u>104,269</u>
Capital Outlay:			
Equipment	520,673	432,467	88,206
Land and Rights of Way	125,000	167,872	(42,872)
Building and Improvements	22,980	22,980	-
Water Lines	592,396	605,991	(13,595)
Sewer Lines	359,930	474,174	(114,244)
Total Capital Outlay	<u>1,620,979</u>	<u>1,703,484</u>	<u>(82,505)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>17,195,112</u></b>	<b><u>16,015,882</u></b>	<b><u>1,179,230</u></b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(2,748,652)</u></b>	<b><u>(179,542)</u></b>	<b><u>2,569,110</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of State Revolving Loan Fund	-	(82,634)	(82,634)
Transfers In	-	4,881,300	4,881,300
Transfers Out	(5,020,247)	(5,020,247)	-
Gain (Loss) on Sale of Capital Assets	5,000	4,344	(656)
<b>REVENUES AND OTHER FINANCING SOURCES OVER TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(5,015,247)</u></b>	<b><u>(217,237)</u></b>	<b><u>4,798,010</u></b>
Fund Balance Appropriated	<u>7,763,899</u>		<u>(7,763,899)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b><u>\$ -</u></b>	<b><u>(396,779)</u></b>	<b><u>\$ (396,779)</u></b>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Installments Obligations Issued - State Revolving Loan Fund		82,634	
Payment of Debt Principal		3,131,201	
Capital Outlay		1,703,484	
Change in Accrued Interest		(4,684)	
Depreciation		(6,363,631)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		96,536	
Change in Other Postemployment Benefits		(41,089)	
Change in Compensated Absences		61,439	
Miscellaneous Expense		4,466	
		<u>\$ (1,726,423)</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services			
Base Charges (All Users)	\$ 164,250	157,974	\$ (6,276)
Residential	957,552	923,072	(34,480)
Commercial	113,596	123,648	10,052
<b>Total Operating Revenues</b>	<b>1,235,398</b>	<b>1,204,694</b>	<b>(30,704)</b>
<b>Nonoperating Revenues:</b>			
Grant Revenue - NCDENR	8,000	8,000	-
Recycling Revenue	8,000	8,856	856
Interest Earned on Investments	5,000	8,076	3,076
Miscellaneous Revenue	6,000	8,023	2,023
<b>Total Nonoperating Revenues</b>	<b>27,000</b>	<b>32,955</b>	<b>5,955</b>
<b>TOTAL REVENUES</b>	<b>1,262,398</b>	<b>1,237,649</b>	<b>(24,749)</b>
<b>EXPENDITURES</b>			
Waste Collection and Treatment			
Salaries and Employee Benefits	738,998	709,729	29,269
Landfill Tipping Fees	200,000	204,253	(4,253)
Repairs and Maintenance	11,000	7,335	3,665
Other Departmental Expenses	182,438	166,513	15,925
Contracted Services	58,990	58,258	732
<b>Total</b>	<b>1,191,426</b>	<b>1,146,088</b>	<b>45,338</b>
Debt Service:			
Principal Retirement	31,753	30,725	1,028
Interest and Other Charges	2,263	2,902	(639)
<b>Total Debt Service</b>	<b>34,016</b>	<b>33,627</b>	<b>389</b>
Capital Outlay	276,021	276,021	-
<b>TOTAL EXPENDITURES</b>	<b>1,501,463</b>	<b>1,455,736</b>	<b>45,727</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(239,065)</b>	<b>(218,087)</b>	<b>20,978</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Debt	223,000	223,467	467
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>223,000</b>	<b>223,467</b>	<b>467</b>
Fund Balance Appropriated	\$ 16,065	-	\$ (16,065)

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL SERVICE FUND

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

YEAR ENDED JUNE 30, 2016

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>5,380</u>	<u>\$ 5,380</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(112,852)	
Issuance of Debt		(223,467)	
Payment of Debt Principal		30,725	
Capital Outlay		276,021	
Change in Accrued Interest		(304)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		13,568	
Change in Other Postemployment Benefits		(985)	
Change in Compensated Absences		7,350	
<b>CHANGE IN NET POSITION</b>		<u>\$ (4,564)</u>	



## **Enterprise Capital Project Funds**

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - BRITTON CREEK WATERSHED PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - EPA	\$ 121,528	12,026	38,537	50,563	\$ (70,965)
<b>TOTAL REVENUES</b>	<b>121,528</b>	<b>12,026</b>	<b>38,537</b>	<b>50,563</b>	<b>(70,965)</b>
<b>EXPENDITURES</b>					
Current:					
Professional Services	34,732	12,026	20,994	33,020	1,712
Engineering Services	8,430	-	3,185	3,185	5,245
Capital Outlay	78,366	-	14,358	14,358	64,008
<b>TOTAL EXPENDITURES</b>	<b>121,528</b>	<b>12,026</b>	<b>38,537</b>	<b>50,563</b>	<b>70,965</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - ACADEMY ROAD WATERLINE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Grant Revenue - CDBG	\$ 1,040,500	1,040,500	-	1,040,500	\$ -
<b>TOTAL REVENUES</b>	<b>1,040,500</b>	<b>1,040,500</b>	<b>-</b>	<b>1,040,500</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Professional Services	154,551	164,550	-	164,550	(9,999)
Engineering Services	87,400	87,400	-	87,400	-
Capital Outlay	773,635	763,636	-	763,636	9,999
Contingencies	24,914	-	-	-	24,914
<b>TOTAL EXPENDITURES</b>	<b>1,040,500</b>	<b>1,015,586</b>	<b>-</b>	<b>1,015,586</b>	<b>24,914</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>24,914</b>	<b>-</b>	<b>24,914</b>	<b>24,914</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	36,338	-	36,338	36,338
Transfers Out	-	(36,338)	-	(36,338)	(36,338)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>24,914</b>	<b>-</b>	<b>24,914</b>	<b>\$ 24,914</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - WOLFFEN SEWER INTERCEPTOR PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Current:					
Professional Services	57,352	57,352	-	57,352	-
Engineering Services	-	5,475	-	5,475	(5,475)
Capital Outlay	3,010,434	2,945,076	1,701	2,946,777	63,657
Contingencies	54,552	30,100	-	30,100	24,452
<b>TOTAL EXPENDITURES</b>	<b>3,122,338</b>	<b>3,038,003</b>	<b>1,701</b>	<b>3,039,704</b>	<b>82,634</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,122,338)</b>	<b>(3,038,003)</b>	<b>(1,701)</b>	<b>(3,039,704)</b>	<b>82,634</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of State Revolving Loan Fund	2,867,595	2,867,595	(82,634)	2,784,961	(82,634)
Transfers In	254,743	82,352	172,391	254,743	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,122,338</b>	<b>2,949,947</b>	<b>89,757</b>	<b>3,039,704</b>	<b>(82,634)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>(88,056)</b>	<b>88,056</b>	<b>-</b>	<b>\$ -</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - JACKSON PARK SEWER INTERCEPTOR PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT	ACTUAL		TOTAL TO	VARIANCE
	AUTHOR- IZATION	PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Professional Services	108,333	106,894	-	106,894	1,439
Engineering Services	300,000	254,062	6,142	260,204	39,796
Capital Outlay	5,281,236	5,082,827	315,998	5,398,825	(117,589)
Contingencies	76,354	-	-	-	76,354
Debt Service:					
Interest	86,812	86,812	-	86,812	-
<b>TOTAL EXPENDITURES</b>	<u>5,852,735</u>	<u>5,530,595</u>	<u>322,140</u>	<u>5,852,735</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,852,735)</u>	<u>(5,530,595)</u>	<u>(322,140)</u>	<u>(5,852,735)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of State Revolving Loan Fund	4,340,600	4,340,600	-	4,340,600	-
Transfers In	1,512,135	1,388,077	124,058	1,512,135	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,852,735</u>	<u>5,728,677</u>	<u>124,058</u>	<u>5,852,735</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>198,082</u>	<u>(198,082)</u>	<u>-</u>	<u>\$ -</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

