

CITY OF HENDERSONVILLE, NORTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019



Prepared By: Finance Department

John P. Buchanan, CPA, CLGFO
Finance Director

CITY OF HENDERSONVILLE, NORTH CAROLINA

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**INTRODUCTORY
SECTION**



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

CITY OF HENDERSONVILLE

The City of Four Seasons

FINANCE DEPARTMENT

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

November 12, 2019

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, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

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, 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, 2019, 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 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, 2019 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is 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 and is located in Henderson County in western North Carolina. Significant economic growth occurred with the completion of the railroad from Charleston, South Carolina to Hendersonville in 1879. 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, 2019 population of the City of Hendersonville, as provided by the North Carolina Office of State Budget and Management is 14,251.

The City encompasses an area of 6.97 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 52 inches, average high summer temperature of 81 degrees, average high winter temperature of 49 degrees and average snowfall of 9 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 60,000 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 and growing economy with a solid residential, commercial and industrial tax base. The economy of the area is sustained by the local employment markets, agriculture, healthcare, summer camps, 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 as well as logistics and distribution facilities.

It is a priority of City Council to develop strong partnerships with residents, businesses, other local governments, non-profits and visitors to ensure there is effective two-way communication and effective interaction with City Departments. The City Council formed a Business Advisory Committee that is made up of seven members of the business community. The purpose of the Committee is to serve in an advisory capacity to the Council to review and discuss existing and/or proposed policies and ordinances that have an impact on businesses and provide recommendations to City Council.

Hendersonville is a North Carolina Main Street Community, designated by the NC Department of Commerce and Main Street & Rural Planning Center. As a Main Street America™ Accredited program, the City has met a set of National Accreditation Standards of Performance as outlined by the National Main Street Center and is a recognized leading program among the national network.

Economic vitality is a main focus area for the City Council and they continue to promote policies that encourage growth in all areas of our City, establishing Hendersonville as a good place for all types of business. A key component to continued economic growth is The Henderson County Partnership for Economic Development (The Partnership). The Partnership 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.

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 57,591 persons including approximately 5,520 individuals working at 140 manufacturing businesses with a payroll in excess of \$296 million annually and an average annual wage of \$52,542. North Carolina is a right-to-work state, therefore Henderson County virtually has no unionization. The County has the second lowest unemployment rate in the State at 3.8 % as of June 30, 2019. The national rate was 3.7 %.

Hendersonville's quality of life, moderate climate and plentiful water supply have played an important part in attracting tourism and agriculture to the region. Apples, which were first planted at the end of the 18th century, continue to be a vital part of the economy today with sales averaging \$31 million per year. Early settlers in Henderson County staked claims to their land by planting apple trees. The County, which ranks 7th among counties in the US in apple production, has 5,000+ acres in apple production spread across 150 orchards and farms and produces 65% 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. The County is home to 557 farms producing other crops and protein products. Henderson County is also a major grower of tomatoes and sweet corn (#1 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. Lakeside Produce announced plans to establish a new greenhouse operation in Henderson County that could eventually be the largest in the state and bring an estimated 150 new jobs. 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, cideries, wine tastings, and vineyard tours. This facet of agriculture is a natural fit 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 Hendersonville City Council supports fiscal policies and controls that ensure the long-term financial health of the City and enable it to respond to unforeseen challenges and opportunities. The City has implemented policies and practices to promote responsible management of public resources to ensure efficient and effective delivery of quality services.

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.

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 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.

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 Available Fund Balance policy with a goal for percent available fund balance for the General Fund to be a minimum of fifty percent (50%) of the City's population group average percent available fund balance. Furthermore, the City Council hereby establishes a goal for the Water and Sewer Fund percent available fund balance to range between fifty to seventy-five percent (50%-75%). The City will adjust this goal as appropriate based upon the recommendation from the LGC, modifications in North Carolina law, and potential changes in the City's financial outlook.

The City of Hendersonville recognizes the importance of protecting the City, its taxpayers, its employees, and its assets against financial risks, operational breaches and unethical activities. Therefore, City Council adopted a Fraud and Whistleblower Policy to establish guidelines to enforce controls to aid in the prevention and detection of fraud and for responding to allegations of embezzlement, theft, misappropriations of public funds or property, and other types of fraud related to the business of the City of Hendersonville.

Governmental Initiatives and Projects

During the fiscal year the City continued the support and funding of the Economic Investment Fund of Henderson County, which was formed during 2016 in a collaboration with the County and the other municipalities that are part of the Henderson County Partnership for Economic Development. This fund was established to 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 employs 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 supports proactive engagement with schools and students, increasing awareness about careers in manufacturing, and encouraging workforce preparedness.

Sound infrastructure is one of the top priorities of the City. A major goal for the City of Hendersonville is to construct and maintain efficient and accessible roadway, sidewalk, and greenway systems to extend internal and regional connectivity. As an element of this goal, street maintenance continues to be a high priority as 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. During fiscal year 2019, the City continued the grant project for the replacement of the bridge on Old Tracey Grove Road. Additionally, the City completed sidewalk improvements during fiscal year 2019 on North Main Street.

During the fiscal year the City continued working on redevelopment of the Grey Hosiery Mill. This project is part of the City's initiative to advance growth that will provide a connection between the Main Street and Seventh Avenue districts. The City entered into an agreement with Belmont Sayre for a public private partnership to convert the mill to apartments. This redevelopment project is planned

to preserve the original 1915 historic portion of the mill using tax credits. The City intends to minimize public investment but intends to seller finance the City owned properties as well as extend streetscape improvements to the area.

The Mud Creek Dump project continued during fiscal year 2019 in order to conduct an environmental assessment and remediation of the Mud Creek Dump area which was a pre-1983 landfill, which predated State and Federal landfill regulations. The City will receive reimbursement of costs under a work plan approved by the pre-Regulatory Landfill Program of NCDEQ.

The City continued land acquisition and planning in fiscal year 2019 for a new Police Department headquarters that will be located near the Seventh Avenue district. The new headquarters is a major component of plans to help revitalize the Seventh Avenue district and surrounding areas.

The Main Street Service District continued a project to provide public restrooms for the Main Street corridor. The property for the project was purchased in fiscal year 2019 and construction is expected to be completed in November of 2019. The Henderson County Tourism Development Authority contributed a portion of the funds for this project.

Construction of a new building was begun in fiscal year 2019 and completed shortly after year end. The building will be used by the Grounds and Building Maintenance Departments and is located on North Main Street. The building includes stormwater management features such as rain water cisterns, bioretention cells, and permeable pavement.

Water & Sewer Initiatives and Projects

The City of Hendersonville provides high quality water services to approximately 65,000 customers and wastewater services to approximately 21,000 while protecting natural resources and ensuring capacity for sustainable growth.

Several major construction projects were started or continued during the fiscal year ended June 30, 2019 including the following:

French Broad River Raw Water Intake -The City has determined that Mills River tends to be more drought sensitive than the larger French Broad River. The purpose of this project is to design, permit, and construct a new raw water intake and pump station along the French Broad River to increase the redundancy, resiliency, and reliability of source water for the Water Treatment Plant during drought conditions and other water supply needs, and eliminate water scarcity concerns currently experienced during drought conditions. This new intake will have an initial firm pumping capacity of 12 MGD with expansion to 21 MGD. The new pump station will discharge into the existing 30-inch raw water line which extends from the intake site to the Water Treatment Plant.

Water Treatment Plant High-Service Pump Project - This project consists of upgrading all four high service pumps/motors with new, high efficiency pump/motors along with the addition of VFDs (variable frequency drives) on each motor providing for an even greater efficiency of operation of these pumps, which supply treated water to the City distribution system and to our customers. This project is expected to be completed in early fiscal year 2020.

The Etowah Water System Improvement project continued in fiscal year 2019. This project will include the installation of approximately 14,000-ft. of 12-inch ductile iron water main from the proposed booster pumping station to be located adjacent to Morgan Rd. in the Etowah area. This new pump station will lift water up to the 500,000-gallon storage tank to be located on Little Mountain off of Drexel Rd. These improvements should allow the City to remove several hydro-pneumatic pump stations currently boosting water pressure at some of the higher elevations of the City's water system in the Etowah area.

Wastewater Treatment Plant Generator Project - This project consists of the installation of a new 1,500 kWh generator and ATS (automatic transfer switch) to provide a back-up power supply for the wastewater treatment facility during times of power outages at this facility to reduce the potential for the discharge of untreated wastewater. This project is expected to be completed in early fiscal year 2020.

The Wastewater Treatment Plant Gravity Filter Project - This project consists of replacing one of the failing gravity sand filters (tertiary treatment) with a new cloth media filtering system which will equal or exceed the existing filtering capacity utilizing two-gravity sand filters. This will allow for a second cloth media filtering system to be installed when expansion of wastewater treatment capacity is required thus potentially doubling the current capacity.

Northside Water System Improvements Project – This project involves the installation of 16-inch water main, a booster pumping station and 1.0-MG ground storage tank. This project will increase the pressure in the area in addition to adding more water storage capacity in that portion of Henderson County.

Stormwater Initiatives and Projects

The City's NPDES Phase II MS4 Permit issued by the NC Department of Environmental Quality, requires the City to satisfy six minimum control measures as part of a comprehensive stormwater management program. The goal of two of these measures, Public Education and Outreach and Public Participation/Involvement, are to foster an active, involved, informed, and knowledgeable community, which is crucial to a successful stormwater management program. Some of the programs supported by the stormwater fund to meet these goals include the rain barrel program, "Trash Trout" stream trash collection, stormwater workshops, and stream clean-up events. During fiscal year 2019, the Stormwater Fund completed a master plan for the Wash Creek watershed and worked on City projects at the Maintenance Building and Patton Park that provide a great example of green alternatives for stormwater management.

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, 2018. This was the twenty-ninth 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, LLP 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,

A handwritten signature in black ink, appearing to read "C. Buchanan", with a long horizontal line extending to the right.

John Buchanan, CPA, CLGFO
Finance Director

CITY OF HENDERSONVILLE, NORTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS AND CITY STAFF
YEAR ENDED JUNE 30, 2019

Established

1847

CITY COUNCIL

Mayor – Barbara Volk

Mayor Pro-Tem – Ron Stephens

Jeffery Lane Miller

Jerry A. Smith, Jr.

Steve Caraker

CITY STAFF

City Manager – John F. Connet

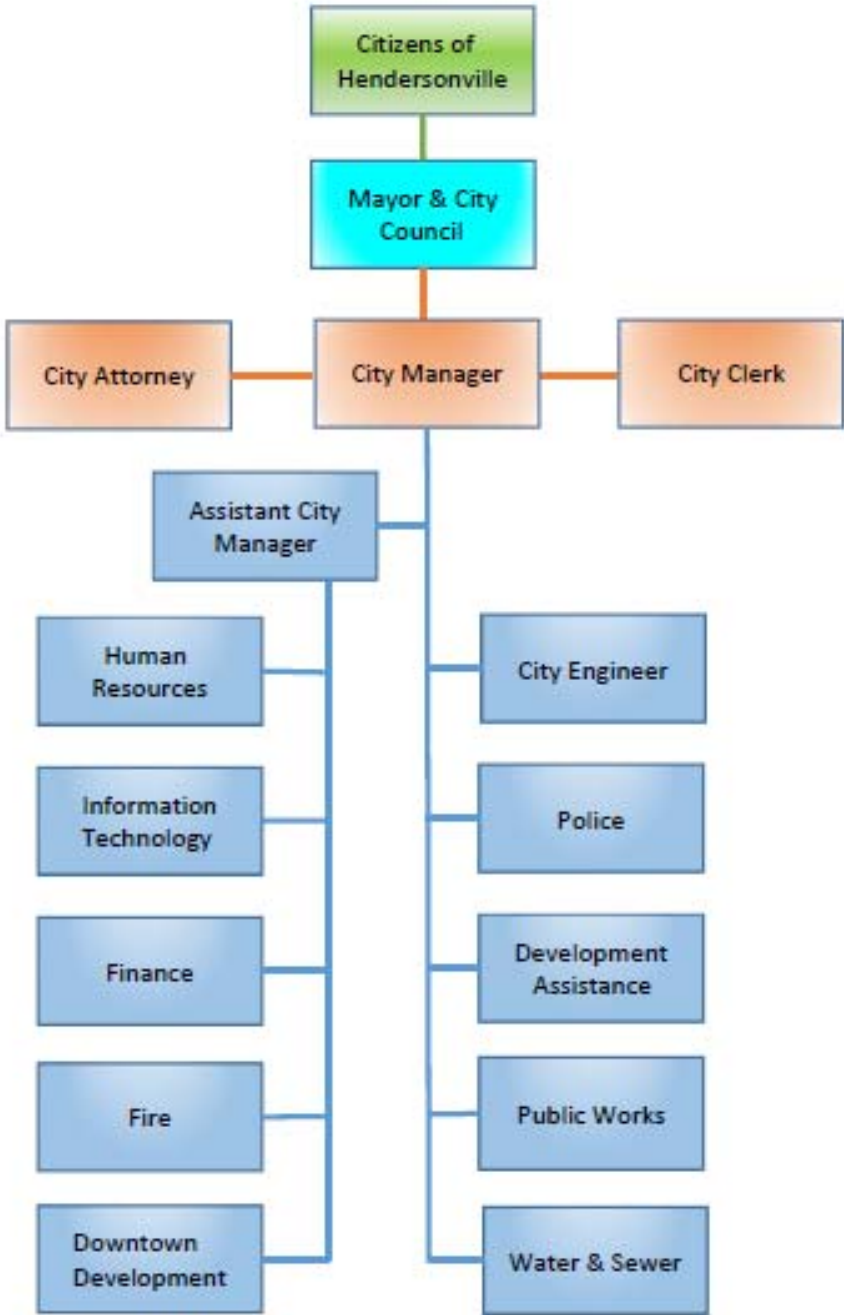
Assistant City Manager – Brian Pahle

City Clerk – Tammie K. Drake

City Attorney – Samuel H. Fritschner

Finance Director – John P. Buchanan, CPA, CLGFO

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, 2018

Christopher P. Morill

Executive Director/CEO





**FINANCIAL
SECTION**





Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, 2019, 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 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, 2019, 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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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the pension plan schedules, and the other postemployment benefit plan schedule, 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 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 November 12, 2019 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, LLP

Greene Finney, LLP
Mauldin, South Carolina
November 12, 2019

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

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, 2019 (“2019” or “FY 2019”) compared to the year ended June 30, 2018 (“2018” or “FY 2018”). 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 current fiscal year by approximately \$101,794,000 (total net position for the Primary Government).
- The City’s total net position for FY 2019 increased by approximately \$947,000 over the prior year balance in large part due to an increase in the net position of the business-type activities of approximately \$1,393,000.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of approximately \$8,303,000, a decrease of approximately \$532,000 or 6% from the prior year. The decrease is primarily due to funding of several projects which will be recouped through State reimbursement or debt funding in future years.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately \$4,106,000. The unassigned fund balance for the General Fund is approximately \$4,469,000 which is 26% of total General Fund budgeted expenditures for the upcoming fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

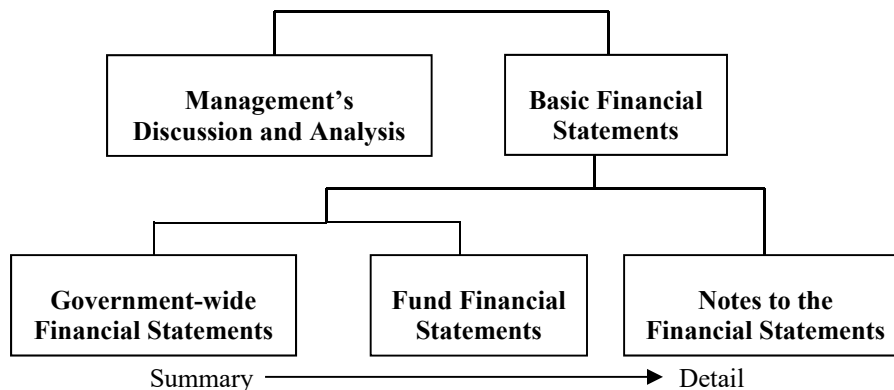
The City’s annual financial statements consist of four parts – Introductory Section, the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information), the Statistical Section, and the Compliance Section.

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, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

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 program revenues and general revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer, environmental service, and stormwater 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 the 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

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, its environmental service operations, and its stormwater 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, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and Other Assets	\$ 10,294,818	9,662,241	22,127,190	18,333,553	32,422,008	\$ 27,995,794
Capital Assets	26,541,549	29,654,845	74,767,722	79,578,299	101,309,271	109,233,144
Total Assets	36,836,367	39,317,086	96,894,912	97,911,852	133,731,279	137,228,938
Deferred Pension Charges	1,396,508	2,257,585	991,250	1,534,516	2,387,758	3,792,101
Deferred OPEB Charges	136,364	116,394	42,030	75,024	178,394	191,418
Total Deferred Outflows of Resources	1,532,872	2,373,979	1,033,280	1,609,540	2,566,152	3,983,519
Long-Term Liabilities Outstanding	11,548,957	15,027,805	21,386,978	20,163,564	32,935,935	35,191,369
Other Liabilities	838,845	1,094,173	1,509,370	2,926,715	2,348,215	4,020,888
Total Liabilities	12,387,802	16,121,978	22,896,348	23,090,279	35,284,150	39,212,257
Deferred Pension Credits	111,451	99,903	47,938	18,686	159,389	118,589
Deferred OPEB Credits	-	44,401	-	35,328	-	79,729
Prepaid Taxes and Billings	7,634	8,224	-	-	7,634	8,224
Total Deferred Inflows of Resources	119,085	152,528	47,938	54,014	167,023	206,542
Net Position:						
Net Investment in Capital Assets	19,926,250	21,020,174	56,252,393	63,008,624	76,178,643	84,028,798
Restricted	4,538,469	3,285,875	-	-	4,538,469	3,285,875
Unrestricted	1,397,633	1,110,510	18,731,513	13,368,475	20,129,146	14,478,985
Total Net Position	\$ 25,862,352	25,416,559	74,983,906	76,377,099	100,846,258	\$101,793,658

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 resources of the City exceeded liabilities and deferred inflows by approximately \$101,794,000 as of June 30, 2019. The City's net position increased by approximately \$947,000 for the fiscal year ended June 30, 2019 largely due to an increase in net position in the Water and Sewer Fund of approximately \$1,439,000.

The largest portion of net position of approximately \$84,029,000 (83%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and vehicles); 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 of approximately \$3,286,000 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City total net position of approximately \$14,479,000 (14%) is unrestricted.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 858,264	876,782	16,683,160	17,629,945	17,541,424	\$ 18,506,727
Operating Grants & Contributions	703,076	1,338,803	-	-	703,076	1,338,803
Capital Grants and Contributions	561,531	271,254	1,820,530	1,421,287	2,382,061	1,692,541
General Revenues:						
Property Taxes	8,563,585	9,108,913	-	-	8,563,585	9,108,913
Other Taxes & Fees	4,725,524	4,984,365	-	-	4,725,524	4,984,365
Other Revenue	397,952	431,420	303,139	451,875	701,091	883,295
Total Revenues	15,809,932	17,011,537	18,806,829	19,503,107	34,616,761	36,514,644
Expenses:						
General Government	3,054,736	3,885,983	-	-	3,054,736	3,885,983
Public Safety	8,503,808	9,043,813	-	-	8,503,808	9,043,813
Transportation	2,498,903	2,559,392	-	-	2,498,903	2,559,392
Environmental Protection	240,541	95,522	-	-	240,541	95,522
Economic and Physical Development	721,195	521,007	-	-	721,195	521,007
Culture and Recreational	960,189	864,375	-	-	960,189	864,375
Interest on Long-Term Debt	274,831	253,558	-	-	274,831	253,558
Water and Sewer Fund	-	-	15,009,569	16,069,699	15,009,569	16,069,699
Environmental Services Fund	-	-	1,382,440	1,428,563	1,382,440	1,428,563
Stormwater Fund	-	-	177,649	275,402	177,649	275,402
Total Expenses	16,254,203	17,223,650	16,569,658	17,773,664	32,823,861	34,997,314
Change in Net Position Before						
Transfers and Special Item	(444,271)	(212,113)	2,237,171	1,729,443	1,792,900	1,517,330
Transfers	534,955	336,250	(534,955)	(336,250)	-	-
Special Item - Loss on Grey Hosiery						
Mill Redevelopment	-	(569,930)	-	-	-	(569,930)
Change in Net Position	90,684	(445,793)	1,702,216	1,393,193	1,792,900	947,400
Net Position, Beginning of Year	25,771,668	25,862,352	73,281,690	74,983,906	99,053,358	100,846,258
Net Position, End of Year	\$25,862,352	25,416,559	74,983,906	76,377,099	100,846,258	\$101,793,658

Governmental Activities: Governmental activities decreased the City's net position by approximately \$446,000 over the prior year. The key element of this decrease is due to the loss on Grey Hosiery Mill redevelopment which was reported as a special item and is discussed in detail in Note IV.J in the Notes to the Financial Statements. A detailed explanation for the General Fund revenues exceeding expenses is provided under the Governmental Funds in the Financial Analysis of the City Funds section below.

Business-type Activities: Business-type activities increased the City's net position by approximately \$1,393,000 mostly due to the increase in capital assets.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

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.

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 approximately \$4,469,000 with a total fund balance of approximately \$7,373,000, an increase of approximately \$513,000 of unassigned fund balance over the prior year. The use of fund balance was originally budgeted at approximately \$612,000 for FY 2019. In the upcoming fiscal year 2020 budget, approximately \$713,000 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 for the General Fund as of June 30, 2019 represents 26% percent of total next year General Fund budgeted expenditures.

At June 30, 2019, the governmental funds of the City reported a combined total governmental fund balance of approximately \$8,303,000, a 6% decrease over last year.

The General Fund recorded operating revenues of approximately \$15,498,000 during FY 2019, which was an increase of approximately \$1,061,000, or 7% over the approximately \$14,437,000 recorded in FY 2018, primarily due to the following:

- Ad Valorem Tax revenue increased approximately \$562,000 or 7% over 2018, due to a \$0.02 tax rate increase and increased collection of delinquent taxes.
- Unrestricted Intergovernmental Revenue increased over the prior fiscal year by approximately \$254,000 or 5%.
- Sales & Use Tax collections increased by approximately \$195,000 or 6% in the General Fund during fiscal year 2019, compared to the approximately \$12,000 or less than 1% decrease seen in the prior year. This is partially due to property tax rate increases made by the City, because sales tax revenues are distributed on a proportional ad valorem tax levy basis in Henderson County. These increases, increased the levy and increased the City's share of the total sales tax revenue. Sales tax collections for Henderson County increased more than 6% over the prior year, also contributing to the increase for the City.
- Restricted Intergovernmental Revenue, which includes grants or revenues and contributions received from other governmental entities for a specific purpose, increased by approximately \$55,000 or 9% of the prior fiscal year. The increase was due to an increase in grants in FY 2019.
- Permits and Fees increased in 2019 by approximately \$155,000 or 60% over 2018. The increase is the result of the Motor Vehicle Fee added in fiscal year 2019.
- Sales and Services revenue decreased by approximately \$68,000 or 19% in total over the prior year. In 2019, the City contracted with the YMCA to manage the pool. The YMCA keeps all revenues from the operation of the pool which resulted in the decrease.
- Investment Income earned on the investment of idle cash of approximately \$176,000 was an increase over the prior year of 45% as rates of return improved for fiscal year 2019. The City also recorded an unrealized market adjustment increase of approximately \$31,000 to record the investments at market value in accordance with generally accepted accounting principles, and resulted in reported earnings of approximately \$207,000 an increase of 306% over the prior fiscal year reported earnings.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Expenditures in the General Fund were approximately \$15,302,000 for fiscal year 2019, which was an increase of approximately \$1,440,000, or 10% over the approximately \$13,862,000 recorded in fiscal year 2018, primarily due to the following:

- Debt service expenditures of approximately \$861,000 were made from the General Fund during fiscal year 2019. In the prior year the General Fund made transfers to the non-major Debt Service Fund were the debt service expenditures were reported.
- The Fire Department expenditures increased by approximately \$449,000 over the prior year due mostly to the addition of three new personnel and the changes made as a result of the pay and class study.
- Police Department expenditures increased approximately \$298,000 during fiscal year 2019 as compared to the prior year. The increase was mostly due to the addition of three school resource officers and changes made as a result of a pay and class study.
- The Public Works Building Maintenance division expenditures decreased by approximately \$159,000 due to reduction in capital spending over the prior fiscal year.