WATER AND SEWER CAPITAL PROJECTS FUND - SHEPHERD CREEK/ATKINSON ELEMENTARY SEWER INTERCEPTOR PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
Public Contributions	\$ 600,000	600,000	-	600,000	\$ -
<b>TOTAL REVENUES</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current:					
Professional Services	25,000	4,860	-	4,860	20,140
Engineering Services	277,974	72,973	189,596	262,569	15,405
Capital Outlay	2,578,360	2,485,297	128,608	2,613,905	(35,545)
Contingencies	1,837	1,837	-	1,837	-
Debt Service:					
Interest	36,300	36,300	-	36,300	-
<b>TOTAL EXPENDITURES</b>	<b>2,919,471</b>	<b>2,601,267</b>	<b>318,204</b>	<b>2,919,471</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,319,471)</b>	<b>(2,001,267)</b>	<b>(318,204)</b>	<b>(2,319,471)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of State Revolving Loan Fund	1,815,000	1,815,000	-	1,815,000	-
Transfers In	504,471	300,000	204,471	504,471	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,319,471</b>	<b>2,115,000</b>	<b>204,471</b>	<b>2,319,471</b>	<b>-</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>113,733</b>	<b>(113,733)</b>	<b>-</b>	<b>\$ -</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - WATER TREATMENT PLANT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Professional Services	156,000	91,830	5,647	97,477	58,523
Capital Outlay	1,700,000	-	-	-	1,700,000
Contingencies	308,000	-	-	-	308,000
<b>TOTAL EXPENDITURES</b>	<u>2,164,000</u>	<u>91,830</u>	<u>5,647</u>	<u>97,477</u>	<u>2,066,523</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,164,000)</u>	<u>(91,830)</u>	<u>(5,647)</u>	<u>(97,477)</u>	<u>2,066,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,164,000	-	2,164,000	2,164,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,164,000</u>	<u>-</u>	<u>2,164,000</u>	<u>2,164,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>(91,830)</u>	<u>2,158,353</u>	<u>2,066,523</u>	<u>\$ 2,066,523</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - ETOWAH WATER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Professional Services	280,000	-	169,114	169,114	110,886
Engineering Services	178,000	-	73,441	73,441	104,559
Capital Outlay	2,994,200	49,900	-	49,900	2,944,300
Contingencies	367,000	-	-	-	367,000
<b>TOTAL EXPENDITURES</b>	<u><b>3,819,200</b></u>	<u><b>49,900</b></u>	<u><b>242,555</b></u>	<u><b>292,455</b></u>	<u><b>3,526,745</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>(3,819,200)</b></u>	<u><b>(49,900)</b></u>	<u><b>(242,555)</b></u>	<u><b>(292,455)</b></u>	<u><b>3,526,745</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,819,200	3,819,200	-	3,819,200	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>3,819,200</b></u>	<u><b>3,819,200</b></u>	<u><b>-</b></u>	<u><b>3,819,200</b></u>	<u><b>-</b></u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>3,769,300</b></u></u>	<u><u><b>(242,555)</b></u></u>	<u><u><b>3,526,745</b></u></u>	<u><u><b>\$ 3,526,745</b></u></u>



CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - FLETCHER NS WATER SYSTEM IMPROVEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Professional Services	124,500	-	2,772	2,772	121,728
Engineering Services	207,500	-	36,125	36,125	171,375
Capital Outlay	136,180	-	-	-	136,180
<b>TOTAL EXPENDITURES</b>	<u>468,180</u>	<u>-</u>	<u>38,897</u>	<u>38,897</u>	<u>429,283</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(468,180)</u>	<u>-</u>	<u>(38,897)</u>	<u>(38,897)</u>	<u>429,283</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	468,180	-	468,180	468,180	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>468,180</u>	<u>-</u>	<u>468,180</u>	<u>468,180</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>429,283</u>	<u>429,283</u>	<u>\$ 429,283</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - SCADA SYSTEM UPGRADE PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	718,000	-	98,130	98,130	619,870
Contingencies	75,000	-	-	-	75,000
<b>TOTAL EXPENDITURES</b>	<u>793,000</u>	<u>-</u>	<u>98,130</u>	<u>98,130</u>	<u>694,870</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(793,000)</u>	<u>-</u>	<u>(98,130)</u>	<u>(98,130)</u>	<u>694,870</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	793,000	-	793,000	793,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>793,000</u>	<u>-</u>	<u>793,000</u>	<u>793,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>694,870</u>	<u>694,870</u>	<u>\$ 694,870</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - GRAVITY FILTER REPLACEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Professional Services	125,000	-	-	-	125,000
<b>TOTAL EXPENDITURES</b>	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	125,000	-	125,000	125,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>\$ 125,000</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - GLENBROOK GRAVITY SEWER PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Capital Outlay	400,000	-	-	-	400,000
<b>TOTAL EXPENDITURES</b>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	400,000	-	400,000	400,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>\$ 400,000</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - EAST SIDE TRANSMISSION MAIN PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Current:					
Engineering Services	330,000	-	-	-	330,000
Capital Outlay	70,000	-	-	-	70,000
<b>TOTAL EXPENDITURES</b>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(400,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	400,000	-	400,000	400,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>\$ 400,000</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE  
 WATER AND SEWER CAPITAL PROJECTS FUND - RUTLEDGE RD WATER SYSTEM IMPROVEMENT PROJECT

SCHEDULE OF REVENUES AND EXPENDITURES - PROJECT AUTHORIZATION AND ACTUAL (NON-GAAP)

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
<b>REVENUES</b>					
<b>TOTAL REVENUES</b>	\$ -	-	-	-	\$ -
<b>EXPENDITURES</b>					
Current:					
Professional Services	15,000	-	-	-	15,000
Engineering Services	5,000	-	-	-	5,000
Capital Outlay	10,200	-	-	-	10,200
<b>TOTAL EXPENDITURES</b>	<b>30,200</b>	-	-	-	<b>30,200</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(30,200)</b>	-	-	-	<b>30,200</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	30,200	-	30,200	30,200	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,200</b>	-	<b>30,200</b>	<b>30,200</b>	-
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	-	<b>30,200</b>	<b>30,200</b>	<b>\$ 30,200</b>

## **Internal Service Funds**

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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 good or services for the purpose of fully recovering that cost through fees or charges.

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - INTERNAL SERVICE FUND  
HEALTH AND WELFARE FUND

SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN AND ACTUAL  
(NON-GAAP)

YEAR ENDED JUNE 30, 2016

	<u>FINANCIAL PLAN</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>			
<b>Operating Revenues:</b>			
Charges for Services	\$ 257,215	257,215	\$ -
Grant Revenue	7,000	7,000	-
Miscellaneous	8,495	8,406	(89)
<b>Total Operating Revenues</b>	<u>272,710</u>	<u>272,621</u>	<u>(89)</u>
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	35	-	(35)
<b>Total Nonoperating Revenues</b>	<u>35</u>	<u>-</u>	<u>(35)</u>
<b>TOTAL REVENUES</b>	<u>272,745</u>	<u>272,621</u>	<u>(124)</u>
<b>EXPENDITURES</b>			
Employee Benefits	272,745	346,832	(74,087)
<b>TOTAL EXPENDITURES</b>	<u>272,745</u>	<u>346,832</u>	<u>(74,087)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>(74,211)</u>	<u>\$ (74,211)</u>
NET POSITION, Beginning of Year		<u>118,050</u>	
<b>NET POSITION, End of Year</b>		<u>\$ 43,839</u>	



## **Agency Funds**

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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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND -  
FINES AND FORFEITURES FUND

YEAR ENDED JUNE 30, 2016

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	<u>BALANCE AT JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2016</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	3,886	3,886	\$ -
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>3,886</u>	<u>3,886</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Amounts Held for Custody for Others	\$ -	3,886	3,886	\$ -
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>3,886</u>	<u>3,886</u>	<u>\$ -</u>

# **Property Taxes**

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2016

Fiscal year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	7,996,836	7,837,894	\$ 158,942
2014-2015	147,741	-	81,914	65,827
2013-2014	33,666	-	7,551	26,115
2012-2013	9,790	-	245	9,545
2011-2012	12,273	-	655	11,618
2010-2011	10,521	-	101	10,420
2009-2010	9,824	-	20	9,804
2008-2009	16,849	-	270	16,579
2007-2008	19,221	-	54	19,167
2006-2007	12,846	-	53	12,793
2005-2006	9,069	-	-	9,069
	<b>\$ 281,800</b>	<b>7,996,836</b>	<b>7,928,757</b>	<b>349,879</b>
				Less allowance for uncollectible ad valorem taxes receivable 155,703
				Ad valorem taxes receivable, net <b>\$ 191,490</b>
Reconcilement with revenues:				
				Ad valorem taxes - General Fund \$ 7,948,729
				Penalties collected on ad valorem taxes - Agency Fund 3,865
Reconciling items:				
				Interest collected (23,837)
				Discounts allowed -
				Taxes written off after 10 years -
				Total collections and credits <b>\$ 7,928,757</b>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - CITY-WIDE - GENERAL FUND

YEAR ENDED JUNE 30, 2016

Original Levy:	CITY-WIDE			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 1,714,033,552	0.46	\$ 7,884,554	7,293,691	\$ 590,863
Penalties	-		5,567	5,567	-
Total	<u>1,714,033,552</u>		<u>7,890,121</u>	<u>7,299,258</u>	<u>590,863</u>
Discoveries:					
Current year taxes	25,962,163	0.46	119,426	119,523	
Penalties	-		-	-	
Releases:					
Current year taxes	(2,733,802)		(12,575)	(12,575)	
Penalties			(136)	(136)	
Total property valuation	<u>\$ 1,737,261,913</u>				
Net levy			7,996,836	7,406,070	590,863
Uncollected taxes at June 30, 2016			158,942	156,258	2,684
Current year's taxes collected			<u>\$ 7,837,894</u>	<u>7,249,812</u>	<u>\$ 588,179</u>
Current levy collection percentage			<u>98.01%</u>	<u>97.89%</u>	<u>99.55%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - DOWNTOWN TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2016

Fiscal year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	258,443	252,770	\$ 5,673
2014-2015	5,429	-	1,196	4,233
2013-2014	2,873	-	-	2,873
2012-2013	1,206	-	-	1,206
2011-2012	1,032	-	288	744
2010-2011	61	-	13	48
2009-2010	1,049	-	7	1,042
2008-2009	496	-	8	488
2007-2008	951	-	-	951
2006-2007	734	-	-	734
2005-2006	246	-	-	246
	\$ 14,077	258,443	254,282	18,238
				Less allowance for uncollectible ad valorem taxes receivable 6,188
				Ad valorem taxes receivable, net \$ 11,982
Reconciliation with revenues:				
				Ad valorem taxes - General Fund
				Penalties collected on ad valorem taxes - Agency Fund \$ 254,567
				191
Reconciling items:				
				Interest collected (476)
				Discounts allowed -
				Taxes written off after 10 years -
				\$ 254,282
Total collections and credits				

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - DOWNTOWN TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2016

Original Levy:	DOWNTOWN TAX DISTRICT			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 84,832,574	0.28	\$ 237,531	234,115	\$ 3,416
Penalties	-		247	247	-
Total	84,832,574		237,778	234,362	3,416
Discoveries:					
Current year taxes	4,499,990	0.28	20,700	-	
Penalties	-		-	-	
Releases:					
Current year	(11,268)	0.28	(32)	-	
Penalties	-		(3)	-	
Total property valuation	<u>\$ 89,321,296</u>				
Net levy			258,443	234,362	3,416
Uncollected taxes at June 30, 2016			5,673	5,606	67
Current year's taxes collected			<u>\$ 252,770</u>	<u>228,756</u>	<u>\$ 3,349</u>
Current levy collection percentage			<u>97.80%</u>	<u>97.61%</u>	<u>98.04%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2016

Fiscal year	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015-2016	\$ -	19,704	18,350	\$ 1,354
2014-2015	409	-	46	363
2013-2014	-	-	-	-
2012-2013	-	-	-	-
2011-2012	-	-	-	-
2010-2011	-	-	-	-
2009-2010	9	-	-	9
2008-2009	146	-	-	146
2007-2008	109	-	-	109
2006-2007	44	-	-	44
2005-2006	10	-	-	10
	\$ 727	19,704	18,396	2,035
				Less allowance for uncollectible ad valorem taxes receivable 393
				Ad valorem taxes receivable, net \$ 1,642
				Reconcilement with revenues:
				Ad valorem taxes - General Fund
				Penalties collected on ad valorem taxes - Agency Fund \$ 18,379
				28
				Reconciling items:
				Interest collected (11)
				Discounts allowed -
				Taxes written off after 10 years -
				\$ 18,396
				Total collections and credits



CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2016

Original Levy:	SEVENTH AVENUE TAX DISTRICT			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 16,395,175	0.12	\$ 19,674	17,884	\$ 1,790
Penalties	-		30	30	-
Total	16,395,175		19,704	17,914	1,790
Discoveries:					
Current year taxes	-		-	-	
Penalties	-		-	-	
Releases:					
Current year	-		-	-	
Penalties	-		-	-	
Total property valuation	\$ 16,395,175				
Net levy			19,704	17,914	1,790
Uncollected taxes at June 30, 2016			1,354	1,354	-
Current year's taxes collected			\$ 18,350	16,560	\$ 1,790
Current levy collection percentage			93.13%	92.44%	100.00%





**STATISTICAL  
SECTION**



# STATISTICAL SECTION

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

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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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 12,837,442	15,175,066	13,737,365	16,738,488	16,829,139	17,530,422	17,077,486	17,860,656	16,304,268	\$ 18,615,092
Restricted	56,300	202,518	277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785
Unrestricted	10,672,865	9,878,504	11,249,729	8,059,282	5,212,143	4,376,180	1,970,572	4,307,191	5,423,630	4,681,884
Total Governmental Activities Net Position	<u>\$ 23,566,607</u>	<u>25,256,088</u>	<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>	<u>24,037,536</u>	<u>\$ 26,948,761</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 33,214,994	28,069,938	43,280,673	48,628,499	50,127,849	51,057,598	51,168,791	54,082,358	52,399,169	\$ 50,835,364
Unrestricted	27,258,221	36,038,335	22,481,842	20,179,419	21,453,888	23,526,746	25,322,705	24,452,509	26,030,616	25,771,050
Total Business-Type Activities Net Position	<u>\$ 60,473,215</u>	<u>64,108,273</u>	<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>	<u>78,429,785</u>	<u>\$ 76,606,414</u>
Primary Government										
Net Investment in Capital Assets	\$ 46,052,436	43,245,004	57,018,038	65,366,987	66,956,988	68,588,020	68,246,277	71,943,014	68,703,437	\$ 69,450,456
Restricted	56,300	202,518	277,209	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785
Unrestricted	37,931,086	45,916,839	33,731,571	28,238,701	26,666,031	27,902,926	27,293,277	28,759,700	31,454,246	30,452,934
Total Primary Government Net Position	<u>\$ 84,039,822</u>	<u>89,364,361</u>	<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>	<u>102,467,321</u>	<u>\$ 103,555,175</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 1,768,990	2,047,039	2,043,475	2,181,689	2,152,324	2,301,254	2,359,071	2,374,428	2,813,625	\$ 2,583,313
Public Safety	5,248,972	5,904,878	6,046,707	6,230,577	6,256,423	6,910,168	6,281,514	6,604,475	6,702,566	7,209,269
Transportation	1,583,224	1,582,437	1,928,695	1,869,352	2,155,725	2,116,715	2,046,441	2,375,395	2,795,044	2,653,172
Environmental Protection	464,033	515,024	799,405	223,094	642,849	589,902	596,425	626,450	484,528	21,508
Economic and Physical Development	365,940	239,525	342,472	453,538	262,751	405,416	311,086	455,811	428,450	520,035
Cultural and Recreation	161,687	220,864	197,333	588,305	200,772	237,833	200,928	215,403	537,955	968,892
Interest on Long-Term Obligations	211,358	186,416	232,634	229,642	215,749	197,996	231,074	346,513	318,140	295,850
Total Governmental Activities	<u>9,804,204</u>	<u>10,696,183</u>	<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>	<u>14,080,308</u>	<u>14,252,039</u>
Business-Type Activities:										
Water and Sewer Fund	9,349,299	10,498,295	11,243,016	10,278,199	10,784,165	11,291,143	12,326,878	12,815,116	16,047,518	17,428,160
Environmental Services Fund	948,235	965,119	1,016,654	1,011,039	1,014,552	1,064,379	993,094	1,344,981	1,178,355	1,242,213
Total Business-Type Activities	<u>10,297,534</u>	<u>11,463,414</u>	<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>17,225,873</u>	<u>18,670,373</u>
Total Expenses	<u>\$ 20,101,738</u>	<u>22,159,597</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>	<u>31,306,181</u>	<u>\$ 32,922,412</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	-	-	-	-	-	-	-	39,153	\$ 85,995
Public Safety	133,358	159,579	154,633	153,171	163,982	156,625	219,158	217,156	76,401	217,039
Transportation	73,357	70,791	72,426	69,058	73,432	83,540	75,042	98,555	-	-
Parks and Drainage	21,350	23,450	17,850	15,000	11,850	23,500	5,500	16,000	-	-
Cultural and Recreational	101,780	119,147	145,221	154,555	164,349	160,737	162,593	168,084	323,572	412,311
Operating Grants and Contributions	410,529	497,857	511,908	627,018	823,010	925,970	646,346	433,681	680,540	722,754
Capital Grants and Contributions	162,159	178,328	214,998	400,000	75,000	390,000	-	60,079	53,783	1,073,002
Total Governmental Activities	<u>902,533</u>	<u>1,049,152</u>	<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>	<u>1,173,449</u>	<u>2,511,101</u>
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	13,112,540	12,846,457	12,040,335	12,892,729	13,386,511	14,031,234	13,708,469	14,137,450	14,727,783	15,485,428
Other Activities	530,470	543,892	671,189	695,814	837,913	868,123	928,295	1,064,783	1,130,922	1,204,694
Capital Grants and Contributions	-	-	292,577	216,558	285,014	122,019	-	580,014	1,177,512	46,537
Total Business-Type Activities	<u>13,643,010</u>	<u>13,390,349</u>	<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>17,036,217</u>	<u>16,736,659</u>
Total Program Revenues	<u>\$ 14,545,543</u>	<u>14,439,501</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>	<u>18,209,666</u>	<u>\$ 19,247,760</u>