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.

Several factors contributed to the General Fund actual revenues of approximately \$15,498,000 exceeding the budgeted revenues by approximately \$573,000 or 4%. These include:

- Property Tax collections were 3%, or approximately \$259,000 higher than the amount budgeted, as property tax is generally very conservatively budgeted. The City continues to have a very good collection rate as reflected by the collections for the 2018 tax levy, collected during fiscal year 2019 being above 98% collected as of year-end. Subsequent collections to date for previous year's levies account for those collection rates to be above 99% for most tax years.
- Revenues from the ABC Board exceeded the amended budgeted revenues by 29% or approximately \$50,000 above the expected amount.
- Utility Tax came in approximately \$71,000 or 8% over the revised budget, as the City continues to conservatively budget this revenue source due to legislative changes made to this revenue source in the previous fiscal years.
- The revenue from Telecom Sales Tax continues to decline as it has over the past several years, ending the year approximately \$16,000 and 7% below the budgeted amount.
- Net Investment Income recorded is approximately \$124,000 or 148% above the budgeted amount due to higher rates of return and the year-end adjustment to mark the investments to market in accordance with generally accepted accounting principles.
- Sales and Service revenue was more than the budgeted amount by approximately \$6,000 or 2% of the revised budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

All General Fund departments stayed within the appropriated budgets for the fiscal year. In total, the General Fund actual expenditures ended the year at approximately \$15,302,000, which was approximately \$575,000 or 4% below the approximately \$15,877,000 revised expenditures budget for the fiscal year 2019. The following factors contributed to the reduction of expenditures during fiscal year 2019, these include:

- The Fire Department expenditures were approximately \$20,000 less than budgeted. The majority of this variance, is due to overestimates of supplies during the year.
- Police Department expenditures came in approximately \$214,000 below budget. The variance is mostly the result of open positions during the year.
- The Developmental Assistance Department ended the year with approximately \$88,000 less expenditures than budgeted. A portion of this reduction was caused by an overestimate of insurance benefits of approximately \$11,000. There was approximately \$29,000 of remaining budget for professional services due to a delay in the completion of a project to revise zoning ordinances. Other contributors to the variance were due to overestimates.
- The Finance Department variance contributed approximately \$33,000 to the reduction of actual expenditures compared to the fiscal year 2019 budget. The department had personnel vacancies during fiscal year 2019 which led to a reduction in salary, benefit, and training expenditures.
- The Public Works Streets and Highway Department ended the year with approximately \$62,000 or 8% excess budget. This was primarily due to a variance in salaries due to employee turnover in the department and lower than budgeted supply expenditures.
- The Public Works Traffic Department was \$29,000 under budget during fiscal year 2019, due to overestimates for equipment.
- The Administration Department was \$51,000 under budget mainly due to medical expense reimbursement plan (MERP) expenses coming in lower than expected.

The Governmental Capital Projects Fund, a major fund, includes the Grounds Maintenance Building, Main Street Corridor Restroom, Fiber, and Police Department Headquarters projects. This was the first year capital projects were combined in a single fund and expenditures for the year were approximately \$3,485,000. The majority of expenditures were for the Grounds Maintenance Building. All projects in the fund are within budgeted amounts.

Non-Major Governmental Funds

Non-Major Governmental Funds include Special Revenue Funds and several governmental Capital Project funds that are funded by grants or other specific revenue sources. In fiscal year 2019, the City combined the small Special Revenue funds into a single fund, the Special Revenue Fund.

Revenues in the non-major governmental funds increased by approximately \$274,000 over the prior year. The primary reason for the variance is a reimbursement received for the Mud Creek Dump Project and a grant received for the Grey Hosiery Mill Project.

Other revenue activity in the Non-Major Governmental Funds include the following:

The Main Street Tax District Fund is an operating governmental special revenue fund used to record the activities of the Main Street Municipal Tax District, including the Main Street Program and several special events and festivals. The Main Street Tax District Fund recorded a fund balance increase of approximately \$40,000 for fiscal year 2019.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Non-Major Governmental Funds (Continued)

Total Main Street Tax District Fund revenues increased by approximately \$26,000 or 5% above fiscal year 2018. Factors contributing to the increase in revenues during fiscal year 2019 are as follows:

- Contribution revenue was approximately \$14,000 more than the prior year mostly due to a contribution from the Friends of Downtown for the purchase of a new Christmas tree for Main Street holiday activities.
- Sales tax revenue increased approximately \$10,000 over the prior year.

Seventh Avenue Tax District Fund revenues decreased by approximately \$95,000 compared to the prior year due to a decrease in grant revenue.

Expenditures in the Non-Major Governmental Funds decreased by approximately \$917,000 over the prior year. Key components of these variances between fiscal year 2019 and 2018 include the following:

- Debt Service payments of approximately \$1,098,000 were made from the Non-Major Governmental Debt Service Fund in 2018. The use of the Debt Service Fund was discontinued in fiscal year 2019. Debt service was paid from the General Fund in 2019.
- Seventh Avenue Tax District Fund expenditures were approximately \$112,000 lower in 2019 than 2018 due to the Maple Street Streetscape project completed in 2018.
- Expenditures for capital projects increased approximately \$320,000. The majority of this increase was for the North Main Sidewalk project.

Proprietary Funds

The City's proprietary fund statements provide additional detail by fund for the information combined in the government-wide statements.

Water & Sewer Fund

The Water & Sewer Fund recorded approximately \$16,067,000 in operating revenues for fiscal year 2019. This was an approximately \$818,000 and 5% increase over fiscal year 2018. The primary reasons for this increase is new connections, an increase in some rates, and the new volumetric water and sewer billing structure approved in 2019. The following provides further details for the increase in the fund revenues during fiscal year 2019:

- Water Sales Revenue was approximately \$9,768,000 for fiscal year 2019, which was less than 2% higher than the previous year. Sewer Charges increased approximately \$536,000 or 11% over fiscal year 2018.
- Water and Sewer new tap charges decreased by approximately \$42,000.
- The Water & Sewer fund recorded an unrealized market adjustment increase of approximately \$62,000 to record the investments at market value in accordance with generally accepted accounting principles. The market adjustment in 2018 was a \$125,000 decrease. The reported net investment revenue for 2019 was approximately \$322,000, an increase of approximately \$220,000 over the prior year.

The Water & Sewer Fund recorded approximately \$15,395,000 in operating expenditures for fiscal year 2019. This was approximately \$307,000 and 2% lower than fiscal year 2018.

- The primary reasons for the decrease in operating expenditures during fiscal year 2019 was due to a decrease in debt service.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Water & Sewer Fund (Continued)

Water & Sewer Fund Transfers:

- The Water & Sewer Fund transferred out a total of approximately \$2,851,000 during fiscal year 2019. This included approximately \$31,000 to the North Main Sidewalk Construction Project Fund for system improvements; approximately \$347,000 to the City Fiber Improvement Project; \$1,048,000 to the Etowah Water System Improvement Project; \$700,000 to the DOT Old Airport Road Project; \$150,000 to the DOT Shepherd/Erkwood Project; approximately \$146,000 to the Highland Square Sewer Project; \$200,000 to the Highway 25 Sewer Replacement Project; \$90,000 to the Sewer I&I Project; \$57,000 to the Highway 280 Project; and \$64,000 to the Capital Reserve Fund. This was approximately \$2,085,000 less than the approximately \$4,936,000 transferred out to Water and Sewer projects in the prior year.

Unrestricted net position of the Water and Sewer Fund at the end of 2019 totaled approximately \$13,197,000 which was a decrease of approximately \$5,213,000 (28%) over the prior year.

Environmental Service Fund

The Environmental Service Fund total unrestricted net position decreased by 57% to approximately \$104,000 at June 30, 2019 compared to the prior year total of approximately \$239,000 due to expenditures exceeding revenues.

- Operating revenues were approximately \$1,221,000 and 2% higher for fiscal year 2019 than the previous year.
- Expenditures in the Environmental Service Fund decreased by approximately \$32,000 or 2% from the prior year due to a decrease in capital outlay.

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, 2019, totaled approximately \$109,233,000 (net of accumulated depreciation). This was an increase of approximately \$7,924,000 from the prior year total. These capital assets include buildings, roads and bridges, land, machinery and equipment, water and sewer lines, and vehicles.

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

- Land for the new Police Department Headquarters
- Grounds Maintenance Building
- Main Street Restrooms
- Thirteen Vehicles
- North Main Street Sidewalks
- Water Treatment Plant Pumps
- Wastewater Plant Generator
- Mini Excavator
- Track Loader
- Streambank Restoration
- Ladson Road Water Line Extension
- Water & Sewer Lines
- Wastewater Treatment Plant Pump Motor
- Trailer Mounted Leaf Machine
- Sullivan Park Playground
- City Hall HVAC Replacement

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

City’s Net Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 4,292,324	4,437,354	2,529,663	2,956,233	6,821,987	\$ 7,393,587
Buildings	7,799,520	7,629,329	764,048	776,764	8,563,568	8,406,093
Other Improvements	1,579,664	1,427,131	112,686	129,799	1,692,350	1,556,930
Machinery and Equipment	2,931,866	2,958,100	3,846,103	3,843,982	6,777,969	6,802,082
Infrastructure	9,172,472	10,208,922	64,400,388	63,413,692	73,572,860	73,622,614
Software	66,413	41,807	58,851	30,858	125,264	72,665
Construction in Progress	699,290	2,952,202	3,055,983	8,426,971	3,755,273	11,379,173
Total	\$ 26,541,549	29,654,845	74,767,722	79,578,299	101,309,271	\$ 109,233,144

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 (Primary Government) capital assets and the ABC Board’s capital assets (which is classified as a Component Unit for the City) can be found in Note III.D in the Notes to the Financial Statements

Long-Term Debt

As of June 30, 2019, the City had total bonded debt outstanding of \$1,177,000. 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 General Obligation Bonds

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
General Obligation Bonds	\$ 1,343,000	1,177,000	-	-	1,343,000	\$ 1,177,000

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 approximately \$118,678,000.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

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

- Henderson County's unemployment rate continues to be one of the lowest in the state at 3.6% as of June 30, 2019. Neighboring Buncombe County had the lowest unemployment in the state at 3.4% as of June 30, 2019.
- The certified population estimate for the City of Hendersonville as of July 1, 2019 was 14,251. This is an 8.5% increase since 2010. The median resident age for Henderson County is 47 years and the median household income was \$51,314 as of 2017
- Unemployment has increased slightly, but the overall number of employed has increased. Manufacturing, Health Care, and Retail are the leading industries in number of jobs in Henderson County.
- Microbrewing is becoming a big business in Henderson County and craft beer is providing a substantial industry for Western North Carolina. There are five currently open and operating near downtown Hendersonville with more scheduled for 2019-2020. The number of wineries and cideries is also increasing.
- Agriculture and Agritourism continue to be significant drivers for the economy of Henderson County. The annual Henderson County Apple Festival, held in Hendersonville, brings in more than 250,000 people for the Labor Day weekend event.

Budget Highlights for the Fiscal Year Ending June 30, 2020

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 City received an award for Distinguished Budget Presentation by the Government Finance Officers Association ("GFOA") for its annual budget for Fiscal Year 2019. 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 2019 budget can be found on the City's website at: <http://www.hvlnl.gov/budget>.

The fiscal year ending June 30, 2020 ("2020" or "FY 2020") operating budget totals approximately \$38,721,000 for the City's budgeted operating funds. This is approximately \$3,245,000 or 9%, higher than the approximately \$35,476,000 original FY 2019 budget, due in part to increases in personnel and benefit expenditures.

Governmental Activities

The fiscal year 2020 budget keeps the tax rate at \$0.49 per \$100 in assessed value, but the assessed value of property was estimated to increase 21% due to revaluation. The rate is budgeted to generate approximately \$9,550,958 in ad valorem tax revenue and \$675,000 in motor vehicle tax revenue for the fiscal year.

The fiscal year 2020 adopted expenditure budget for the General Fund totals approximately \$17,296,000 which is approximately \$1,419,000 above the final 2019 fiscal year amended budgeted. The increase is primarily due to a 15% increase in health insurance premiums, 50% contribution for dependent health insurance coverage, addition of new positions, and natural growth for employee merit increases. The FY 2020 General Fund budget includes the planned use of approximately \$612,000 of fund balance. The General Fund budget for fiscal year 2020 continues City Council's commitment to street maintenance as a major initiative for the fiscal year. As was the case in the previous three years, one cent of the property tax levy was again allocated to add to the Powell Bill expenditure budget for street resurfacing. The tax rate was not reduced in this revaluation year that provided an increase in property valuation in anticipation of debt service requirements for the new Police Headquarters and addition of Fire Department Personnel.

CITY OF HENDERSONVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

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

Budget Highlights for the Fiscal Year Ending June 30, 2020 (Continued)

Business-Type Activities

The Water and Sewer fund is the largest part of the City of Hendersonville's operating budget, accounting for approximately 47% of total expenses. The fiscal year 2020 operating budget, not including transfers to the Water and Sewer Capital Projects, totals approximately \$17,580,000 and is 6% higher than the prior fiscal year due to an increase in personnel and operating expenditures.

The Water and Sewer fund has approximately \$1,373,000 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 Environmental Service Fund budgeted operating expenses increased by approximately \$264,000 or 19% in next year's budget. The increase is due to an increase in capital outlay in fiscal year 2020.

The Stormwater Fund operating expense budget, not including transfers, is approximately \$538,000 for fiscal year 2020, an increase of 75% over the prior year. The increase is mainly due to an increase in the Professional Services budget to fund a utility rate study and the purchase of a street sweeper.

Capital Improvement Plan

The City of Hendersonville's Capital Improvement Plan ("CIP") represents a multiyear forecast of the City's capital needs. The City prepares and continuously updates this five year CIP to function as a planning tool. Each fiscal year 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, Fourth Avenue Streetscape project, and the continuation of Tracey Grove bridge replacement project, Police Department headquarters, Public Works maintenance facility, and the Main Street corridor restrooms.

Several major Water and Sewer capital projects will continue in the fiscal year 2020 budget, including the Northside Water System Improvements project, Gravity Filter Replacement project, the Etowah Water System Improvements, Wastewater Treatment Plant Generator Project, Water Treatment Plant High Service Pump Station project, and French Broad Raw Water Intake project.

The Stormwater Fund plans to complete a stormwater improvement project at Patton Park and purchase a street sweeper.

The Environmental Service Fund has a budget to replace a garbage truck as part of the planned replacement schedule

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.hvlnc.gov>.

Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, 160 6th Ave East, Hendersonville, North Carolina 28792.





Basic Financial Statements

CITY OF HENDERSONVILLE, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT			COMPONENT
	Governmental	Business-Type	Totals	UNIT
	Activities	Activities		ABC Board
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,394,838	625,634	3,020,472	\$ 1,020,668
Pooled Cash and Cash Equivalents, Restricted	773,634	-	773,634	-
Pooled Investments	3,454,891	13,819,565	17,274,456	-
Receivables, Net:				
Interest	51,897	64,529	116,426	-
Property Taxes	241,622	-	241,622	-
Accounts	96,485	2,475,177	2,571,662	956
Grants	6,877	53,995	60,872	-
Shared Taxes	1,336,279	-	1,336,279	-
Refundable Taxes	445,144	83	445,227	-
Due From Component Unit	87,500	-	87,500	-
Prepays and Inventories	22,779	1,294,570	1,317,349	614,051
Land Held for Sale/Redevelopment	50,295	-	50,295	-
Note Receivable	700,000	-	700,000	-
Capital Assets:				
Non-Depreciable	7,389,556	11,383,204	18,772,760	640,091
Depreciable, Net	22,265,289	68,195,095	90,460,384	1,078,369
TOTAL ASSETS	39,317,086	97,911,852	137,228,938	3,354,135
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Charges	2,257,585	1,534,516	3,792,101	100,019
Deferred Other Postemployment Benefit Charges	116,394	75,024	191,418	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,373,979	1,609,540	3,983,519	100,019
LIABILITIES				
Accounts Payable	668,786	2,348,017	3,016,803	138,258
Accrued Interest Payable	70,541	117,593	188,134	-
Accrued Salaries and Benefits	352,146	323,834	675,980	-
Customer Deposits	1,100	137,271	138,371	-
Other Accrued Liabilities	-	-	-	168,956
Due to Primary Government	-	-	-	87,500
Due to Other Governments	-	-	-	87,500
Unearned Revenues	1,600	-	1,600	-
Non-Current Liabilities:				
Due Within One Year	1,138,310	2,143,545	3,281,855	-
Due in More Than One Year	13,889,495	18,020,019	31,909,514	85,879
TOTAL LIABILITIES	16,121,978	23,090,279	39,212,257	568,093
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Credits	99,903	18,686	118,589	445
Deferred Other Postemployment Benefit Credits	44,401	35,328	79,729	-
Prepaid Taxes	8,224	-	8,224	-
TOTAL DEFERRED INFLOWS OF RESOURCES	152,528	54,014	206,542	445
NET POSITION				
Net Investment in Capital Assets	21,020,174	63,008,624	84,028,798	1,718,460
Restricted For:				
Stabilization by State Statute	2,878,364	-	2,878,364	-
General Government	3,470	-	3,470	-
Economic Development	71,448	-	71,448	-
Public Safety	118,458	-	118,458	-
Transportation	214,135	-	214,135	-
Capital Improvements	-	-	-	30,629
Working Capital	-	-	-	233,232
Unrestricted	1,110,510	13,368,475	14,478,985	903,295
TOTAL NET POSITION	\$ 25,416,559	76,377,099	101,793,658	\$ 2,885,616

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, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			Component Unit ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	\$ 3,885,983	40,272	-	-	(3,845,711)	-	(3,845,711)	\$ -
Public Safety	9,043,813	390,797	382,941	4,178	(8,265,897)	-	(8,265,897)	-
Transportation	2,559,392	153,295	382,540	21,016	(2,002,541)	-	(2,002,541)	-
Environmental Protection	95,522	-	-	246,060	150,538	-	150,538	-
Economic and Physical Development	521,007	-	573,322	-	52,315	-	52,315	-
Culture and Recreational	864,375	292,418	-	-	(571,957)	-	(571,957)	-
Interest on Long-Term Obligations	253,558	-	-	-	(253,558)	-	(253,558)	-
Total Governmental Activities	17,223,650	876,782	1,338,803	271,254	(14,736,811)	-	(14,736,811)	-
Business-Type Activities:								
Water and Sewer	16,069,699	16,067,138	-	1,401,967	-	1,399,406	1,399,406	-
Environmental Services	1,428,563	1,221,473	-	-	-	(207,090)	(207,090)	-
Stormwater	275,402	341,334	-	19,320	-	85,252	85,252	-
Total Business-Type Activities	17,773,664	17,629,945	-	1,421,287	-	1,277,568	1,277,568	-
TOTAL - PRIMARY GOVERNMENT	\$ 34,997,314	18,506,727	1,338,803	1,692,541	(14,736,811)	1,277,568	(13,459,243)	-
COMPONENT UNIT:								
ABC Board	\$ 7,760,778	7,894,834	-	-	-	-	-	134,056
TOTAL - COMPONENT UNIT	\$ 7,760,778	7,894,834	-	-	-	-	-	134,056
General Revenues, Special Item, and Transfers:								
General Revenues:								
Taxes:								
Property Taxes					9,108,913	-	9,108,913	-
Sales Taxes					3,427,281	-	3,427,281	-
Franchise Taxes					1,281,328	-	1,281,328	-
Gross Receipts Tax					11,605	-	11,605	-
Other Taxes					264,151	-	264,151	-
Investment Income					220,110	331,817	551,927	-
Miscellaneous					211,310	114,735	326,045	-
Gain on Sale of Assets					-	5,323	5,323	-
Special Item - Loss on Grey Hosiery Mill Redevelopment					(569,930)	-	(569,930)	-
Transfers In (Out)					336,250	(336,250)	-	-
Total General Revenues, Special Item, and Transfers					14,291,018	115,625	14,406,643	-
CHANGE IN NET POSITION					(445,793)	1,393,193	947,400	134,056
NET POSITION, Beginning of Year, as Previously Reported					25,862,352	74,983,906	100,846,258	2,670,268
Prior Period Adjustments					-	-	-	81,292
NET POSITION, Beginning of Year, Restated					<u>25,862,352</u>	<u>74,983,906</u>	<u>100,846,258</u>	<u>2,751,560</u>
NET POSITION, END OF YEAR					25,416,559	76,377,099	101,793,658	\$ 2,885,616

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, 2019

	GENERAL FUND	GOVERNMENTAL CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Pooled Cash and Cash Equivalents	\$ 2,270,978	-	-	\$ 2,270,978
Pooled Cash and Cash Equivalents, Restricted	-	216,496	557,138	773,634
Pooled Investments	3,454,891	-	-	3,454,891
Receivables, Net:				
Interest	50,475	-	1,422	51,897
Taxes	227,746	-	13,876	241,622
Accounts	95,985	-	500	96,485
Grants	6,877	-	-	6,877
Shared Taxes	1,365,088	-	58,691	1,423,779
Refundable Taxes	445,144	-	-	445,144
Due From Other Funds	153,891	-	-	153,891
Prepaid Items	22,488	-	291	22,779
Land Held for Sale/Redevelopment	50,295	-	-	50,295
Note Receivable	-	-	700,000	700,000
TOTAL ASSETS	\$ 8,143,858	216,496	1,331,918	\$ 9,692,272
LIABILITIES				
Accounts Payable	\$ 210,607	417,207	25,287	\$ 653,101
Accrued Salaries and Benefits	323,655	-	6,373	330,028
Customer Deposits	1,100	-	-	1,100
Due To Other Funds	-	-	153,891	153,891
Unearned Revenues	-	-	1,600	1,600
TOTAL LIABILITIES	535,362	417,207	187,151	1,139,720
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	227,746	-	13,876	241,622
Prepaid Taxes	8,224	-	-	8,224
TOTAL DEFERRED INFLOWS OF RESOURCES	235,970	-	13,876	249,846
FUND BALANCES				
Nonspendable:				
Prepaid Items	22,488	-	-	22,488
Land Held for Sale/Redevelopment	50,295	-	-	50,295
Restricted For:				
Stabilization by State Statute	2,117,460	-	760,904	2,878,364
General Government	-	-	3,470	3,470
Economic Development	-	-	57,572	57,572
Public Safety	-	-	118,458	118,458
Transportation	-	-	214,135	214,135
Committed - Organic Garden	-	-	3,230	3,230
Assigned For:				
Subsequent Year's Expenditures	713,196	-	135,109	848,305
Unassigned	4,469,087	(200,711)	(161,987)	4,106,389
TOTAL FUND BALANCES	7,372,526	(200,711)	1,130,891	8,302,706
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,143,858	216,496	1,331,918	\$ 9,692,272