(Continued)



CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (8,901,671)	(9,647,031)	(10,473,685)	(10,357,395)	(10,574,970)	(11,018,912)	(10,917,900)	(12,004,920)	(12,906,859)	\$ (11,740,938)
Business-Type Activities	3,345,476	1,926,935	744,431	2,515,863	2,710,721	2,665,854	1,316,792	1,622,150	(189,656)	(1,933,714)
Total Net Expense	<u>\$ (5,556,195)</u>	<u>(7,720,096)</u>	<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>	<u>(13,096,515)</u>	<u>\$ (13,674,652)</u>
<b>General Revenues</b>										
Governmental Activities:										
Property Taxes	\$ 5,803,316	6,691,670	6,674,560	6,909,539	6,937,950	7,020,873	7,043,951	7,289,030	7,745,067	\$ 8,084,440
Sales & Use Tax	2,757,165	2,586,493	2,258,827	2,101,938	2,134,526	2,257,061	2,404,610	2,544,355	2,783,936	3,180,632
Other Taxes	76,478	80,352	88,077	158,441	88,077	546,179	531,600	402,294	402,398	13,528
Franchise Taxes	981,492	1,157,165	1,321,124	1,283,006	1,703,333	1,277,026	1,298,877	1,056,875	1,278,651	1,294,801
Restricted Intergovernmental Revenue	658,093	699,273	744,405	1,113,434	975,848	1,393,807	746,012	379,744	-	-
Permits and Fees	143,643	35,510	18,252	21,647	25,573	21,893	49,630	71,455	177,883	261,890
Sales and Services	200,012	217,213	237,772	241,313	251,706	269,352	245,360	-	-	-
Investment Earnings	1,080,909	881,739	259,049	43,068	24,430	15,046	11,245	16,374	53,142	117,250
Transfers	-	-	-	-	-	-	-	(228,720)	-	138,947
Miscellaneous	66,171	141,330	290,705	156,538	211,301	135,760	122,713	68,735	234,357	335,338
Total Governmental Activities	<u>11,767,279</u>	<u>12,490,745</u>	<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>	<u>12,675,434</u>	<u>13,426,826</u>
Business-Type activities:										
Investment Earnings	699,364	867,850	451,425	31,163	22,068	18,426	15,033	34,318	157,767	277,173
Transfers	875,880	100,880	100,880	100,880	100,880	100,880	100,880	228,720	-	(138,947)
Miscellaneous	5,778	4,680	29,639	9,884	12,455	17,332	9,625	158,183	91,806	64,501
Total Business-Type Activities	<u>1,581,022</u>	<u>973,410</u>	<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>249,573</u>	<u>202,727</u>
Total Primary Government	<u>\$ 13,348,301</u>	<u>13,464,155</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>	<u>12,925,007</u>	<u>\$ 13,629,553</u>
<b>Change in Net Position:</b>										
Governmental Activities	\$ 2,865,608	2,843,714	1,419,086	1,671,529	1,777,774	1,918,085	1,536,098	(404,778)	(231,425)	\$ 1,685,888
Business-Type Activities	4,926,498	2,900,345	1,326,375	2,657,790	2,846,124	2,802,492	1,442,330	2,043,371	59,917	(1,730,987)
Total Change in Net Position	<u>\$ 7,792,106</u>	<u>5,744,059</u>	<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>	<u>(171,508)</u>	<u>\$ (45,099)</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	-	8,805	\$ 63,057
Restricted for Stabilization by State Statute	819,243	848,265	737,031	756,414	922,385	1,288,518	805,835	925,946	1,058,260	1,790,318
Restricted for Public Safety	86,815	115,110	70,951	78,158	106,326	114,910	97,471	131,935	115,235	-
Restricted for Streets	56,300	202,518	277,209	171,898	221,653	262,335	289,674	-	-	-
Restricted for Economic Development	-	-	-	-	-	-	-	7,906	19,577	-
Assigned - Subsequent Year's Expenditures	916,940	867,860	1,009,920	929,690	929,710	881,240	1,318,210	1,122,300	701,672	436,981
Unassigned	9,225,343	8,177,929	7,812,850	7,169,323	7,022,022	5,822,117	6,410,105	6,207,146	6,200,178	5,091,043
Total General Fund	<u>\$ 11,104,641</u>	<u>10,211,682</u>	<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>	<u>8,103,727</u>	<u>\$ 7,381,399</u>
All Non-Major Funds										
Nonspendable	\$ -	-	-	-	-	-	-	-	-	\$ 491
Restricted for Stabilization by State Statute	-	-	-	-	1,000	253,900	11,254	69,407	25,550	387,151
Restricted for General Government	-	-	-	-	-	-	-	-	-	1,428
Restricted for Economic Development	59,272	358,502	230,703	83,380	57,964	66,650	42,765	55,106	73,782	135,136
Restricted for Public Safety	-	-	-	-	-	-	3,191,465	189,615	52,786	110,261
Restricted for Recreation	-	-	-	-	3,005	-	-	-	-	-
Restricted for Transportation	269,116	207,018	2,022,107	1,766,967	1,735,232	971,460	1,339,191	958,013	956,917	1,132,835
Assigned - Subsequent Year's Expenditures	-	-	-	-	57,900	57,000	84,840	46,000	7,531	548,148
Assigned - Debt Service	-	-	-	-	-	-	-	-	-	508,419
Unassigned	-	-	-	-	(95,431)	(278,172)	-	-	-	(373,383)
Total All Non-Major Funds	<u>\$ 328,388</u>	<u>565,520</u>	<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>1,116,566</u>	<u>\$ 2,450,486</u>
Total All Governmental Funds	<u>\$ 11,433,029</u>	<u>10,777,202</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>	<u>9,220,293</u>	<u>\$ 9,831,885</u>

Note: Schedule has been updated for implementation of GASB #54 in FY 2011.