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, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 8,302,706**

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 \$51,934,271 and the accumulated depreciation was \$22,279,426.	29,654,845
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.	241,622
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.	86,057
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.	(70,541)
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.	2,100,611
The City's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	57,071
The City's deferred outflows of resources and deferred inflows of resources related to its other postemployment benefit plan (retiree health care plan), a single-employer defined benefit other postemployment benefit plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.	71,993
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	(8,949,261)
Compensated Absences	(737,886)
Total OPEB Liability - Health Care Plan	(1,577,804)
Net Pension Liability - LGERS Pension Plan	(2,693,806)
Total Pension Liability - LEOSSA	<u>(1,069,048)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 25,416,559**

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, 2019

	GENERAL FUND	GOVERNMENTAL CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Ad Valorem Taxes	\$ 8,869,027	-	263,544	\$ 9,132,571
Other Taxes and Licenses	11,604	-	-	11,604
Unrestricted Intergovernmental Revenue	4,879,936	-	210,264	5,090,200
Restricted Intergovernmental Revenue	696,221	-	838,598	1,534,819
Permits and Fees	412,876	-	-	412,876
Sales and Services	292,235	-	73,322	365,557
Investment Earnings	207,440	-	12,669	220,109
Miscellaneous	128,418	-	95,261	223,679
TOTAL REVENUES	15,497,757	-	1,493,658	16,991,415
EXPENDITURES				
Current:				
General Government	2,952,584	633,561	971	3,587,116
Public Safety	8,115,688	-	113,742	8,229,430
Transportation	1,971,674	-	-	1,971,674
Environmental Protection	-	-	95,522	95,522
Economic and Physical Development	-	3,694	499,253	502,947
Culture and Recreational	644,646	-	-	644,646
Capital Outlay	756,444	2,848,137	1,202,132	4,806,713
Debt Service:				
Principal Retirement	631,138	-	-	631,138
Interest	229,712	-	8,167	237,879
TOTAL EXPENDITURES	15,301,886	3,485,392	1,919,787	20,707,065
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	195,871	(3,485,392)	(426,129)	(3,715,650)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	465,100	2,500,000	-	2,965,100
Insurance Proceeds	43,780	-	-	43,780
Sale of Capital Assets	23,207	-	-	23,207
Transfers In	53,500	892,026	454,272	1,399,798
Transfers Out	(951,974)	(72,000)	(39,574)	(1,063,548)
TOTAL OTHER FINANCING SOURCES (USES)	(366,387)	3,320,026	414,698	3,368,337
SPECIAL ITEM				
Loss on Grey Hosiery Mill Redevelopment	-	-	(184,272)	(184,272)
NET CHANGES IN FUND BALANCES	(170,516)	(165,366)	(195,703)	(531,585)
FUND BALANCES, Beginning of Year, as Previously Reported	7,543,042	-	1,291,249	8,834,291
Reclassification of Fund Balances	-	(35,345)	35,345	-
FUND BALANCE, Beginning of Year, Restated	7,543,042	(35,345)	1,326,594	8,834,291
FUND BALANCES, End of Year	\$ 7,372,526	(200,711)	1,130,891	\$ 8,302,706

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, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (531,585)**

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.	(23,658)
Debt proceeds provide current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the Statement of Net Position.	(2,965,100)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	631,138
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.	(15,679)
Special item reported in the Statement of Activities that does not require the use of current financial resources and therefore was not reported as a special item in the governmental funds.	(385,658)
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(232,074)
Changes in the City's LEOSA net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(70,024)
Changes in the City's total other postemployment benefit liability (retiree health care plan), deferred outflow of resources, and deferred inflow of resources are not reported in the governmental funds but is reported in the Statement of Activities.	(8,928)
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.	(25,606)
In the Statement of Activities the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	(112,435)
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.	68,085
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 \$4,804,733 exceeded depreciation expense of \$1,579,002 in the current period.	3,225,731

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (445,793)**

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, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Ad Valorem Taxes	\$ 8,559,971	8,609,971	8,869,027	\$ 259,056
Other taxes and licenses	11,000	11,000	11,604	604
Unrestricted Intergovernmental Revenue	4,712,425	4,782,425	4,879,936	97,511
Restricted Intergovernmental Revenue	586,520	636,520	696,221	59,701
Permits and Fees	403,900	403,900	412,876	8,976
Sales And Services	266,250	286,250	292,235	5,985
Investment Earnings	83,600	83,600	207,440	123,840
Miscellaneous Revenues	131,000	110,800	128,418	17,618
TOTAL REVENUES	14,754,666	14,924,466	15,497,757	573,291
EXPENDITURES				
Current:				
General Government	3,115,606	3,069,274	2,952,584	116,690
Public Safety	8,536,503	8,432,753	8,115,688	317,065
Transportation	2,067,471	2,042,295	1,971,674	70,621
Culture and Recreation	634,905	677,047	644,646	32,401
Capital Outlay	826,000	792,375	756,444	35,931
Debt Service:				
Principal	631,138	631,083	631,138	(55)
Interest and Bank Fees	200,043	232,125	229,712	2,413
TOTAL EXPENDITURES	16,011,666	15,876,952	15,301,886	575,066
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,257,000)	(952,486)	195,871	1,148,357
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	615,000	615,000	465,100	(149,900)
Insurance Proceeds	-	42,938	43,780	842
Sale of Capital Assets	-	-	23,207	23,207
Transfers In	30,000	53,500	53,500	-
Transfers Out	-	(1,002,268)	(951,974)	50,294
TOTAL OTHER FINANCING SOURCES (USES)	645,000	(290,830)	(366,387)	(75,557)
Fund Balance Appropriated	612,000	1,243,316	-	(1,243,316)
NET CHANGE IN FUND BALANCES	\$ -	-	(170,516)	\$ (170,516)
FUND BALANCES, Beginning of Year			7,543,042	
FUND BALANCES, End of Year			\$ 7,372,526	

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, 2019

	MAJOR	NONMAJOR		TOTAL ENTERPRISE FUNDS	INTERNAL
	WATER AND SEWER FUND	ENVIRONMENTAL SERVICE FUND	STORM WATER FUND		SERVICE FUND HEALTH AND WELFARE FUND
ASSETS					
Current Assets:					
Pooled Cash and Cash Equivalents	\$ 562,691	28,881	34,062	625,634	\$ 123,860
Pooled Investments	13,646,820	172,745	-	13,819,565	-
Receivable, Net					
Accounts Receivable	2,292,722	147,613	34,842	2,475,177	-
Grants	36,864	-	17,131	53,995	-
Refundable Taxes	83	-	-	83	-
Accrued Interest	63,244	1,122	163	64,529	-
Prepaid and Inventories	1,294,570	-	-	1,294,570	-
Total Current Assets	<u>17,896,994</u>	<u>350,361</u>	<u>86,198</u>	<u>18,333,553</u>	<u>123,860</u>
Non-Current Assets:					
Capital Assets:					
Non-Depreciable	11,283,655	11,134	88,415	11,383,204	-
Depreciable, Net	67,182,098	647,623	365,374	68,195,095	-
Total Non-Current Assets	<u>78,465,753</u>	<u>658,757</u>	<u>453,789</u>	<u>79,578,299</u>	<u>-</u>
TOTAL ASSETS	<u>96,362,747</u>	<u>1,009,118</u>	<u>539,987</u>	<u>97,911,852</u>	<u>123,860</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Pension Charges	1,364,075	170,441	-	1,534,516	-
Deferred Other Post Employment Benefit Charges	62,520	12,504	-	75,024	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,426,595</u>	<u>182,945</u>	<u>-</u>	<u>1,609,540</u>	<u>-</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	2,315,142	22,875	10,000	2,348,017	15,685
Accrued Interest Payable	117,272	321	-	117,593	-
Accrued Salaries and Benefits	284,821	33,131	5,882	323,834	22,118
Customer Deposits	137,271	-	-	137,271	-
Current Portion of Compensated Absences	181,487	14,680	1,126	197,293	-
Current Portion of Debt	1,914,347	31,905	-	1,946,252	-
Total Current Liabilities	<u>4,950,340</u>	<u>102,912</u>	<u>17,008</u>	<u>5,070,260</u>	<u>37,803</u>
Non-Current Liabilities:					
Net Pension Liability	1,727,977	215,908	-	1,943,885	-
Other Post Employment Benefits	1,132,950	122,468	-	1,255,418	-
Compensated Absences, Less Current Portion	181,487	14,680	1,126	197,293	-
Debt, Less Current Portion	14,554,743	68,680	-	14,623,423	-
Total Long-Term Liabilities	<u>17,597,157</u>	<u>421,736</u>	<u>1,126</u>	<u>18,020,019</u>	<u>-</u>
TOTAL LIABILITIES	<u>22,547,497</u>	<u>524,648</u>	<u>18,134</u>	<u>23,090,279</u>	<u>37,803</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Credits	16,610	2,076	-	18,686	-
Deferred Other Post Employment Benefit Credits	31,882	3,446	-	35,328	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>48,492</u>	<u>5,522</u>	<u>-</u>	<u>54,014</u>	<u>-</u>
NET POSITION					
Net Investment in Capital Assets	61,996,663	558,172	453,789	63,008,624	-
Unrestricted	13,196,690	103,721	68,064	13,368,475	86,057
TOTAL NET POSITION	<u>\$ 75,193,353</u>	<u>661,893</u>	<u>521,853</u>	<u>76,377,099</u>	<u>\$ 86,057</u>

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, 2019

	MAJOR			TOTAL	INTERNAL SERVICE FUND HEALTH AND WELFARE FUND
	WATER AND SEWER FUND	ENVIRONMENTAL SERVICE FUND	STORM WATER FUND		
OPERATING REVENUES					
Charges for Services	\$ 15,179,809	1,221,473	341,334	16,742,616	\$ 280,000
Water and Sewer Taps	401,303	-	-	401,303	-
Other Operating Revenues	486,026	-	-	486,026	26,565
TOTAL OPERATING REVENUES	16,067,138	1,221,473	341,334	17,629,945	306,565
OPERATING EXPENSES					
Administrative	3,715,537	-	-	3,715,537	-
Operations Support	2,178,532	-	-	2,178,532	-
Water Treatment and Distribution	3,504,521	-	-	3,504,521	-
Waste Collection and Treatment	2,761,379	1,275,699	-	4,037,078	-
Water and Sewer Construction	356,309	-	-	356,309	-
Stormwater	-	-	264,895	264,895	-
Risk Management and Employee Benefits	-	-	-	-	238,480
Depreciation	3,154,772	150,440	10,507	3,315,719	-
TOTAL OPERATING EXPENSES	15,671,050	1,426,139	275,402	17,372,591	238,480
OPERATING INCOME (LOSS)	396,088	(204,666)	65,932	257,354	68,085
NON-OPERATING REVENUES (EXPENSES)					
Grant Revenue	405,169	-	17,197	422,366	-
Interest Earned on Investments	322,157	8,816	844	331,817	-
Interest on Long-Term Obligations	(398,649)	(2,424)	-	(401,073)	-
Gain (Loss) on Sale of Capital Assets	5,323	-	-	5,323	-
Other	54,501	24,413	-	78,914	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	388,501	30,805	18,041	437,347	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	784,589	(173,861)	83,973	694,701	68,085
Capital Contributions	996,798	-	2,123	998,921	-
Insurance Proceeds	35,821	-	-	35,821	-
Transfers In	-	-	72,000	72,000	-
Transfers Out	(378,250)	-	(30,000)	(408,250)	-
CHANGE IN NET POSITION	1,438,958	(173,861)	128,096	1,393,193	68,085
NET POSITION, Beginning of Year	73,754,395	835,754	393,757	74,983,906	17,972
NET POSITION, End of Year	\$ 75,193,353	661,893	521,853	76,377,099	\$ 86,057

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, 2019

	MAJOR	NONMAJOR		TOTAL	INTERNAL
	WATER AND SEWER FUND	ENVIRONMENTAL SERVICE FUND	STORM WATER FUND		SERVICE FUND HEALTH AND WELFARE FUND
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 15,695,895	1,241,201	389,448	17,326,544	\$ 306,565
Payments to Suppliers for Goods and Services	(8,164,879)	(694,605)	(287,952)	(9,147,436)	(240,241)
Payments for Personal Services	(4,888,435)	(576,717)	(108,332)	(5,573,484)	(6,331)
Other Receipts (Payments)	90,322	24,413	-	114,735	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,732,903	(5,708)	(6,836)	2,720,359	59,993
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
State and Federal Grants	537,477	-	66	537,543	-
Transfers to Other Funds	(378,250)	-	(30,000)	(408,250)	-
Transfers from Other Funds	-	-	72,000	72,000	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	159,227	-	42,066	201,293	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(4,932,399)	(81,004)	(150,149)	(5,163,552)	-
Proceeds on Sale of Capital Assets	35,024	-	-	35,024	-
Bond and Revolving Fund Loan Principal Payments	(1,914,347)	(31,307)	-	(1,945,654)	-
Bond and Revolving Fund Loan Interest Payments	(412,226)	(2,320)	-	(414,546)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(7,223,948)	(114,631)	(150,149)	(7,488,728)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Earnings	333,264	10,730	1,170	345,164	-
Short Term Investments, Net	1,205,891	15,264	-	1,221,155	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,539,155	25,994	1,170	1,566,319	-
NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS					
	(2,792,663)	(94,345)	(113,749)	(3,000,757)	59,993
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year					
	3,355,354	123,226	147,811	3,626,391	63,867
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year					
	\$ 562,691	28,881	34,062	625,634	\$ 123,860
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:					
Operating Income (Loss)	\$ 396,088	(204,666)	65,932	257,354	\$ 68,085
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:					
Depreciation Expense	3,154,772	150,440	10,507	3,315,719	-
Other Nonoperating Revenue	90,322	24,413	-	114,735	-
Change in Accounts Representing Operating Activities:					
Accounts Receivable	(404,912)	17,729	48,114	(339,069)	-
Shared Taxes Receivable	-	1,999	-	1,999	-
Refundable Taxes Receivable	(21)	-	-	(21)	-
Prepays and Inventory	(219,708)	-	-	(219,708)	-
Accounts Payable	(494,962)	(8,836)	(131,731)	(635,529)	(1,761)
Accrued Salaries and Benefits	35,833	3,360	(60)	39,133	(6,331)
Customer Deposits	33,690	-	-	33,690	-
Other Post Employment Benefits	(34,509)	(5,542)	-	(40,051)	-
Compensated Absences	34,670	(2,302)	402	32,770	-
Net Pension Liability	656,957	72,564	-	729,521	-
Deferred Pension Charges	(489,832)	(53,434)	-	(543,266)	-
Deferred Pension Credits	(25,669)	(3,583)	-	(29,252)	-
Deferred Other Post Employment Benefit Charges	(31,698)	(1,296)	-	(32,994)	-
Deferred Other Post Employment Benefit Credits	31,882	3,446	-	35,328	-
Net Cash Provided by (Used in) Operating Activities	\$ 2,732,903	(5,708)	(6,836)	2,720,359	\$ 59,993
Noncash Investing or Financing Items:					
Capital Contributions	\$ 996,798	-	2,123	998,921	\$ -
Acquisition of Capital Assets Not Yet Paid For	\$ 1,993,524	-	-	1,993,524	\$ -

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, 2019

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 30th 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, 2019

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, environmental services, and stormwater.

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, 2019

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 **Governmental Capital Projects Fund, a major fund**, is used to account for and report funds that are restricted, committed, or assigned for future capital improvements. This fund adopts a multi-year project budget.

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 **Main Street 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, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Motor Unit Donations – Police Fund, a non-major fund*, was established to administer motor unit donations for Police. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *Historic Preservation Commission Fund, a non-major fund*, was established to administer the City’s activities related to historic conservation efforts. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

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. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *Needy Persons Fund, a non-major fund*, was established to administer restricted funds for programs targeted for needy persons. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

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. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *Kennel Fund, a non-major fund*, was established to administer funds received that are restricted for the care of police dogs. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *Fire Department Community Fund, a non-major fund*, was established to administer funds received that are restricted for fire department community activities. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

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. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *Drug Forfeiture Federal Fund, a non-major fund*, was established to administer activities related to the Forfeiture Program.

The *Governor’s Highway Safety Program Bike Safe Grant 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 *Grey Hosiery Fund, a non-major fund*, was established to account for costs associated with the sale and redevelopment of the Grey Hosier Mill. This fund adopts a multi-year project budget.

The *Walk of Fame Fund, a non-major fund*, was established to accumulate donations received by the Henderson County Walk of Fame committee fundraisers and to expend those funds on plaques of recognition which will be placed on City property. In the current year, the activity and fund balance in this fund was reclassified to the Special Revenue Fund.

The *SAFER Grant Fund, a non-major fund*, was established to administer a federal grant to increase the staffing in the Fire Department. This fund adopts a multi-year project budget.

The *Special Revenue Fund, a non-major fund*, was established to administer restricted or committed funds for some of the City’s other programs. This fund adopts a multi-year project budget.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 *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 an 80% refund for the cost of the replacement. This fund adopts a multi-year project budget.

The *Police Department Headquarters Project Fund, a non-major fund*, was established to account for the costs associated with acquisition of land and construction of the new City Police Department Headquarters. In the current year, the activity and fund balance in this fund was reclassified to the Governmental Capital Projects Fund.

The *Maintenance Facility Project Fund, a non-major fund*, was established to account for the costs associated with construction of the Ground/Building Maintenance Facility. In the current year, the activity and fund balance in this fund was reclassified to the Governmental Capital Projects Fund.

The *Main Street Public Restroom Project Fund, a non-major fund*, was established to account for the costs associated with construction of the Main Street Corridor Public Restroom and City Downtown Department Offices. In the current year, the activity and fund balance in this fund was reclassified to the Governmental Capital Projects Fund.

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, 2019

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.

The *Stormwater Fund, a non-major fund*, is used to account for the City's stormwater 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 Main Street 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.

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.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments (Continued)

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 and ABC Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of 0.11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2019

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	7-10 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 installment purchase contracts held in the Governmental Capital Projects 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, 2019

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 two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in the City's Statements of Net Position in connection with the City's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). (2) The City reports *deferred other postemployment benefits ("OPEB") charges* in the City's Statements of Net Position in connection with the City's OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability of the total OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 four 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 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 reports *deferred pension credits* in its Statements of Net Position in connection with the City’s participation in the State’s LGERS and LEOSSA. (4) The City also reports *deferred OPEB credits* in its Statements of Net Position in connection with the City’s OPEB Plan. These *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB 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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930’s that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (“RSS”), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

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 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. A portion of fund balance is committed in the Seventh Avenue Tax District Fund for an organic garden.

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 an Available Fund Balance policy for the General Fund to be at a minimum of fifty percent (50%) of the City's population group average percent available fund balance and 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Pensions and Other Postemployment Benefits

In government-wide and Proprietary Fund financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and 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 pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes a net/total pension and OPEB liability for each plan in which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the 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. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension and OPEB liabilities 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 and OPEB expense beginning with the period in which they are incurred. Projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

13. 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.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. 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.

15. 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.

16. 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 30th), 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 1st). The City adopts the budget ordinance by July 1st of each year.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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.

B. Noncompliance with North Carolina General Statutes

State law [G.S. 159-31(b)] requires that deposits of local government units be secured by deposit insurance, surety bonds, letter of credit issued by a Federal Home Loan Bank, or investment securities of such nature. At June 30, 2019, the City had a deposit account at a financial institution that was not properly insured. The issue was caused by a coding error at the institution and going forward the City will require written verification of account set. All loan agreements will address the type of funds, proper coding of funds by the institution, and verification requirements. See Note III.A for more details.

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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

A. Deposits and Investments (Continued)

Deposits (Continued)

At June 30, 2019, the City's deposits had a carrying amount of approximately \$3,556,000 and a bank balance of approximately \$4,125,000. Of this amount, approximately \$482,000 was not collateralized and exposed to custodial credit risk.

At June 30, 2019, the ABC Board's deposits had a carrying amount of approximately \$1,014,000 and a bank balance of approximately \$1,032,000. The portion of the bank balance not covered by federal depository insurance was covered by collateral held under the pooling method.

Investments

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturities in Years	
				< 1 yr	1 - 3 yrs
US Securities	Level 1	AA+/Aaa	\$ 1,933,048	1,933,048	\$ -
Agency Securities	Level 2	AA+/Aaa	12,104,149	10,114,229	1,989,920
NC Local Governments	Level 2	AAA/Aaa	3,180,535	2,476,633	703,902
NCCMT Government Portfolio	Level 1	AAAm	294,883	294,883	-
Total			<u>\$ 17,512,615</u>	<u>14,818,793</u>	<u>\$ 2,693,822</u>

[^] If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

⁽¹⁾ See Note I.C.13 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's had debt securities that were more than 5% of the City's total investments in the Federal Farm Credit Bank (21.4%), Federal Home Loan Mortgage (18.0%), Federal National Mortgage Association (29.8%), and with Gaston County (13.5%).

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2019 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. special revenue, grants, unspent debt proceeds, etc.).

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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	\$ 3,555,947
Fair Value of Investments	17,512,615
Total Deposits and Investments	\$ 21,068,562
Statement of Net Position:	
Pooled Cash and Cash Equivalents	\$ 3,020,472
Pooled Cash and Cash Equivalents, Restricted	773,634
Pooled Investments	17,274,456
Total Cash and Investments	\$ 21,068,562

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 1st. The City does not provide for discounts for taxes paid prior to the due date.

Gross property taxes receivable of approximately \$407,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately \$165,000. 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 2019 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2018, were levied in July 2018 based on a rate of .490 (.020 increase from prior year), .280 (same as prior year), and .120 (same as prior year) for the General Fund, Main Street Tax District, and Seventh Avenue District, respectively. The City's assessed value of real and personal property for tax year 2018 was approximately \$1.8 billion, \$85.6 million, and \$16.6 million for the City's General Fund rate, Main Street 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).

Note Receivable

The City entered into two note receivables during fiscal year 2019 relating to the redevelopment of the Grey Hosiery Mill. The first note was for \$200,000 with an interest rate of 3.5%. Monthly payments of approximately \$2,400 are to begin in January 2020 and continue through December 2027. The second note was for \$500,000 with no interest. A payment of \$100,000 is to be made in June 2020 and then annual installments of \$50,000 are to begin in December 2027 and continue through December 2034.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

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

Intergovernmental and Other Receivables

The City has other significant intergovernmental and other receivables related to (a) charges for services primarily for its water/sewer, environmental service, and stormwater 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.