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

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

**UNAUDITED**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Property Tax	\$ 5,803,316	6,691,670	6,674,560	6,909,539	6,937,950	7,020,873	7,043,951	7,319,539	7,666,438	\$ 8,096,500
Other Taxes	76,478	80,352	88,077	158,441	487,152	546,179	531,600	402,294	402,398	13,528
Unrestricted Intergovernmental	3,738,657	3,743,658	3,579,951	3,384,944	3,438,784	3,534,087	3,703,487	3,762,137	4,258,292	4,784,984
Restricted Intergovernmental	658,093	699,273	744,405	1,113,434	975,848	1,393,807	746,012	595,052	609,063	1,757,512
Permits and Fees	143,643	35,510	18,252	21,647	25,573	21,893	49,630	48,088	49,602	103,712
Sales and Services	200,012	217,213	237,772	241,313	251,706	269,352	245,360	414,073	480,028	566,479
Investment Earnings	1,080,909	881,739	259,049	43,068	24,430	15,046	11,966	16,335	53,094	117,250
Miscellaneous	66,171	141,330	290,705	156,538	211,301	135,760	141,763	272,522	188,331	272,567
<b>Total Revenues</b>	<b>\$ 11,767,279</b>	<b>12,490,745</b>	<b>11,892,771</b>	<b>12,028,924</b>	<b>12,352,744</b>	<b>12,936,997</b>	<b>12,473,769</b>	<b>12,830,040</b>	<b>13,707,246</b>	<b>\$ 15,712,532</b>
<b>Expenditures</b>										
Current:										
General Government	\$ 1,695,560	2,048,160	1,946,835	2,103,217	2,052,333	2,153,295	2,374,576	2,228,056	3,184,950	\$ 2,441,963
Public Safety	5,449,495	5,667,741	5,919,723	6,472,416	6,018,523	6,322,638	6,999,222	9,355,420	6,819,585	6,780,868
Transportation	1,800,734	2,059,788	1,830,773	2,001,261	2,233,485	3,752,372	2,994,120	2,602,778	2,309,503	2,012,652
Environmental Protection	469,048	1,083,802	649,406	527,228	557,500	495,238	463,889	547,571	9,107	21,508
Economic & Physical Development	365,940	901,266	390,748	453,538	262,751	405,416	310,160	453,223	431,801	510,737
Cultural and Recreation	161,687	259,368	903,431	588,305	200,772	237,833	200,928	215,403	715,098	803,433
Capital Outlay ^										1,993,434
Debt Service:										
Principal	323,333	323,333	323,333	373,333	373,333	423,333	423,333	723,333	723,333	830,273
Interest and Fees	214,108	189,739	207,856	232,928	219,650	200,890	185,869	352,972	324,613	300,938
<b>Total Expenditures</b>	<b>10,479,905</b>	<b>12,533,197</b>	<b>12,172,105</b>	<b>12,752,226</b>	<b>11,918,347</b>	<b>13,991,015</b>	<b>13,952,097</b>	<b>16,478,756</b>	<b>14,517,990</b>	<b>15,695,806</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,287,374</b>	<b>(42,452)</b>	<b>(279,334)</b>	<b>(723,302)</b>	<b>434,397</b>	<b>(1,054,018)</b>	<b>(1,478,328)</b>	<b>(3,648,716)</b>	<b>(810,744)</b>	<b>\$ 16,726</b>

^ See Capital Asset Expenditures on Next Page for prior years.

(Continued)

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

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

**UNAUDITED**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Other Financing Sources (Uses):</b>										
Proceeds of Debt - GO Bonds	\$ -	-	2,100,000	-	-	-	-	-	-	\$ -
Proceeds of Debt - Notes Payable	-	-	-	-	-	-	6,000,000	-	242,500	78,533
Sale of Capital Asset	-	-	-	-	-	-	-	-	18,090	2,125
Insurance Recovery	-	-	-	-	-	-	-	-	57,073	96,383
<b>Operating Transfers From (To) Other Funds:</b>										
<b>Enterprise Fund:</b>										
Environmental Services Fund	(412,660)	(540,790)	(292,058)	(387,600)	(249,790)	(285,270)	(269,940)	(127,840)	-	-
Water and Sewer Fund	(875,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	-	138,947
Health & Welfare Fund	-	-	-	-	-	(81,640)	-	-	-	-
Capital Projects Fund - City Hall Renovation	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	1,527,160	865,000	552,760	870,899	313,360	303,840	293,970	-	-	-
Capital Reserve Fund - General Fund Contribution	(743,516)	(870,323)	-	-	(245,472)	(1,100,266)	-	-	-	-
Capital Projects Fund - Wash Creek Project	-	-	(45,084)	-	-	-	-	-	-	-
Capital Projects Fund - Skate Park Project	-	(175,000)	(114,297)	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	-	-	-	-	(27,600)	-	-	-
Greenways Phase II Grant Fund	-	(202,000)	-	-	-	-	-	-	-	-
Downtown Tax District - General Fund Reimbursement	-	-	75,000	100,000	100,000	100,000	100,000	100,000	100,000	-
Downtown Tax District	-	-	-	-	(27,350)	-	-	-	(100,000)	-
Downtown Tax District - Main Street Project	-	(494,805)	(110,677)	-	(66,412)	-	(45,000)	189,046	-	-
Seventh Avenue Tax District - General Fund Contribution	-	-	(64,500)	(52,800)	(24,690)	(23,390)	(38,080)	(37,470)	-	-
Rails-to-Trails Project Grant Fund	-	-	-	-	-	(16,785)	-	-	-	-
Britton Creek Stormwater Master Plan Project	-	-	-	-	(5,556)	-	-	-	-	-
Fund Balance Appropriated	(686,800)	877,128	(293,201)	(918,099)	-	-	-	-	-	-
	<u>(1,191,696)</u>	<u>(641,670)</u>	<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>317,663</u>	<u>315,988</u>
Net Change in Fund Balances	<u>\$ 95,678</u>	<u>(684,122)</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>(493,081)</u>	<u>\$ 332,714</u>
Capital Asset Expenditures	<u>\$ 1,361,822</u>	<u>2,534,977</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>1,333,272</u>	<u>\$ 2,031,608</u>
Debt Service as a Percentage of Noncapital Expenditures *	<u>5.9%</u>	<u>5.1%</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>	<u>7.9%</u>	<u>8.3%</u>

\* - Noncapital expenditures equals total expenditures minus those expenditures that were capitalized into capital assets for the government-wide statement of net position 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.

**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		Fiscal Year Ended June 30	Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property	Motor Vehicles	Other						
2007	\$ 434,373,653	670,997,832	93,097,907	\$ 115,982,605	2007	\$ 6,303,625	\$ 1,308,148,372	0.83	\$ 1,730,354,989	75.6%
2008	741,201,027	740,981,778	93,606,259	131,903,467	2008	8,099,431	1,699,593,100	0.71	1,713,299,496	99.2%
2009	771,675,117	754,677,553	84,719,211	123,978,975	2009	10,925,656	1,724,125,200	0.71	1,734,539,856	99.4%
2010	816,126,664	727,265,443	75,788,947	128,456,653	2010	12,559,607	1,735,078,100	0.71	1,737,705,121	99.8%
2011	825,118,067	735,001,163	77,596,316	132,738,061	2011	14,801,507	1,755,652,100	0.71	1,757,636,949	99.9%
2012	757,796,620	677,032,408	76,152,188	139,388,978	2012	13,742,694	1,636,627,500	0.81	1,640,526,547	99.8%
2013	750,214,548	681,531,593	79,490,976	133,819,795	2013	13,813,812	1,631,243,100	0.81	1,639,936,739	99.5%
2014	867,439,562	601,013,269	133,799,024	111,836,701	2014	13,190,519	1,700,898,037	0.81	1,700,916,367	100.0%
2015	1,188,044,352	295,320,200	121,051,969	130,347,339	2015	10,594,200	1,724,169,660	0.84	1,733,530,726	99.5%
2016	\$ 1,191,737,254	305,023,200	128,448,511	\$ 125,502,349	2016	\$ 13,449,401	\$ 1,737,261,913	0.86	\$ 1,842,271,382	94.3%

Source: Henderson County Tax Assessor's Office.

Note: Property in the City was last reassessed for fiscal year 2016. Tax rates are per \$100 of assessed value.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>City Direct Rates:</b>										
General Fund Rate	0.430	0.380	0.380	0.380	0.380	0.410	0.410	0.410	0.440	0.460
Downtown Tax District	0.300	0.250	0.250	0.250	0.250	0.280	0.280	0.280	0.280	0.280
Seventh Avenue District	0.100	0.080	0.080	0.080	0.080	0.120	0.120	0.120	0.120	0.120
<b>Total Direct Rate</b>	<b>0.830</b>	<b>0.710</b>	<b>0.710</b>	<b>0.710</b>	<b>0.710</b>	<b>0.810</b>	<b>0.810</b>	<b>0.810</b>	<b>0.840</b>	<b>0.860</b>
<b>County Rates:</b>										
Henderson County	0.565	0.462	0.462	0.462	0.462	0.5136	0.5136	0.5136	0.5136	0.5136
Town of Fletcher	0.270	0.270	0.270	0.270	0.320	0.3250	0.3250	0.3250	0.3250	0.3400
Town of Laurel Park	0.335	0.270	0.270	0.270	0.310	0.3600	0.3600	0.0360	0.3900	0.4300
Town of Saluda	0.540	0.605	0.605	0.515	0.515	0.6250	0.6050	0.6050	0.6050	0.6050
Town of Mills River	0.075	0.075	0.075	0.075	0.075	0.0874	0.0974	0.0974	0.0974	0.1124
Village of Flat Rock	0.085	0.075	0.075	0.075	0.075	0.0840	0.0840	0.0840	0.0840	0.1100
<b>Fire (14) District Rates:</b>										
From Lowest	0.065	0.060	0.060	0.060	0.060	0.0650	0.0650	0.0650	0.0700	0.0800
To Highest	0.115	0.115	0.115	0.115	0.115	0.1250	0.1250	0.1250	0.1250	0.1300
<b>Special Purpose District Rates:</b>										
Downtown Tax District	0.300	0.250	0.250	0.250	0.250	0.2800	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.100	0.080	0.080	0.080	0.080	0.1200	0.1200	0.1200	0.1200	0.1200

Source: Henderson County Tax Assessors Office

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Taxpayer</b>	<b>2016 Fiscal Year</b>			<b>2007 Fiscal Year</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Triangle Ballantyne Hendersonville, Inc.	\$ 25,185,900	1	1.45%	\$ -		0.00%
Ingles Markets, Inc	22,747,400	2	1.31%	15,957,600	1	1.22%
Wal-Mart Real Estate Business Trust	17,541,300	3	1.01%	15,556,400	2	1.19%
Highland Investors, LTD	16,107,900	4	0.93%	-		0.00%
Boyd L. Hyder	15,493,100	5	0.89%	9,467,200	8	0.72%
Blue Ridge Mall, LLC	11,356,150	6	0.65%	9,866,259	5	0.75%
Home Depot	11,293,746	7	0.65%	11,463,009	4	0.88%
Triangle Real Estate of Gastonia, Inc	11,114,800	8	0.64%	9,489,100	7	0.73%
Duke Energy	10,807,507	9	0.62%	15,045,323	3	1.15%
Lake Pointe Landing	10,358,600	10	0.60%	-		0.00%
Sam's Real Estate Business Trust	9,975,700		0.57%	-		0.00%
First Citizens Bank	8,143,600		0.47%	7,488,000	9	0.57%
Stuart Rubin	7,063,500		0.41%	5,129,300	10	0.39%
Lowes Home Centers, Inc	9,840,400		0.57%	9,754,200	6	0.75%
<b>Totals</b>	<b>\$ 187,029,603</b>		<b>10.77%</b>	<b>\$ 109,216,391</b>		<b>8.35%</b>

Source: City of Hendersonville Tax Collector

**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		Fiscal Year Ended June 30	Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$ 5,420,260	209,399	5,629,659	\$ 5,503,740	97.76%	2007	\$ 113,126	\$ 5,616,866	99.77%
2008	5,952,337	490,571	6,442,908	6,314,694	98.01%	2008	109,047	6,423,741	99.70%
2009	6,071,297	488,524	6,559,821	6,335,116	96.57%	2009	208,126	6,543,242	99.75%
2010	6,181,286	415,320	6,596,606	6,405,344	97.10%	2010	181,571	6,586,915	99.85%
2011	6,252,523	428,397	6,680,920	6,471,376	96.86%	2011	199,124	6,670,500	99.84%
2012	6,381,455	334,934	6,716,389	6,526,647	97.17%	2012	178,124	6,704,771	99.83%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%	2013	129,993	6,683,538	99.86%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%	2014	65,145	6,394,331	99.59%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%	2015	81,911	6,870,245	99.05%
2016	\$ 7,890,120	106,715	7,996,835	\$ 7,837,894	98.01%	2016	\$ -	\$ 7,837,894	98.01%

Source: Source: City Tax Collector  
(1) Includes Motor Vehicle Valuation.



**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			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds	Notes Payable	General Obligation Bonds	Other Bonds	Notes Payable			
2007	\$ 990,000	-	2,683,333	1,070,000	-	11,120,362	\$ 15,863,695	431.8%	\$ 1,269
2008	900,000	-	2,450,000	790,000	-	19,791,377	23,931,377	625.6%	1,877
2009	2,910,000	-	2,216,667	520,000	-	18,154,326	23,800,993	619.5%	1,831
2010	2,770,000	-	1,983,334	255,000	-	16,505,815	21,514,149	571.2%	1,638
2011	2,630,000	-	1,750,000	-	-	14,822,447	19,202,447	486.6%	1,456
2012	2,440,000	-	1,516,667	-	-	25,289,495	29,246,162	713.6%	2,203
2013	2,250,000	-	7,283,333	-	-	23,503,653	33,036,986	781.1%	2,485
2014	2,060,000	-	6,750,000	-	-	20,902,442	29,712,442	*	2,205
2015	1,870,000	-	6,459,167	-	-	27,283,746	35,612,913	*	2,079
2016	\$ 1,680,000	-	5,897,427	-	-	24,262,654	\$ 31,840,081	*	\$ 2,303

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.

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

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
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
2015	1,870,000	-	1,870,000	0.11%	139
2016	\$ 1,680,000	-	\$ 1,680,000	0.09%	\$ 122

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, 2016**

**UNAUDITED**

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
Henderson County	\$ 99,539,771	12.82%	\$ 12,760,999
Subtotal, Overlapping Debt			<u>12,760,999</u>
City of Hendersonville Direct			<u>7,577,427</u>
Total Direct and Overlapping Debt			<u><u>\$ 20,338,426</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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 105,156,160	135,967,448	137,930,016	139,016,410	140,452,168	130,930,200	130,499,448	136,071,843	135,907,787	\$ 138,980,953
Total Net Debt Applicable to Debt Limit	15,518,820	23,741,378	23,293,992	21,412,148	19,012,447	29,246,161	33,036,986	29,712,442	35,612,913	31,840,081
Legal Debt Margin	<u>\$ 89,637,340</u>	<u>112,226,070</u>	<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>100,294,874</u>	<u>\$ 107,140,872</u>
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	<u>14.8%</u>	<u>17.5%</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>	<u>26.2%</u>	<u>22.9%</u>

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$ 1,737,261,913
Debt Limit (8% of Total Assessed Value)	138,980,953
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	30,160,081
Total Bonded Debt	1,680,000
Less: Water Bonds Outstanding	-
Total Amount of Debt Applicable to Debt Limit	<u>31,840,081</u>
Legal Debt Margin	<u>\$ 107,140,872</u>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<b>City Population</b>	<b>County Population</b>	<b>Personal Income (000's)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>		
						<b>County</b>	<b>State</b>	<b>U.S.</b>
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	4,229,499	38,611	13,517	6.6%	8.8%	7.6%
2014	13,473	109,540	*	44,815	13,491	4.9%	6.5%	5.9%
2015	13,663	111,149	*	35,518	13,495	4.6%	5.0%	5.7%
2016	13,824	112,655	*	*	13,690	4.3%	4.9%	4.9%

Data Sources:

- (1) US Census (QuickFacts)
- (2) US Census (QuickFacts)
- (3) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (4) US Dept. of Commerce - Bureau of Economic Analysis (Estimated results)
- (5) Henderson County Public Schools
- (6) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (7) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics
- (8) Employment Security Commission(Labor & Economic Analysis Division) Local Area Unemployment Statistics

\* Information not yet available.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2016 Fiscal Year</b>			<b>2007 Fiscal Year</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Henderson County Schools	1,881	1	11.41%	1,683	1	13.47%
Pardee Hospital	1,400	2	8.49%	1,360	2	10.88%
Park Ridge Hospital	1,177	3	7.14%	766	3	6.13%
Ingles	1,161	4	7.04%	653	8	5.22%
Henderson County Government	792	5	4.80%	650	9	5.20%
Continental Automotive Systems	707	6	4.29%	522	10	4.18%
Wilsonart International	578	7	3.50%	740	4	5.92%
Meritor	527	8	3.20%	700	6	5.60%
Blue Ridge Community College	421	9	2.55%	not available		
General Electric Lighting	420	10	2.55%	725	5	5.80%
Wal-Mart	400	11	2.43%	675	7	5.40%
<b>Totals</b>	<b>9,464</b>		<b>57.40%</b>	<b>8,474</b>		<b>67.80%</b>

Source: Henderson Chamber of Commerce

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Governmental Activities</b>										
General Government:										
Administration	3	3	3	3	3	3	3	3	5	5
Finance	12	12	12	12	12	12	12	12	13	12
Support Services	10	10	11	11	11	12	14	14	15	13
Public Safety:										
Police	50	50	50	50	50	50	50	51	51	53
Fire	17	17	20	20	20	27	27	27	27	27
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	3	3	3
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	7	9	9	9	9	9	9	9	7	7
Traffic Engineer	2	2	2	2	2	2	2	2	2	2
Grounds Maintenance	8	8	8	8	8	8	8	8	8	8
Subtotal	29	31	31	31	31	31	31	31	29	29
<b>Business-Type Activities</b>										
Water and Sewer Fund	62	62	63	63	63	64	65	65	65	68
Environmental Services Fund	10	10	10	10	10	12	14	14	14	15
<b>Total</b>	<b>193</b>	<b>195</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>211</b>	<b>216</b>	<b>217</b>	<b>219</b>	<b>222</b>