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, 2019, 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 Revenue - Property Taxes	General/Special Revenue	\$ 241,622	-	-	\$ 241,622
Prepaid - Taxes	General	-	8,224	-	8,224
Unearned Revenues	Special Revenue	-	-	1,600	1,600
Total		<u>\$ 241,622</u>	<u>8,224</u>	<u>1,600</u>	<u>\$ 251,446</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, 2019 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, 2019, consisted of the following receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 153,891	\$ -
<u>Non-Major Governmental Funds:</u>		
Special Revenue Funds	-	66,005
Capital Projects Funds	-	87,886
Totals	<u>\$ 153,891</u>	<u>\$ 153,891</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

C. Interfund Balances and Transfers (Continued)

For the year ended June 30, 2019, the City had transfers between funds which consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 53,500	\$ 951,974
Governmental Capital Projects Fund	892,026	72,000
<u>Non-Major Governmental Funds:</u>		
Special Revenue Funds	384,272	39,574
Capital Projects Funds	70,000	-
<u>Major Enterprise Funds:</u>		
Water/Sewer Fund	-	378,250
<u>Non-Major Enterprise Funds:</u>		
Stormwater Fund	72,000	30,000
Totals	<u>\$ 1,471,798</u>	<u>\$ 1,471,798</u>

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 and construct assets. 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. The Water and Sewer Fund transferred out approximately \$347,000 to the Governmental Capital Projects Fund to fund the fiber infrastructure improvement project. The General Fund transferred out approximately \$568,000 to the Governmental Capital Projects Fund to fund the downtown public restroom project, fiber infrastructure improvement project, and various other projects. The General Fund also transferred Land/Held for Sale/Redevelopment in the amount of approximately \$384,000 to the Grey Hosiery Fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

D. Capital Assets

Capital asset activity for the City’s governmental activities for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 4,292,324	221,410	76,380	-	\$ 4,437,354
Construction In Progress	699,290	3,809,419	-	(1,556,507)	2,952,202
Total Capital Assets, Non-Depreciable	4,991,614	4,030,829	76,380	(1,556,507)	7,389,556
Capital Assets, Depreciable:					
Buildings and Improvements	12,368,924	65,560	-	-	12,434,484
Other Improvements	5,039,179	72,942	-	-	5,112,121
Machinery and Equipment	7,858,637	635,402	290,566	-	8,203,473
Software	413,918	-	-	-	413,918
Infrastructure	16,824,212	-	-	1,556,507	18,380,719
Total Capital Assets, Depreciable	42,504,870	773,904	290,566	1,556,507	44,544,715
Less: Accumulated Depreciation for:					
Buildings and Improvements	4,569,404	235,751	-	-	4,805,155
Other Improvements	3,459,515	225,475	-	-	3,684,990
Machinery and Equipment	4,926,771	573,113	254,511	-	5,245,373
Software	347,505	24,606	-	-	372,111
Infrastructure	7,651,740	520,057	-	-	8,171,797
Total Accumulated Depreciation	20,954,935	1,579,002	254,511	-	22,279,426
Total Capital Assets, Depreciable, Net	21,549,935	(805,098)	36,055	1,556,507	22,265,289
Governmental Activities Capital Assets, Net	\$ 26,541,549	3,225,731	112,435	-	\$ 29,654,845

Ongoing construction in progress in the City’s governmental activities primarily related to the Grounds and Maintenance Facility project and the Downtown Public Restrooms project. The City had remaining commitments on these projects in the amount of approximately \$538,000 as of June 30, 2019.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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	\$ 70,560	\$ 239,214
Public Safety	902,142	531,484
Transportation	3,058,071	577,570
Economic and Physical Development	694,435	17,816
Culture and Recreational	79,525	212,918
Total - Governmental Activities	<u>\$ 4,804,733</u>	<u>\$ 1,579,002</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
Business-Type Activities:					
<i>Water and Sewer Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 2,432,237	424,447	-	-	\$ 2,856,684
Construction In Progress	2,907,875	5,886,822	-	(367,726)	8,426,971
Total Capital Assets, Non-Depreciable	<u>5,340,112</u>	<u>6,311,269</u>	<u>-</u>	<u>(367,726)</u>	<u>11,283,655</u>
Capital Assets, Depreciable:					
Buildings	1,487,496	65,560	-	-	1,553,056
Plant and Distributions Systems	101,942,513	887,398	-	308,386	103,138,297
Machinery and Equipment	18,285,767	633,957	193,687	59,340	18,785,377
Other Improvements	115,149	24,537	-	-	139,686
Software	163,453	-	-	-	163,453
Total Capital Assets, Depreciable	<u>121,994,378</u>	<u>1,611,452</u>	<u>193,687</u>	<u>367,726</u>	<u>123,779,869</u>
Less: Accumulated Depreciation for:					
Buildings	723,448	52,844	-	-	776,292
Plant and Distributions Systems	37,619,749	2,453,372	-	-	40,073,121
Machinery and Equipment	15,156,723	613,139	163,986	-	15,605,876
Other Improvements	2,463	7,424	-	-	9,887
Software	104,602	27,993	-	-	132,595
Total Accumulated Depreciation	<u>53,606,985</u>	<u>3,154,772</u>	<u>163,986</u>	<u>-</u>	<u>56,597,771</u>
Total Capital Assets, Depreciable, Net	<u>68,387,393</u>	<u>(1,543,320)</u>	<u>29,701</u>	<u>367,726</u>	<u>67,182,098</u>
Water and Sewer Fund Capital Assets, Net	<u>\$ 73,727,505</u>	<u>4,767,949</u>	<u>29,701</u>	<u>-</u>	<u>\$ 78,465,753</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers/ Other Changes	Ending Balance
Business-Type Activities (Continued):					
<i>Environmental Service Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 11,134	-	-	-	\$ 11,134
Total Capital Assets, Non-Depreciable	11,134	-	-	-	11,134
Capital Assets, Depreciable:					
Machinery and Equipment	1,818,357	81,004	89,098	-	1,810,263
Total Capital Assets, Depreciable	1,818,357	81,004	89,098	-	1,810,263
Less: Accumulated Depreciation for:					
Machinery and Equipment	1,101,298	150,440	89,098	-	1,162,640
Total Accumulated Depreciation	1,101,298	150,440	89,098	-	1,162,640
Total Capital Assets, Depreciable, Net	717,059	(69,436)	-	-	647,623
Environmental Service Fund Capital Assets, Net	\$ 728,193	(69,436)	-	-	\$ 658,757
<i>Stormwater Fund</i>					
Capital Assets, Non-Depreciable:					
Land	\$ 86,292	2,123	-	-	\$ 88,415
Construction In Progress	148,108	60,540	-	(208,648)	-
Total Capital Assets, Non-Depreciable	234,400	62,663	-	(208,648)	88,415
Capital Assets, Depreciable:					
Plant and Distributions Systems	79,208	72,609	-	208,648	360,465
Machinery and Equipment	-	17,000	-	-	17,000
Total Capital Assets, Depreciable	79,208	89,609	-	208,648	377,465
Less: Accumulated Depreciation for:					
Plant and Distributions Systems	1,584	10,365	-	-	11,949
Machinery and Equipment	-	142	-	-	142
Total Accumulated Depreciation	1,584	10,507	-	-	12,091
Total Capital Assets, Depreciable, Net	77,624	79,102	-	208,648	365,374
Stormwater Fund Capital Assets, Net	\$ 312,024	141,765	-	-	\$ 453,789
Business-Type Activities Capital Assets, Net	\$ 74,767,722	4,840,278	29,701	-	\$ 79,578,299

Ongoing construction in progress in the City's business-type activities represents costs related primarily to the Water Treatment Plant High Service Pump project, Sewer Treatment Plant Generator project, and Sewer Treatment Plant Gravity Filter project. The City had remaining commitments on these projects in the amount of approximately \$965,000 as of June 30, 2019.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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	\$ 7,922,721	\$ 3,154,772
Environmental Services	81,004	150,440
Stormwater	152,272	10,507
Total - Business-Type Activities	<u>\$ 8,155,997</u>	<u>\$ 3,315,719</u>

Capital asset activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ABC Board (Component Unit)				
Capital Assets, Non-Depreciable:				
Land	\$ 640,091	-	-	\$ 640,091
Capital Assets, Depreciable:				
Buildings	1,053,192	20,721	-	1,073,913
Other Improvements	399,056	121,283	-	520,339
Furniture and Equipment	262,956	19,513	62,609	219,860
Vehicles	26,646	-	-	26,646
Computer Equipment	147,041	58,777	4,498	201,320
Total Capital Assets, Depreciable	<u>1,888,891</u>	<u>220,294</u>	<u>67,107</u>	<u>2,042,078</u>
Less: Accumulated Depreciation for:				
Buildings	458,708	21,920	-	480,628
Other Improvements	132,824	21,646	-	154,470
Furniture and Equipment	223,055	18,097	62,609	178,543
Vehicles	26,646	-	-	26,646
Computer Equipment	111,106	16,814	4,498	123,422
Total Accumulated Depreciation	<u>952,339</u>	<u>78,477</u>	<u>67,107</u>	<u>963,709</u>
Total Capital Assets, Depreciable, Net	<u>936,552</u>	<u>141,817</u>	<u>-</u>	<u>1,078,369</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,576,643</u>	<u>141,817</u>	<u>-</u>	<u>\$ 1,718,460</u>

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

Capital Asset Additions	Depreciation Expense
<u>\$ 220,294</u>	<u>\$ 78,477</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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. These issuances were obtained/issued through direct borrowings or direct placements. 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. Debt service payments on SRL are generally payable from the revenues of the water/sewer system and any other monies due to the City from the State may be withheld by the State and applied to the payment if the City fails to pay any payment of principal or interest. The Installment Purchase Contracts (“IPC”) are generally collateralized by the assets being financed, are not secured by the taxing power of the City, and are subject to acceleration clauses in an event of default (nonpayment, etc.).

Details on the City’s outstanding debt issues as of June 30, 2019 are as follows:

<i>General Obligation Bonds</i>	<u>Balance at June 30, 2019</u>
\$1,352,000 General Obligation Refunding Bond, Series 2017 (general obligation bonds) issued in October 2017 (“GORB – October 2017”), due in annual installments of \$9,000 to \$166,000 beginning on March 1, 2018 through March 1, 2027, plus interest of 2.02% due semi-annually. The proceeds from this issue were primarily used to advance refund the General Obligation Sidewalk Bonds, Series 2008.	\$ 1,177,000
 <i>State Revolving Loans</i>	
\$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.	1,987,500
\$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.	343,069
\$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.	1,452,000
\$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.	3,472,480
\$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.	2,227,969
 <i>Installment Purchase Contracts</i>	
\$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.	\$ 6,986,072

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

E. Long-Term Obligations (Continued)

<i>Installment Purchase Contracts (Continued)</i>	<u>Balance at June 30, 2019</u>
<p>\$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.</p>	\$ 4,200,000
<p>\$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.</p>	133,668
<p>\$242,500 Installment Purchase Contract with Entegra issued in June 2017 (“IPC – June 2017”), due in semi-annual installments of \$18,036 to \$25,995 beginning July 1, 2017 through January 1, 2032, plus interest at 2.49% due semi-annually. The proceeds of this issue were used to purchase a fire truck.</p>	574,078
<p>\$2,500,000 Installment Purchase Contract with Pinnacle issued in October 2018 (“IPC – October 2018”), due in annual installments of \$166,000 to \$167,000 beginning October 1, 2019 through October 1, 2033, plus interest at 3.18% due semi-annually. The proceeds of this issue were used to construct a maintenance building and a restroom facility.</p>	2,500,000
<p>\$465,100 Installment Purchase Contract with Pinnacle issued in June 2019 (“IPC – June 2019”), due in semi-annual installments of \$44,117 to \$49,347 beginning December 3, 2019 through June 3, 2024, plus interest at 2.25% due semi-annually. The proceeds of this issue were used to purchase vehicles and equipment.</p>	\$ 465,100

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, 2019.

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 (“LERS”), 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 Government Employees’ Retirement System” for more details.

The City implemented GASB Statement No. 73 “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*” in 2017. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the City’s Law Enforcement Officers Special Separation Allowance (“LEOSSA”), a single-employer defined benefit pension plan, which provides retirement benefits to the City’s qualified sworn law enforcement officers and its total pension liability (which is shown in the long-term obligation rollforward), see “Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance” for more details.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

E. Long-Term Obligations (Continued)

The City implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in 2018. This statement established standards for the measurement, recognition, and display of OPEB expenditures/expenses, OPEB liabilities, deferred OPEB outflows/inflows, 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 total OPEB liability (which is shown in the long-term obligation rollforward), see “Note IV.C Postemployment Benefits Other Than Pensions” 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, 2019:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings/Placements:					
General Obligation Bonds:					
GORB – October 2017	\$ 1,343,000	-	166,000	1,177,000	\$ 164,000
Total General Obligation Bonds	<u>1,343,000</u>	<u>-</u>	<u>166,000</u>	<u>1,177,000</u>	<u>164,000</u>
Installment Purchase Contracts:					
IPC - August 2003	116,668	-	116,668	-	-
IPC - April 2013	4,500,000	-	300,000	4,200,000	300,000
IPC - September 2015	44,662	-	11,579	33,083	11,801
IPC - June 2017	610,969	-	36,891	574,078	37,828
IPC - October 2018	-	2,500,000	-	2,500,000	167,000
IPC - June 2019	-	465,100	-	465,100	88,738
Total Installment Purchase Contracts	<u>5,272,299</u>	<u>2,965,100</u>	<u>465,138</u>	<u>7,772,261</u>	<u>605,367</u>
Total Direct Borrowings/Placements	6,615,299	2,965,100	631,138	8,949,261	769,367
Compensated Absences	712,280	411,721	386,115	737,886	368,943
Total OPEB Liability	1,633,247	-	55,443	1,577,804	-
Net Pension Liability - LGERS	1,617,882	1,075,924	-	2,693,806	-
Total Pension Liability - LEOSSA	970,249	98,799	-	1,069,048	-
Total Governmental Activities	<u>\$ 11,548,957</u>	<u>4,551,544</u>	<u>1,072,696</u>	<u>15,027,805</u>	<u>\$ 1,138,310</u>

Resources from the General Fund and Main Street 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, 2019

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, 2019:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Direct Borrowings/Placements:					
State Revolving Loans:					
SRF - November 2001	\$ 2,650,000	-	662,500	1,987,500	\$ 662,500
SRF - May 2011	371,658	-	28,589	343,069	28,589
SRF - June 2015	1,542,750	-	90,750	1,452,000	90,750
SRF - July 2015	3,689,510	-	217,030	3,472,480	217,030
SRF - March 2016	2,367,217	-	139,248	2,227,969	139,248
Total Special Obligation Bonds	10,621,135	-	1,138,117	9,483,018	1,138,117
Installment Purchase Contracts:					
IPC - April 2012	7,762,302	-	776,230	6,986,072	776,230
IPC - September 2015	131,892	-	31,307	100,585	31,905
Total Installment Purchase Contracts	7,894,194	-	807,537	7,086,657	808,135
Total Direct Borrowings/Placements	18,515,329	-	1,945,654	16,569,675	1,946,252
Compensated Absences	361,816	329,482	296,712	394,586	197,293
Total OPEB Liability	1,295,469	-	40,051	1,255,418	-
Net Pension Liability - LGERS	1,214,364	729,521	-	1,943,885	-
Total Business-Type Activities	\$ 21,386,978	1,059,003	2,282,417	20,163,564	\$ 2,143,545

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, 2019:

Year Ended June 30,	Direct Borrowing/Placement Debt				Total
	General Obligation Bonds		Installment Purchase Contracts		
	Principal	Interest	Principal	Interest	
Governmental Activities:					
2020	\$ 164,000	23,776	605,367	245,833	\$ 1,038,976
2021	161,000	20,462	608,580	226,838	1,016,880
2022	158,000	17,210	608,910	207,776	991,896
2023	155,000	14,018	602,798	188,621	960,437
2024	152,000	10,888	606,486	169,628	939,002
2025-2029	387,000	14,484	2,560,547	586,581	3,548,612
2030-2034	-	-	2,179,573	166,887	2,346,460
Totals	\$ 1,177,000	100,838	7,772,261	1,792,164	\$ 10,842,263

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

E. Long-Term Obligations (Continued)

Year Ended June 30,	Direct Borrowing/Placement Debt				Total
	State Revolving Loans		Installment Purchase Contracts		
	Principal	Interest	Principal	Interest	
Business-Type Activities					
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	1,138,117	151,537	812,386	119,619	2,221,659
2023	475,617	122,608	776,230	100,681	1,475,136
2024	475,617	112,959	776,230	82,375	1,447,181
2025-2029	2,378,085	420,051	3,104,922	146,445	6,049,503
2030-2034	2,292,319	180,938	-	-	2,473,257
2035	447,029	8,941	-	-	455,970
Totals	\$ 9,483,018	1,386,892	7,086,657	744,836	\$ 18,701,403

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 of \$2 million and auto liability coverage of \$1 million per occurrence; property coverage up to \$102 million blanket coverage; Law Enforcement Liability Insurance of \$1 million and \$3 million, respectively; and Public Officials Liability Insurance of \$2 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, 2019

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.

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, 2019

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, 2019, was 8.50% of compensation for law enforcement officers and 7.81% 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 \$987,000 and \$746,000 for the year ended June 30, 2019, 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, 2019, the City reported a liability of approximately \$4,638,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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 the June 30, 2018 measurement date, the City's proportion was 0.19549%, which was an increase of 0.01010% from its proportion of 0.18539% measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of approximately \$1,377,000. At June 30, 2019, 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	\$ 715,486	\$ 24,008
Changes in Assumptions	1,230,664	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	636,617	-
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	90,765	20,572
City Contributions Subsequent to the Measurement Date	987,487	-
	<u>\$ 3,661,019</u>	<u>\$ 44,580</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 \$987,000 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 1,295,454
2021	804,306
2022	154,781
2023	374,411
Total	<u>\$ 2,628,952</u>

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment Rate of Return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2014.

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, 2019

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, 2018 (measurement date) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.00%. 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.

Sensitivity Analysis

The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,140,136	4,637,691	\$ (795,853)

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, 2019

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 “LEOSSA”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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 City law enforcement officers are covered by the Separation Allowance. At December 31, 2017 (actuary valuation date), the Separation Allowance's membership consisted of:

Retirees Receiving Benefits	2
Active Plan Members	43
Total	<u>45</u>

Summary of Significant Accounting Policies

Basis of Accounting

The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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 #73.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2017 actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount Rate	3.64 percent
Cost of Living Adjustments	N/A

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City’s obligation to contribute to the LEOSSA is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid approximately \$31,000 as benefits came due for the reporting period.

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

At June 30, 2019, the City reported a total pension liability of \$1,069,000. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of approximately \$101,000.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 69,907	\$ 26,327
Changes of Assumptions and Other Inputs	45,786	47,682
City Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date	15,389	-
Total	<u>\$ 131,082</u>	<u>\$ 74,009</u>

Approximately \$15,000 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ 7,976
2021	7,976
2022	7,976
2023	9,964
2024	7,128
Thereafter	664
Total	<u>\$ 41,684</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

Law Enforcement Officers Special Separation Allowance (Continued)

Sensitivity of the City’s Total Pension Liability to Changes in the Discount Rate

The following presents the City’s total pension liability calculated using the discount rate of 3.64 percent, as well as what the City’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 1,161,556	1,069,048	\$ 985,121

Schedule of Changes in Total Pension Liability

Schedule of Changes in Total Pension Liability

Total Pension Liability as of December 31, 2017	\$ 970,249
Changes for the Year:	
Service Cost at End of Year	62,891
Interest on the Total Pension Liability	30,114
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	83,614
Changes of Assumptions and Other Inputs	(43,296)
Benefit Payments	(34,524)
Other Changes	-
Net Changes	<u>98,799</u>
Total Pension Liability as of December 31, 2018	<u>\$ 1,069,048</u>

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, 2019 were \$188,000 which consisted of \$114,000 from the City and \$74,000 from the law enforcement officers.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement/Pension Plans (Continued)

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.

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.

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, 2018, the State contributed \$17,952,000 to the plan. The City's proportionate share of the State's contribution was approximately \$13,000. 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment 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 Plan”). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB #75.

As of June 1, 1988, the HCB Plan provides postemployment 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.

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.

Plan Membership

As of June 30, 2017, the last actuarial valuation, the following members were covered by the HCB Plan's benefit terms:

	General Employees	Law Enforcement	Total
Retirees and Dependents Receiving Benefits	14	4	18
Active Plan Members	200	45	245
Totals	214	49	263

Plan Benefits and Contributions

The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees (\$934 for the measurement period). The City's retirees pay \$857 per month for dependent spouse, \$415 per month for one dependent child, \$685 per month for multiple dependent children, or \$1,763 per month for family coverage for the measurement period. The City has chosen to fund the healthcare benefits on a pay as you go basis.

During the year ended June 30, 2018 (measurement period), the City made contributions/benefit payments of approximately \$236,000 or 2.31% 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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Actuarial Assumptions and Other Inputs

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the total OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its 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 to 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 of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.00%
Discount Rate	3.87% (3.58% for prior measurement date)
Healthcare Cost Trend Rate	6.00% graded to 5.0% from 2023 and beyond
Payroll Growth	3.00% which includes inflation
Coverage Elections	100% of eligible retirees will elect coverage
Dependent Elections	No dependents are assumed to elect coverage

Mortality rates were based on the RP-2014 table, with post-2006 mortality improvements backed out. Future mortality improvement for the adjusted table is assumed to follow the MP-2017 improvement scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Discount Rate

Pursuant to GASB #75, projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB Plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). The Bond Buyer 20-Bond GO index is often cited as an appropriate benchmark. That index was 3.87% at June 30, 2018 (measurement date). A discount rate of 3.58% was used for the June 30, 2017 actuarial valuation.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

Total OPEB Liability and Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 2,928,716
Changes for the year	
Service cost	129,414
Interest	100,620
Assumption changes	(89,335)
Benefit payments	<u>(236,193)</u>
Net changes	<u>(95,494)</u>
Balance at June 30, 2019	<u>\$ 2,833,222</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	(2.87%)	(3.87%)	(4.87%)
Total OPEB Liability	\$ 3,140,882	2,833,222	\$ 2,568,381

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		Trend Rate	
Total OPEB Liability	\$ 2,553,784	2,833,222	\$ 3,174,535

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of approximately \$220,000. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	Outflows of	Inflows of
	Resources	Resources
Changes of Assumptions and Other Inputs	\$ -	\$ 79,729
City Benefit Payments and Plan Administrative Costs Made Subsequent to the Measurement Date	191,418	-
Total	<u>\$ 191,418</u>	<u>\$ 79,729</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Healthcare Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Approximately \$191,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative costs made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ (9,606)
2021	(9,606)
2022	(9,606)
2023	(9,606)
2024	(9,606)
Thereafter	(31,699)
Total	<u>\$ (79,729)</u>

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.

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, 2019.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments (Continued)

Commitment

In June 2019, the City entered into an agreement for a new Enterprise Resource Planning (“ERP”) system with Oracle for approximately \$1,059,000 to be paid over a five year span.

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 \$13,000.

Also, the City has recognized as a revenue and an expenditure on-behalf payment for fringe benefits and salaries of approximately \$54,000 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, 2019. 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. 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.

G. Net Investment in Capital Assets

The Governmental Activities Net Investment in Capital Assets was calculated as follows:

Governmental Activities:	
Capital Assets, Net	\$ 29,654,845
Long-Term Debt	(8,949,261)
Construction Payables	(417,437)
Unspent Debt Proceeds	732,027
Governmental Activities - Net Investment in Capital Assets	<u><u>\$ 21,020,174</u></u>

H. Fund Balance

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

Total Fund Balance - General Fund	\$ 7,372,526
Less:	
Prepaid Items	(22,488)
Land Held for Sale/Redevelopment	(50,295)
Stabilization by State Statute	(2,117,460)
Appropriated Fund Balance for 2020 Budget	(713,196)
Unassigned Fund Balance - General Fund	<u><u>\$ 4,469,087</u></u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

H. Fund Balance (Continued)

The City has adopted an Available Fund Balance policy for the General Fund to be at a minimum of fifty percent (50%) of the City's population group average percent available fund balance.