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued:										
Residential	163	92	106	103	95	125	305	307	119	130
Commercial	80	50	76	226	252	147	112	90	87	110
Public Safety - Police										
Physical Arrests	2,736	2,735	2,175	2,120	1,667	1,539	1,646	1,544	1,602	2,723
Traffic Violations	3,631	3,624	3,815	2,997	2,720	2,482	2,631	2,664	2,250	2,017
Parking Violations	2,353	2,358	2,317	1,865	1,980	1,806	2,762	2,317	2,216	3,029
Public Safety - Fire										
Number of Fire Calls Answered	1,703	1,899	1,871	1,842	1,779	2,111	3,270	3,401	4,121	4,352
Inspections Conducted	548	534	1,066	1,997	883	502	478	370	583	955
Water										
Number of Service Connections	24,300	25,301	25,471	25,645	25,618	25,552	25,514	26,446	26,723	30,000
Average Daily Production in Gallons	6,872,304	7,246,825	6,915,665	7,476,633	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090
Sewer										
Number of Service Connections	8,000	8,051	8,118	8,173	8,146	8,274	8,503	8,751	9,035	9,500
Average Daily Treatment in Gallons	2,789,438	2,399,544	2,426,373	2,937,317	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809
Solid Waste										
Refuse Collected (Tons per Year)	4,501	4,324	4,152	3,885	3,550	3,325	3,293	3,353	3,519	3,438
Recycling Collections (Tons per Year)	1,354	1,021	1,083	2,195	1,040	645	744	848	928	1,033
Scrap Metal (Tons per Year)	-	-	-	17	13	1	3	3	6	12

Sources: Various City of Hendersonville Deaprtments



**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**CAPITAL ASSET STATISTICS BY FUNCTION**


**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Hendersonville										
Public Facilities/Buildings	3	3	3	3	3	4	5	5	5	5
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	34	34	38	38	38	38	38	39	39	30
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	1	1	1	2	2	2
Number of Fire Trucks	6	6	6	6	6	6	6	6	6	5
Public Service										
Streets (in Miles)	65.04	65.03	65.04	65.36	65.36	65.67	68.20	68.20	68.20	68.20
Street Lights (Leased)	1,398	1,398	1,428	1,433	1,428	1,428	1,479	1,501	1,515	1,515
Street Lights (Owned)	189	189	189	189	189	189	189	189	189	189
Parks and Recreation										
Parks Acreage	99	158	158	158	158	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	7	12	12	12	12	12	12	12	12	12
Shuffle Board Courts	27	27	27	27	27	27	27	27	27	27
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Community Development										
Community Centers	3	3	3	3	3	3	3	3	3	3
Water										
Water Mains (Miles)	571	575	578	581	640	620	634	637	640	653
Fire Hydrants	2,140	2,233	2,359	2,446	2,539	2,552	2,585	2,598	2,626	2,648
Sewer										
Sanitary Sewers (Miles)	154	160	165	167	175	176	177	178	178	180
Storm Sewers (Miles)	27	27	27	27	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	3	3	3	4	4	4

Sources: Various City of Hendersonville departments.





**COMPLIANCE  
SECTION**



CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2016

Grantor/Pass-through Grantor/Program or Cluster Title:	Federal CFDA Number	State/Pass- Through Entity Identifying Number	Federal Expenditures	State Expenditures
<b>FEDERAL GRANTS AND FEDERAL GRANTS WITH STATE ASSISTANCE</b>				
<b>US DEPARTMENT PUBLIC SAFETY</b>				
Pass-Through Program - Governor's Crime Commission: Byrne Justice Assistance Grants - Hendersonville Motor Unit Technology Improvement	16.738		\$ 14,707	\$ -
<b>US DEPARTMENT OF INTERIOR NATIONAL PARK</b>				
Pass-Through Program - State Historic Preservation Office: Historic Preservation Fund Grants-In-Aid - National Register Nomination Berkeley Mills Ballpark	15.904		2,000	-
<b>US ENVIRONMENTAL PROTECTION AGENCY</b>				
Pass-Through Program - N.C. Department of Environment and Natural Resources - Grants: EPS Section 319(b) Grant Nonpoint Source Implementation Grant	66.460		38,537	-
<b>US DEPARTMENT OF TRANSPORTATION</b>				
Direct Programs: Governor's Highway Safety Program (Bikeped)	20.600		74,392	-
Pass-through from NC Department of Transportation: Highway Planning and Construction - Oklawaha Greenway Phase 3 - WBS #50052.1.1 & #50052.3.1	20.205	STPEB-1413(15)	781,322	195,331
Bikeped Planning Project	20.205	STPEB-1413(15)	16,576	4,144
Total	20.205		797,898	199,475
<b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>			<b>872,290</b>	<b>199,475</b>
<b>TOTAL ASSISTANCE</b>			<b>\$ 927,534</b>	<b>\$ 199,475</b>
<b>STATE ASSISTANCE ONLY</b>				
<b>NC DEPARTMENT OF TRANSPORTATION</b>				
Powell Bill Program Non-State System Street-Aid Allocation		DOT-4	\$ -	\$ 386,360
<b>TOTAL NC DEPARTMENT OF TRANSPORTATION</b>			<b>-</b>	<b>386,360</b>
<b>TOTAL ASSISTANCE</b>			<b>\$ -</b>	<b>\$ 386,360</b>
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>				
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			<b>\$ 927,534</b>	<b>\$ 585,835</b>

There were no expenditures to subrecipients for the year ended June 30, 2016.

See accompanying notes to the schedule of expenditures of federal and state awards.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**YEAR ENDED JUNE 30, 2016**

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**A. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards (the “Schedule”) presents the activity of all federal and state award programs of the City of Hendersonville, North Carolina (the “City”) for the year ended June 30, 2016. Expenditures for federal and state financial assistance awarded directly from the federal and state agencies, as well as those passed through other government agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and the State Single Audit Implementation Act.

**B. BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City’s financial statements.

**C. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

Federal and state award expenditures are reported in the City’s financial statements generally as expenditures in the City’s General Fund, special revenue funds and enterprise funds.

**D. MATCHING COSTS**

Matching costs (i.e., the non-federal or non-state share of certain program costs) are not included in the accompanying Schedule.

**E. INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**F. OUTSTANDING LOAN BALANCES**

The City’s Capitalization Grants for Clean Water – State Revolving Loans (“Loans”) are from federal funds received in previous fiscal years that have no significant continuing compliance requirements. The City did not make or receive any new loans during the current fiscal year and thus no amounts are shown as federal assistance expended in the accompany Schedule as required by the Uniform Guidance.



**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 City Council  
 City of Hendersonville, North Carolina

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (the “City”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 19, 2016. Our report includes a reference to another auditor who audited the financial statements of the City of Hendersonville Board of Alcoholic Control (“ABC Board”), as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor. The financial statements of the ABC Board 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’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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004, and 2016-005 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-006.

## **City's Responses to the Findings**

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

## **Purpose of this Report**

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



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2016





**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
 THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hendersonville's, North Carolina (the "City"), compliance with the types of compliance requirements described in the *OMB 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's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City'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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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'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's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON  
 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
 THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major State Program**

We have audited the City of Hendersonville's, North Carolina (the "City"), 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 the City's major state programs for the year ended June 30, 2016. The City'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'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; applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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'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 state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major State Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the City 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'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 an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 charged with governance.