I. Deficit Balance in Non-Major Funds

The Governmental Capital Projects Fund had a deficit fund balance of approximately \$201,000 at June 30, 2019. The City will be reimbursed with proceeds from debt.

The Special Revenue – SAFER Grant Fund had a deficit fund balance of approximately \$35,000 at June 30, 2019. The City will be reimbursed with proceeds from a grant.

The Capital Projects - Mud Creek Dump Project Fund had a deficit fund balance of approximately \$90,000 at June 30, 2019. The City will be reimbursed for these costs under a work plan approved by the pre-Regulatory Landfill Program through the North Carolina Department of Environment and Natural Resources Division of Waste Management.

J. Special Item

During the year ended June 30, 2018, the City sold part of the Grey Hosiery Mill property that was previously reported as a capital asset and recorded a note receivable for approximately \$386,000, which was reported as unavailable revenue on the Governmental Funds Balance Sheet. During the year ended June 30, 2019, this note was amended and a new note receivable of \$200,000 was recorded. As a part of the new note, the City sold an additional part of the Grey Hosiery Mill property that was being reported as Land Held for Sale/Redevelopment. The property had a book value of approximately \$384,000. A loss of approximately \$570,000 will be reported as a special item on the government-wide Statement of Activities and a loss of approximately \$184,000 will be reported as a special item on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance. These items are considered special items because they are unusual in nature but under the control of management.

K. Reclassification of Fund Balances

Effective July 1, 2018, the Town elected to combine a number of its non-major special revenue funds in the Special Revenue Fund and a number of its non-major capital projects funds into the Governmental Capital Projects Fund. Due to these changes, the prior year ending fund balances for the Governmental Capital Projects Fund and Other Governmental Funds have been reclassified for approximately \$35,000.

L. Subsequent Events

In July 2019, the City entered into an agreement for approximately \$2,440,000 with Baker Grading & Landscaping, Inc. for the Multi-area Streambank Restoration Project. This project is to be funded with a State revolving loan from the North Carolina Department of Environment Quality for approximately \$2,982,000. In October 2019, the City received its first payment from the loan of approximately \$371,000.

In August 2019, the City entered into an agreement for approximately \$431,000 with Tarheel Paving for the 2019 resurfacing project.

In September 2019, the City entered into an agreement for approximately \$6,569,000 with Cooper Construction Company, Inc. for the Etowah Area Water System Improvements Project.

In October 2019, the City entered into an agreement with American Tank Maintenance for water tank maintenance services. The terms of the agreement are \$80,911 per year for ten years.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

L. Subsequent Events (Continued)

In October 2019, the City entered into an agreement for approximately \$400,000 with CROM, LLC for the Hendersonville Water Treatment Facility Basin Repairs and Coatings Project.

In October 2019, the City acquired real property for approximately \$268,000 that is to be the site of a future fire station.





**Required
Supplementary
Information**



CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2019	2018	2017
Beginning Balance of the Total Pension Liability	\$ 970,249	880,684	\$ 869,979
Changes for the Year:			
Service Cost	62,891	50,871	49,449
Interest on Total Pension Liability	30,114	33,536	30,213
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	83,614	(39,137)	-
Changes of Assumptions or Other Inputs	(43,296)	68,066	(21,588)
Benefit Payments	(34,524)	(23,771)	(47,369)
Other Changes	-	-	-
Net Changes	98,799	89,565	10,705
Ending Balance of the Total Pension Liability	<u>\$ 1,069,048</u>	<u>970,249</u>	<u>\$ 880,684</u>

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior December 31st.

The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

The discount rate used for each year was as follows: 3.64% 3.16% 3.86%

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2019	2018	2017
Total Pension Liability	\$ 1,069,048	970,249	\$ 880,684
Covered Payroll	\$ 2,282,787	2,160,041	\$ 2,069,581
Total Pension Liability as a Percentage of Covered Payroll	46.83%	44.92%	42.55%

Notes to Schedule:

The City has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

The City implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

The discount rate used for each year was as follows: 3.64% 3.16% 3.86%

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SIX FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.195490%	0.185390%	0.174320%	0.176930%	0.130250%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,637,691	2,832,246	3,699,654	794,051	(768,146)
City's Covered Payroll	\$ 11,705,774	10,505,338	10,120,748	9,515,789	8,378,808
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	39.62%	26.96%	36.56%	8.34%	-9.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.63%	94.18%	91.47%	98.09%	102.64%
				8,378,808	\$ 7,471,416
				0.130250%	0.129000%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. 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 - PENSION PLAN SCHEDULES

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

LAST SIX FISCAL YEARS

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 987,487	901,020	783,926	691,249	679,268
Contributions in Relation to the Contractually Required Contribution:	987,487	901,020	783,926	691,249	679,268
Contribution Deficiency (Excess)	\$ -	-	-	-	-
City's Covered Payroll	\$ 12,439,887	11,705,774	10,505,338	10,120,748	9,515,789
Contributions as a Percentage of Covered Payroll:	7.94%	7.70%	7.46%	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.

CITY OF HENDERSONVILLE, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE

HEALTHCARE BENEFIT PLAN

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

	Year Ended June 30,	
	2019	2018
Total OPEB Liability		
Changes for the Year:		
Service Cost	\$ 129,414	\$ 124,941
Interest	100,620	99,943
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience	-	-
Changes of Assumptions	(89,335)	-
Benefit Payments	(236,193)	(175,737)
Net Change in Total OPEB Liability	(95,494)	49,147
Total OPEB Liability - Beginning	2,928,716	2,879,569
Total OPEB Liability - Ending	<u>\$ 2,833,222</u>	<u>\$ 2,928,716</u>
Covered Payroll	\$ 10,236,625	\$ 10,236,625
Total OPEB Liability as a Percentage of Covered Payroll	27.68%	28.61%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the prior June 30th.

The City implemented GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period: 3.87% 3.58%



General Fund

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 8,584,057	8,809,228	\$ 225,171
Penalties and Interest	25,914	59,799	33,885
Total	<u>8,609,971</u>	<u>8,869,027</u>	<u>259,056</u>
Other taxes and licenses:			
Beer and Wine	3,000	3,536	536
Local Vehicle Rental Tax	8,000	8,068	68
Total	<u>11,000</u>	<u>11,604</u>	<u>604</u>
Unrestricted Intergovernmental Revenue:			
Local Option Sales Taxes	3,300,000	3,294,134	(5,866)
Payment in Lieu of Taxes (External Sources)	14,925	14,526	(399)
Utility Sales Tax	910,000	980,796	70,796
Telecommunications Sales Tax	210,000	194,443	(15,557)
Video Franchise Fee	110,000	106,089	(3,911)
Beer and Wine Tax	60,000	61,308	1,308
ABC Profit Distribution	175,000	225,000	50,000
Court Fees	2,500	3,640	1,140
Total	<u>4,782,425</u>	<u>4,879,936</u>	<u>97,511</u>
Restricted Intergovernmental Revenue:			
Powell Bill Allocation	383,682	382,540	(1,142)
ABC Revenue for Law Enforcement	40,000	40,000	-
On-Behalf-Of-Payments - Fire and Rescue	50,000	77,225	27,225
School Resource Officer	37,838	37,838	-
HHA Officer Reimbursement	125,000	127,404	2,404
FEMA Fire Grant	-	30,390	30,390
Other Revenue	-	824	824
Total	<u>636,520</u>	<u>696,221</u>	<u>59,701</u>
Permits and Fees:			
Building Permits and Inspection Fees	223,550	220,720	(2,830)
Business Registration Fee	14,000	16,965	2,965
Special Project Fees	16,350	21,396	5,046
Motor Vehicle Fees	150,000	153,295	3,295
Other Permits	-	500	500
Total	<u>\$ 403,900</u>	<u>412,876</u>	<u>\$ 8,976</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES (CONTINUED)			
Sales And Services:			
Facility Rent	\$ 56,000	65,134	\$ 9,134
Recreation Fees	19,250	22,661	3,411
Parking Fees	195,000	191,940	(3,060)
Cemetery Fees	15,000	12,500	(2,500)
Alarm Fees	1,000	-	(1,000)
Total	<u>286,250</u>	<u>292,235</u>	<u>5,985</u>
Investment Earnings	<u>83,600</u>	<u>207,440</u>	<u>123,840</u>
Miscellaneous Revenues:			
Parking Violations and Penalties	70,000	50,909	(19,091)
Miscellaneous	40,800	77,509	36,709
Total	<u>110,800</u>	<u>128,418</u>	<u>17,618</u>
TOTAL REVENUES	<u>14,924,466</u>	<u>15,497,757</u>	<u>573,291</u>
EXPENDITURES			
General Government:			
Governing Body:			
Salaries and Employee Benefits	32,278	32,344	(66)
Operating Expenditures	49,853	44,920	4,933
Special Appropriations	263,947	263,947	-
Total	<u>346,078</u>	<u>341,211</u>	<u>4,867</u>
Administration:			
Salaries and Employee Benefits	345,219	356,133	(10,914)
Operating Expenditures	129,209	109,596	19,613
Health and Wellness Allocation	189,818	150,000	39,818
Capital Outlay	2,250	-	2,250
Total	<u>666,496</u>	<u>615,729</u>	<u>50,767</u>
Finance:			
Salaries and Employee Benefits	251,210	238,414	12,796
Operating Expenditures	131,747	111,403	20,344
Total	<u>382,957</u>	<u>349,817</u>	<u>33,140</u>
City Engineer			
Salaries and Employee Benefits	155,702	159,977	(4,275)
Operating Expenditures	56,772	49,690	7,082
Total	<u>\$ 212,474</u>	<u>209,667</u>	<u>\$ 2,807</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019

EXPENDITURES (CONTINUED)	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Information Technology:			
Operating Expenditures	\$ 411,801	398,979	\$ 12,822
Total	<u>411,801</u>	<u>398,979</u>	<u>12,822</u>
Legal Department:			
Salaries and Employee Benefits	108,414	108,012	402
Operating Expenditures	22,377	15,742	6,635
Total	<u>130,791</u>	<u>123,754</u>	<u>7,037</u>
Fleet Maintenance:			
Salaries and Employee Benefits	264,385	270,533	(6,148)
Operating Expenditures	97,818	90,294	7,524
Capital Outlay	8,004	5,000	3,004
Total	<u>370,207</u>	<u>365,827</u>	<u>4,380</u>
Building Maintenance:			
Salaries and Employee Benefits	258,023	244,730	13,293
Operating Expenditures	300,701	307,870	(7,169)
Capital Outlay	73,676	65,560	8,116
Total	<u>632,400</u>	<u>618,160</u>	<u>14,240</u>
Total General Government	<u>3,153,204</u>	<u>3,023,144</u>	<u>130,060</u>
Public Safety:			
Police:			
Salaries and Employee Benefits	4,332,920	4,149,200	183,720
Operating Expenditures	636,128	605,884	30,244
Capital Outlay	372,197	372,019	178
Total	<u>5,341,245</u>	<u>5,127,103</u>	<u>214,142</u>
Fire:			
Salaries and Employee Benefits	2,373,161	2,376,649	(3,488)
Operating Expenditures	602,329	556,888	45,441
Capital Outlay	85,885	80,645	5,240
On-behalf Payments - Firefighter's Relief Fund	50,000	77,225	(27,225)
Total	<u>\$ 3,111,375</u>	<u>3,091,407</u>	<u>\$ 19,968</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)			
Development Assistance:			
Salaries and Employee Benefits	\$ 314,441	302,931	\$ 11,510
Operating Expenditures	123,774	46,911	76,863
Total	<u>438,215</u>	<u>349,842</u>	<u>88,373</u>
Total Public Safety	<u>8,890,835</u>	<u>8,568,352</u>	<u>322,483</u>
Transportation:			
Public Works Administration:			
Salaries and Employee Benefits	294,707	297,842	(3,135)
Operating Expenditures	67,658	52,783	14,875
Capital Outlay	58,981	58,481	500
Total	<u>421,346</u>	<u>409,106</u>	<u>12,240</u>
Streets and Highways:			
Salaries and Employee Benefits	419,854	380,962	38,892
Operating Expenditures	272,781	250,892	21,889
Capital Outlay	34,153	33,362	791
Total	<u>726,788</u>	<u>665,216</u>	<u>61,572</u>
State Street Aid Allocation:			
Operating Expenditures	<u>546,723</u>	<u>546,722</u>	<u>1</u>
Traffic Engineering:			
Salaries and Employee Benefits	166,337	166,983	(646)
Operating Expenditures	274,235	275,490	(1,255)
Capital Outlay	92,337	61,852	30,485
Total	<u>532,909</u>	<u>504,325</u>	<u>28,584</u>
Total Transportation	<u>2,227,766</u>	<u>2,125,369</u>	<u>102,397</u>
Culture and Recreation:			
Grounds Maintenance:			
Salaries and Employee Benefits	468,565	458,167	10,398
Operating Expenditures	105,673	100,193	5,480
Capital Outlay	64,892	79,525	(14,633)
Total	<u>\$ 639,130</u>	<u>637,885</u>	<u>\$ 1,245</u>

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
EXPENDITURES (CONTINUED)			
Patton Park Pool:			
Operating Expenditures	\$ 102,809	86,286	\$ 16,523
Total	<u>102,809</u>	<u>86,286</u>	<u>16,523</u>
Total Culture and Recreation	<u>741,939</u>	<u>724,171</u>	<u>17,768</u>
Debt Service:			
Principal	631,083	631,138	(55)
Interest and Bank Fees	232,125	229,712	2,413
Total Debt Service	<u>863,208</u>	<u>860,850</u>	<u>2,358</u>
TOTAL EXPENDITURES	<u>15,876,952</u>	<u>15,301,886</u>	<u>575,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(952,486)</u>	<u>195,871</u>	<u>1,148,357</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Debt	615,000	465,100	(149,900)
Insurance Proceeds	42,938	43,780	842
Sale of Capital Assets	-	23,207	23,207
Transfers In	53,500	53,500	-
Transfers Out	(1,002,268)	(951,974)	50,294
TOTAL OTHER FINANCING SOURCES (USES)	<u>(290,830)</u>	<u>(366,387)</u>	<u>(75,557)</u>
Fund Balance Appropriated	<u>1,243,316</u>		<u>(1,243,316)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(170,516)</u>	<u>\$ (170,516)</u>
FUND BALANCE, Beginning of Year		<u>7,543,042</u>	
FUND BALANCE, End of Year		<u>\$ 7,372,526</u>	

Governmental Capital Projects Funds

The Governmental Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds or reported separately as a non-major capital projects fund.

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Local Contributions	\$ 325,000	325,000	-	325,000	\$ -
TOTAL REVENUES	325,000	325,000	-	325,000	-
EXPENDITURES					
Current:					
General Government					
Operating Expenditures	754,000	-	633,561	633,561	120,439
Economic and Physical Development					
Operating Expenditures	10,000	-	3,694	3,694	6,306
Contingencies	10,000	-	-	-	10,000
Capital Outlay	25,116,994	460,345	2,848,137	3,308,482	21,808,512
TOTAL EXPENDITURES	25,890,994	460,345	3,485,392	3,945,737	21,945,257
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,565,994)	(135,345)	(3,485,392)	(3,620,737)	21,945,257
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	24,507,542	-	2,500,000	2,500,000	(22,007,542)
Transfers In	1,058,452	100,000	892,026	992,026	(66,426)
Transfers Out	-	-	(72,000)	(72,000)	(72,000)
TOTAL OTHER FINANCING SOURCES (USES)	25,565,994	100,000	3,320,026	3,420,026	(22,145,968)
NET CHANGE IN FUND BALANCE	\$ -	(35,345)	(165,366)	(200,711)	\$ (200,711)
FUND BALANCE, Beginning of Year, as Previously Reported			-		
Reclassification of Fund Balance			(35,345)		
FUND BALANCE, Beginning of Year, Restated			(35,345)		
FUND BALANCE, End of Year			\$ (200,711)		

Non-Major Governmental Funds

Special Revenue Funds

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



CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2019

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Pooled Cash and Cash Equivalents, Restricted	\$ 340,868	216,270	\$ 557,138
Receivables, Net			
Interest	1,422	-	1,422
Taxes	13,876	-	13,876
Shared Taxes	58,691	-	58,691
Prepays and Inventories	291	-	291
Note Receivable	700,000	-	700,000
TOTAL ASSETS	\$ 1,115,648	216,270	\$ 1,331,918
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 21,308	3,979	\$ 25,287
Accrued Salaries and Benefits	6,373	-	6,373
Due to Other Funds	66,005	87,886	153,891
Unearned Revenues	1,600	-	1,600
TOTAL LIABILITIES	95,286	91,865	187,151
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	13,876	-	13,876
TOTAL DEFERRED INFLOWS OF RESOURCES	13,876	-	13,876
FUND BALANCES			
Restricted For:			
Stabilization by State Statute	760,904	-	760,904
General Government	3,470	-	3,470
Economic Development	57,572	-	57,572
Public Safety	118,458	-	118,458
Transportation	-	214,135	214,135
Committed - Organic Garden	3,230	-	3,230
Assigned For:			
Subsequent Year's Expenditures	135,109	-	135,109
Unassigned	(72,257)	(89,730)	(161,987)
TOTAL FUND BALANCES	1,006,486	124,405	1,130,891
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,115,648	216,270	\$ 1,331,918

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2019

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND
ASSETS						
Pooled Cash and Cash Equivalents, Restricted	\$ 55,745	80,573	-	-	-	-
Receivables, Net						
Interest	882	540	-	-	-	-
Taxes	12,401	1,475	-	-	-	-
Accounts	500	-	-	-	-	-
Shared Taxes	48,770	9,921	-	-	-	-
Prepays and Inventories	291	-	-	-	-	-
Note Receivable	-	-	-	-	-	-
TOTAL ASSETS	\$ 118,589	92,509	-	-	-	-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 11,487	447	-	-	-	-
Accrued Salaries and Benefits	5,883	490	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Unearned Revenues	1,600	-	-	-	-	-
TOTAL LIABILITIES	18,970	937	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	12,401	1,475	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	12,401	1,475	-	-	-	-
FUND BALANCES						
Restricted For:						
Stabilization by State Statute	50,443	10,461	-	-	-	-
General Government	-	-	-	-	-	-
Economic Development	291	57,281	-	-	-	-
Public Safety	-	-	-	-	-	-
Committed - Organic Garden	-	3,230	-	-	-	-
Assigned For:						
Subsequent Year's Expenditures	36,484	19,125	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	87,218	90,097	-	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 118,589	92,509	-	-	-	-

YOUTH EXPLORERS FUND	KENNEL FUND	FIRE DEPT COMMUNITY FUND	DRUG FORFEITURE FUND	DRUG FORFEITURE FEDERAL FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT FUND	GREY HOSIERY FUND	WALK OF FAME FUND	SAFER GRANT FUND	SPECIAL REVENUE FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	44,830	422	-	-	-	159,298	\$ 340,868
-	-	-	-	-	-	-	-	-	-	1,422
-	-	-	-	-	-	-	-	-	-	13,876
-	-	-	-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	-	-	-	58,691
-	-	-	-	-	-	-	-	-	-	291
-	-	-	-	-	-	700,000	-	-	-	700,000
-	-	-	-	44,830	422	700,000	-	-	159,298	\$ 1,115,648
-	-	-	-	-	422	6,252	-	-	2,700	\$ 21,308
-	-	-	-	-	-	-	-	-	-	6,373
-	-	-	-	-	-	30,706	-	35,299	-	66,005
-	-	-	-	-	-	-	-	-	-	1,600
-	-	-	-	-	422	36,958	-	35,299	2,700	95,286
-	-	-	-	-	-	-	-	-	-	13,876
-	-	-	-	-	-	-	-	-	-	13,876
-	-	-	-	-	-	700,000	-	-	-	760,904
-	-	-	-	-	-	-	-	-	3,470	3,470
-	-	-	-	-	-	-	-	-	-	57,572
-	-	-	-	44,830	-	-	-	-	73,628	118,458
-	-	-	-	-	-	-	-	-	-	3,230
-	-	-	-	-	-	-	-	-	79,500	135,109
-	-	-	-	-	-	(36,958)	-	(35,299)	-	(72,257)
-	-	-	-	44,830	-	663,042	-	(35,299)	156,598	1,006,486
-	-	-	-	44,830	422	700,000	-	-	159,298	\$ 1,115,648

CITY OF HENDERSONVILLE, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2019

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	POLICE DEPARTMENT HEADQUARTERS PROJECT FUND	MAINTENANCE FACILITY PROJECT FUND	MAIN STREET PUBLIC RESTROOM PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
ASSETS							
Pooled Cash and Cash Equivalents, Restricted	\$ 53,052	-	163,218	-	-	-	\$ 216,270
TOTAL ASSETS	\$ 53,052	-	163,218	-	-	-	\$ 216,270
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 2,135	1,844	-	-	-	-	\$ 3,979
Due to Other Funds	-	87,886	-	-	-	-	87,886
TOTAL LIABILITIES	2,135	89,730	-	-	-	-	91,865
FUND BALANCES							
Restricted For:							
Transportation	50,917	-	163,218	-	-	-	214,135
Unassigned	-	(89,730)	-	-	-	-	(89,730)
TOTAL FUND BALANCES	50,917	(89,730)	163,218	-	-	-	124,405
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 53,052	-	163,218	-	-	-	\$ 216,270

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Ad Valorem Taxes	\$ 263,544	-	\$ 263,544
Unrestricted Intergovernmental	210,264	-	210,264
Restricted Intergovernmental	13,793	-	13,793
Grant Revenue	557,730	267,075	824,805
Special Events Income	73,322	-	73,322
Investment Earnings	5,359	7,310	12,669
Miscellaneous	95,261	-	95,261
TOTAL REVENUES	1,219,273	274,385	1,493,658
EXPENDITURES			
Current:			
General Government	971	-	971
Public Safety	113,742	-	113,742
Environmental Protection	-	95,522	95,522
Economic and Physical Development	499,253	-	499,253
Capital Outlay	17,462	1,184,670	1,202,132
Debt Service:			
Interest	8,167	-	8,167
TOTAL EXPENDITURES	639,595	1,280,192	1,919,787
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	579,678	(1,005,807)	(426,129)
OTHER FINANCING SOURCES (USES)			
Transfers In	384,272	70,000	454,272
Transfers Out	(39,574)	-	(39,574)
TOTAL OTHER FINANCING SOURCES (USES)	344,698	70,000	414,698
SPECIAL ITEM			
Loss on Grey Hosiery Mill Redevelopment	(184,272)	-	(184,272)
TOTAL SPECIAL ITEM	(184,272)	-	(184,272)
NET CHANGE IN FUND BALANCES	740,104	(935,807)	(195,703)
FUND BALANCES, Beginning of Year, as Previously Reported	266,382	1,024,867	1,291,249
Reclassification of Fund Balances	-	35,345	35,345
FUND BALANCES, Beginning of Year, Restated	266,382	1,060,212	1,326,594
FUND BALANCES, End of Year	\$ 1,006,486	124,405	\$ 1,130,891

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	MAIN STREET TAX DISTRICT FUND	SEVENTH AVENUE TAX DISTRICT FUND	MOTOR UNIT DONATIONS - POLICE FUND	HISTORIC PRESERVATION COMMISSION FUND	RAPE AGGRESSION DEFENSE FUND	NEEDY PERSONS FUND
REVENUES						
Ad Valorem Taxes	\$ 244,064	19,480	-	-	-	-
Unrestricted Intergovernmental	175,220	35,044	-	-	-	-
Restricted Intergovernmental	-	-	-	-	-	-
Grant Revenue	-	-	-	-	-	-
Special Events Income	70,122	3,200	-	-	-	-
Investment Earnings	2,981	2,378	-	-	-	-
Miscellaneous	27,502	5,000	-	-	-	-
TOTAL REVENUES	519,889	65,102	-	-	-	-
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Economic and Physical Development	414,549	44,037	-	-	-	-
Capital Outlay	17,462	-	-	-	-	-
Debt Service:						
Interest	8,167	-	-	-	-	-
TOTAL EXPENDITURES	440,178	44,037	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	79,711	21,065	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	(39,574)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(39,574)	-	-	-	-	-
SPECIAL ITEM						
Loss on Grey Hosiery Mill Redevelopment	-	-	-	-	-	-
TOTAL SPECIAL ITEM	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	40,137	21,065	-	-	-	-
FUND BALANCES, Beginning of Year, as Previously Reported	47,081	69,032	(442)	14,972	2,626	9,383
Reclassification of Fund Balances	-	-	442	(14,972)	(2,626)	(9,383)
FUND BALANCES, Beginning of Year, Restated	47,081	69,032	-	-	-	-
FUND BALANCES, End of Year	\$ 87,218	90,097	-	-	-	-

YOUTH EXPLORERS FUND	KENNEL FUND	FIRE DEPT COMMUNITY FUND	DRUG FORFEITURE FUND	DRUG FORFEITURE FEDERAL FUND	GOVERNOR'S HIGHWAY SAFETY PROGRAM BIKE SAFE GRANT FUND	GREY HOSIERY FUND	WALK OF FAME FUND	SAFER GRANT FUND	SPECIAL REVENUE FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	-	-	-	-	-	\$ 263,544
-	-	-	-	-	-	-	-	-	-	210,264
-	-	-	-	-	-	-	-	-	13,793	13,793
-	-	-	-	-	4,178	500,000	-	53,552	-	557,730
-	-	-	-	-	-	-	-	-	-	73,322
-	-	-	-	-	-	-	-	-	-	5,359
-	-	-	-	-	-	39,945	-	-	22,814	95,261
-	-	-	-	-	4,178	539,945	-	53,552	36,607	1,219,273
-	-	-	-	-	-	-	-	-	971	971
-	-	-	-	-	4,178	-	-	88,851	20,713	113,742
-	-	-	-	-	-	40,667	-	-	-	499,253
-	-	-	-	-	-	-	-	-	-	17,462
-	-	-	-	-	-	-	-	-	-	8,167
-	-	-	-	-	4,178	40,667	-	88,851	21,684	639,595
-	-	-	-	-	-	499,278	-	(35,299)	14,923	579,678
-	-	-	-	-	-	384,272	-	-	-	384,272
-	-	-	-	-	-	-	-	-	-	(39,574)
-	-	-	-	-	-	384,272	-	-	-	344,698
-	-	-	-	-	-	(184,272)	-	-	-	(184,272)
-	-	-	-	-	-	(184,272)	-	-	-	(184,272)
-	-	-	-	-	-	699,278	-	(35,299)	14,923	740,104
2,853	4,835	12,678	87,740	44,830	-	(36,236)	7,030	-	-	266,382
(2,853)	(4,835)	(12,678)	(87,740)	-	-	-	(7,030)	-	141,675	-
-	-	-	-	44,830	-	(36,236)	-	-	141,675	266,382
-	-	-	-	44,830	-	663,042	-	(35,299)	156,598	\$ 1,006,486

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	SIDEWALK CONSTRUCTION PROJECT FUND	MUD CREEK DUMP PROJECT FUND	OLD TRACEY GROVE ROAD PROJECT FUND	POLICE DEPARTMENT HEADQUARTERS PROJECT FUND	MAINTENANCE FACILITY PROJECT FUND	MAIN STREET PUBLIC RESTROOM PROJECT FUND	TOTAL CAPITAL PROJECTS FUNDS
REVENUES							
Grant Revenue	\$ -	246,060	21,015	-	-	-	\$ 267,075
Investment Earnings	7,310	-	-	-	-	-	7,310
TOTAL REVENUES	7,310	246,060	21,015	-	-	-	274,385
EXPENDITURES							
Current:							
Environmental Protection	-	95,522	-	-	-	-	95,522
Capital Outlay	1,180,667	-	4,003	-	-	-	1,184,670
TOTAL EXPENDITURES	1,180,667	95,522	4,003	-	-	-	1,280,192
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,173,357)	150,538	17,012	-	-	-	(1,005,807)
OTHER FINANCING SOURCES (USES)							
Transfers In	70,000	-	-	-	-	-	70,000
TOTAL OTHER FINANCING SOURCES (USES)	70,000	-	-	-	-	-	70,000
NET CHANGE IN FUND BALANCES	(1,103,357)	150,538	17,012	-	-	-	(935,807)
FUND BALANCES, Beginning of Year, as Previously Reported	1,154,274	(240,268)	146,206	(351,771)	(108,574)	425,000	1,024,867
Reclassification of Fund Balances	-	-	-	351,771	108,574	(425,000)	35,345
FUND BALANCES, Beginning of Year, Restated	1,154,274	(240,268)	146,206	-	-	-	1,060,212
FUND BALANCES, End of Year	\$ 50,917	(89,730)	163,218	-	-	-	\$ 124,405

Special Revenue Funds

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 - MAIN STREET TAX DISTRICT FUND

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 242,773	242,844	\$ 71
Penalties and Interest	1,100	1,220	120
Sales and Use Taxes	173,684	175,220	1,536
Special Events Income	69,806	70,122	316
Investment Earnings	1,000	2,981	1,981
Miscellaneous	26,300	27,502	1,202
TOTAL REVENUES	514,663	519,889	5,226
EXPENDITURES			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	148,287	149,828	(1,541)
Operating Expenditures	235,351	203,902	31,449
Special Event Costs	67,964	60,819	7,145
Capital Outlay	17,462	17,462	-
Debt Service:			
Interest	6,025	8,167	(2,142)
TOTAL EXPENDITURES	475,089	440,178	34,911
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	39,574	79,711	40,137
OTHER FINANCING SOURCES (USES)			
Transfers Out	(39,574)	(39,574)	-
TOTAL OTHER FINANCING SOURCES (USES)	(39,574)	(39,574)	-
NET CHANGE IN FUND BALANCE	\$ -	40,137	\$ 40,137
FUND BALANCE, Beginning of Year		47,081	
FUND BALANCE, End of Year		\$ 87,218	

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, 2019

	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES			
Ad Valorem Taxes:			
Taxes	\$ 17,650	19,403	\$ 1,753
Penalties and Interest	100	77	(23)
Sales and Use Taxes	33,333	35,044	1,711
Special Events Income	2,500	3,200	700
Investment Earnings	500	2,378	1,878
Miscellaneous	5,000	5,000	-
TOTAL REVENUES	59,083	65,102	6,019
EXPENDITURES			
Current:			
Economic and Physical Development			
Salaries and Employee Benefits	14,988	15,107	(119)
Operating Expenditures	44,095	28,930	15,165
TOTAL EXPENDITURES	59,083	44,037	15,046
NET CHANGE IN FUND BALANCE	\$ -	21,065	\$ 21,065
FUND BALANCE, Beginning of Year		69,032	
FUND BALANCE, End of Year		\$ 90,097	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - GOVERNOR'S HIGHWAY SAFETY PROGRAM - BIKE SAFE PROGRAM GRANT FUND

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

YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 10,000	352	4,178	4,530	\$ (5,470)
TOTAL REVENUES	10,000	352	4,178	4,530	(5,470)
EXPENDITURES					
Current:					
Police Department					
Operating Expenditures	10,000	352	4,178	4,530	5,470
TOTAL EXPENDITURES	10,000	352	4,178	4,530	5,470
NET CHANGE IN FUND BALANCE	\$ -	-	-	-	\$ -
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ -		

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND - GREY HOSIERY FUND

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

YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - CDBG	\$ 500,000	-	500,000	500,000	\$ -
Miscellaneous:					
Developer Reimbursement	40,000	-	39,945	39,945	(55)
TOTAL REVENUES	540,000	-	539,945	539,945	(55)
EXPENDITURES					
Current:					
Economic and Physical Development					
Operating Expenditures	257,982	96,236	40,667	136,903	121,079
TOTAL EXPENDITURES	257,982	96,236	40,667	136,903	121,079
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	282,018	(96,236)	499,278	403,042	121,024
OTHER FINANCING SOURCES (USES)					
Transfers Out	(571,572)	-	-	-	571,572
Transfers In	494,566	60,000	384,272	444,272	(50,294)
TOTAL OTHER FINANCING SOURCES (USES)	(77,006)	60,000	384,272	444,272	521,278
SPECIAL ITEMS					
Loss on Grey Hosiery Mill Redevelopment	(205,012)	-	(184,272)	(184,272)	20,740
TOTAL SPECIAL ITEMS	(205,012)	-	(184,272)	(184,272)	20,740
NET CHANGE IN FUND BALANCE	\$ -	(36,236)	699,278	663,042	\$ 663,042
FUND BALANCE, Beginning of Year			(36,236)		
FUND BALANCE, End of Year			\$ 663,042		

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - FEMA	\$ 299,291	-	53,552	53,552	\$ (245,739)
TOTAL REVENUES	299,291	-	53,552	53,552	(245,739)
EXPENDITURES					
Current:					
Fire Department					
Salaries and Employee Benefits	299,291	-	88,851	88,851	210,440
TOTAL EXPENDITURES	299,291	-	88,851	88,851	210,440
NET CHANGE IN FUND BALANCE	\$ -	-	(35,299)	(35,299)	\$ (35,299)
FUND BALANCE, Beginning of Year			-		
FUND BALANCE, End of Year			\$ (35,299)		

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Intergovernmental Revenue	\$ 10,622	-	13,793	13,793	\$ 3,171
Miscellaneous	-	16,677	22,814	39,491	39,491
TOTAL REVENUES	10,622	16,677	36,607	53,284	42,662
EXPENDITURES					
Current:					
General Government					
Operating Expenditures	4,000	9,647	971	10,618	(6,618)
Public Safety					
Operating Expenditures	54,622	-	20,713	20,713	33,909
TOTAL EXPENDITURES	58,622	9,647	21,684	31,331	27,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(48,000)	7,030	14,923	21,953	69,953
Fund Balance Appropriated	48,000	-	-	-	(48,000)
NET CHANGE IN FUND BALANCE	\$ -	7,030	14,923	21,953	\$ 21,953
FUND BALANCE, Beginning of Year, as Previously Reported			-		
Reclassification of Fund Balance			141,675		
FUND BALANCE, Beginning of Year, Restated			141,675		
FUND BALANCE, End of Year			\$ 156,598		



Capital Projects Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 430,000	430,000	-	430,000	\$ -
Local Contributions	52,260	52,260	-	52,260	-
Investment Earnings	54,300	47,247	7,310	54,557	257
TOTAL REVENUES	536,560	529,507	7,310	536,817	257
EXPENDITURES					
Capital Outlay	3,115,377	1,884,051	1,180,667	3,064,718	50,659
TOTAL EXPENDITURES	3,115,377	1,884,051	1,180,667	3,064,718	50,659
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,578,817)	(1,354,544)	(1,173,357)	(2,527,901)	50,916
OTHER FINANCING SOURCES (USES)					
General Obligation Bonds Issued	2,100,000	2,100,000	-	2,100,000	-
Transfers In	695,539	627,128	70,000	697,128	1,589
Transfers Out	(216,722)	(218,310)	-	(218,310)	(1,588)
TOTAL OTHER FINANCING SOURCES (USES)	2,578,817	2,508,818	70,000	2,578,818	1
NET CHANGE IN FUND BALANCE	\$ -	1,154,274	(1,103,357)	50,917	\$ 50,917
FUND BALANCE, Beginning of Year			1,154,274		
FUND BALANCE, End of Year			\$ 50,917		

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDENR	\$ 582,379	169,942	246,060	416,002	\$ (166,377)
TOTAL REVENUES	582,379	169,942	246,060	416,002	(166,377)
EXPENDITURES					
Current:					
Environmental Protection					
Professional Services	578,379	410,210	95,522	505,732	72,647
Contingencies	4,000	-	-	-	4,000
TOTAL EXPENDITURES	582,379	410,210	95,522	505,732	76,647
NET CHANGE IN FUND BALANCE	\$ -	(240,268)	150,538	(89,730)	\$ (89,730)
FUND BALANCE, Beginning of Year			(240,268)		
FUND BALANCE, End of Year			\$ (89,730)		

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOT	\$ 832,000	142,099	21,015	163,114	\$ (668,886)
TOTAL REVENUES	832,000	142,099	21,015	163,114	(668,886)
EXPENDITURES					
Capital Outlay	1,040,000	203,893	4,003	207,896	832,104
TOTAL EXPENDITURES	1,040,000	203,893	4,003	207,896	832,104
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(208,000)	(61,794)	17,012	(44,782)	163,218
OTHER FINANCING SOURCES (USES)					
Transfers In	208,000	208,000	-	208,000	-
TOTAL OTHER FINANCING SOURCES (USES)	208,000	208,000	-	208,000	-
NET CHANGE IN FUND BALANCE	\$ -	146,206	17,012	163,218	\$ 163,218
FUND BALANCE, Beginning of Year			146,206		
FUND BALANCE, End of Year			\$ 163,218		

Enterprise Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - WATER AND SEWER FUND

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Charges for Services			
Water Sales	\$ 9,931,961	9,768,314	\$ (163,647)
Sewer Charges	5,490,400	5,411,495	(78,905)
Water and Sewer Taps	374,675	401,303	26,628
Miscellaneous Revenue	356,261	486,026	129,765
Total Operating Revenues	16,153,297	16,067,138	(86,159)
Nonoperating Revenues:			
Interest Earned on Investments	190,000	322,157	132,157
Other Non-Operating Revenue	50,556	54,501	3,945
Total Nonoperating Revenues	240,556	376,658	136,102
TOTAL REVENUES	16,393,853	16,443,796	49,943
EXPENDITURES			
Information Technology:			
Contracted Services	167,709	167,674	35
Supplies	20,100	19,041	1,059
Other Departmental Expense	364,190	325,916	38,274
Total	551,999	512,631	39,368
Fleet Maintenance:			
Salaries and Employee Benefits	124,455	122,661	1,794
Capital Outlay	11,147	5,000	6,147
Other Departmental Expense	6,177	5,848	329
Total	141,779	133,509	8,270
Administration:			
Salaries and Employee Benefits	958,158	949,339	8,819
Contracted Services	157,916	102,686	55,230
Supplies	17,100	12,438	4,662
Repairs and Maintenance	5,269	2,924	2,345
Capital Outlay	85,000	85,000	-
Health and Wellness Allocation	154,817	125,000	29,817
Other Departmental Expense	319,292	269,486	49,806
Total	1,697,552	1,546,873	150,679
Finance:			
Salaries and Employee Benefits	881,262	771,147	110,115
Contracted Services	105,624	108,514	(2,890)
Supplies	14,150	11,301	2,849
Repairs and Maintenance	1,000	159	841
Other Departmental Expense	248,278	281,322	(33,044)
Total	\$ 1,250,314	1,172,443	\$ 77,871

(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, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
Engineering:			
Salaries and Employee Benefits	\$ 471,986	481,178	\$ (9,192)
Repairs and Maintenance	1,100	857	243
Other Departmental Expense	36,261	27,288	8,973
Total	<u>509,347</u>	<u>509,323</u>	<u>24</u>
Facilities Maintenance:			
Salaries and Employee Benefits	571,700	572,945	(1,245)
Contracted Services	113,500	68,352	45,148
Issues from Inventory	35,354	-	35,354
Utilities	243,348	272,933	(29,585)
Supplies	55,850	71,693	(15,843)
Repairs and Maintenance	168,985	114,653	54,332
Capital Outlay	293,161	65,560	227,601
Other Departmental Expense	84,298	69,861	14,437
Total	<u>1,566,196</u>	<u>1,235,997</u>	<u>330,199</u>
Water Treatment Plant:			
Salaries and Employee Benefits	714,819	691,957	22,862
Contracted Services	110,830	69,949	40,881
Utilities	358,300	311,579	46,721
Chemicals	465,400	426,311	39,089
Supplies	67,278	56,666	10,612
Repairs and Maintenance	109,241	106,406	2,835
Capital Outlay	47,799	40,424	7,375
Other Departmental Expense	199,178	171,804	27,374
Total	<u>2,072,845</u>	<u>1,875,096</u>	<u>197,749</u>
Operations Support:			
Salaries and Employee Benefits	812,941	775,634	37,307
Supplies	35,393	34,870	523
Repairs and Maintenance	15,500	7,289	8,211
Other Departmental Expense	72,125	58,285	13,840
Total	<u>935,959</u>	<u>876,078</u>	<u>59,881</u>
Water Distribution:			
Salaries and Employee Benefits	984,633	980,936	3,697
Contracted Services	64,193	16,680	47,513
Issues from Inventory	30,980	-	30,980
Supplies	248,215	169,240	78,975
Repairs and Maintenance	288,257	337,382	(49,125)
Capital Outlay	166,262	221,344	(55,082)
Other Departmental Expense	134,072	125,159	8,913
Total	<u>\$ 1,916,612</u>	<u>1,850,741</u>	<u>\$ 65,871</u>

(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, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
Water and Sewer Construction:			
Other Departmental Expense	\$ 1	-	\$ 1
Total	1	-	1
Wastewater Treatment Plant:			
Salaries and Employee Benefits	638,629	631,758	6,871
Contracted Services	41,510	33,629	7,881
Sludge Management	227,000	227,488	(488)
Utilities	330,580	332,990	(2,410)
Supplies	36,950	30,941	6,009
Repairs and Maintenance	165,055	139,914	25,141
Capital Outlay	324,360	317,750	6,610
Other Departmental Expense	70,856	56,134	14,722
Total	1,834,940	1,770,604	64,336
Wastewater Collection:			
Salaries and Employee Benefits	752,434	706,443	45,991
Contracted Services	70,269	70,139	130
Issues from Inventory	5,609	-	5,609
Supplies	94,450	90,338	4,112
Repairs and Maintenance	285,764	273,267	12,497
Capital Outlay	338,370	310,393	27,977
Other Departmental Expense	151,740	134,647	17,093
Total	1,698,636	1,585,227	113,409
Debt Service:			
Principal Retirement	1,914,350	1,914,347	3
Interest and Other Charges	476,251	412,227	64,024
Total Debt Service	2,390,601	2,326,574	64,027
TOTAL EXPENDITURES	16,566,781	15,395,096	1,171,685
REVENUES OVER (UNDER) EXPENDITURES	(172,928)	1,048,700	1,221,628
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(172,928)	1,048,700	1,221,628
OTHER FINANCING SOURCES (USES)			
Transfers In	64,021	100,885	36,864
Transfers Out	(2,851,157)	(2,851,157)	-
Insurance Proceeds	8,674	35,821	27,147
Sale of Capital Assets	34,183	35,024	841
TOTAL OTHER FINANCING SOURCES (USES)	\$ (2,744,279)	(2,679,427)	\$ 64,852

(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, 2019

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Fund Balance Appropriated	\$ 2,853,186		\$ (2,853,186)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (64,021)</u>	(1,630,727)	<u>\$ (1,566,706)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Payment of Debt Principal		1,914,347	
Capital Outlay in Enterprise Capital Project Funds that was not Capitalized		(351,427)	
Capital Outlay		1,045,471	
Capital Contributions		996,798	
Grant Revenue in Enterprise Capital Project Funds		405,169	
Loss on Sale of Capital Assets		(29,701)	
Change in Accrued Interest		13,578	
Depreciation		(3,154,772)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(141,457)	
Change in Compensated Absences		(34,668)	
Transfers In from Enterprise Fund Capital Project Funds		4,712,116	
Transfers Out to Enterprise Capital Project Funds		(2,340,094)	
CHANGE IN NET POSITION		<u><u>\$ 1,438,958</u></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, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Charges for Services			
Residential	\$ 1,050,000	1,064,795	\$ 14,795
Commercial	135,000	156,678	21,678
Total Operating Revenues	1,185,000	1,221,473	36,473
Nonoperating Revenues:			
Recycling Revenue	9,000	7,916	(1,084)
Interest Earned on Investments	16,815	8,816	(7,999)
Miscellaneous Revenue	16,347	16,497	150
Total Nonoperating Revenues	42,162	33,229	(8,933)
TOTAL REVENUES	1,227,162	1,254,702	27,540
EXPENDITURES			
Waste Collection and Treatment			
Salaries and Employee Benefits	837,018	817,012	20,006
Landfill Tipping Fees	204,911	202,644	2,267
Repairs and Maintenance	74,288	72,177	2,111
Health and Wellness Allocation	8,000	5,000	3,000
Other Departmental Expenses	132,507	119,467	13,040
Contracted Services	53,981	49,545	4,436
Total	1,310,705	1,265,845	44,860
Debt Service:			
Principal Retirement	31,307	31,307	-
Interest and Other Charges	2,321	2,320	1
Total Debt Service	33,628	33,627	1
Capital Outlay	81,006	81,004	2
TOTAL EXPENDITURES	1,425,339	1,380,476	44,863
REVENUES OVER (UNDER) EXPENDITURES	(198,177)	(125,774)	72,403
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	-	\$ -

(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, 2019

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Fund Balance Appropriated	\$ 198,177	-	\$ (198,177)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	(125,774)	<u>\$ (125,774)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(150,440)	
Payment of Debt Principal		31,307	
Capital Outlay		81,004	
Change in Accrued Interest		(104)	
Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions		(15,547)	
Change in Compensated Absences		2,301	
CHANGE IN NET POSITION		<u>\$ (173,861)</u>	

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - STORMWATER FUND

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

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Operating Revenues:			
Stormwater Fees	\$ 301,500	341,334	\$ 39,834
Total Operating Revenues	<u>301,500</u>	<u>341,334</u>	<u>39,834</u>
Nonoperating Revenues:			
Interest Earned on Investments	1,000	844	(156)
Total Nonoperating Revenues	<u>1,000</u>	<u>844</u>	<u>(156)</u>
TOTAL REVENUES	<u>302,500</u>	<u>342,178</u>	<u>39,678</u>
EXPENDITURES			
Stormwater			
Salaries and Employee Benefits	154,040	145,470	8,570
Other Departmental Expenses	123,834	119,025	4,809
Total	<u>277,874</u>	<u>264,495</u>	<u>13,379</u>
TOTAL EXPENDITURES	<u>277,874</u>	<u>264,495</u>	<u>13,379</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>24,626</u>	<u>77,683</u>	<u>53,057</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	(33,650)	(31,149)	2,501
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33,650)</u>	<u>(31,149)</u>	<u>2,501</u>
Fund Balance Appropriated	9,024	-	(9,024)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u><u>\$ -</u></u>	<u><u>46,534</u></u>	<u><u>\$ 46,534</u></u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Depreciation		(10,507)	
Capital Contributions		2,123	
Grant Revenue in Enterprise Capital Project Funds		17,197	
Change in Compensated Absences		(400)	
Transfers In from Enterprise Fund Capital Project Funds		73,149	
CHANGE IN NET POSITION		<u><u>\$ 128,096</u></u>	