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

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



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2016

**CITY OF HENDERSONVILLE, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2016**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?     X     Yes          No

Significant deficiencies identified that are not considered to be material weaknesses?     X     Yes          None Reported

Noncompliance material to financial statements noted?     X     Yes          No

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?          Yes     X     No

Significant deficiencies identified that are not considered to be material weaknesses?          Yes     X     None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?          Yes     X     No

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs:                     \$750,000                    

Auditee qualified as low-risk auditee?     X     Yes          No

***State Awards***

Internal control over major State programs:

Material weakness(es) identified?          Yes     X     No

Significant deficiencies identified that are not considered to be material weaknesses?          Yes     X     None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?          Yes     X     No

Identification of major State programs:

<i>State Identifying Number</i>	<i>Names of State Program or Cluster</i>
DOT-4	Powell Bill

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**Section II – Current Year Financial Statement Findings**

**2016-001: PRIOR PERIOD ADJUSTMENT – CAPITAL ASSETS**

**Condition:** In preparing for the 2016 audit (as the Finance department reviewed the City’s capital asset listing), the Finance department discovered that it had significantly misstated its capital asset balances in prior years for its governmental and business-type activities (enterprise funds). This misstatement was due to a number of capital assets not being recorded in the City’s capital asset system and others that had been disposed of which had never been removed from the City’s capital asset system. The City corrected these errors when they were discovered which resulted in a prior period adjustment.

**Criteria:** The City should have appropriate internal controls in place to ensure that all capital asset transactions have been properly recorded in a timely manner.

**Context, Cause and Effect:** Most of these capital asset changes went back many years and had inadvertently not been added/removed from the capital asset system. This resulted in the City’s net position being misstated in prior years.

**Recommendation:** We would recommend that the City implement appropriate internal controls to address capital asset transactions that not only include controls over capital asset acquisitions and disposals, but also over capital asset management.

**Response:** During this fiscal year, Finance staff began the very large project to reconcile the recorded Capital assets. This included the reconciliation to the County property tax records of properties purchased but never recorded (some over a hundred years ago) as well as numerous items which had never been removed. Prior to three years ago, many capital items had been purchased (or donated) and not expensed into a capital account and therefore not recorded into the separate Capital asset system. (Capital had been expensed in the general ledger but some capital purchases had often been coded by the departments and expensed into Repair & Maintenance accounts-therefore they did not get flagged as capital items). The use of capital asset accounts has been implemented during the last three years and the finance staff feels confident that all capital asset expenditures are now being properly recorded into the capital asset schedules. Disposal forms are now being completed and sent to the Finance department. In addition, the staff will implement a rotating annual inventory to periodically do physical counts and reconciliations to ensure that the capital asset data base continues to be complete and accurate.

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**2016-002: CONSTRUCTION PAYABLE ACCRUAL**

**Condition:** During the 2016 audit, it was noted that the City had inadvertently failed to accrue a large construction payable at year end (even though it had been properly identified for accrual). This was adjusted by the City when brought to their attention during the 2016 audit.

**Criteria:** The City should have appropriate internal controls in place to ensure that all necessary accruals have been properly recorded in a timely manner.

**Context, Cause and Effect:** The City had properly identified the construction transaction that needed to be recorded, but inadvertently failed to accrue it.

**Recommendation:** We recommend that the City develop and implement appropriate internal controls to ensure that all payables are recorded to the appropriate accounting period.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

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Section II – Current Year Financial Statement Findings (Continued)

**2016-002: CONSTRUCTION PAYABLE ACCRUAL (CONTINUED)**

**Response:** Finance staff recognized that the transaction needed to be split between the two fiscal years and made notes on the invoice to prepare a journal entry to properly record the correct expense in both periods, however the journal entry was not keyed into the system. The Finance Director will implement a procedure to create a report to capture all material transactions occurring after year end to ensure that accruals are properly recorded.

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**2016-003: FINANCIAL STATEMENT PREPARATION**

**Condition:** During the 2016 audit, it was noted that a number of items in the prior year financial statements did not get properly updated or did not agree to the City’s books and records:

- The Law Enforcement Officers Special Separation Allowance and Other Postemployment Benefit Plan (Health Care Plan) amounts and disclosures were not properly updated in the prior year financial statements.
- The City was unable to support some of the expenditure balances presented in the Schedule of Expenditures of Federal and State Expenditures (“SEFSA”) in the prior year financial statements. The City also had to make several adjustments to the SEFSA during the 2016 audit to properly comply with State and Federal Single Audit Requirements.
- The prior year financial statements recognized a higher state revolving loan issuance amount for Wolfpen Sewer project than what was actually drawn down. This amount was corrected by running the adjustment through the current year (since it was not significant).

**Criteria:** The City should ensure that the annual financial statements and the SEFSA are prepared in accordance with generally accepted accounting principles and the State and Federal Single Audit requirements (as appropriate).

**Context, Cause and Effect:** The City was not fully aware of all of the reporting and compliance requirements related to the items noted above.

**Recommendation:** We recommend that the City develop and implement appropriate internal controls to ensure that the annual financial statements and SEFSA are prepared in accordance with generally accepted accounting principles and the State and Federal Single Audit requirements (as appropriate).

**Response:** The Finance staff will become familiar with the required note disclosures and review for accuracy. Finance staff will now prepare the SEFA and reconcile the amounts to the general ledger to ensure all amounts are properly recorded.

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**2016-004: PROCUREMENT CARD (“P-CARD”) TRANSACTIONS**

**Condition:** During the 2016 audit, it was noted that the City needs to ensure that all P-Card transactions are properly authorized and approved by the appropriate parties.

**Criteria:** The City should have appropriate internal controls in place to ensure that P-Card transactions are being properly authorized and approved by the appropriate parties to mitigate against the risk of error or fraud.

CITY OF HENDERSONVILLE, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

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Section II – Current Year Financial Statement Findings (Continued)

**2016-004: PROCUREMENT CARD (“P-CARD”) TRANSACTIONS (CONTINUED)**

**Context, Cause and Effect:**

There were a number of instances where no one approved the department heads purchases. Also, procurement card approval for departmental employees is not always being done at the appropriate level (i.e. administrative assistants, administrative staff, etc.) – as the department head or assistant department head should generally be responsible for these approvals. We also noted that the City has way too many procurement cards (over 120) for a City of its size – as over half of the employees of the City have a procurement card.

**Recommendation:**

We recommend that the City develop and implement a P-Card program and controls that are reasonable for its size and complexity and that would require an appropriate level of authorization, review, and approval.

**Response:**

The City Manager and management team will review best practices with regards to P-cards and research new procedures to enable the City to reduce the number of P-cards in use. The management team will review the P-card approval process and implement stronger controls to ensure that all transactions are reviewed and approved by the appropriate level of management.

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**2016-005: PURCHASING TRANSACTIONS**

**Condition:**

During the 2016 audit, we noted a number of purchasing transactions whereby the City did not comply with its own policy (and in some instances with State requirements).

**Criteria:**

The City should have appropriate internal controls in place to ensure that purchasing transactions are consistent and in accordance with the City’s purchasing policy. The purchasing policy was designed to properly meet state and local requirements and to protect the City and its employees from improper or preferential purchases.

**Context, Cause and Effect:**

There were a number of instances where (a) invoices were sent with the purchase requisitions, (b) no purchase orders were obtained, (c) there were no bids obtained, and (d) general non-compliance with other aspects of the City’s purchasing policy.

**Recommendation:**

We recommend that the City ensure that its purchasing policy is followed consistently throughout the organization and that the purchasing policy. If the purchasing policy is not reasonable related to certain transactions types, we would encourage the City to amend its policy accordingly.

**Response:**

The City Manager will hold department heads accountable for following the State statutes and City Purchasing policy. Department heads will be responsible for ensuring that all staff involved with the requisition and purchasing understand and follow state and City purchasing statutes and policies.

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**2016-006: UNALLOWABLE INVESTMENTS**

**Condition:**

During the 2016 audit and based on communications from the State Treasurer, it was noted that the City had investments in revenues bonds with local governments within North Carolina. Unfortunately, investments in revenue bonds with local governments within North Carolina are not an allowable investment as they are not considered bonds and notes per Article 3 of Chapter 159.



**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**Section II – Current Year Financial Statement Findings (Continued)**

**2016-006: UNALLOWABLE INVESTMENTS (CONTINUED)**

<b>Criteria:</b>	The City should only invest its funds in those items as noted in Article 3 of Chapter 159 of the North Carolina Statutes.
<b>Context, Cause and Effect:</b>	The City and its banker were not aware of the unique investment requirements related to revenue bonds.
<b>Recommendation:</b>	We would encourage the City to liquidate its revenue bond investments as soon as it is economically and practically possible.
<b>Response:</b>	The Finance Director was notified of the un-allowed investments and has now sold all such investments. Additionally, the City has changed brokers and is additionally researching adding a third broker more familiar with NC state statutes.

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**Section III – Current Year Federal Award Findings and Questioned Costs**

No matters to report.

**CITY OF HENDERSONVILLE, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2016**

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There were no audit findings in the prior year.