Enterprise Capital Project Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDEQ	\$ 150,000	150,000	-	150,000	\$ -
Reimbursements	374,600	-	374,675	374,675	75
TOTAL REVENUES	524,600	150,000	374,675	524,675	75
EXPENDITURES					
Current:					
Salaries and Employee Benefits	17,823	17,822	-	17,822	1
Capital Outlay	38,738,809	3,764,219	6,238,250	10,002,469	28,736,340
Contingencies	31,250	-	-	-	31,250
TOTAL EXPENDITURES	38,787,882	3,782,041	6,238,250	10,020,291	28,767,591
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38,263,282)	(3,632,041)	(5,863,575)	(9,495,616)	28,767,666
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	23,031,569	-	-	-	(23,031,569)
Transfers In	17,719,810	14,592,097	4,712,116	19,304,213	1,584,403
Transfers Out	(2,488,097)	(1,254,419)	(2,303,230)	(3,557,649)	(1,069,552)
TOTAL OTHER FINANCING SOURCES (USES)	38,263,282	13,337,678	2,408,886	15,746,564	(22,516,718)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	9,705,637	(3,454,689)	6,250,948	\$ 6,250,948

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, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - CDBG	\$ 1,040,500	1,040,500	-	1,040,500	\$ -
TOTAL REVENUES	1,040,500	1,040,500	-	1,040,500	-
EXPENDITURES					
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
TOTAL EXPENDITURES	1,040,500	1,015,586	-	1,015,586	24,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	24,914	-	24,914	24,914
OTHER FINANCING SOURCES (USES)					
Transfers In	-	36,338	-	36,338	36,338
Transfers Out	-	(36,338)	-	(36,338)	(36,338)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	24,914	-	24,914	\$ 24,914

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, 2019

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
EXPENDITURES					
Capital Outlay	599,614	596,067	-	596,067	3,547
TOTAL EXPENDITURES	<u>599,614</u>	<u>596,067</u>	<u>-</u>	<u>596,067</u>	<u>3,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(599,614)</u>	<u>(596,067)</u>	<u>-</u>	<u>(596,067)</u>	<u>3,547</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	599,614	597,649	-	597,649	(1,965)
TOTAL OTHER FINANCING SOURCES (USES)	<u>599,614</u>	<u>597,649</u>	<u>-</u>	<u>597,649</u>	<u>(1,965)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>1,582</u>	<u>-</u>	<u>1,582</u>	<u>\$ 1,582</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 WATER AND SEWER CAPITAL PROJECTS FUND - ELKAMET/DEMMELE GRANT PROJECT

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	ACTUAL		TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
		PRIOR YEARS	CURRENT YEAR		
REVENUES					
Grant Revenue - NCDOC	\$ 226,764	156,352	34,334	190,686	\$ (36,078)
Local Contributions	11,936	11,936	(3,840)	8,096	(3,840)
TOTAL REVENUES	238,700	168,288	30,494	198,782	(39,918)
EXPENDITURES					
Capital Outlay	238,700	168,288	(6,370)	161,918	76,782
TOTAL EXPENDITURES	238,700	168,288	(6,370)	161,918	76,782
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	36,864	36,864	36,864
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	(36,864)	(36,864)	(36,864)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(36,864)	(36,864)	(36,864)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	-	-	-	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 STORMWATER CAPITAL PROJECTS FUND - STORMWATER CAPITAL PROJECTS

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
TOTAL REVENUES	\$ -	-	-	-	\$ -
EXPENDITURES					
Capital Outlay	211,149	148,108	60,540	208,648	2,501
TOTAL EXPENDITURES	211,149	148,108	60,540	208,648	2,501
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(211,149)	(148,108)	(60,540)	(208,648)	2,501
OTHER FINANCING SOURCES (USES)					
Transfers In	211,149	207,499	1,149	208,648	(2,501)
TOTAL OTHER FINANCING SOURCES (USES)	211,149	207,499	1,149	208,648	(2,501)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	59,391	(59,391)	-	\$ -

CITY OF HENDERSONVILLE, NORTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
 STORMWATER CAPITAL PROJECTS FUND - STORMWATER GRANT PROJECT

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

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	PROJECT AUTHOR- IZATION	PRIOR YEARS	ACTUAL CURRENT YEAR	TOTAL TO DATE	VARIANCE POSITIVE (NEGATIVE)
REVENUES					
Grant Revenue - EPA	\$ 100,000	-	17,197	17,197	\$ (82,803)
TOTAL REVENUES	100,000	-	17,197	17,197	(82,803)
EXPENDITURES					
Capital Outlay	177,000	-	89,609	89,609	87,391
TOTAL EXPENDITURES	177,000	-	89,609	89,609	87,391
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(77,000)	-	(72,412)	(72,412)	4,588
OTHER FINANCING SOURCES (USES)					
Transfers In	77,000	-	72,000	72,000	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	77,000	-	72,000	72,000	(5,000)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ -	-	(412)	(412)	\$ (412)



Internal Service Funds

Internal Service Funds are specifically designed for goods or services that are provided on a cost-reimbursement basis. The goal of an Internal Service Fund is to measure the full cost of providing 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, 2019

	<u>FINANCIAL PLAN</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES			
Operating Revenues:			
Charges for Services	\$ 352,635	280,000	\$ (72,635)
Grant Revenue	-	8,318	8,318
Miscellaneous	10,250	18,247	7,997
Total Operating Revenues	<u>362,885</u>	<u>306,565</u>	<u>(56,320)</u>
TOTAL REVENUES	<u>362,885</u>	<u>306,565</u>	<u>(56,320)</u>
EXPENDITURES			
Employee Benefits	362,885	238,480	124,405
TOTAL EXPENDITURES	<u>362,885</u>	<u>238,480</u>	<u>124,405</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>68,085</u>	<u>\$ 68,085</u>
NET POSITION, Beginning of Year		<u>17,972</u>	
NET POSITION, End of Year		<u>\$ 86,057</u>	

Agency Funds

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

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>BALANCE AT JUNE 30, 2018</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT JUNE 30, 2019</u>
ASSETS				
Cash and Cash Equivalents	\$ -	25,740	17,605	\$ 8,135
TOTAL ASSETS	<u>\$ -</u>	<u>25,740</u>	<u>17,605</u>	<u>\$ 8,135</u>
LIABILITIES				
Amounts Held for Custody for Others	\$ -	25,740	17,605	\$ 8,135
TOTAL LIABILITIES	<u>\$ -</u>	<u>25,740</u>	<u>17,605</u>	<u>\$ 8,135</u>



Property Taxes

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND

YEAR ENDED JUNE 30, 2019

Fiscal year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	8,825,326	8,697,385	\$ 127,941
2017-2018	142,625	-	83,845	58,780
2016-2017	61,723	-	34,309	27,414
2015-2016	49,802	-	15,162	34,640
2014-2015	26,724	-	4,667	22,057
2013-2014	21,830	-	(1,432)	23,262
2012-2013	8,066	-	767	7,299
2011-2012	10,245	-	23	10,222
2010-2011	9,922	-	-	9,922
2009-2010	9,564	-	77	9,487
2008-2009	15,108	-	-	15,108
2007-2008	19,044	-	78	18,966
2006-2007	12,697	-	-	12,697
2005-2006	8,926	-	-	8,926
	<u>\$ 396,276</u>	<u>8,825,326</u>	<u>8,834,881</u>	<u>386,721</u>
				Less allowance for uncollectible ad valorem taxes receivable <u>158,975</u>
				Ad valorem taxes receivable, net <u>\$ 227,746</u>
Reconcilement with revenues:				
				Ad valorem taxes - General Fund \$ 8,869,027
				Penalties collected on ad valorem taxes - Agency Fund 21,769
Reconciling items:				
				Interest collected (55,915)
				Discounts allowed -
				Total collections and credits <u>\$ 8,834,881</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

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	\$ 1,792,240,982	0.49	\$ 8,781,981	8,089,742	\$ 692,239
Penalties	-		19,365	19,365	-
Total	<u>1,792,240,982</u>		<u>8,801,346</u>	<u>8,109,107</u>	<u>692,239</u>
Discoveries:					
Current year taxes	17,693,215	0.49	83,382	48,729	
Penalties	-		15,152	15,152	
			<u>98,534</u>	<u>63,881</u>	
Releases:					
Current year taxes	(7,468,379)	0.49	(63,302)	(62,228)	
Penalties	-		(11,252)	(11,253)	
			<u>(74,554)</u>	<u>(73,481)</u>	
Total property valuation	<u>\$ 1,802,465,818</u>				
Net levy			8,825,326	8,099,507	692,239
Uncollected taxes at June 30, 2019			127,941	127,941	1,240
Current year's taxes collected			<u>\$ 8,697,385</u>	<u>7,971,566</u>	<u>\$ 690,999</u>
Current levy collection percentage			<u>98.55%</u>	<u>98.42%</u>	<u>99.82%</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2019

Fiscal year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	243,651	238,405	\$ 5,246
2017-2018	6,115	-	2,528	3,587
2016-2017	4,190	-	2,869	1,321
2015-2016	2,105	-	895	1,210
2014-2015	538	-	(632)	1,170
2013-2014	1,233	-	(553)	1,786
2012-2013	229	-	-	229
2011-2012	151	-	-	151
2010-2011	5	-	-	5
2009-2010	1,042	-	-	1,042
2008-2009	488	-	-	488
2007-2008	951	-	-	951
2006-2007	734	-	-	734
2005-2006	246	-	-	246
	<u>\$ 18,027</u>	<u>243,651</u>	<u>243,512</u>	<u>18,166</u>
				Less allowance for uncollectible ad valorem taxes receivable <u>5,765</u>
				Ad valorem taxes receivable, net <u>\$ 12,401</u>
				Reconcilement with revenues:
				Ad valorem taxes - Main Street Tax District Fund \$ 244,064
				Penalties collected on ad valorem taxes - Agency Fund 668
				Reconciling items:
				Interest collected (1,220)
				Discounts allowed -
				Total collections and credits <u>\$ 243,512</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - MAIN STREET TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2019

Original Levy:	MAIN STREET TAX DISTRICT			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property at current year's rate	\$ 85,534,316	0.28	\$ 239,496	236,482	\$ 3,014
Penalties	-		602	602	-
Total	85,534,316		240,098	237,084	3,014
Discoveries:					
Current year taxes	1,021,448	0.28	2,860	2,674	
Penalties	-		978	978	
			3,838	3,652	
Releases:					
Current year	-	0.28	(273)	(273)	
Penalties	-		(12)	(12)	
			(285)	(285)	
Total property valuation	\$ 86,555,764				
Net levy			243,651	240,451	3,014
Uncollected taxes at June 30, 2019			5,246	5,246	-
Current year's taxes collected			\$ 238,405	235,205	\$ 3,014
Current levy collection percentage			97.85%	97.82%	100.00%

CITY OF HENDERSONVILLE, NORTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

Fiscal year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	20,012	19,186	\$ 826
2017-2018	429	-	344	85
2016-2017	132	-	(99)	231
2015-2016	21	-	(23)	44
2014-2015	50	-	(27)	77
2013-2014	-	-	(31)	31
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
	<u>\$ 950</u>	<u>20,012</u>	<u>19,350</u>	<u>1,612</u>
				Less allowance for uncollectible ad valorem taxes receivable <u>137</u>
				Ad valorem taxes receivable, net <u>\$ 1,475</u>
Reconcilement with revenues:				
				Ad valorem taxes - Seventh Avenue Tax District Fund \$ 19,480
				Penalties collected on ad valorem taxes - Agency Fund (53)
Reconciling items:				
				Interest collected (77)
				Discounts allowed -
				Total collections and credits <u>\$ 19,350</u>

CITY OF HENDERSONVILLE, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - SEVENTH AVENUE TAX DISTRICT FUND

YEAR ENDED JUNE 30, 2019

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	\$ 16,566,023	0.12	\$ 19,879	18,022	\$ 1,857
Penalties	-		52	52	-
Total	16,566,023		19,931	18,074	1,857
Discoveries:					
Current year taxes	925,238	0.12	1,110	301	
Penalties	-		34	34	
			1,144	335	
Releases:					
Current year	(642,860)	0.12	(783)	(783)	
Penalties	-		(280)	(280)	
			(1,063)	(1,063)	
Total property valuation	\$ 16,848,401				
Net levy			20,012	17,346	1,857
Uncollected taxes at June 30, 2019			826	826	-
Current year's taxes collected			\$ 19,186	16,520	\$ 1,857
Current levy collection percentage			95.87%	95.24%	100.00%





**STATISTICAL
SECTION**



STATISTICAL SECTION

TABLE OF CONTENTS

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 16,738,488	16,829,139	17,530,422	17,077,486	17,860,656	16,304,268	18,615,092	19,614,200	19,926,250	\$ 21,020,174
Restricted	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875
Unrestricted	8,059,282	5,212,143	4,376,180	1,970,572	4,307,191	5,423,630	4,681,884	3,971,616	1,397,633	1,110,510
Total Governmental Activities Net Position	\$ 24,969,668	25,088,847	24,864,375	24,910,553	24,505,775	24,037,536	26,948,761	26,631,012	25,862,352	\$ 25,416,559
Business-Type Activities										
Net Investment in Capital Assets	\$ 48,628,499	50,127,849	51,057,598	51,168,791	54,082,358	52,399,169	50,835,364	51,388,724	56,252,393	\$ 63,008,624
Unrestricted	20,179,419	21,453,888	23,526,746	25,322,705	24,452,509	26,030,616	25,771,050	22,731,743	18,731,513	13,368,475
Total Business-Type Activities Net Position	\$ 68,807,918	71,581,737	74,584,344	76,491,496	78,534,867	78,429,785	76,606,414	74,120,467	74,983,906	\$ 76,377,099
Primary Government										
Net Investment in Capital Assets	\$ 65,366,987	66,956,988	68,588,020	68,246,277	71,943,014	68,703,437	69,450,456	71,002,924	76,178,643	\$ 84,028,798
Restricted	171,898	3,047,565	2,957,773	5,862,495	2,337,928	2,309,638	3,651,785	3,045,196	4,538,469	3,285,875
Unrestricted	28,238,701	26,666,031	27,902,926	27,293,277	28,759,700	31,454,246	30,452,934	26,703,359	20,129,146	14,478,985
Total Primary Government Net Position	\$ 93,777,586	96,670,584	99,448,719	101,402,049	103,040,642	102,467,321	103,555,175	100,751,479	100,846,258	\$ 101,793,658

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General Government	\$ 2,181,689	2,152,324	2,301,254	2,359,071	2,374,428	2,813,625	2,583,313	3,157,971	3,054,736	\$ 3,885,983
Public Safety	6,230,577	6,256,423	6,910,168	6,281,514	6,604,475	6,702,566	7,209,269	7,773,702	8,503,808	9,043,813
Transportation	1,869,352	2,155,725	2,116,715	2,046,441	2,375,395	2,795,044	2,653,172	2,452,605	2,498,903	2,559,392
Environmental Protection	223,094	642,849	589,902	596,425	626,450	484,528	21,508	139,054	240,541	95,522
Economic and Physical Development	453,538	262,751	405,416	311,086	455,811	428,450	520,035	564,691	721,195	521,007
Cultural and Recreational	588,305	200,772	237,833	200,928	215,403	537,955	968,892	1,010,569	960,189	864,375
Interest on Long-Term Obligations	229,642	215,749	197,996	231,074	346,513	318,140	295,850	263,137	274,831	253,558
Total Governmental Activities	11,776,197	11,886,593	12,759,284	12,026,539	12,998,475	14,080,308	14,252,039	15,361,729	16,254,203	17,223,650
Business-Type Activities:										
Water and Sewer Fund	10,278,199	10,784,165	11,291,143	12,326,878	12,815,116	16,047,518	17,428,160	18,366,688	15,009,569	16,069,699
Environmental Services Fund	1,011,039	1,014,552	1,064,379	993,094	1,344,981	1,178,355	1,242,213	1,456,781	1,382,440	1,428,563
Storm Water	-	-	-	-	-	-	-	1,456,781	177,649	275,402
Total Business-Type Activities	11,289,238	11,798,717	12,355,522	13,319,972	14,160,097	17,225,873	18,670,373	19,823,469	16,569,658	17,773,664
Total Expenses	\$ 23,065,435	23,685,310	25,114,806	25,346,511	27,158,572	31,306,181	32,922,412	35,185,198	32,823,861	\$ 34,997,314
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	-	-	-	-	39,153	85,995	38,379	25,639	\$ 40,272
Public Safety	153,171	163,982	156,625	219,158	217,156	76,401	217,039	295,562	468,933	390,797
Transportation	69,058	73,432	83,540	75,042	98,555	-	-	-	-	153,295
Parks and Drainage	15,000	11,850	23,500	5,500	16,000	-	-	-	-	-
Cultural and Recreational	154,555	164,349	160,737	162,593	168,084	323,572	412,311	429,214	363,692	292,418
Operating Grants and Contributions	627,018	823,010	925,970	646,346	433,681	680,540	722,754	807,606	703,076	1,338,803
Capital Grants and Contributions	400,000	75,000	390,000	-	60,079	53,783	1,073,002	565,917	561,531	271,254
Total Governmental Activities	1,418,802	1,311,623	1,740,372	1,108,639	993,555	1,173,449	2,511,101	2,136,678	2,122,871	2,486,839
Business-Type Activities:										
Charges for Services:										
Water and Sewer Fund	12,892,729	13,386,511	14,031,234	13,708,469	14,137,450	14,727,783	15,485,428	15,079,674	15,248,817	16,067,138
Environmental Services Fund	695,814	837,913	868,123	928,295	1,064,783	1,130,922	1,204,694	1,417,155	1,192,775	1,221,473
Storm Water Fund	-	-	-	-	-	-	-	-	241,568	341,334
Capital Grants and Contributions	216,558	285,014	122,019	-	580,014	1,177,512	46,537	679,969	1,820,530	1,421,287
Total Business-Type Activities	13,805,101	14,509,438	15,021,376	14,636,764	15,782,247	17,036,217	16,736,659	17,176,798	18,503,690	19,051,232
Total Program Revenues	\$ 15,223,903	15,821,061	16,761,748	15,745,403	16,775,802	18,209,666	19,247,760	19,313,476	20,626,561	\$ 21,538,071

(Continued)

CITY OF HENDERSONVILLE, NORTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (10,357,395)	(10,574,970)	(11,018,912)	(10,917,900)	(12,004,920)	(12,906,859)	(11,740,938)	(13,225,051)	(14,131,332)	\$ (14,736,811)
Business-Type Activities	2,515,863	2,710,721	2,665,854	1,316,792	1,622,150	(189,656)	(1,933,714)	(2,646,671)	1,934,032	1,277,568
Total Net Expense	\$ (7,841,532)	(7,864,249)	(8,353,058)	(9,601,108)	(10,382,770)	(13,096,515)	(13,674,652)	(15,871,722)	(12,197,300)	\$ (13,459,243)
General Revenues										
Governmental Activities:										
Property Taxes	\$ 6,909,539	6,937,950	7,020,873	7,043,951	7,289,030	7,745,067	8,084,440	8,302,439	8,563,585	\$ 9,108,913
Sales & Use Tax	2,101,938	2,134,526	2,257,061	2,404,610	2,544,355	2,783,936	3,180,632	3,198,658	3,203,984	3,427,281
Other Taxes	158,441	88,077	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,605
Franchise Taxes	1,283,006	1,703,333	1,277,026	1,298,877	1,056,875	1,278,651	1,294,801	1,268,189	1,270,448	1,281,328
Restricted Intergovernmental Revenue	1,113,434	975,848	1,393,807	746,012	379,744	-	-	-	-	-
Permits and Fees	21,647	25,573	21,893	49,630	71,455	177,883	261,890	245,055	239,548	264,151
Sales and Services	241,313	251,706	269,352	245,360	-	-	-	-	-	-
Investment Earnings	43,068	24,430	15,046	11,245	16,374	53,142	117,250	45,477	60,808	220,110
Miscellaneous	156,538	211,301	135,760	122,713	68,735	234,357	335,338	293,332	337,144	211,310
Transfers	-	-	-	-	(228,720)	-	138,947	26,474	534,955	336,250
Special Items	-	-	-	-	-	-	-	-	-	(569,930)
Total Governmental Activities	12,028,924	12,352,744	12,936,997	12,453,998	11,600,142	12,675,434	13,426,826	13,391,824	14,222,016	14,291,018
Business-Type activities:										
Investment Earnings	31,163	22,068	18,426	15,033	34,318	157,767	277,173	85,509	106,643	331,817
Miscellaneous	9,884	12,455	17,332	9,625	158,183	91,806	64,501	101,689	196,496	114,735
Gain on Sale of Assets	-	-	-	-	-	-	-	-	-	5,323
Transfers	100,880	100,880	100,880	100,880	228,720	-	(138,947)	(26,474)	(534,955)	(336,250)
Total Business-Type Activities	141,927	135,403	136,638	125,538	421,221	249,573	202,727	160,724	(231,816)	115,625
Total Primary Government	\$ 12,170,851	12,488,147	13,073,635	12,579,536	12,021,363	12,925,007	13,629,553	13,552,548	13,990,200	\$ 14,406,643
Change in Net Position:										
Governmental Activities	\$ 1,671,529	1,777,774	1,918,085	1,536,098	(404,778)	(231,425)	1,685,888	166,773	90,684	\$ (445,793)
Business-Type Activities	2,657,790	2,846,124	2,802,492	1,442,330	2,043,371	59,917	(1,730,987)	(2,485,947)	1,702,216	1,393,193
Total Change in Net Position	\$ 4,329,319	4,623,898	4,720,577	2,978,428	1,638,593	(171,508)	(45,099)	(2,319,174)	1,792,900	\$ 947,400

CITY OF HENDERSONVILLE, NORTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	-	-	-	-	8,805	63,057	474,265	461,013	\$ 72,783
Restricted for Stabilization by State Statute	756,414	922,385	1,288,518	805,835	925,946	1,058,260	1,790,318	1,830,006	2,513,576	2,117,460
Restricted for Public Safety	78,158	106,326	114,910	97,471	131,935	115,235	-	-	-	-
Restricted for Streets	171,898	221,653	262,335	289,674	-	-	-	-	-	-
Restricted for Economic Development	-	-	-	-	7,906	19,577	-	-	-	-
Assigned - Subsequent Year's Expenditures	929,690	929,710	881,240	1,318,210	1,122,300	701,672	436,981	1,017,696	612,000	713,196
Unassigned	7,169,323	7,022,022	5,822,117	6,410,105	6,207,146	6,200,178	5,091,043	4,326,041	3,956,453	4,469,087
Total General Fund	\$ 9,105,483	9,202,096	8,369,120	8,921,295	8,395,233	8,103,727	7,381,399	7,648,008	7,543,042	\$ 7,372,526
All Other Governmental Funds										
Nonspendable	\$ -	-	-	-	-	-	491	12,680	1,000	\$ -
Restricted for Stabilization by State Statute	-	1,000	253,900	11,254	69,407	25,550	387,151	112,353	144,619	760,904
Restricted for General Government	-	-	-	-	-	-	1,428	3,689	424,000	3,470
Restricted for Economic Development	83,380	57,964	66,650	42,765	55,106	73,782	135,136	173,511	58,154	57,572
Restricted for Public Safety	-	-	-	3,191,465	189,615	52,786	110,261	43,673	94,610	118,458
Restricted for Cultural and Recreational	-	3,005	-	-	-	-	-	4,687	3,030	-
Restricted for Transportation	1,766,967	1,735,232	971,460	1,339,191	958,013	956,917	1,132,835	877,277	1,300,480	214,135
Committed - Organic Garden	-	-	-	-	-	-	-	3,230	3,230	3,230
Assigned - Subsequent Year's Expenditures	-	57,900	57,000	84,840	46,000	7,531	548,148	439,020	89,307	135,109
Assigned - Debt Service	-	-	-	-	-	-	508,419	146,344	-	-
Unassigned	-	(95,431)	(278,172)	-	-	-	(373,383)	(205,128)	(827,181)	(362,698)
Total All Other Governmental Funds	\$ 1,850,347	1,759,670	1,070,838	4,669,515	1,318,141	1,116,566	2,450,486	1,611,336	1,291,249	\$ 930,180
Total All Governmental Funds	\$ 10,955,830	10,961,766	9,439,958	13,590,810	9,713,374	9,220,293	9,831,885	9,259,344	8,834,291	\$ 8,302,706

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property Tax	\$ 6,909,539	6,937,950	7,020,873	7,043,951	7,319,539	7,666,438	8,096,500	8,232,001	8,573,856	\$ 9,132,571
Other Taxes	158,441	487,152	546,179	531,600	402,294	402,398	13,528	12,200	11,544	11,604
Unrestricted Intergovernmental	3,384,944	3,438,784	3,534,087	3,703,487	3,762,137	4,258,292	4,784,984	4,820,155	4,824,053	5,090,200
Restricted Intergovernmental	1,113,434	975,848	1,393,807	746,012	595,052	609,063	1,757,512	1,303,087	949,686	1,534,819
Permits and Fees	21,647	25,573	21,893	49,630	48,088	49,602	103,712	143,613	257,704	412,876
Sales and Services	241,313	251,706	269,352	245,360	414,073	480,028	566,479	518,672	430,673	365,557
Investment Earnings	43,068	24,430	15,046	11,966	16,335	53,094	117,250	45,476	60,808	220,109
Miscellaneous	156,538	211,301	135,760	141,763	272,522	188,331	272,567	301,644	548,588	223,679
Total Revenues	\$ 12,028,924	12,352,744	12,936,997	12,473,769	12,830,040	13,707,246	15,712,532	15,376,848	15,656,912	\$ 16,991,415
Expenditures										
Current:										
General Government	\$ 2,103,217	2,052,333	2,153,295	2,374,576	2,228,056	3,184,950	2,441,963	2,843,232	2,793,058	\$ 3,587,116
Public Safety	6,472,416	6,018,523	6,322,638	6,999,222	9,355,420	6,819,585	6,780,868	7,142,045	7,907,468	8,229,430
Transportation	2,001,261	2,233,485	3,752,372	2,994,120	2,602,778	2,309,503	2,012,652	1,838,573	1,854,504	1,971,674
Environmental Protection	527,228	557,500	495,238	463,889	547,571	9,107	21,508	139,054	240,541	95,522
Economic & Physical Development	453,538	262,751	405,416	310,160	453,223	431,801	510,737	542,179	699,373	502,947
Cultural and Recreational	588,305	200,772	237,833	200,928	215,403	715,098	803,433	818,336	737,169	644,646
Capital Outlay ^	-	-	-	-	-	-	1,993,434	2,257,810	1,368,877	4,806,713
Debt Service:										
Principal	373,333	373,333	423,333	423,333	723,333	723,333	830,273	832,133	836,995	631,138
Interest and Fees	232,928	219,650	200,890	185,869	352,972	324,613	300,938	270,328	231,874	237,879
Bond Issuance Costs	-	-	-	-	-	-	-	-	29,550	-
Total Expenditures	12,752,226	11,918,347	13,991,015	13,952,097	16,478,756	14,517,990	15,695,806	16,683,690	16,699,409	20,707,065
Excess of Revenues Over (Under) Expenditures	\$ (723,302)	434,397	(1,054,018)	(1,478,328)	(3,648,716)	(810,744)	16,726	(1,306,842)	(1,042,497)	\$ (3,715,650)

^ 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources (Uses):										
Proceeds of Debt - GO Bonds	\$ -	-	-	-	-	-	-	-	1,352,000	\$ -
Proceeds of Debt - Notes Payable	-	-	-	6,000,000	-	242,500	78,533	655,000	-	2,965,100
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	-	-	(1,321,397)	-
Sale of Capital Assets	-	-	-	-	-	18,090	2,125	8,972	1,700	23,207
Insurance Recovery	-	-	-	-	-	57,073	96,383	43,855	50,186	43,780
Operating Transfers From (To) Other Funds:										
Enterprise Fund:										
Environmental Services Fund	(387,600)	(249,790)	(285,270)	(269,940)	(127,840)	-	-	-	-	-
Water and Sewer Fund	(100,880)	(100,880)	(100,880)	(100,880)	(100,880)	-	138,947	26,474	625,539	378,250
Storm Water fund	-	-	(81,640)	-	-	-	-	-	-	-
Health & Welfare Fund	-	-	303,840	293,970	-	-	-	-	-	-
Capital Projects Fund - Miscellaneous Projects	870,899	313,360	303,840	293,970	-	-	-	-	-	-
Capital Reserve Fund - General Fund Contribution	-	(245,472)	(1,100,266)	-	-	-	-	-	-	-
Capital Projects Fund - Fire Station	-	-	-	(27,600)	-	-	-	-	-	-
Main Street Tax District - General Fund Reimbursement	100,000	100,000	100,000	100,000	100,000	100,000	-	-	-	-
Main Street Tax District	-	(27,350)	-	-	-	(100,000)	-	-	-	-
Main Street Tax District - Main Street Project	-	(66,412)	-	(45,000)	189,046	-	-	-	-	-
Seventh Avenue Tax District - General Fund Contribution	(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	(918,099)	-	-	-	-	-	-	-	-	-
	<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>	<u>734,301</u>	<u>617,444</u>	<u>3,368,337</u>
Special Items	-	-	-	-	-	-	-	-	-	(184,272)
Net Change in Fund Balances	\$ (1,211,782)	127,607	(2,258,409)	4,434,142	(3,625,860)	(493,081)	332,714	(572,541)	(425,053)	\$ (531,585)
Capital Asset Expenditures	\$ 2,021,203	847,347	2,348,420	2,815,434	4,064,359	1,333,272	2,031,608	2,298,582	1,363,198	\$ 4,804,733
Debt Service as a Percentage of Noncapital Expenditures *	5.6%	5.4%	5.4%	5.5%	8.7%	7.9%	8.3%	7.7%	7.0%	5.5%

* - 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						
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	860,792,797	622,571,755	121,051,969	130,347,339	2015	10,594,200	1,724,169,660	0.84	1,733,530,726	99.5%
2016	869,531,034	628,891,720	127,865,067	126,562,294	2016	13,449,401	1,739,400,714	0.86	1,844,539,463	94.3%
2017	869,827,543	629,106,171	136,782,391	117,221,370	2017	13,914,601	1,739,022,874	0.86	2,003,482,574	86.8%
2018	881,579,895	637,606,103	134,141,102	115,895,380	2018	13,876,051	1,755,346,429	0.87	2,017,639,574	87.0%
2019	\$ 758,917,288	777,919,406	141,273,265	\$ 137,921,560	2019	\$ 13,565,701	\$ 1,802,465,818	0.89	\$ 2,025,242,492	89.0%

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Direct Rates:										
General Fund Rate	0.380	0.380	0.410	0.410	0.410	0.440	0.460	0.460	0.470	0.490
Main Street Tax District	0.250	0.250	0.280	0.280	0.280	0.280	0.280	0.280	0.280	0.280
Seventh Avenue District	0.080	0.080	0.120	0.120	0.120	0.120	0.120	0.120	0.120	0.120
Total Direct Rate	0.710	0.710	0.810	0.810	0.810	0.840	0.860	0.860	0.870	0.890
County Rates:										
Henderson County	0.462	0.462	0.5136	0.5136	0.5136	0.5136	0.5136	0.5650	0.5650	0.5650
Town of Fletcher	0.270	0.320	0.3250	0.3250	0.3250	0.3250	0.3400	0.3400	0.3400	0.3400
Town of Laurel Park	0.270	0.310	0.3600	0.3600	0.0360	0.3900	0.4300	0.4300	0.4300	0.4300
Town of Saluda	0.515	0.515	0.6250	0.6050	0.6050	0.6050	0.6050	0.6050	0.6050	0.6450
Town of Mills River	0.075	0.075	0.0874	0.0974	0.0974	0.0974	0.1124	0.1800	0.1800	0.1800
Village of Flat Rock	0.075	0.075	0.0840	0.0840	0.0840	0.0840	0.1100	0.1100	0.1100	0.1100
Fire (14) District Rates:										
From Lowest	0.060	0.060	0.0650	0.0650	0.0650	0.0700	0.0800	0.0800	0.0800	0.0800
To Highest	0.115	0.115	0.1250	0.1250	0.1250	0.1250	0.1300	0.1300	0.1300	0.1300
Special Purpose District Rates:										
Main Street Tax District	0.250	0.250	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
Seventh Avenue Tax District	0.080	0.080	0.1200	0.1200	0.1200	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

Taxpayer	2019 Fiscal Year			2010 Fiscal Year		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ingles Markets, Inc	\$ 29,827,000	1	1.67%	\$ 24,902,982	1	1.44%
Triangle Ballantyne Hendersonville, Inc	25,185,900	2	1.41%	11,383,100	10	0.66%
Wal-Mart Real Estate Business Trust	17,541,300	3	0.98%	21,607,823	3	1.25%
Highland Investors Limited Partnership	16,107,900	4	0.90%	15,673,660	4	0.90%
Boyd L Hyder	15,440,900	5	0.86%	22,900,300	2	1.32%
Triangle Real Estate of Gastonia, Inc	11,114,800	6	0.62%	-		
Home Depot USA Inc	10,595,000	7	0.59%	11,972,965	7	0.69%
Lake Pointe Landing Real Estate Investor	10,358,600	8	0.58%	-		
Sam's Real Estate Business Trust	9,975,700	9	0.56%	-		
Lowes Home Centers, Inc	8,869,900	10	0.50%	13,376,242	5	0.77%
Blue Ridge Mall LLC	8,750,000			11,698,500	8	0.67%
Henderson Crossing Shopping Center LLC	8,289,100			11,432,500	9	0.66%
First Citizens Bank & Trust Co	8,143,600			13,030,101	6	0.75%
Emerichip Pine Park LLC	7,925,100			-		
Hendersonville (Highlands) WMS LLC	7,568,500			-		
Totals	\$ 195,693,300		8.67%	\$ 157,978,173		9.11%

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 Levy for Fiscal Year	Adjustments to Original 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
2010	\$ 6,181,286	415,320	6,596,718	\$ 6,405,344	97.10%	2010	\$ 181,648	\$ 6,586,992	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	178,147	6,704,794	99.83%
2013	6,368,893	324,190	6,693,083	6,553,545	97.92%	2013	130,802	6,684,347	99.87%
2014	6,416,260	4,186	6,420,446	6,329,186	98.58%	2014	65,343	6,394,529	99.60%
2015	6,931,559	4,513	6,936,072	6,788,334	97.87%	2015	100,047	6,888,381	99.31%
2016	7,890,120	106,715	7,996,835	7,837,894	98.01%	2016	93,048	7,930,942	99.18%
2017	7,997,213	11,895	8,009,108	7,862,484	98.17%	2017	119,210	7,981,694	99.66%
2018	8,294,356	(35,435)	8,258,921	8,116,296	98.27%	2018	83,844	8,200,140	99.29%
2019	\$ 8,801,346	23,980	8,825,326	\$ 8,697,385	98.55%	2019	-	\$ 8,697,385	98.55%

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			
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	773.3%	2,205
2015	1,870,000	-	6,459,167	-	-	27,283,746	35,612,913	883.4%	2,079
2016	1,680,000	-	5,897,427	-	-	24,262,654	31,840,081	752.5%	2,303
2017	1,490,000	-	5,910,294	-	-	21,057,370	28,457,664	638.9%	2,023
2018	1,343,000	-	5,272,299	-	-	18,515,329	25,130,628	527.4%	1,771
2019	\$ 1,177,000	-	7,772,261	-	-	16,569,675	\$ 25,518,936	*	\$ 1,791

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

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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
2017	1,490,000	-	1,490,000	0.07%	106
2018	1,343,000	-	1,343,000	0.06%	95
2019	\$ 1,177,000	-	\$ 1,177,000	0.06%	\$ 83

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, 2019

UNAUDITED

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Henderson County	\$ 119,205,411	12.58%	\$ 14,996,041
Subtotal, Overlapping Debt			<u>14,996,041</u>
City of Hendersonville Direct			<u>8,949,261</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,945,302</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 139,016,410	140,452,168	130,930,200	130,499,448	136,071,843	135,907,787	138,980,933	139,121,830	140,427,714	\$ 144,197,265
Total Net Debt Applicable to Debt Limit	21,412,148	19,012,447	29,246,161	33,036,986	29,712,442	35,612,913	31,840,081	28,457,664	25,130,628	25,518,936
Legal Debt Margin	\$ 117,604,262	121,439,721	101,684,039	97,462,462	106,359,401	100,294,874	107,140,872	110,664,166	115,297,086	\$ 118,678,329
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	15.4%	13.5%	22.3%	25.3%	21.8%	26.2%	22.9%	20.5%	17.9%	17.7%

Legal Debt Margin Calculation for Fiscal Year

Total Assessed Value	\$1,802,465,818
Debt Limit (8% of Total Assessed Value)	144,197,265
Amount of Debt Applicable to Debt Limit:	
Total Non-Bonded Debt	24,341,936
Total Bonded Debt	1,177,000
Total Amount of Debt Applicable to Debt Limit	25,518,936
Legal Debt Margin	\$ 118,678,329

CITY OF HENDERSONVILLE, NORTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	City Population	County Population	Personal Income (000's)	Per Capita Personal Income	School Enrollment	Unemployment Rate		
						County	State	U.S.
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	109,404	3,842,493	35,122	13,491	4.9%	6.5%	5.9%
2015	13,663	110,939	4,031,132	36,336	13,495	4.6%	5.0%	5.7%
2016	13,824	112,655	4,231,103	37,558	13,690	4.3%	4.9%	4.9%
2017	14,064	114,209	4,454,428	39,002	13,241	3.6%	4.2%	4.4%
2018	14,189	115,708	4,764,710	41,179	13,212	3.6%	4.2%	4.0%
2019	14,251	116,748	*	*	13,361	3.6%	4.2%	3.7%

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

Employer	2019 Fiscal Year			2010 Fiscal Year		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Henderson County Schools	1,884	1	13.22%	1,825	1	13.89%
Pardee Hospital	1,480	2	10.39%	1,260	2	9.59%
Park Ridge Health	1,216	3	8.53%	1,050	3	7.99%
Ingles	1,178	4	8.27%	653	8	4.97%
Henderson County Government	862	5	6.05%	650	9	4.95%
Meritor Heavy Vehicle Systems LLC	741	6	5.20%	700	6	5.33%
Continental Automotive Systems	676	7	4.74%	522	10	3.97%
Wilsonart	610	8	4.28%	740	4	5.63%
GE	500	9	3.51%	725	5	5.52%
Sierra Nevada Brewing Co.	444	10	3.12%	-		
Wal-Mart Associates Inc.	-			675	7	5.14%
Totals	9,591		67.31%	8,800		66.98%

Source: NC Department of Commerce

CITY OF HENDERSONVILLE, NORTH CAROLINA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
General Government:										
Administration	3	3	3	3	3	5	5	5	5	5
Finance	12	12	12	12	12	13	12	14	18	19
Support Services	11	11	12	14	14	15	13	14	17	17
Public Safety:										
Police	50	50	50	50	51	51	53	53	56	59
Fire	20	20	27	27	27	27	27	29	33	33
Public Works:										
Fleet Maintenance	6	6	6	6	6	6	6	6	6	6
Building Maintenance	3	3	3	3	3	3	3	4	4	4
Administration	3	3	3	3	3	3	3	3	3	3
Streets & Highways	9	9	9	9	9	7	7	7	9	9
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	31	31	31	31	31	29	29	30	32	32
Business-Type Activities										
Water and Sewer Fund	63	63	64	65	65	65	68	72	73	79
Storm Water	10	10	12	14	14	14	15	15	14	14
Total	200	200	211	216	217	219	222	232	248	258

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

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Building Permits Issued:										
Residential	103	95	125	305	307	119	130	101	221	256
Commercial	226	252	147	112	90	87	110	110	105	105
Public Safety - Police										
Physical Arrests	2,120	1,667	1,539	1,646	1,544	1,602	2,723	1,195	909	1,793
Traffic Violations	2,997	2,720	2,482	2,631	2,664	2,250	2,017	2,040	2,133	2,239
Parking Violations	1,865	1,980	1,806	2,762	2,317	2,216	3,029	2,462	1,790	1,415
Public Safety - Fire										
Number of Fire Calls Answered	1,842	1,779	2,111	3,270	3,401	4,121	4,352	4,761	4,638	4,499
Inspections Conducted	1,997	883	502	478	370	583	955	1,679	4,318	3,985
Water										
Number of Service Connections	25,645	25,618	25,552	25,514	26,446	26,723	30,000	27,449	28,415	29,986
Average Daily Production in Gallons	7,476,633	6,779,146	6,312,833	7,014,181	6,869,342	7,447,307	7,398,090	6,960,556	7,002,781	7,021,896
Sewer										
Number of Service Connections	8,173	8,146	8,274	8,503	8,751	9,035	9,500	9,067	9,411	9,461
Average Daily Treatment in Gallons	2,937,317	2,233,945	2,349,814	2,966,896	3,215,077	2,885,441	3,369,809	2,772,332	3,011,999	3,143,584
Solid Waste										
Refuse Collected (Tons per Year)	3,885	3,550	3,325	3,293	3,353	3,519	3,438	3,325	4,031	3,326
Recycling Collections (Tons per Year)	2,195	1,040	645	744	848	928	1,033	1,106	1,231	1,107
Scrap Metal (Tons per Year)	17	13	1	3	3	6	12	23	12	32

Sources: Various City of Hendersonville Departments

CITY OF HENDERSONVILLE, NORTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION


LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Hendersonville										
Public Facilities/Buildings	3	3	4	5	5	5	5	1	1	2
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	38	38	38	38	39	39	30	30	30	42
Public Safety - Fire										
Number of Fire Stations	1	1	1	1	2	2	2	2	2	2
Number of Fire Trucks	6	6	6	6	6	6	5	6	5	5
Public Service										
Streets (in Miles)	65.36	65.36	65.67	68.20	68.20	68.20	68.20	65.75	65.75	65.75
Street Lights (Leased)	1,433	1,428	1,428	1,479	1,501	1,515	1,515	1,520	1,520	1,532
Street Lights (Owned)	189	189	189	189	189	189	189	256	215	286
Parks and Recreation										
Parks Acreage	158	158	158	158	158	158	158	158	158	158
Tennis & Racquet Ball Courts	8	8	8	8	8	8	8	8	8	8
Parks	12	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)	581	640	620	634	637	640	653	623	624	633
Fire Hydrants	2,446	2,539	2,552	2,585	2,598	2,626	2,648	2,662	2,692	2,694
Sewer										
Sanitary Sewers (Miles)	167	175	176	177	178	178	180	160	182	182
Storm Sewers (Miles)	27	30	30	30	30	30	30	30	30	30
Solid Waste										
Collection/Refuse Trucks	3	3	3	3	4	4	4	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, 2019

Grantor/Pass-through Grantor/Program or Cluster Title:	Federal CFDA Number	State/Pass- Through Entity Identifying Number	Federal Expenditures	State Expenditures
FEDERAL AND STATE ASSISTANCE GRANTS				
US DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		\$ 66,638	\$ -
TOTAL US DEPARTMENT OF HOMELAND SECURITY			66,638	-
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed-through the N.C. Department of Commerce:				
Community Development Block Grant, State's Program	14.228		500,000	-
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			500,000	-
US DEPARTMENT OF JUSTICE				
Direct Programs:				
Bulletproof Vest Partnership Program	16.607		824	-
TOTAL US DEPARTMENT OF JUSTICE			824	-
US ENVIRONMENTAL PROTECTION AGENCY				
Cash Programs				
Passed-through the N.C. Department of Environmental Quality - Grants:				
EPS Section 319(b) Grant Nonpoint Source Implementation Grant	66.460		17,197	-
TOTAL US ENVIRONMENTAL PROTECTION AGENCY			17,197	-
US DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
Governor's Highway Safety Program	20.600		4,178	-
Passed-through the NC Department of Transportation:				
Highway Planning and Construction - Old Tracey Grove Road	20.205	BRSTP-1932(9)	3,202	-
TOTAL US DEPARTMENT OF TRANSPORTATION			7,380	-
TOTAL ASSISTANCE			\$ 592,039	\$ -
STATE ASSISTANCE ONLY				
NC DEPARTMENT OF TRANSPORTATION				
Powell Bill Program				
Non-State System Street-Aid Allocation		DOT-4	\$ -	\$ 382,540
TOTAL NC DEPARTMENT OF TRANSPORTATION			-	382,540
NC DEPARTMENT OF COMMERCE				
Elkamet/Demmel		2018-101-3212-2587	-	30,494
TOTAL NC DEPARTMENT OF COMMERCE			-	30,494
TOTAL ASSISTANCE			\$ -	\$ 413,034
TOTAL FEDERAL AND STATE ASSISTANCE				
TOTAL FEDERAL AND STATE ASSISTANCE			\$ 592,039	\$ 413,034

There were no expenditures to subrecipients for the year ended June 30, 2019.

CITY OF HENDERSONVILLE, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2019

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, 2019. Expenditures for federal and state financial assistance awarded directly from the federal or state agencies, as well as those passed through other entities, 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-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.



**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 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2019. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a material weakness.

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 responses as item 2019-002.

City's Responses to the Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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, LLP

Greene Finney, LLP
Mauldin, South Carolina
November 12, 2019

CITY OF HENDERSONVILLE, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2019

Financial Statement Findings

2019-001: CONSTRUCTION PAYABLE ACCRUAL

Condition: During the 2019 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 2019 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.

Response: The City agrees with this finding and will adhere to the corrective action plan on page 180 in this audit report.

2019-002: NONCOMPLIANCE WITH LAWS AND REGULATIONS – COLLATERALIZATION OF DEPOSITS

Condition: The City’s financial institution failed to provide collateral for the City’s bank deposits of approximately \$482,000 at June 30, 2019:

Criteria: State law requires that financial institutions provide collateral for bank deposits for state and local governments to protect local entities against loss in the event of insolvency, liquidation, or for any other cause.

Context, Cause and Effect: The City was relying on its financial institution to maintain sufficient collateral for its bank deposits. The financial institution failed to provide collateral. Thus, the City’s bank balance of approximately \$482,000 at June 30, 2019 was exposed to custodial credit risk.

Recommendation: We recommend that the City take the necessary steps to monitor and ensure their deposits are sufficiently collateralized.

Response: The City agrees with this finding and will adhere to the corrective action plan on page 180 in this audit report.

CITY OF HENDERSONVILLE, NORTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Finding: 2019-001

Contact Person: John Buchanan, Finance Director, jbuchanan@hvlnc.gov

Corrective Action: Going forward, the City will provide additional training on year-end procedures and stress the importance of following the controls and procedures in place. The City is also in the process of implementing a new accounting system that should provide improvements in invoice processing and reporting.

Proposed Completion

Date: December 31, 2019

Finding: 2019-002

Contact Person: John Buchanan, Finance Director, jbuchanan@hvlnc.gov

Corrective Action: In the future, the City will require written verification from a bank when a new account is set up.

Proposed Completion

Date: December 31, 2019
